

Luhai Holding Corp. and Subsidiaries

Consolidated Financial Statements for the Years Ended
December 31, 2024 and 2023 and Independent Auditors' Report

Independent Auditors' Report

To the Board of Directors and Shareholders of
LUHAI HOLDING CORPORATION

Opinion

We have audited the consolidated financial statements of Luhai Holding Corp. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2024 and 2023, and the notes to the consolidated financial statements, including a summary of significant 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, 2024 and 2023, 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 the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (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 auditing standards in 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 Code of Professional Ethics for Certified Public Accountant of the Republic of China (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 for the year ended December 31, 2024. 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.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2024 are stated as follows:

1. Credit risk for notes receivable and accounts receivable

As of December 31, 2024, notes and accounts receivable of the Group accounted for 16% of the total assets. Since expected credit loss of notes and accounts receivable is estimated based on receivables that are past due and the relating loss ratio plus forward-looking adjustments, which are subject to the management's judgement. Therefore, the credit risk for notes and accounts receivable has been identified as a key audit matter.

Our key audit procedures included assessing the policies and execution relating to expected credit loss of notes and accounts receivable; asking the management whether there are any debtors with financial difficulties; obtaining aging analysis schedules of notes and accounts receivable and selecting samples for confirmation and assessing the accuracy of the aging interval of each receivable; checking whether provision of loss allowance is based on the provision matrix, and confirming the notes and accounts receivable by issuing notifications, as well as subsequent collections to verify the reasonableness of expected credit loss recognized, and assessing whether the disclosures regarding impairment of notes and accounts receivable are appropriate.

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 IFRS, IAS, IFRIC, and 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 members of 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 auditing standards in 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 the consolidated financial statements.

As part of an audit in accordance with the auditing standards in the Republic of China, we exercise professional judgment and maintain 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 auditors' 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 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 for the year ended December 31, 2024 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 Chao Pin, Shao and Chien Chen, Huang.

Crowe (TW) CPAs

Taichung, Taiwan (Republic of China)

March 11, 2025

Notice to Readers

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

For the convenience of readers, the independent auditor's report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditor's report and consolidated financial statements shall prevail.

LUHAI HOLDING CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2024 AND 2023

(In Thousands of New Taiwan Dollars)

	NOTES	December 31,2024		December 31,2023	
		Amount	%	Amount	%
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	6(1)	\$ 1,018,133	21	\$ 967,378	21
Financial assets at fair value through other comprehensive income - current	6(2)	15,450	-	14,607	-
Notes receivable, net	6(3)	33,916	1	40,505	1
Accounts receivable, net	6(4)	716,937	15	651,301	14
Other receivables		9,485	-	46,263	1
Current tax assets		2,874	-	14,142	-
Inventories, net	6(5)	652,162	13	528,390	11
Prepayments	6(6)	24,513	-	10,367	-
Other current assets		1,318	-	1,403	-
Total current assets		2,474,788	50	2,274,356	48
NONCURRENT ASSETS					
Financial assets at fair value through other comprehensive income - noncurrent	6(2)	620	-	764	-
Property, plant and equipment	6(7)	2,053,784	42	2,057,421	44
Right-of-use assets	6(8)	152,854	3	158,621	4
Investment property, net	6(9)	180,852	4	154,223	3
Intangible assets	6(10)	13,557	-	10,953	-
Deferred income tax assets	6(26)	23,575	-	22,052	-
Other noncurrent assets	6(11)	36,875	1	52,526	1
Total noncurrent assets		2,462,117	50	2,456,560	52
TOTAL ASSETS		\$ 4,936,905	100	\$ 4,730,916	100
LIABILITIES AND EQUITIES					
CURRENT LIABILITIES					
Short-term loans	6(12)	\$ 214,053	4	\$ 21,000	1
Contract liabilities - current	6(20)	1,732	-	2,831	-
Accounts payable		304,739	6	250,627	5
Other payables	6(13)	217,095	5	190,001	4
Current tax liabilities		29,218	1	169,633	4
Long-term loan due within a year	6(14)	50,720	1	288,177	6
Other current liabilities		4,192	-	3,375	-
Total current liabilities		821,749	17	925,644	20
NONCURRENT LIABILITIES					
Long-term loans	6(14)	819,828	17	749,547	16
Deferred income tax liabilities	6(26)	19,888	-	21,895	-
Guarantee deposits received		6,721	-	6,465	-
Total noncurrent liabilities		846,437	17	777,907	16
Total liabilities		1,668,186	34	1,703,551	36
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT					
Capital stocks	6(16)	1,043,732	21	994,030	21
Capital surplus	6(17,18)	393,999	8	443,701	9
Retained earnings	6(18)				
Legal reserve		324,368	6	306,865	7
Special reserve		385,883	8	380,863	8
Unappropriated retained earnings		1,379,379	28	1,287,789	27
Other equities	6(19)	(258,642)	(5)	(385,883)	(8)
Equity attributable to owners of parent		3,268,719	66	3,027,365	64
Total equity		3,268,719	66	3,027,365	64
TOTAL LIABILITIES AND EQUITIES		\$ 4,936,905	100	\$ 4,730,916	100

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

(Concluded)

LUHAI HOLDING CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	NOTES	2024		2023	
		Amount	%	Amount	%
NET REVENUE	6(20)	\$ 3,126,341	100	\$ 2,592,438	100
COST OF REVENUE	6(5,21)	(2,433,642)	(78)	(2,059,829)	(79)
GROSS PROFIT		692,699	22	532,609	21
OPERATING EXPENSES	6(21),7				
Marketing expenses		(96,626)	(3)	(83,750)	(3)
General and administrative expenses		(219,752)	(7)	(220,645)	(9)
Research and development expenses		(54,213)	(2)	(38,914)	(2)
Expected credit reversal		656	-	188	-
Total operating expenses		(369,935)	(12)	(343,121)	(14)
OPERATING INCOME		322,764	10	189,488	7
NONOPERATING INCOME AND EXPENSES					
Interest income	6(22)	15,994	1	15,933	1
Other income	6(23)	73,795	2	43,488	2
Other gains and losses	6(24)	(25,671)	(1)	119,269	5
Financial costs	6(25)	(40,624)	(1)	(42,428)	(2)
Total nonoperating income and expenses		23,494	1	136,262	6
INCOME BEFORE INCOME TAX		346,258	11	325,750	13
INCOME TAX EXPENSE	6(26)	(132,742)	(4)	(150,722)	(6)
NET INCOME		213,516	7	175,028	7
OTHER COMPREHENSIVE INCOME (LOSS)	6(27)				
Items that will not be reclassified subsequently to profit or loss:					
Unrealized profit (loss) from equity instrument at fair value through other comprehensive income		(174)	-	4	-
Income tax benefit (expense) related to items that will not be reclassified subsequently	6(26)	-	-	-	-
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		127,425	4	(56,212)	(2)
Unrealized profit (loss) from in debt instruments at fair value through other comprehensive income		(13)	-	583	-
Income tax benefit (expense) related to items that may be reclassified subsequently	6(26)	3	-	117	-
Other comprehensive income (loss) for the year, net of income tax		127,241	4	(55,742)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		\$ 340,757	11	\$ 119,286	5
NET INCOME ATTRIBUTTABLE TO:					
Shareholders of the parnet		\$ 213,516	7	\$ 175,028	7
TOTAL COMPREHENSIVE INCOME ATTRIBUTTABLE TO:					
Shareholders of the parnet		\$ 340,757	11	\$ 119,286	5
EARNINGS PER SHARE(NT\$):	6(28)				
Basic earnings per share		\$ 2.05		\$ 1.68	
Diluted earnings per share		\$ 2.04		\$ 1.68	

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

(Concluded)

LUHAI HOLDING CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR YEARS ENDED DECEMBER 31, 2024 AND 2023

(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent							
	Retained Earnings					Other Equities		
Item	Capital Stocks	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences Arising on Translation of Foreign Operations	Unrealized Profit (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total
BALANCE, JANUARY 1, 2023	\$ 994,030	\$ 443,701	\$ 284,179	\$ 380,863	\$ 1,264,671	\$ (327,489)	\$ (2,652)	\$ 3,037,303
Appropriations of earnings								
Legal reserve	-	-	22,686	-	(22,686)	-	-	-
Cash dividends to shareholders - NT\$1.30 per share	-	-	-	-	(129,224)	-	-	(129,224)
Net income in 2023	-	-	-	-	175,028	-	-	175,028
Other comprehensive income (loss) in 2023, net of tax	-	-	-	-	-	(56,212)	470	(55,742)
BALANCE, DECEMBER 31, 2023	994,030	443,701	306,865	380,863	1,287,789	(383,701)	(2,182)	3,027,365
Appropriations of earnings								
Legal reserve	-	-	17,503	-	(17,503)	-	-	-
Special reserve	-	-	-	5,020	(5,020)	-	-	-
Cash dividends to shareholders - NT\$1.00 per share	-	-	-	-	(99,403)	-	-	(99,403)
Stock dividends from capital surplus	49,702	(49,702)	-	-	-	-	-	-
Net income in 2024	-	-	-	-	213,516	-	-	213,516
Other comprehensive income (loss) in 2024, net of tax	-	-	-	-	-	127,425	(184)	127,241
BALANCE, DECEMBER 31, 2024	\$ 1,043,732	\$ 393,999	\$ 324,368	\$ 385,883	\$ 1,379,379	\$ (256,276)	\$ (2,366)	\$ 3,268,719

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

(Concluded)

LUHAI HOLDING CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 346,258	\$ 325,750
Adjustments for:		
Adjustments to reconcile profit (loss)		
Depreciation	227,803	206,293
Amortization	2,552	2,074
Expected credit reversal	(656)	(188)
Financial costs	40,624	42,428
Interest income	(15,994)	(15,933)
Dividend income	(128)	(125)
Losses (Gains) on disposal of property, plant and equipment	934	(1,314)
Impairment losses on property, plant and equipment	1,894	-
Net profit on relocaion compensation	-	(143,046)
Net changes in operating assets and liabilities		
Notes receivable	8,113	(20,972)
Accounts receivable	(42,447)	4,445
Other receivables	29,288	(9,102)
Inventories	(105,442)	(7,673)
Prepayments	(13,742)	6,859
Other current assets	103	(320)
Contract liabilities	(1,168)	(2,541)
Accounts payable	44,287	14,005
Other payables	10,600	8,454
Other current liabilities	(205)	1,291
Cash generated from operations	532,674	410,385
Interest received	24,969	11,700
Dividend received	128	125
Interest paid	(40,791)	(42,427)
Income taxes paid	(271,803)	(118,263)
Net cash provided by operating activities	245,177	261,520

(Continued)

	2024	2023
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	\$ (80,895)	\$ (113,229)
Proceeds from disposal of Property, plant and equipment	6,828	5,410
Acquisition of intangible assets	(1,160)	(3,610)
Increase in prepaid equipment	(63,169)	(115,818)
Increase in prepaid of intangible assets	-	(4,829)
Refundable deposits (paid) refunded	(81)	5,496
Decrease in other noncurrent assets	1,830	147
Payments of relocation expenses	-	(1,003)
Net cash used in investing activities	<u>(136,647)</u>	<u>(227,436)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	192,168	-
Increase in guarantee deposits received	894	1,717
Proceeds from long-term debt	568,117	733,833
Repayment of long-term debt	(756,884)	(721,416)
Cash dividends paid	(99,403)	(129,224)
Repayments of the principal portion of lease liabilities	-	(2,285)
Net cash used in financing activities	<u>(95,108)</u>	<u>(117,375)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>37,333</u>	<u>(13,406)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	50,755	(96,697)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	967,378	1,064,075
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,018,133</u>	<u>\$ 967,378</u>

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

LUHAI HOLDING CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

(Expressed in Thousands of New Taiwan Dollars, Except Stated Otherwise)

1. GENERAL INFORMATION

Luhai Holding Corp. (the “Company”) was incorporated in the Cayman Islands on October 19, 2009. The main purpose of establishment, which resulted from organizational restructuring, was to apply for emerging stock registration on the Taiwan Stock Exchange (“TWSE”). The Company had established a Taiwan branch in consideration of the Group’s business operation and development. The Company and its subsidiaries (collectively referred herein as the “Group”) mainly engage in the production and sale of tire valves and accessories. The Company’s shares have been listed on the TWSE since December 25, 2013. The principal operating activities of the subsidiaries are described in Note 4(3) B.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on March 11, 2025.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS

(1) Effect of the adoption of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC) :

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

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024 (Note)
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024 (Note)
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note)

Note : The amendments will be applied for annual reporting period beginning on or after January 1, 2024.

A. Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

The amendment clarifies that in a sale and leaseback transaction, if the transfer of an asset

qualifies as a sale under IFRS 15, the lease liability incurred by the seller-lessee as a result of the leaseback should be accounted for in accordance with IFRS 16. Furthermore, if variable lease payments that are not based on an index or a rate are involved, the seller-lessee should still determine and recognize the lease liability arising from such variable payments in a manner that precludes the recognition of gains and losses related to the retained right-of-use asset. Any difference between the actual lease payments made subsequently and the reduction in the carrying amount of the lease liability should be recognized in profit or loss.

B. Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that when an entity determines whether a liability is classified as non-current, it should assess whether it has the right to defer the settlement for at least twelve months after the reporting period. If the entity has that right at the end of the reporting period, that liability must be classified as non-current regardless of whether the entity expects to exercise the right. If the entity must meet certain conditions to have the right to defer the settlement of a liability, the entity must have met those conditions as of the end of the reporting period to classify the liability as non-current, even if the lender assesses the entity’s compliance at a later date.

The aforementioned settlement refers to the transfer of cash, other economic resources, or the entity’s equity instruments to the counterparty to extinguish the liability. However, if the terms of the liability provide the counterparty with an option to settle the liability using the entity’s equity instruments, and this option is separately recognized in equity in accordance with IAS 32 “Financial Instruments: Presentation”, then such terms do not affect the classification of the liability.

C. Amendments to IAS 1 “Non-current Liabilities with Covenants”

This amendment further clarifies that only contractual terms that must be complied with before the end of the reporting period will affect the classification of a liability as of that date. Contractual terms that must be complied with within 12 months after the reporting period do not affect the classification of liabilities at the reporting date. However, if a liability is classified as non-current but may need to be repaid within 12 months after the reporting period due to potential non-compliance, the relevant facts and circumstances should be disclosed in the notes.

D. Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements ”

Supplier financing arrangements involve one or more financing providers making payments to suppliers on behalf of an entity, with the entity agreeing to repay the financing providers on the payment date agreed upon with the suppliers or at a later date. The amendments to IAS 7 require an entity to disclose information about its supplier financing arrangements to enable users of financial statements to assess the impact of these arrangements on the entity's liabilities, cash flows, and exposure to liquidity risk. The amendments to IFRS 7 incorporate into its application guidance that, when disclosing how an entity manages the liquidity

risk of its financial liabilities, it may also consider whether it has obtained or can obtain financing facilities through supplier financing arrangements and whether these arrangements may lead to a concentration of liquidity risk.

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

(2) The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by FSC with effective date starting 2025

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

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 21, "Lack of Exchangeability"	January 1, 2025

A. Amendments to IAS 21, "Lack of Exchangeability"

The amendments define exchangeability and provide application guidance on how an entity should determine the spot exchange rate at the measurement date when a currency lacks exchangeability. Additionally, the amendments require entities to disclose more useful information in their financial statements when a currency cannot be exchanged for another currency.

As of the issuance date of these consolidated financial statements, the Group is still evaluating the impact of the above standards and interpretations on its financial position and financial performance. The related impact will be disclosed upon completion of the assessment.

(3) IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC:

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

New IFRSs	Effective Date Announced by IASB (Note A)
Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments"	January 1, 2026
Amendments to IFRS 9 and IFRS 7 "Contracts Referencing Nature-dependent Electricity"	January 1, 2026
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9—Comparative Information"	January 1, 2023

New IFRSs	Effective Date Announced by IASB (Note A)
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027
IFRS 19 “Subsidiaries without Public Accountability: Disclosures”	January 1, 2027
Annual Improvements to IFRS Accounting Standards—Volume 11	January 1, 2026

Except as noted below, based on the Group’s assessment, the above standards and interpretations do not have a significant impact on the Group’s financial position and financial performance.

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

The IASB issued the amendments to:

- (a) Clarifies the recognition and derecognition dates of certain financial assets and liabilities and introduces a new exception for the derecognition of a financial liability (or part of a financial liability) settled through an electronic payment system. Under this exception, an entity is permitted to derecognize a financial liability before the settlement date if, and only if, the entity has initiated a payment instruction and the following conditions are met:
 - i. The entity does not have the practical ability to revoke, stop, or cancel the payment instruction;
 - ii. The entity no longer has the practical ability to access the cash used for settlement as a result of the payment instruction; and
 - iii. The settlement risk associated with the electronic payment system is not significant.
- (b) Clarifies and provides additional guidance on assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion. The scope includes contractual terms that may alter cash flows based on contingent events (e.g., interest rates linked to ESG targets), instruments with nonrecourse features, and contractually linked instruments.
- (c) Introduce new disclosure requirements for certain instruments with contractual terms that may alter cash flows (e.g., instruments with features linked to the achievement of environmental, social, and governance (ESG) targets). These disclosures include a qualitative description of the nature of the contingent event, quantitative information on the potential changes in contractual cash flows resulting from these contractual terms, and the gross carrying amount of financial assets and the amortized cost of financial liabilities subject to these contractual terms.
- (d) Update the disclosure requirements for equity instruments designated at fair value through other comprehensive income (FVTOCI). The entity shall disclose the fair

value of each class of investment but is no longer required to disclose the fair value of each individual investment. Additionally, the amendments require the entity to disclose the fair value gains or losses recognized in other comprehensive income during the reporting period, separately presenting the fair value gains or losses related to investments derecognized during the reporting period; the fair value gains or losses related to investments held at the end of the reporting period; and any transfers of cumulative gains or losses within equity during the reporting period related to investments derecognized during that period.

B. Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

The amendments apply to contracts that expose an entity to variability in electricity generation due to uncontrollable natural conditions (such as the weather). These amendments include:

(a) Clarifying the application of the ‘own use’ requirements for contracts to buy or sell nature-dependent electricity:

When a contract requires an entity to purchase and take delivery of electricity as it is generated, and the design and operation of the electricity market in which the contract is transacted require the entity to sell any unused electricity within a specified time frame, the entity shall consider reasonable and supportable information regarding its past, current, and expected future electricity transactions within a reasonable period not exceeding 12 months.

An entity applying these amendments to own-use contracts involving nature-dependent electricity shall disclose the following:

- i. The variability in the underlying amount of electricity and the risk that the entity may be required to purchase electricity during a delivery interval in which it cannot use the electricity;
- ii. Unrecognized contractual commitments, including the expected future cash flows from purchasing electricity under these contracts; and
- iii. The impact of these contracts on the entity’s financial performance for the reporting period.

(b) Clarifying the application of hedge accounting for contracts involving nature-dependent electricity as hedging instruments:

An entity is permitted to designate as the hedged item a variable nominal amount of forecast electricity transactions that aligns with the variable amount of nature-dependent electricity expected to be delivered by the generation facility referenced in the hedging instrument. Additionally, when a contract involving nature-dependent electricity is designated as a hedging instrument in a cash flow hedge relationship, and its cash flows are conditional on the occurrence of a forecast transaction, that forecast transaction is presumed to be highly probable.

For entities that designate contracts involving nature-dependent electricity as hedging instruments, the terms and conditions of such hedging instruments shall be disclosed

by risk category in accordance with IFRS 7.

C. Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments address an existing inconsistency between IFRS 10 and IAS 28. The recognition of a gain or loss arising from the sale or contribution of assets between an investor and its associate or joint venture depends on the nature of the assets transferred:

- (a) If the assets sold or contributed constitute a business, the full gain or loss is recognized;
- (b) If the assets sold or contributed do not constitute a business, the gain or loss is recognized only to the extent of the investor’s interest that is not attributable to related parties in the associate or joint venture.

D. IFRS 18 “Presentation and Disclosure in Financial Statements”

IFRS 18, Presentation and Disclosure in Financial Statements, replaces IAS 1. The standard introduces a structured format for the statement of profit or loss, disclosure requirements for management-defined performance measures, and enhanced principles on aggregation and disaggregation applicable to the primary financial statements and notes.

E. IFRS 19 “Subsidiaries without Public Accountability: Disclosures”

The standard allows eligible subsidiaries to apply IFRSs with reduced disclosure requirements.

As of the issuance date of these consolidated financial statements, the Group is still evaluating the impact of the above standards and interpretations on its financial position and financial performance. The related impact will be disclosed upon completion of the assessment.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

(1) Statement of Compliance

The accompanying consolidated financial statements have been prepared in conformity with the Regulation Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC with the effective dates.

(2) Basis of Preparation

- A.** The accompanying consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.
- B.** The preparation of consolidated financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving

a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main businesses and activities	Percentage of ownership	
			December 31, 2024	December 31, 2023
The Company	LU HAI (BVI) INDUSTRIAL CORP. (LU HAI BVI)	Investing activities	100.00%	100.00%

Name of investor	Name of subsidiary	Main businesses and activities	Percentage of ownership	
			December 31, 2024	December 31, 2023
The Company	YUANHUI INTERNATIONAL CO., LTD. (YUANHUI)	Investing activities	100.00%	100.00%
The Company	ALLPRO INTERNATIONAL CORP. (ALLPRO)	Investing activities	100.00%	100.00%
The Company	LU HAI INDUSTRIAL CORP. (LU HAI IND.)	Leasing activities	100.00%	100.00%
The Company	PT.LUHAI INDUSTRIAL (PT.LUHAI)	Manufacturing and selling various kinds of valves and accessories	85.00%	85.00%
YUANHUI	LUHAI INTELLIGENT TECHNOLOGY (KUNSHAN) CO., LTD. (LUHAI KUNSHAN)	Manufacturing and selling precision processed products	100.00%	100.00%
LU HAI BVI	XIAMEN XIAHUI RUBBER METAL IND. CO., LTD. (XIAHUI)	Manufacturing and selling various kinds of valves and accessories	57.14%	57.14%
ALLPRO	XIAHUI	Manufacturing and selling various kinds of valves and accessories	42.86%	42.86%
LU HAI IND.	PT.LUHAI	Manufacturing and selling various kinds of valves and accessories	15.00%	15.00%

The financial statements of the subsidiaries included in the consolidated financial statements for the years ended December 31, 2024 and 2023 are audited by certified public accountants.

C. The subsidiaries that were not included in the consolidated financial statements: None.

(4) Foreign Currencies

- A. Items included in the financial statements of each of the Group's entities were expressed in the currency which reflected its primary economic environment (functional currency). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.
- B. In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences are recognized in profit or loss for the period. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are retranslated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss as part of the fair value gain or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income is retranslated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are measured using the historical exchange rates at the dates of the initial transactions.

- C. For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into NTD using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

(5) Classification of Current and Noncurrent Items

A. Assets that meet one of the following criteria are classified as current assets:

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

The Group classifies all assets that do not meet the above criteria as non-current.

B. Liabilities that meet one of the following criteria are classified as current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- (d) Liabilities for which there is no substantive right at the balance sheet date to defer settlement for at least twelve months after the balance sheet date. The classification of a liability is not affected if its terms allow the counterparty to settle it by issuing equity instruments at their discretion.

The Group classifies all liabilities that do not meet the above conditions as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

A. Financial assets

A regular way purchase or sale of financial assets shall be recognized and derecognized using trade date accounting.

(a) Measurement category

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, financial assets at amortized cost, debt investments measured at fair value through other comprehensive income and equity instruments at fair value through other comprehensive income.

i. Financial assets at fair value through profit or loss

Financial assets at FVTPL includes financial assets mandatorily classified as at FVTPL and financial assets designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments that are not designated as at fair value through other comprehensive income (FVOCI) and debt instruments that do not meet the amortized cost criteria or the FVOCI criteria.

The Group, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 12.

ii. Financial assets at amortized cost

Financial assets that meet the following 2 conditions are subsequently measured at amortized cost:

- (i.) The financial asset is held within a business model whose objective is collecting contractual cash flows; and
- (ii.) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost which equals gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

iii. Debt investments measured at fair value through other comprehensive income

Debt instruments that meet both of the following conditions are measured at FVTOCI:

- (i.) The debt instrument is held within a business model whose objective is achieved by both collecting of contractual cash flows and selling of such

financial assets; and

- (ii.) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt investments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt investments relating to interest income calculated using the effective interest method, changes in foreign currency exchange rates, and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt investments are recognized in other comprehensive income and will be reclassified to profit or loss when such investment is disposed of.

- iv. Investments in equity instruments at fair value through other comprehensive income

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments, which are not held for trading or not contingent consideration recognized by an acquirer in a business combination, as at FVTOCI.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

(b) Impairment of financial assets

At the end of each reporting period, an impairment of expected credit loss is recognized for financial assets at amortized cost (including accounts receivable), investment of debt instruments at fair value through other comprehensive income, lease receivable and contract assets.

The Group always recognizes lifetime expected credit loss for trade receivables, contract receivables and lease receivables. For all other financial instruments, the Group recognizes lifetime expected credit loss when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk of the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit loss.

Expected credit losses reflect the weighted average credit losses with the respective risks of a default occurring as the weights. Lifetime expected credit loss represents the expected credit losses that will result from all possible default events over the

expected life of a financial instrument. In contrast, 12-month expected credit loss represents the portion of lifetime expected credit loss that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such financial asset.

(c) Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

- i. The contractual rights to receive cash flows from the financial asset expire.
- ii. The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- iii. The Group neither retains nor transfers substantially all risks and rewards of ownership of the financial asset.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in debt instrument at fair value through other comprehensive income, the difference between the asset's carrying amount and the sum of the consideration received and receivable as well as the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at fair value through other comprehensive income, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without reclassifying to profit or loss.

B. Financial liabilities and equity instruments

(a) Classification of financial liabilities and equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(b) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

(c) Financial liabilities

Except for the following circumstances, all financial liabilities are measured at amortized cost under the effective interest method:

- i. Financial liabilities at fair value through profit or loss are financial liabilities held

for trading or designated as financial liabilities at fair value through profit or loss on initial recognition. Financial liabilities are classified as held for trading if the principal purpose of acquisition is repurchasing in the short term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.

- ii. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

(d) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. On derecognition of financial liabilities, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

C. Modification of Financial Instruments

When the contractual cash flows of a financial instrument are renegotiated or modified and the renegotiation or modification does not result in the derecognition of that financial instrument, the Group recalculates the gross carrying amount of the financial asset or the amortized cost of the financial liabilities using the original effective interest rate and recognises a modification gain or loss in profit or loss. Any costs or fees incurred adjust the carrying amount of the modified financial instrument and are amortised over the remaining terms of the modified financial instrument. If the renegotiation or modification results in that the derecognition of that financial instrument is required, then the financial instrument is derecognized accordingly.

If the basis for determining the contractual cash flows of a financial asset or financial liability changes resulting from interest rate benchmark reform and the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis, the Group applies the practical expedient to account for that change as a change in effective interest rate. If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient aforementioned to the changes required by interest rate benchmark reform, and then applies the applicable requirements to any additional changes to which that practical expedient does not apply.

(8) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated

based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(9) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized. For property, plant and equipment under construction, sample produced from testing whether the asset is functioning properly before its intended use are measured at lower of the costs or net realizable value. Proceeds from selling such an item and the cost of the item are recognized in profit or loss.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance expenses are recognized in profit or loss as incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each end of reporting year. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in accounting estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	5~35 years
Machinery	5~21 years
Other equipment	3~20 years

- D. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(10) Leases

The Group assesses whether the contract is (or includes) a lease at the date of the contract.

The Group as lessee

Except for payments for low-value asset leases and short-term leases which are recognized as expenses on a straight-line basis, the Group recognized right-of-use assets and lease liabilities for all leases at the commencement date of lease.

Right-of-use assets are measured at cost. The cost of right-of-use assets comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the

commencement date, plus an estimate of costs needed to restore the underlying assets. Subsequent measurement is calculated as cost less accumulated depreciation and accumulated impairment loss and adjusted for changes in lease liabilities as a result of lease term modification or other related factors.

Right-of-use assets are presented as a separate line item in the consolidated balance sheets, except for those that meet the definition of investment property. With respect to the recognition and measurement of right-of-use assets that meet the definition of investment property, please refer to Note 4(11) for the accounting policies for investment property.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are measured at the present value of the lease payments. If the implied interest rate on the lease is easy to determine, the lease payment is discounted using that interest rate. If the interest rate is not easy to determine, the lessee's increase borrowing rate is used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. If the carrying amount has been reduced to zero, the remaining amount will recognize in the profit and loss. Lease liabilities are presented separately in consolidated balance sheets.

The Group elects to apply the practical expedient to rent concessions for the abovementioned lease contracts, and therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss presented in other income in the period in which the events or conditions that trigger the concession occurs, and makes a corresponding adjustment to the lease liability.

The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When a lease includes both land and buildings elements, the Group assesses the classification of each element as a finance lease or an operating lease separately allocating lease payments (including any lump-sum upfront payments) between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and buildings element of the lease at the inception date. If the lease payments cannot be allocated reliably between these two elements, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not by reference to the underlying asset. However, if the head lease is a short-term lease that the Group has accounted for applying the recognition exemption, the sublease is classified as an operating lease.

Under operating leases, lease payments, less any lease incentives payable, are recognized as lease income on a straight-line basis over the lease terms. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized those costs as an expense over the lease term on the same basis as the lease income. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification.

(11) Investment property

Investment property are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes) and include land held for a currently undetermined future use. Investment properties also included right-of-use assets that meet the definition of investment property.

Owned investment property are initially measured at cost, including transaction costs, and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Investment property is depreciated on a straight-line basis, the estimated useful lives are as follows: 20 to 30 years for buildings; 28 to 50 years for right-of-use assets. Investment properties acquired through leases are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made on or before the commencement date, plus initial direct costs incurred and an estimate of costs to restore the underlying asset to the condition required by the terms and conditions of the lease, less any lease incentives received. These investment properties are subsequently measured at cost less accumulated depreciation and accumulated impairment loss and adjusted for any remeasurement of the lease liabilities.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(12) Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over the following estimated lives: 3 to 10 years for computer software; trademarks and patents based on the economic benefit or contract period. The estimated useful life and amortization method are reviewed at each end of reporting year, with the effect of any changes in estimate being accounted for on a prospective basis.

An item of intangible assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of intangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit

or loss.

(13) Impairment of non-financial assets

The Group assesses at the end of reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss. When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years.

(14) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date. The discount rate shall be a pre-tax rate that reflect(s) current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as interest expense. Provisions are not recognised for future operating losses.

(15) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' compensation and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by board of directors meeting subsequently, the differences should be recognized based on the

accounting for changes in estimates.

D. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes expense when it can no longer withdraw an offer of termination benefits or it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

(16) Capital stock

Capital stock is classified as equity. Incremental costs directly attributable to the issuance of stock or options are deducted from the capital issued.

(17) Income tax

- A.** The tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity, respectively.
- B.** The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the financial reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense when the actual appropriation of earnings is resolved by the shareholders meeting held in the next year.
- C.** Deferred income tax is recognized, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, and it does not give rise to equal deductible and taxable temporary differences at the time of transaction. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences, deductible loss, and unused tax credit can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(18) Revenue recognition

The Group applies the following steps for revenue recognition:

- A. Identify the contract with the customer;
- B. Identify the performance obligations in the contract;
- C. Determine the transaction price;
- D. Allocate the transaction price to the performance obligations in the contract; and
- E. Recognize revenue when the entity satisfies a performance obligation.

The Group identifies performance obligations in a contract with the customer, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is within one year, the Group does not adjust the consideration for the effects of a significant financing component.

A. Sale of goods

The Group sells various tire valves and accessories products. Sales are recognized when control of the products has been transferred to the customers since the customers obtain the rights to list price, use the products and assure the obligation to resale them as well as to bear the risk of obsolescence. The Group recognizes revenue and accounts receivable on transferring the control of the products. Revenue is presented net of sales return, quantity discounts and sales allowance.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control of materials.

B. Service income

Service income is recognized when services are provided.

(19) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the

grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs is recognised in profit or loss of the period in which it becomes receivable.

Government grants related to property, plant and equipment are presented by deducting the grants from the asset's carrying amount and are amortised to profit or loss over the estimated useful lives of the related assets as reduced depreciation expenses.

(20) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

5. CRITICAL ACCOUNTING JUDGMENTS AND MAJOR SOURCES OF ESTIMATION AND ASSUMPTIONS UNCERTAINTY

The preparation of the Group's consolidated financial statements is adopting accounting policies based on the following significant judgements, significant accounting estimates and assumptions:

(1) Critical judgements in applying accounting policies

A. Business model assessment for financial assets

The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment about all relevant evidence including how the performance of the assets is evaluated, the risks that affect the performance, and how the managers are compensated. The Group continuously assesses whether the business model for the remaining financial assets held continues to be appropriate and monitors financial assets at amortized cost or at fair value through other comprehensive income. When assets are derecognized prior to their maturity, the Group analyzes the reasons for their disposal and assesses whether the reasons are consistent with the objective of the business model. If there has been a change in the business model, the Group adjusts the classifications of financial assets obtained afterwards.

B. Lease terms

In determining the lease term, the Group considers all the facts and circumstances that create an economic incentive to exercise (or not exercise) the option, including all expected change in facts and circumstances from the commencement date until the exercise date of the option. Factors considered include the contractual terms and conditions for the period covered by the option, the significant leasehold improvements made (or expected) during the contract period, and the importance of the underlying assets to the Group's operations, etc. The lease term is reassessed if a significant change in circumstance that are within the control of the Group occurs.

(2) Critical accounting estimates and assumptions

A. Estimated impairment of financial assets

The provision for impairment of trade receivables and investments in debt instruments is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment assessment based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash flows are less than expected, a material impairment loss may arise.

B. Impairment of Tangible and Intangible Assets

In the process of evaluating the potential impairment of tangible and intangible assets, the Group is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups with the consideration of the way assets are used and nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges in future years.

C. Realization of Deferred Income Tax Assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires the Group's subjective judgment and estimate, including the future revenue growth and profitability, tax holidays, the amount of tax credits can be utilized and feasible tax planning strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax assets.

D. Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date based on judgments and estimates. The Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. The net realizable value of inventory is mainly determined based on assumptions of future demand within a specific period, the assumptions might change in the future and may result in significant differences in its realizable value.

E. Lessee's incremental borrowing rates

In determining a lessee's incremental borrowing rate used in discounting lease payment, the risk-free interest rate of the same currency and period is used as the reference rate, and the estimated lessee's credit risk spread and lease specific adjustment (such as asset status and secured factors) are taken into account.

F. Deferred income

The compensation from relocation received according to the agreement and the expense spend related to the relocation is recognized as deferred income. Since identifying of the immovable items including land use right, buildings and some equipment, the related relocation expenses, and determining the time of the compensation recognized in profit or loss or deferred income from relocation involve estimates and judgement, any changes in economic environment and relevant laws and regulations may lead to significant adjustments in deferred income.

6. DESCRIPTION OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

Item	December 31	
	2024	2023
Cash on hand	\$ 395	\$ 304
Demand deposits	552,020	487,257
Time deposits	465,718	479,817
Total	<u>\$ 1,018,133</u>	<u>\$ 967,378</u>

A. The Group has no cash and cash equivalents pledged to others.

B. Please refer to Note 12 for relating credit risk management and assessment.

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

Item	December 31	
	2024	2023
<u>Current</u>		
Debt instruments		
Foreign corporate bonds	<u>\$ 15,450</u>	<u>\$ 14,607</u>
<u>Noncurrent</u>		
Equity instruments		
Foreign unlisted stocks	<u>\$ 620</u>	<u>\$ 764</u>

A. The foreign corporate bond of The Group held for collecting principal and interests and for selling of such financial assets are measure at fair value through other comprehensive income.

B. These investments in equity instruments are held for medium-to-long term strategic purposes and were thus classified as financial assets at fair value through other comprehensive income.

C. The Group has no financial assets at fair value through other comprehensive income pledged to others.

(3) Notes receivable, net

Item	December 31	
	2024	2023
<u>At amortized cost</u>		
Notes receivable	\$ 33,916	\$ 40,505
Less: loss allowance	-	-
Notes receivable, net	<u>\$ 33,916</u>	<u>\$ 40,505</u>

A. The Group has no notes receivable pledged to others.

B. As of December 31, 2024 and 2023, notes receivable being accepted by banks were \$11,128 thousand and \$21,152 thousand, respectively.

C. XIAHUI, one of the consolidated companies, endorsed the receivable commercial acceptance bills obtained from other enterprises to the supplier to pay for the goods. Considering the transferred notes with the right of recourse, the receivable bills had not been derecognized. As of December 31, 2024 and 2023, \$10,550 thousand and \$9,069 thousand had been transferred but not derecognition.

D. Please refer to Note 6(4) for the information on loss allowance for notes receivable.

(4) Accounts receivable, net

Item	December 31	
	2024	2023
<u>At amortized cost</u>		
Accounts receivable	\$ 720,277	\$ 655,250
Less: loss allowance	(3,340)	(3,949)
Accounts receivable, net	<u>\$ 716,937</u>	<u>\$ 651,301</u>

A. The Group has no accounts receivable pledged to others.

B. The average credit period of sales of goods ranges from 14 to 200 days, which is determined by reference to the credit granting policy based on the counterparties' industrial characteristics, operation scales and profitability. Where appropriate ask customers to pay in advance, as a means of mitigating the risk of financial loss from defaults.

C. The Group applies the simplified approach to providing expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical

credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base. The Group takes into account the future prospect of market and assess the loss allowance for notes and accounts receivable using loss ratio established based on historical and timely information plus forwarding-looking adjustments.

D. The loss allowance for the Group's notes and accounts receivables based on the provision matrix is as follows:

December 31, 2024

Aging interval	Rate of expected credit loss	Gross carrying amount	Loss allowance (lifetime expected credit loss)	Amortized cost
Not past due	0.18%	\$ 725,097	\$ (1,315)	\$ 723,782
Past due within 30 days	3.38%	23,104	(781)	22,323
Past due 31-60 days	6.21%	3,781	(235)	3,546
Past due 61-90 days	11.03%	1,022	(113)	909
Past due 91-180 days	24.07%	386	(93)	293
Past due over 181 days	100%	803	(803)	-
Total		<u>\$ 754,193</u>	<u>\$ (3,340)</u>	<u>\$ 750,853</u>

December 31, 2023

Aging interval	Rate of expected credit loss	Gross carrying amount	Loss allowance (lifetime expected credit loss)	Amortized cost
Not past due	0.18%	\$ 651,377	\$ (1,152)	\$ 650,225
Past due within 30 days	3.38%	37,247	(1,259)	35,988
Past due 31-60 days	6.21%	5,014	(311)	4,703
Past due 61-90 days	11.03%	900	(99)	801
Past due 91-180 days	24.07%	117	(28)	89
Past due over 181 days	100%	1,100	(1,100)	-
Total		<u>\$ 695,755</u>	<u>\$ (3,949)</u>	<u>\$ 691,806</u>

The Group has not held any collateral or other credit enhancement for these notes and accounts receivable.

E. Movements of loss allowance for notes and accounts receivable are as follows:

Item	Years ended December 31	
	2024	2023
Balance, January 1	\$ 3,949	\$ 4,152
Recognition of impairment losses	157	403
Reversal of impairment losses	(813)	(591)
Amounts written off	(77)	-
Effect of exchange rate changes	124	(15)
Balance, December 31	<u>\$ 3,340</u>	<u>\$ 3,949</u>

The Group has recognized an appropriate amount of loss allowance complying with the Group's policies as of December 31, 2024 and 2023.

F. Please refer to Note 12 for relating credit risk management and assessment.

(5) Inventories and cost of goods sold

Item	December 31	
	2024	2023
Merchandise	\$ 77,685	\$ 57,557
Finished goods	143,816	111,191
Work in process	195,636	154,371
Raw materials	140,242	99,613
Supplies	30,608	30,002
Inventory in transit	64,175	75,656
Total	<u>\$ 652,162</u>	<u>\$ 528,390</u>

A. The cost of inventories recognized as expense for the period:

Item	Years Ended December 31	
	2024	2023
Unallocated overhead	\$ 86,551	\$ 93,556
Loss on decline in market value of inventories	4,006	1,884
Gain on inventory taking	(1,434)	(387)
Loss on inventory disposed	-	73
Total	<u>\$ 89,123</u>	<u>\$ 95,126</u>

B. The Group has no inventory pledged to others.

(6) Prepayments

Item	December 31	
	2024	2023
Prepayment to suppliers	\$ 3,037	\$ 2,074
Offset against VAT payable	11,280	1,500
Others	10,196	6,793
Total	<u>\$ 24,513</u>	<u>\$ 10,367</u>

(7) Property, plant and equipment

Item	December 31	
	2024	2023
Land	\$ 7,567	\$ 7,567
Buildings	1,300,084	1,289,209
Machinery	1,617,984	1,488,534
Other equipment	265,161	233,769
Equipment to be inspected and construction in progress	<u>30,986</u>	<u>35,532</u>

Item	December 31	
	2024	2023
Total cost	\$ 3,221,782	\$ 3,054,611
Less: defferd government grants	(17,061)	(19,001)
Accumulated depreciation and impairment	(1,150,937)	(978,189)
Property, plant and equipment, net	<u>\$ 2,053,784</u>	<u>\$ 2,057,421</u>

	Land	Buildings	Machinery	Other equipment	Equipment to be inspected and construction in progress	Total
Cost						
Balance, January 1, 2024	\$ 7,567	\$ 1,289,209	\$ 1,488,534	\$ 233,769	\$ 35,532	\$ 3,054,611
Additions	-	1,753	38,822	10,261	40,355	91,191
Disposals	-	(94)	(47,125)	(2,487)	-	(49,706)
Reclassification	-	23,800	81,714	15,808	(46,240)	75,082
Transfer to investment properties	-	(62,169)	-	-	-	(62,169)
Effect of exchange rate difference	-	47,585	56,039	7,810	1,339	112,773
Balance, December 31, 2024	<u>\$ 7,567</u>	<u>\$ 1,300,084</u>	<u>\$ 1,617,984</u>	<u>\$ 265,161</u>	<u>\$ 30,986</u>	<u>\$ 3,221,782</u>
Defferd government grants						
Balance, January 1, 2024	\$ -	\$ -	\$ -	\$ (19,001)	\$ -	\$ (19,001)
Decrease depreciation expense	-	-	-	2,681	-	2,681
Effect of exchange rate Difference	-	-	-	(741)	-	(741)
Balance, December 31, 2024	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (17,061)</u>	<u>\$ -</u>	<u>\$ (17,061)</u>
Accumulated depreciation and impairment						
Balance, January 1, 2024	\$ -	\$ (204,152)	\$ (675,387)	\$ (98,650)	\$ -	\$ (978,189)
Depreciation expense	-	(54,461)	(134,184)	(29,453)	-	(218,098)
Impairment loss	-	-	(1,871)	(23)	-	(1,894)
Disposals	-	20	39,708	2,216	-	41,944
Reclassification	-	(441)	118	323	-	-
Transfer to investment properties	-	41,063	-	-	-	41,063
Effect of exchange rate difference	-	(6,256)	(26,066)	(3,441)	-	(35,763)
Balance, December 31, 2024	<u>\$ -</u>	<u>\$ (224,227)</u>	<u>\$ (797,682)</u>	<u>\$ (129,028)</u>	<u>\$ -</u>	<u>\$ (1,150,937)</u>

	Land	Buildings	Machinery	Other equipment	Equipment to be inspected and construction in progress	Total
Cost						
Balance, January 1, 2023	\$ 7,567	\$ 1,135,738	\$ 1,379,225	\$ 208,855	\$ 342,352	\$ 3,073,737
Additions	-	780	25,815	9,551	54,286	90,432
Disposals	-	-	(13,476)	(21,448)	-	(34,924)
Transfer to investment properties	-	-	-	-	(128,618)	(128,618)
Reclassification	-	175,776	125,897	40,572	(229,325)	112,920
Effect of exchange rate difference	-	(23,085)	(28,927)	(3,761)	(3,163)	(58,936)
Balance, December 31, 2023	<u>\$ 7,567</u>	<u>\$ 1,289,209</u>	<u>\$ 1,488,534</u>	<u>\$ 233,769</u>	<u>\$ 35,532</u>	<u>\$ 3,054,611</u>

	Land	Buildings	Machinery	Other equipment	Equipment to be inspected and construction in progress	Total
Defferd government grants						
Balance, January 1, 2023	\$ -	\$ -	\$ -	\$ (22,098)	\$ -	\$ (22,098)
Decrease depreciation expense	-	-	-	2,632	-	2,632
Effect of exchange rate difference	-	-	-	465	-	465
Balance, December 31, 2023	\$ -	\$ -	\$ -	\$ (19,001)	\$ -	\$ (19,001)
Accumulated depreciation and impairment						
Balance, January 1, 2023	\$ -	\$ (154,584)	\$ (578,963)	\$ (97,942)	\$ -	\$ (831,489)
Depreciation expense	-	(51,703)	(119,044)	(23,320)	-	(194,067)
Disposals	-	-	9,704	21,124	-	30,828
Effect of exchange rate difference	-	2,135	12,916	1,488	-	16,539
Balance, December 31, 2023	\$ -	\$ (204,152)	\$ (675,387)	\$ (98,650)	\$ -	\$ (978,189)

- A. LUHAI KUNSHAN signed plant build contract with Kunshan Zhentong Construction Engineering Co., LTD., the price of the contract and its supplementary agreements is RMB 66,980 thousand. LUHAI KUNSHAN need to pay according the terms in the contract. The construction began in August, 2021 and completed in the February of 2023. One of the building, which is intended for rental income, was reclassified as investment property, please refer to Note 6 (9).
- B. After XIAHUI relocated the Tieshan Factory production line to the new factory in December 2024, the Tieshan Factory was reclassified as investment property, Please refer to Note 6 (9).
- C. Please refer to Note 6(24) for the relocation of LUHAI KUNSHAN.
- D. The Group has no property, plant and equipment pledged to others.
- E. Please refer to Note 6(25) for the information on interest capitalization.

(8) Lease agreement

A. Right-of-use assets

Item	December 31	
	2024	2023
Land right-of-use assets	\$ 171,624	\$ 174,770
Total cost	171,624	174,770
Less: Accumulated depreciation and impairment	(18,770)	(16,149)
Right-of-use assets, net	\$ 152,854	\$ 158,621

Item	Years Ended December 31	
	2024	2023
Depreciation expense		
Land right-of-use assets	\$ 3,540	\$ 3,531

Item	Years Ended December 31	
	2024	2023
Depreciation expense		
Buildings	\$ -	\$ 3,247
Total	\$ 3,540	\$ 6,778

The Group has no right-of-use assets pledged to others.

B. Material lease-in activities and terms

Right-of-use assets include building leased by XIAHUI, LUHAI KUNSHAN and the land use rights in China and Indonesia owned by XIAHUI, LUHAI KUNSHAN and PT. LUHAI.

XIAHUI leased some buildings with the lease terms from 2018 to 2023 ; LUHAI KUNSHAN leased some buildings with the lease terms from 2020 to 2023. XIAHUI and LUHAI KUNSHAN is not allowed to sublease the buildings to others without the permission of the lessor.

LUHAI KUNSHAN and XIAHUI signed land use right contract with Jiangsu government and Xiamen government with the lease terms of 28 to 50 years. PT. LUHAI obtained the land use right of Serang, Indonesia. The aforementioned land is used to build plants, office buildings and employees' dormitories.

Please refer to Note 6(24) for the relocation of LUHAI KUNSHAN.

C. Other lease information

Item	Years Ended December 31	
	2024	2023
Short-term lease expense	\$ 249	\$ 241
Total cash outflow for leases	\$ 249	\$ 2,537

The Group applied the recognition exemption to short-term leases and low-value asset leases and did not recognized right-of-use assets and lease liabilities for these leases.

(9) Investment property, net

Item	December 31	
	2024	2023
Buildings	\$ 298,117	\$ 226,671
Land right-of-use assets	25,447	15,079
Total cost	323,564	241,750
Less: Accumulated depreciation and impairment	(142,712)	(87,527)
Investment property, net	\$ 180,852	\$ 154,223

	Buildings	Land right-of-use assets	Total
Cost			

	Buildings	Land right-of-use assets	Total
Balance, January 1, 2024	\$ 226,671	\$ 15,079	\$ 241,750
Transfers from property, plant, and equipment/right-of-use assets	62,169	9,725	71,894
Effect of exchange rate difference	9,277	643	9,920
Balance, December 31, 2024	<u>\$ 298,117</u>	<u>\$ 25,447</u>	<u>\$ 323,564</u>
Accumulated depreciation and impairment			
Balance, January 1, 2024	\$ (85,110)	\$ (2,417)	\$ (87,527)
Depreciation expense	(8,139)	(707)	(8,846)
Transfers from property, plant, and equipment/right-of-use assets	(41,063)	(1,568)	(42,631)
Effect of exchange rate difference	(3,602)	(106)	(3,708)
Balance, December 31, 2024	<u>\$ (137,914)</u>	<u>\$ (4,798)</u>	<u>\$ (142,712)</u>
Cost			
Balance, January 1, 2023	\$ 102,375	\$ 3,663	\$ 106,038
Transfers from property, plant, and equipment/right-of-use assets	128,618	11,679	140,297
Effect of exchange rate difference	(4,322)	(263)	(4,585)
Balance, December 31, 2023	<u>\$ 226,671</u>	<u>\$ 15,079</u>	<u>\$ 241,750</u>
Accumulated depreciation and impairment			
Balance, January 1, 2023	\$ (79,606)	\$ (1,023)	\$ (80,629)
Depreciation expense	(7,443)	(637)	(8,080)
Transfers from property, plant, and equipment/right-of-use assets	-	(802)	(802)
Effect of exchange rate difference	1,939	45	1,984
Balance, December 31, 2023	<u>\$ (85,110)</u>	<u>\$ (2,417)</u>	<u>\$ (87,527)</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

Item	Years Ended December 31	
	2024	2023
Rental income from investment property	<u>\$ 27,061</u>	<u>\$ 20,318</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 13,664</u>	<u>\$ 7,565</u>

Item	Years Ended December 31	
	2024	2023
Direct operating expenses arising from the investment property that did not generate rental income during the period	\$ 373	\$ 5,500

B. The maturity analysis of lease payments receivable under operating leases of investment property is as follows:

Item	December 31	
	2024	2023
Within 1 year	\$ 28,416	\$ 30,496
1-5 years	44,634	70,887
Over 5 years	-	6,764
Total	\$ 73,050	\$ 108,417

C. Investment property held by the Group, not measured at fair value, disclosed its fair value information. The fair value measurements of the investment property are categorized within Level 3. The fair value of investment properties as of December 31, 2024 and 2023 is \$355,785 thousand and \$245,159 thousand. The aforesaid fair value was appraised by an independent external appraiser using cost method or cost method and income method.

D. The Group has no investment property pledged to others.

(10) Intangible assets

Item	December 31	
	2024	2023
Computer Software	\$ 28,360	\$ 26,971
Trademarks	-	107
Total cost	28,360	27,078
Less: Accumulated amortization	(14,803)	(16,125)
Intangible assets, net	\$ 13,557	\$ 10,953

Year Ended December 31, 2024				
	Computer Software	Trademarks	Patents	Total
Cost				
Balance, January 1, 2024	\$ 26,971	\$ 107	\$ -	\$ 27,078
Additions	1,160	-	-	1,160
Disposals	(4,204)	(111)	-	(4,315)
Reclassification	3,580	-	-	3,580
Effect of exchange rate difference	853	4	-	857
Balance, December 31, 2024	\$ 28,360	\$ -	\$ -	\$ 28,360
Accumulated amortization				

Year Ended December 31, 2024				
	Computer Software	Trademarks	Patents	Total
Balance, January 1, 2024	\$ (16,018)	\$ (107)	\$ -	\$ (16,125)
Amortization expense	(2,552)	-	-	(2,552)
Disposals	4,204	111	-	4,315
Effect of exchange rate difference	(437)	(4)	-	(441)
Balance, December 31, 2024	<u>\$ (14,803)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,803)</u>

Year Ended December 31, 2023				
	Computer Software	Trademarks	Patents	Total
<u>Cost</u>				
Balance, January 1, 2023	\$ 24,032	\$ 109	\$ 38	\$ 24,179
Additions	3,610	-	-	3,610
Disposals	(187)	-	(38)	(225)
Effect of exchange rate difference	(484)	(2)	-	(486)
Balance, December 31, 2023	<u>\$ 26,971</u>	<u>\$ 107</u>	<u>\$ -</u>	<u>\$ 27,078</u>
<u>Accumulated amortization</u>				
Balance, January 1, 2023	\$ (14,383)	\$ (108)	\$ (38)	\$ (14,529)
Amortization expense	(2,073)	(1)	-	(2,074)
Disposals	187	-	38	225
Effect of exchange rate difference	251	2	-	253
Balance, December 31, 2023	<u>\$ (16,018)</u>	<u>\$ (107)</u>	<u>\$ -</u>	<u>\$ (16,125)</u>

The Group has no intangible assets pledged to others.

(11) Other noncurrent assets

Item	December 31	
	2024	2023
Prepaid of equipment	\$ 18,725	\$ 29,872
Refundable deposits	7,703	7,336
Prepaid of intangible assets	4,597	7,886
Other noncurrent assets	5,850	7,432
Total	<u>\$ 36,875</u>	<u>\$ 52,526</u>

(12) Short-term loans

The nature of borrowings	December 31	
	2024	2023
Credit borrowings	\$ 214,053	\$ 21,000
Interest rates	2.08%~2.55%	1.89%

The Group does not provide any asset as a collateral for short-term borrowings.

(13) Other payables

Item	December 31	
	2024	2023
Salaries and bonus payable	\$ 74,571	\$ 65,215
Consumption expense payable	31,253	27,671
Construction and equipment payable	34,283	23,987
Insurance payable	11,583	11,185
Sales tax payable	11,747	11,167
Outsourced expense payable	21,913	21,129
Compensation payable of employees, directors	6,851	5,800
Others	24,894	23,847
Total	<u>\$ 217,095</u>	<u>\$ 190,001</u>

(14) Long-term loans and long-term loans due within a year

The nature of borrowings	December 31	
	2024	2023
Credit borrowings	\$ 870,548	\$ 1,037,724
Less: Current portion	(50,720)	(288,177)
Total	<u>\$ 819,828</u>	<u>\$ 749,547</u>
Interest rates	<u>2.00%~5.50%</u>	<u>1.87%~6.75%</u>
Maturity date	<u>2025 to 2029</u>	<u>2024 to 2028</u>

A. The Group does not provide any asset as a collateral for long-term borrowings.

B. According to loan agreements with banks, the Company and XIAHUI should maintain certain agreed financial ratios. The Company and XIAHUI have not breached the agreements as of December 31, 2024 and 2023.

(15) Retirement benefit plans

Defined contribution plans

(a)The Company and LU HAI IND. adopted a pension plan under the Labor Pension Act, which is a state-managed defined contribution plan. The Group make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

(b)The foreign subsidiaries also make contribution in accordance with the rate specified in the plans in the local regulations, which is a defined contribution plan.

(c)A total expense of \$35,715 thousand and \$29,191 thousand were recognized in accordance with rate specified in defined contribution plans in consolidated comprehensive income statement as of December 31, 2024 and 2023.

(16) Capital stocks

A. The Company's movement of outstanding shares and capital were as follows:

Item	Years ended December 31			
	2024		2023	
	Shares (in thousands)	Amount	Shares (in thousands)	Amount
Balance at January 1	99,403	\$ 994,030	99,403	\$ 994,030
Stock dividend from capital surplus	4,970	49,702	-	-
Balance at December 31	104,373	\$ 1,043,732	99,403	\$ 994,030

The par value of capital stock is \$10 per share; every share has one voting right and the right to receive dividends.

B. Pursuant to a shareholders' resolution on June 19, 2024, the Company increase its common capital with capital surplus by \$49,702 thousand, at a par value of \$10, the total capital stock was \$1,043,732 thousand after capital increment. The capital increment by capital surplus had obtained approval in the BOD's meeting and the effective date of the capital increment was July 22, 2024.

C. The Company's authorized capital was \$1,800,000 thousand, consisting of 180,000 thousand shares as of December 31, 2024.

(17) Capital surplus

Item	December 31	
	2024	2023
From merger	\$ 44,012	\$ 44,012
Additional paid-in capital	299,972	349,674
From convertible bonds	1,033	1,033
From difference between acquisition of interests in subsidiaries and its carrying value of equity	28,451	28,451
Share-based payments	2,028	2,028
Others	18,503	18,503
Total	\$ 393,999	\$ 443,701

Under the Company Act, the capital surplus generated from the excess of the issuance price over the par value of capital stock (including mergers, convertible bonds and difference between acquisition of interests in subsidiaries and its carrying value of equity) and from donations can be used to offset deficit or may be distributed as stock dividends or cash dividends. Under the regulations of the Security Exchange Law, the maximum amount transferred from the foregoing capital surplus to the Company's capital per year shall not be over 10% of the Company's capital surplus. Capital surplus can't be used to offset deficit unless legal reserve is insufficient. The capital surplus from long-term investments may not be used for any purpose.

(18) Retained earnings and earnings appropriation

- A. Under the regulation of the earning distribution policy in amended article of incorporation, The Company may distribute profits in accordance with a proposal for distribution of profits prepared by the Directors and approved by the Members by Ordinary Resolution. The Directors shall prepare such proposal as follows: the proposal shall begin with the Company's Annual Net Income and offset its losses in previous years that have not been previously offset; then set aside a Legal Capital Reserve at 10% of the profits left over, until the accumulated Legal Capital Reserve has equaled the total paid-up capital of the Company; then set aside a Special Capital Reserve if one is required in accordance with the Applicable Public Company Rules or as requested by the authorities in charge. If there is net remainder, the Directors may prepare the proposal for distribution of Dividends, bonus or other benefits accounted together with undistributed profits accrued in previous years and submit to the general meeting for review and approval by a resolution.

The Company is currently positioned in a growth and development phase. Due to the need for capital expenditure, operation expansion and an integrated financial planned in order to maintain sustainable growth, any balance left over under the proposal mentioned above may be distributed as Dividends (including cash dividends or stock dividends) or bonuses, among which the Dividends to be distributed shall not be less than 10% of the total amount of Dividends distributed to the shareholders.

- B. Legal reserve may be used to offset a deficit or to distribute as dividend in cash or in stock for the portion in excess of 25% of the Company's paid-in capital.
- C. Special reserve

Item	December 31	
	2024	2023
Special reserve	\$ 385,883	\$ 380,863

- (a) In accordance with the regulation, the Company shall set aside special reserve from the debit balance on other equity item at the end of the year before distributing earnings. When debit balance on other equity is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs, shall be reversed proportionately to retained earnings when the relevant assets are used, disposed of or reclassified subsequently.
- D. The appropriations of 2023 and 2022 earnings have been approved by shareholders' meetings held on June 19, 2024 and May 30, 2023, respectively. The appropriations and dividends per share were as follows. The appropriations of stock distributed from capital surplus to shareholders 49,702 thousand with a dividend of NT\$0.5 per share have been approved by shareholders' meetings held on June 19, 2024.

Item	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Year 2023	For Year 2022	For Year 2023	For Year 2022
Legal reserve	\$ 17,503	\$ 22,686	\$ -	\$ -
Special reserve	5,020	-	-	-
Cash dividends	99,403	129,224	1.00	1.30
Total	<u>\$ 121,926</u>	<u>\$ 151,910</u>		

E. The Company's appropriations of earnings for 2024 had been approved in the meeting of the Board of Directors held on March 11, 2025. The appropriations and dividends per share were as follows:

Item	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 21,351	\$ -
Cash dividends	156,560	1.50
Total	<u>\$ 177,911</u>	

The appropriations of earnings for 2024 are to be presented for approval in the Company's annual shareholders' meeting to be held on May 27, 2025.

F. Information on proposal and resolution regarding earnings appropriation of the Board of Directors' and shareholders' meetings is available from the "Market Observation Post System" on the website of the TWSE.

(19) Other equity items

Item	Exchange differences on translation of foreign financial statements	Profit (loss) on financial assets at fair value through other comprehensive income	Total
Balance, January 1, 2024	\$ (383,701)	\$ (2,182)	\$ (385,883)
Exchange differences on translation of foreign financial statements	127,425	-	127,425
Valuation adjustments on equity instrument at fair value through other comprehensive income	-	(174)	(174)
Valuation adjustments on debt instrument at fair value through other comprehensive income	-	(10)	(10)
Balance, December 31, 2024	<u>\$ (256,276)</u>	<u>\$ (2,366)</u>	<u>\$ (258,642)</u>
Balance, January 1, 2023	\$ (327,489)	\$ (2,652)	\$ (330,141)
Exchange differences on translation of foreign financial statements	(56,212)	-	(56,212)
Valuation adjustments on equity instrument at fair value through other comprehensive income	-	4	4
Valuation adjustments on debt instrument at fair value through other comprehensive income	-	466	466
Balance, December 31, 2023	<u>\$ (383,701)</u>	<u>\$ (2,182)</u>	<u>\$ (385,883)</u>

(20) Net revenue

Item	Years ended December 31	
	2024	2023
Revenue from contract with customers		
Revenue from sale of goods	\$ 3,099,490	\$ 2,550,815
Service revenue	26,851	41,623
Total	<u>\$ 3,126,341</u>	<u>\$ 2,592,438</u>

A. Description of contract with customers

Revenue from contract with customers mainly derives from sales of valves and accessories and processing fees income from customers. The consideration, fixed and agreed on the contracts, is classified as short-term receivables, and is therefore measured at invoice price.

B. Disaggregation of revenue from contracts with customers

The Group classifies revenue from the following categories of main products:

Item	Year ended December 31, 2024					
	The Company	XIAHUI	LUHAI KUNSHAN	PT.LUHAI	Eliminations	Total
<u>Main products</u>						
Bicycle valves	\$ 33,821	\$ 441,485	\$ 4,838	\$ 98,081	\$ -	\$ 578,225
Motorcycle and electric bike valves	2,888	386,189	-	432,358	-	821,435
Passenger car, truck and other valves	114,983	844,914	3,401	97,373	-	1,060,671
Accessories and others	41,665	379,570	42,072	202,703	-	666,010
Total	<u>\$ 193,357</u>	<u>\$ 2,052,158</u>	<u>\$ 50,311</u>	<u>\$ 830,515</u>	<u>\$ -</u>	<u>\$ 3,126,341</u>

Item	Year ended December 31, 2023					
	The Company	XIAHUI	LUHAI KUNSHAN	PT.LUHAI	Eliminations	Total
<u>Main products</u>						
Bicycle valves	\$ 24,687	\$ 267,165	\$ 3,051	\$ 68,300	\$ -	\$ 363,203
Motorcycle and electric bike valves	2,104	365,923	-	373,740	-	741,767
Passenger car, truck and other valves	98,423	708,835	2,297	94,706	-	904,261
Accessories and others	33,693	320,487	41,605	191,225	(3,803)	583,207
Total	<u>\$ 158,907</u>	<u>\$ 1,662,410</u>	<u>\$ 46,953</u>	<u>\$ 727,971</u>	<u>\$ (3,803)</u>	<u>\$ 2,592,438</u>

C. Contract balances

The Group has recognized the following revenue-related contract liabilities:

Item	December 31, 2024	December 31, 2023	January 1, 2023
Contract liabilities - current	<u>\$ 1,732</u>	<u>\$ 2,831</u>	<u>\$ 5,296</u>

(21) Employee benefits, depreciation and amortization expense

By nature	Years ended December 31					
	2024			2023		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	\$ 370,146	\$ 136,496	\$ 506,642	\$ 333,139	\$ 130,741	\$ 463,880
Remuneration to directors	-	7,613	7,613	-	6,396	6,396
Insurance	20,222	8,455	28,677	17,041	9,294	26,335
Pension	27,153	8,562	35,715	20,988	8,203	29,191
Other labor cost	30,469	10,525	40,994	27,034	9,082	36,116
Depreciation	177,981	49,822	227,803	159,468	46,825	206,293
Amortization	256	2,296	2,552	44	2,030	2,074
Total	<u>\$ 626,227</u>	<u>\$ 223,769</u>	<u>\$ 849,996</u>	<u>\$ 557,714</u>	<u>\$ 212,571</u>	<u>\$ 770,285</u>

- A.** According to the Company's Article of Incorporation, if the Company has pre-tax profits in the current year, the Company shall aside not less than 1.5% of the profits as employees' compensation and not more than 3% of the profits as Directors' remuneration. The company asided 1.5% of pre-tax profit of 2024 and 2023 as employees' and Directors' compensation respectively. If there is a change in amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.
- B.** The appropriations of employees' compensation and remuneration of directors of 2024 and 2023 have been approved by directors' meeting held on March 11, 2025 and March 12, 2024, respectively. The amounts approved and recognized in financial statements are shown as follows:

	Years ended December 31			
	2024		2023	
	Employees' compensation	Remuneration to directors	Employees' compensation	Remuneration to directors
Amount resolved to be distributed	\$ 3,302	\$ 3,302	\$ 2,809	\$ 2,809
Amount recognized in financial statements	<u>3,302</u>	<u>3,302</u>	<u>2,809</u>	<u>2,809</u>
Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The employees' compensation and remuneration to directors of 2024 and 2023 will be paid by cash.

- C.** Information on employees' compensation and remuneration to directors of the Company as resolved by the meeting of Board of Directors is available from the "Market Observation Post System" at the website of the TWSE.
- D.** For the years ended December 31, 2024 and 2023, the numbers of employees of the Group were 1,241 and 1,261, respectively. Among them, the numbers of Directors who were not employees both 5, respectively.

(22) Interest income

Item	Years ended December 31	
	2024	2023
Interest income		
Bank deposit	\$ 15,741	\$ 15,684
Financial assets at fair value through other comprehensive income	253	249
Total	<u>\$ 15,994</u>	<u>\$ 15,933</u>

(23) Other income

Item	Years ended December 31	
	2024	2023
Government grants	\$ 40,704	\$ 17,735
Rent income	27,061	20,318
Others	6,030	5,435
Total	<u>\$ 73,795</u>	<u>\$ 43,488</u>

(24) Other gains and losses

Item	Years ended December 31	
	2024	2023
Net profit on relocation compensation	\$ -	\$ 143,046
Net currency exchange losses	(6,497)	(9,993)
Gains (losses) on disposal of property, Plant and equipment	(934)	1,314
Impairment losses on property, plant and equipment	(1,894)	-
Direct operating expenses arising from the investment property that generated rental income during the period	(13,664)	(7,565)
Direct operating expenses arising from the investment property that did not generate rental income during the period	(373)	(5,500)
Others	(2,309)	(2,033)
Total	<u>\$ (25,671)</u>	<u>\$ 119,269</u>

A. Net profit on relocation compensation

At the request of the local government for the need of constructing S1 rails, the Board of Directors authorized the chairman to sign the relocation agreement per applicable laws and regulations. The relocation agreement had been signed by Kunshan Huaqiao Weimin House Demolition Limited Company (Weimin Company) and LUHAI KUNSHAN in November, 2019. The content includes compensation for the expropriation of the land use right, plant, buildings and equipment (collectively referred to as “the immovable items”), cessation of production and business, termination of labor contracts and expenses related to relocation. Main clauses are as follows:

- (a) The total compensation amounts to RMB 185,128 thousand.
- (b) Loss from disposal of the immovable items, termination of labor contracts and related relocation expenses are recognized as a deduction of deferred income on occurrence. Deferred income begins to be recognized in profit or loss upon the transfer of the immovable items and the completion of the second stage of relocation.
- (c) The agreement also states that Weimin Company shall assist LUHAI KUNSHAN with obtaining 36 mu (approximated to 5.93 acres) of land use right, if Weimin Company finishes settling the land, yet LUHAI KUNSHAN has not completed the construction of new factories, LUHAI KUNSHAN will have to pay RMB 60,000 thousand as damages.

LUHAI KUNSHAN had completed the delivery of the immovable items and had received all the compensation by years ended December 31, 2020, except the second stage relocation expenses RMB 32,924 thousand was recognized as deferred income as of December 31, 2020, the rest of the compensation was recognized as the net relocation compensation profit after deducting the relocation expenses by years ended December 31, 2020.

LUHAI KUNSHAN obtained the land use right of 36 mu in a public bidding in December 2020, and build plants began in August 2021. The second stage relocation was completed in February of 2023. The second relocation compensation is deducted from the second relocation expenses and recognized as net relocation compensation profit in 2023 as follows:

Item	Year ended December 31	
	2023	
Compensation income for relocation (RMB 32,924 thousand)	\$	144,394
Less : Second stage relocation expenses		
Expenses of moving and installing		(1,348)
Net profit on relocation compensation	\$	143,046

(25) Financial costs

Item	Years ended December 31	
	2024	2023
Interest expense		
Bank borrowings	\$ 40,624	\$ 42,417
Interest of lease liabilities	-	11
Less: capitalized amount for qualified assets	-	-
Financial costs	\$ 40,624	\$ 42,428
Interest capitalization rates	-	-

(26) Income tax

A. Components of income tax expense:

Item	Years ended December 31	
	2024	2023
<u>Current income tax expense</u>		
Current tax expense recognized in the current year	\$ 143,595	\$ 261,248
Income tax adjustments on prior years	(7,061)	2,350
Additional income tax on unappropriated earnings	435	580
Current income tax expense	<u>136,969</u>	<u>264,178</u>
<u>Deferred income tax expense</u>		
Deferred income tax expense (benefit) related to temporary differences	(2,737)	(109,995)
Unused loss carryforwards	(1,490)	(3,461)
Deferred income tax expense (benefit)	<u>(4,227)</u>	<u>(113,456)</u>
Income tax expense	<u>\$ 132,742</u>	<u>\$ 150,722</u>

B. Income tax expense (benefit) recognized in other comprehensive income

Item	Years ended December 31	
	2024	2023
Unrealized profit (loss) from debt instruments at fair value through other comprehensive income	\$ (3)	\$ 117

C. Reconciliation between income tax expense and accounting profit:

Item	Years ended December 31	
	2024	2023
Income before tax	\$ 346,258	\$ 325,750
Income tax expense at the statutory rate	\$ 137,954	\$ 137,729
Tax effect of adjusting items:		
Deductible items in determining taxable income	5,641	123,519
Additional tax on unappropriated earnings	435	580
Income tax adjustments on prior years	(7,061)	2,350
Net changes on deferred income tax		
Temporary differences	(2,737)	(109,995)
Unused loss carryforwards	(1,490)	(3,461)
Income tax expense recognized in profit or loss	<u>\$ 132,742</u>	<u>\$ 150,722</u>

Based on the Income Tax Act in the ROC, the Company's Taiwan branch and LU HAI IND, income tax rate is 20%, the tax rate in the LU HAI IND. applicable to unappropriated earnings is 5%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

D. Deferred tax assets or liabilities resulting from temporary differences:

Item	Year ended December 31, 2024				
	Beginning balance	Recognized in (losses) gains	Recognized in other comprehensive income	Effect of exchange rate changes	Ending Balance
Deferred tax assets (liabilities)					
Temporary differences					
Timing of revenue recognition	\$ 2,482	\$ (1,089)	\$ -	\$ 81	\$ 1,474
Loss allowance	902	(188)	-	30	744
Loss on decline in market value of inventory	6,104	956	-	214	7,274
Gain on foreign Investments accounted For using equity method	(20,470)	3,574	-	(1,318)	(18,214)
Deferred depreciation expense	2,761	290	-	110	3,161
Impairment losses	2,195	(796)	-	84	1,483
Deferred insurance expense and housing provident fund	2,176	-	-	86	2,262
Unrealized profit (loss) on Financial Assets at Fair Value Through other comprehensive income	527	-	3	-	530
Others	19	(10)	-	13	22
Unused loss carryforwards	3,461	1,490	-	-	4,951
Total	\$ 157	\$ 4,227	\$ 3	\$ (700)	\$ 3,687

Item	Year ended December 31, 2023				
	Beginning balance	Recognized in (losses) gains	Recognized in other comprehensive income	Effect of exchange rate changes	Ending Balance
Deferred tax assets (liabilities)					
Temporary differences					
Timing of revenue recognition	\$ 1,320	\$ 1,202	\$ -	\$ (40)	\$ 2,482
Loss allowance	889	18	-	(5)	902
Loss on decline (gain on reversal) in market value of inventory	5,753	444	-	(93)	6,104
Gain (loss) on foreign Investments accounted For using equity method	(15,720)	(4,818)	-	68	(20,470)
Deferred depreciation expense	15,964	(13,040)	-	(163)	2,761
Impairment loss	2,279	(32)	-	(52)	2,195
Deferred insurance expense and housing provident fund	2,227	-	-	(51)	2,176
Unrealized profit (loss) on Financial Assets at Fair Value Through other comprehensive income	664	-	(117)	-	527
Net profit on relocation compensation	(122,764)	121,823	-	941	-
The rent subsidy for the transitional plant	(9,836)	9,761	-	75	-
Others	5,430	(5,363)	-	(48)	19
Unused loss carryforwards	-	3,461	-	-	3,461
Total	\$ (113,814)	\$ 113,456	\$ (117)	\$ 632	\$ 157

The tax for the net relocation compensation recognized by the Group may be paid in the year the relocation is completed within five years from the beginning of the relocation, or in the fifth year in which the relocation is completed. The Group chooses to declare and pay income tax in the year when the relocation is completed, thus reclassifying deferred income tax liabilities as current income tax liabilities for the year ended December 31, 2023, and declared and paid the relocation income tax in May, 2024.

E. As of December 31, 2024, the tax authorities have examined The Company's Taiwan branch and LU HAI IND.'s income tax returns through 2022.

(27) Other comprehensive income

Item	Year ended December 31, 2024		
	Before tax	Income tax (expense) benefit	After tax
Items that will not be reclassified subsequently to profit or loss:			
Unrealized profit (losses) from equity instrument at fair value through other comprehensive income	\$ (174)	\$ -	\$ (174)
Subtotal	(174)	-	(174)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	127,425	-	127,425
Unrealized profit (loss) from debt instrument at fair value through other comprehensive income	(13)	3	(10)
Subtotal	127,412	3	127,415
Total	\$ 127,238	\$ 3	\$ 127,241

Item	Year ended December 31, 2023		
	Before tax	Income tax (expense) benefit	After tax
Items that will not be reclassified subsequently to profit or loss:			
Unrealized profit (losses) from equity instrument at fair value through other comprehensive income	\$ 4	\$ -	\$ 4
Subtotal	4	-	4
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	(56,212)	-	(56,212)
Unrealized profit (loss) from debt instrument at fair value through other comprehensive income	583	(117)	466
Subtotal	(55,629)	(117)	(55,746)
Total	\$ (55,625)	\$ (117)	\$ (55,742)

(28) Earnings per share

Item	Years ended December 31	
	2024	2023
Basic earnings per share		

Item	Years ended December 31	
	2024	2023
Net income attributable to shareholders of the parent	\$ 213,516	\$ 175,028
Net income for calculating basic earnings per share	\$ 213,516	\$ 175,028
Weighted average number of shares outstanding for the period (in thousands)	104,373	104,373
Basic earnings per share, after tax (in dollar)	\$ 2.05	\$ 1.68
Diluted earnings per share		
Net income attributable to shareholders of the parent	\$ 213,516	\$ 175,028
Net income for calculating diluted earnings per share	\$ 213,516	\$ 175,028
Weighted average number of shares outstanding for the period (in thousands)	104,373	104,373
Effect of dilutive potential common shares		
Employees' compensation	126	117
Weighted average shares outstanding for dilutive earnings per share	104,499	104,490
Diluted earnings per share, after tax (in dollar)	\$ 2.04	\$ 1.68

When calculating earnings per share, the effect of issuance of bonus share has been considered and adjusted retrospectively. Due to the retrospective adjustment, the basic earnings per share attributable to shareholders of the basic and diluted earnings per share has been decreased from \$1.76 and \$1.76 to \$1.68 and \$1.68 respectively for 2023.

If the Company is able to settle the employee compensation by cash or stocks, the employee compensation should be assumed to be settled in stocks and the resulting potential shares increased should be included in the weighted average shares outstanding in calculation of diluted earnings per share, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the employee compensation by the fair value of the stocks at the balance sheet date. Such dilutive effect of the potential shares needs to be included in the calculation of diluted earnings per share until employee compensation are approved in the following year.

(29) Reconciliation of liabilities arising from financing activities

Item	January 1, 2024	Cash Flows	Non-cash changes		December 31, 2024
			Change in Exchange Rate	Others	
Short-term loans	\$ 21,000	\$ 192,168	\$ 885	\$ -	\$ 214,053

Item	January 1, 2024	Cash Flows	Non-cash changes		December 31, 2024
			Change in Exchange Rate	Others	
Long-term loans (including long-term loans due within a year)	\$ 1,037,724	\$ (188,767)	\$ 21,591	\$ -	\$ 870,548
Guarantee deposits received	6,465	894	260	-	7,619
Total liabilities arising from financing activities	<u>\$ 1,065,189</u>	<u>\$ 4,295</u>	<u>\$ 22,736</u>	<u>\$ -</u>	<u>\$ 1,092,220</u>

Item	January 1, 2023	Cash Flows	Non-cash changes		December 31, 2023
			Change in Exchange Rate	Others	
Short-term loans	\$ 21,000	\$ -	\$ -	\$ -	\$ 21,000
Long-term loans (including long-term loans due within a year)	1,037,086	12,417	(11,779)	-	1,037,724
Lease liabilities	2,303	(2,285)	(18)	-	-
Guarantee deposits received	4,886	1,717	(138)	-	6,465
Total liabilities arising from financing activities	<u>\$ 1,065,275</u>	<u>\$ 11,849</u>	<u>\$ (11,935)</u>	<u>\$ -</u>	<u>\$ 1,065,189</u>

7. RELATED PARTY TRANSACTIONS

Intercompany balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation; therefore, those items are not disclosed in this note. The following is a summary of transactions between the Company and other related parties.

(1) Compensation of key management personnel

Item	Years ended December 31	
	2024	2023
Salary and short-term employee benefits	\$ 21,038	\$ 19,332
Post- employment benefits	191	193
Total	<u>\$ 21,229</u>	<u>\$ 19,525</u>

8. PLEDGED ASSETS: NONE

9. SIGNIFICANT CONTINGENCIES LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Capital expenditures committed but not yet incurred are as follows :

Item	December 31	
	2024	2023
Property, plant and equipment	<u>\$ 39,499</u>	<u>\$ 31,433</u>

(2) Product liability insurance

The Group has entered into a product liability insurance for the product of tubeless valves manufactured by the Group and sold globally. The period of insurance agreement is from March 15, 2024 to March 15, 2025. The insurance policy covers from March 15, 2007 to March 15, 2025. The maximum indemnification amount during the policy covering period is USD 1,000 thousand.

10. SIGNIFICANT DISASTER LOSSES: NONE

11. SIGNIFICANT SUBSEQUENT EVENTS: NONE

12. OTHERS

(1) Capital risk management

The Group requires an adequate capital structure to enable the expansion and enhancement of equipment. The Group manages its capital in a manner to ensure that it has sufficient and necessary financial resources and operating plan to fund its working capital needs, capital asset purchases, operation expenses, development expenditure and debt payment requirements associated with its existing operations over the next 12 months.

(2) Financial instruments

A. Financial risks on financial instruments

Financial risk management policies

The Group's daily operation activities are exposed to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. For reducing the financial risk, the Group focus on identifying, assessing, and avoiding the unpredictability of market with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material treasury activities are reviewed by the Board of Directors in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, the Group's Treasury function must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties.

Significant financial risks and degrees of financial risks

(a) Market risk

i. Foreign exchange risk

The Group's sales, purchase and borrowing activities denominated in foreign currencies are exposed to foreign currency risk. The Group's mainly functional currency are New Taiwan dollars, RMB and IDR. The foreign currency of those transactions are US dollars, Euro and so on. To prevent the reduction in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Group uses foreign currency loans and derivative financial instruments (include forward exchange agreement) to avoid foreign exchange risks. The usage of

derivative financial instruments can assist the Group to reduce but not completely eliminate the influence of changes in foreign exchange rates.

Foreign currency risk and sensitivity analysis

December 31						
	2024			2023		
	Foreign currency	Exchange rate	New Taiwan Dollars	Foreign currency	Exchange rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 14,133	32.79	\$ 463,338	\$ 12,150	30.71	\$ 373,076
EUR	257	34.14	8,760	276	33.98	9,363
<u>Financial liabilities</u>						
Monetary items						
USD	\$ 13,504	32.79	\$ 442,730	\$ 14,982	30.71	\$ 460,009
EUR	3,524	34.14	120,299	6,325	33.98	214,923

The Group is mainly exposed to US dollars and Euro. The sensitivity analysis rate for the Group is 1% increase and decrease in NTD against the relevant foreign currencies, and the 1% is used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 1% change in foreign currency rates. An increase/decrease in profit before tax would be resulted where the NTD strengthens/weakens 1% against the relevant currencies with all other variables held constant in the amount of \$907 thousand and \$2,920 thousand for the years ended December 31, 2024 and 2023, respectively.

The Group's foreign exchange gains and losses, including realized and unrealized, for the years ended December 31, 2024 and 2023 were net exchange loss of \$6,497 thousand and \$9,993 thousand, respectively. Due to the variety of functional currencies, the Group did not disclose the foreign exchange gains (losses) for each foreign currency with significant influence.

ii. Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified as financial assets at fair value through other comprehensive income.

The Group mainly invests in equity instrument of foreign unlisted stocks. The prices of equity securities would change due to the uncertainty of the future value of investee companies. If the prices of equity securities had increased/decreased by 1% with all other variables held constant, other comprehensive income would have increased/decreased by \$6 thousand and \$8 thousand since the fair value of financial assets at fair value through other comprehensive income increased/decreased for the years ended December 31, 2024 and 2023.

iii. Interest rate risk

The interest rate risk of financial instruments as of reporting date was as follow:

Item	December 31	
	2024	2023
Fair value interest rate risk		
Financial assets	\$ 368,928	\$ 403,739
Financial liabilities	-	-
Net value	\$ 368,928	\$ 403,739
Cash flow interest rate risk		
Financial assets	\$ 664,260	\$ 577,942
Financial liabilities	(1,084,601)	(1,058,724)
Net value	\$ (420,341)	\$ (480,782)

Sensitivity analysis for instruments with fair value interest rate risk

The Group classifies certain fixed-rate financial assets as financial instruments that are measured at fair value through other comprehensive income. Therefore, changes in interest rates at the end of the reporting period will affect the changes in fair value of the instruments.

Sensitivity analysis for instruments with cash flow interest rate risk

The Group's financial instruments with variable interest rate are those with floating-rate. If interest rate increases (decreases) 1%, the profit before tax will increase (decrease) \$4,203 thousand and \$4,808 thousand for the years ended December 31, 2024 and 2023, respectively.

The Group does not utilize derivative financial instruments of interest rate risk as of December 31, 2024.

(b) Credit risk

Credit risk is the risk that counterparty will default on its contractual obligations under a contract leading to a financial loss to the Group. The Group is exposed to credit risk from operation activities, primarily trade receivable, and from investing activities, primarily deposit and other financial instruments with bank. Credit risk is managed separately for business related and financial related exposures.

Business related credit risk

In order to maintain the quality of the trade receivables, the Group established credit risk management procedures related to operations and continues to evaluate. The risk evaluation of individual customers takes into consideration the customers' financial position, internal and external credit ratings and historical transaction records and current economic situation and other factors that may affect the customers' payment ability.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at

the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

Financial credit risk

The Group's exposure to financial credit risk which pertained to bank deposits and other financial instruments was evaluated and monitored by Group Treasury function. The Group only deals with creditworthy counterparties and banks, so that no significant financial credit risk was identified.

i. Concentration of credit risk

The Group's concentration of credit risk was related to the customers whose balances of accounts receivable are top 4 of the Group, which accounted for 40% and 38% of the total accounts receivable as of December 31, 2024 and 2023.

ii. Evaluation of expected credit loss

(i.) Accounts receivable: The simplified approach is applied. Please refer to Note 6(4) for relating details.

(ii.) Judgment on whether the credit risk has increased significantly: The Group takes into account the credit rating information provided by external rating agencies and examines the material information of debtors in order to evaluate whether the credit risk of debt instruments has increased significantly.

iii. Holding collaterals and other credit enhancements to hedge the credit risk of its financial assets: None.

iv. Credit risk of financial assets at amortized cost and debt instruments at fair value through other comprehensive income

Please refer to Note 6(4) for information on credit risk exposure of notes and accounts receivable. Other financial assets at amortized cost, including cash and cash equivalents, other receivables, refundable deposits and debt instruments at fair value through other comprehensive income, are low in credit risk. The Group believes that there is no impairment to financial assets at amortized cost and debt instruments at fair value through other comprehensive income.

(c) Liquidity risk

i. Liquidity risk management

The objective of liquidity risk management is to ensure the Group has sufficient liquidity to fund its business requirements of cash and cash equivalents and the unused of financing facilities associated with existing operations

ii. Maturity profile of financial liabilities

	December 31, 2024				
Non-derivative financial liabilities	Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying value
Short-term loans	\$ 215,239	\$ -	\$ -	\$ 215,239	\$ 214,053
Accounts payable	304,739	-	-	304,739	304,739
Other payables	112,343	-	-	112,343	112,343
Long-term loans (including long-term loans due within a year)	80,572	852,478	-	933,050	870,548
Guarantee deposits received	898	6,721	-	7,619	7,619
Total	\$ 713,791	\$ 859,199	\$ -	\$ 1,572,990	\$ 1,509,302

Non-derivative financial liabilities	December 31, 2023				
	Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying value
Short-term loans	\$ 21,095	\$ -	\$ -	\$ 21,095	\$ 21,000
Accounts payable	250,627	-	-	250,627	250,627
Other payables	96,634	-	-	96,634	96,634
Long-term loans (including long-term loans due within a year)	328,275	780,442	-	1,108,717	1,037,724
Guarantee deposits received	-	6,465	-	6,465	6,465
Total	\$ 696,631	\$ 786,907	\$ -	\$ 1,483,538	\$ 1,412,450

The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Categories of financial instruments

The carrying amount of each financial asset and financial liability of the Group as of December 31, 2024 and 2023 were as follows:

Item	December 31	
	2024	2023
<u>Financial assets</u>		
Financial assets at amortized cost(Note 1)	\$ 1,781,080	\$ 1,679,417
Financial assets at fair value through other comprehensive income	16,070	15,371
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	\$ 1,509,302	\$ 1,412,450

Note 1: The balances include financial assets such as cash and cash equivalents, notes receivable, accounts receivable, other receivables, and refundable deposits.

Note 2: The balances include accounts payable, other payables, short-term loans, guarantee deposits received and long-term loans (including long-term loans due within 1 year).

(4) Fair value information

A. Fair value measurements are grouped into Levels 1 to 3 as follows:

Level 1: Relevant inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable inputs that used to measure fair value to the extent when relevant observable inputs are not available.

B. The fair values informations of investment property measured at cost please refer to Note 6(9) for details.

C. Fair values of financial instruments that are not measured at fair value:

The fair value of the Group's financial instruments not measured at fair value includes cash and cash equivalents, notes and accounts receivable, other receivables, refundable deposits, short-term loans, accounts payable, other payables, long-term loans (including long-term loans due within 1 year) and guarantee deposits received whose carrying amount is approximately their fair value.

D. Fair value of financial instruments that are measured at fair value:

The financial instruments are measured at fair value on a recurring basis. The information of fair value is listed as follows:

Item	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurement</u>				
Financial assets at fair value through other comprehensive income				
Debt instruments				
Foreign corporate bonds	\$ -	\$ 15,450	\$ -	\$ 15,450
Equity instruments				
Foreign unlisted stocks	-	-	620	620
Total	\$ -	\$ 15,450	\$ 620	\$ 16,070

Item	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurement</u>				
Financial assets at fair value through other comprehensive income				
Debt instruments				
Foreign corporate bonds	\$ -	\$ 14,607	\$ -	\$ 14,607
Equity instruments				
Foreign unlisted stocks	-	-	764	764

Item	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Total	\$ -	\$ 14,607	\$ 764	\$ 15,371

E. The methods and assumptions the Group used to measure fair value are as follows:

- (a) The fair value of financial assets and liabilities traded in an active market is based on the quoted market prices.
- (b) Foreign corporate bonds are determined by quoted market prices provided by third party pricing services.
- (c) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models.
- (d) Fair value of equity investment on unlisted stocks without active market was estimated through the market approach that is mainly referenced to the same type of companies' valuation, net assets and state of operation. The significant and unobservable input parameter for assessing the unlisted stocks mainly relates to valuation multiple and liquidity discount rate. Since the possible changes of valuation multiple and liquidity discount rate may not cause significant influence on financial standing, the quantitative information will not be disclosed.
- (e) Fair value of other financial assets and financial liabilities (except for the aforementioned) are determined in accordance with generally accepted pricing model based on the discounted cash flow analysis.

F. Transfer between Level 1 and Level 2 of the fair value hierarchy: None

G. Changes in level 3 instruments are as follows:

Item	Years ended December 31	
	2024	2023
<u>Financial assets at fair value through other comprehensive income</u>		
Balance at January 1	\$ 764	\$ 778
Recognized in other comprehensive income	(174)	4
Effect of exchange rate difference	30	(18)
Balance at December 31	<u>\$ 620</u>	<u>\$ 764</u>

H. Sensitivity analysis of Level 3 fair value measurement and assumption of fair value reasonably being substituted: None.

13. SUPPLEMENTARY DISCLOSURES

(1) Disclosure of significant transactions information (before inter-company eliminations) :

A. Financings provided: Please see Table 1 attached;

B. Endorsement/ guarantee provided: Please see Table 2 attached;

- C. Marketable securities held (excluding investments in subsidiaries, associates and joint ventures at the end of the period): Please see Table 3 attached;
 - D. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
 - E. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None;
 - F. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None;
 - G. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
 - H. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
 - I. Information on the derivative instrument transactions: None;
 - J. Intercompany relationships and significant intercompany transactions: Please see Table 6 attached;
- (2) Information on investees (before inter-company eliminations): Please see Table 7 attached;**
- (3) Information on investment in Mainland China**
- A. The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 8 attached;
 - B. Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial statements: Please see Table 6 attached.
- (4) Information of major shareholder: Please see Table 9 attached.**

14. SEGMENT INFORMATION

(1) General information

For the purpose of group management, the Group has provided to the chief operating decision maker the information on resource allocation and assessment of segment performance focuses on the financial information by geographic plants.

(2) Measurement basis

Management monitors the operation results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss before tax and is measured consistently with profit or loss before tax in the consolidated financial statements. Furthermore, because the information of assets and liabilities is not reported to the chief operating decision maker for operation decision making, segment assets and liabilities are not disclosed. The accounting

policies for reportable segments are the same as Group's accounting policies described in Note 4.

(3) Segment information: Please see Table 10 attached;

(4) Reconciliation for segment income (loss)

The segment revenue, segment income (loss) and segment assets reported to the chief operating decision maker is measured in a manner consistent with that in the consolidated statements of comprehensive income and consolidated balance sheets.

(5) Geographic information

A. Sales from external customers

Areas	Years ended December 31	
	2024	2023
China	\$ 1,557,300	\$ 1,228,901
Indonesia	725,587	631,163
Others	843,454	732,374
Total	<u>\$ 3,126,341</u>	<u>\$ 2,592,438</u>

B. Noncurrent assets

Areas	December 31	
	2024	2023
China	\$ 2,170,045	\$ 2,171,923
Indonesia	197,625	193,893
Others	62,549	60,592
Total	<u>\$ 2,430,219</u>	<u>\$ 2,426,408</u>

(6) Major customer information

Customer	Years ended December 31			
	2024		2023	
	Amount	%	Amount	%
Customer A	\$ 419,979	13.43%	\$ 298,539	11.52%

LUHAI HOLDING CORP. AND SUBSIDIARIES
FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2024
(AMOUNTS IN THOUSANDS OF NEW TAIWAN DOLLARS AND FOREIGN CURRENCIES)

Table 1

No. (Note 1)	Financing Company	Counter-party	Financial Statement Item	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn (Note 6)	Interest Rate	Nature for Financing (Note 2)	Transaction Amounts	Reason for Financing	Recognized loss allowance	Collateral		Limit on Financing Provided to Each Company (Note 3)	Financing Company's Total Financing Limit (Note 4)
													Item	Value		
1	LUHAI KUNSHAN	XIAHUI	Other receivables-related parties	Yes	197,543	—	—	—	2	—	Operating capital	—	—	—	198,005	396,010
					RMB 44,000	—	—								RMB 44,103	RMB 88,206

Note 1: The subsidiaries are numbered in order starting from '1'

Note 2: Nature of loans:

1. Business transaction
2. Short-term financing

Note 3: Limit on loans granted to a single party is 30% of the net assets value of LUHAI KUNSHAN.

Note 4: Limit on total loans granted is 60% of the net assets value of LUHAI KUNSHAN.

Note 5: Foreign currencies aforementioned were translated into NTD using the exchange rate as of December 31, 2024 or average exchange rate for the year ended.

Note 6: The transaction of LUHAI KUNSHAN lend to XIAHUI was implemented by the signed borrowing contract, and the actual amount of the loan was eliminated in consolidated financial statements.

LUHAI HOLDING CORP. AND SUBSIDIARIES
ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2024

(AMOUNTS IN THOUSANDS OF NEW TAIWAN DOLLARS AND FOREIGN CURRENCIES)

Table 2

No. (Notes 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 4)	Guarantee Provided by Parent company	Guarantee Provided by Subsidiary to Parent Company	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 2)										
0	The Company	PT.LUHAI	2	1,307,488	173,761	—	—	—	—	1,634,360	Y	N	N
					USD 5,300	—	—						
0	The Company	LUHAI KUNSHAN	2	1,307,488	65,570	—	—	—	—	1,634,360	Y	N	Y
					USD 2,000	—	—						
0	The Company	XIAHUI	2	1,307,488	262,280	—	—	—	—	1,634,360	Y	N	Y
					USD 8,000	—	—						

Note 1 : The Company is '0'.

Note 2 : Entities having business transactions with is '1'.

Subsidiaries owned directly or indirectly over 50% is '2'.

Note 3 : Limit on endorsements to a single company is 40% of the company's net assets.

Note 4 : Limit on total endorsements is 50% of the company's net assets.

LUHAI HOLDING CORP. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
DECEMBER 31, 2024
(AMOUNTS IN THOUSANDS OF FOREIGN CURRENCIES)

Table 3

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Item	December 31, 2024				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
XIAHUI	Xiamen Taiwan Merchants Association Management Co., LTD	None	Financial assets at fair value through other comprehensive income-noncurrent	—	RMB 138	0.53%	RMB 138	—
LU HAI IND.	EXXON MOBIL CORP. corporate bonds	None	Financial assets at fair value through other comprehensive income-current	—	USD 471	—	USD 471	—

LUHAI HOLDING CORP. AND SUBSIDIARIES
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2024
(AMOUNTS IN THOUSANDS OF FOREIGN CURRENCIES)

Table 4

Company Name	Counter party	Nature of Relationships	Transaction Details				Difference in transaction term to third party transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
XIAHUI	PT.LUHAI	Subsidiary of ultimate parent company	Sales	USD 16,977	19.81 %	According to conditions agreed upon the parties	—	—	Accounts receivable USD 3,365	15.11 %	Note 1
XIAHUI	The company	The ultimate parent of the Company	Sales	USD 3,771	4.40 %	According to conditions agreed upon the parties	—	—	Accounts receivable USD 1,318	5.92 %	Note 1

Note 1: All the transactions had been eliminated when preparing consolidated financial statements.

LUHAI HOLDING CORP. AND SUBSIDIARIES
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2024
(AMOUNTS IN THOUSANDS OF FOREIGN CURRENCIES)

Table 5

Company Name	Counter party	Nature of Relationships	Balance of amounts receivable from related parties		Turnover rate	Overdue receivables from related parties		Amount of receivables from related parties recovered after the period	Amount of loss provision
			Item	Balance (Note 1)		Amount	Processing		
XIAHUI	PT.LUHAI	Subsidiary of ultimate parent company	Accounts receivable	USD 3,365	4.91	—	—	USD 2,549	—

Note 1: All the transactions had been eliminated when preparing consolidated financial statements.

Table 6

LUHAI HOLDING CORP. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTION
FOR THE YEAR ENDED DECEMBER 31, 2024
(AMOUNTS IN THOUSANDS OF NEW TAIWAN DOLLARS)

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statement Item	Amount	Terms	Percentage of Net Consolidated Revenue
0	The Company	PT.LUHAI	1	Sales revenue	8,317	Note 3	0.27%
0	The Company	PT.LUHAI	1	Other revenue	819	"	0.03%
0	The Company	XIAHUI	1	Sales revenue	5,420	"	0.17%
0	The Company	XIAHUI	1	Other revenue	11,485	"	0.37%
0	The Company	LUHAI KUNSHAN	1	Sales revenue	33	"	-
0	The Company	LUHAI KUNSHAN	1	Other revenue	2,546	"	0.08%
1	LU HAI IND.	The Company	2	Rental income	2,357	"	0.08%
2	PT.LUHAI	The Company	2	Sales revenue	7,705	"	0.25%
2	PT.LUHAI	XIAHUI	3	Sales revenue	778	"	0.02%
3	XIAHUI	The Company	2	Sales revenue	121,112	"	3.87%
3	XIAHUI	The Company	2	Other revenue	28	"	-
3	XIAHUI	PT.LUHAI	3	Sales revenue	546,052	"	17.47%
3	XIAHUI	PT.LUHAI	3	Other revenue	993	"	0.03%
3	XIAHUI	LUHAI KUNSHAN	3	Sales revenue	4,662	"	0.15%
4	LUHAI KUNSHAN	The Company	2	Sales revenue	11,817	"	0.38%
4	LUHAI KUNSHAN	XIAHUI	3	Interest revenue	2,430	"	0.08%

(Continued)

Table 6

LUHAI HOLDING CORP. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTION
DECEMBER 31, 2024
(AMOUNTS IN THOUSANDS OF NEW TAIWAN DOLLARS)

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statement Item	Amount	Terms	Percentage of Total Consolidated Assets
0	The Company	PT.LUHAI	1	Account receivables	1,866	Note 3	0.04%
0	The Company	PT.LUHAI	1	Other receivables	75	"	-
0	The Company	XIAHUI	1	Account receivables	1,450	"	0.03%
0	The Company	XIAHUI	1	Other receivables	1,016	"	0.02%
1	LU HAI IND.	The Company	2	Other receivables	619	"	0.01%
2	PT.LUHAI	The Company	2	Account receivables	3,964	"	0.08%
2	PT.LUHAI	XIAHUI	3	Account receivables	226	"	-
3	XIAHUI	The Company	2	Account receivables	43,214	"	0.88%
3	XIAHUI	PT.LUHAI	3	Account receivables	110,332	"	2.23%
3	XIAHUI	LUHAI KUNSHAN	3	Account receivables	1,439	"	0.03%
4	LUHAI KUNSHAN	The Company	2	Account receivables	682	"	0.01%

Note 1: The numbers filled in for the transaction company represent the follows:

1. Parent company is '0'.
2. The subsidiaries are numbered in order starting from '1'.

Note2: Relationships between transaction companies and counterparties are classified into the following three categories as listed below:

- '1' represents parent company to subsidiary.
'2' represents subsidiary to parent company.
'3' represents subsidiary to subsidiary.

Note 3: Sale price with related parties were determined and negotiated referring to related market price. Payment terms were T/T 60 days to T/T 90 days.

Note 4: All the transactions had been eliminated when preparing consolidated financial report.

(Concluded)

LUHAI HOLDING CORP. AND SUBSIDIARIES
INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2024
(AMOUNTS IN THOUSANDS OF NEW TAIWAN DOLLARS AND FOREIGN CURRENCIES)

Table 7

Investor	Investee	Location	Main Businesses and activities	Original Investment Amount		Balance as of December 31, 2024			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2024	December 31, 2023	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
The Company	LU HAI BVI	Note 1	Investing activities	290,377 (USD 8,857)	290,377 (USD 8,857)	8,857	100%	1,215,249	134,277	134,277	Note 6
	ALLPRO	Note 2	Investing activities	217,791 (USD 6,643)	217,791 (USD 6,643)	6,643	100%	911,464	100,686	100,686	Note 6
	YUANHUI	Note 3	Investing activities	213,103 (USD 6,500)	213,103 (USD 6,500)	6,500	100%	658,105	(18,218)	(18,218)	Note 6
	LU HAI IND.	Note 4	Leasing activities	30,000	30,000	3,000	100%	172,480	14,510	14,510	Note 6
	PT.LUHAI	Note 5	Manufacturing and selling various kinds of valves and accessories	222,938 (USD 6,800)	222,938 (USD 6,800)	6,800	85%	568,509	65,391	55,582	Note 6
LU HAI IND.	PT.LUHAI	Note 5	Manufacturing and selling various kinds of valves and accessories	39,342 (USD 1,200)	39,342 (USD 1,200)	1,200	15%	100,393	65,391	Note 7	Note 6

Note 1 : Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

Note 2 : Corner Hutson & Eyre Street, Blake Building, Suite 302Belize City, Belize.

Note 3 : Level 3, Alexander House, 35 Cybercity, Ebene Mauritius.

Note 4 : No.64, Xingong 5th Rd., Tianzhong Township, Changhua County 52046, Taiwan (R.O.C.)

Note 5 : d\ a. Jl. Raya Cikande Rangkasbitung Km.4.5. Desa Junti, Jawilan, Serang, Indonesia.

Note 6 : The transactions had been eliminated when preparing the consolidated financial statements.

Note 7 : The share of profits/losses of the investee company is not reflected herein as such amount is already included in the share of profits/losses of the investor company.

LUHAI HOLDING CORP. AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2024
(AMOUNTS IN THOUSANDS OF NEW TAIWAN DOLLARS AND FOREIGN CURRENCIES)

Table 8

Investee Company	Main Businesses and activities	Total Amount of Paid-in Capital	Investment Method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2024	Amount remitted from Taiwan for the year ended December 31, 2024		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2024	Net Income (Losses) of the Investee Company (Note 5)	Percentage of Ownership	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2024	Accumulated Inward Remittance of Earnings as of December 31, 2024
					Remittance to	Remittance back						
XIAHUI	Manufacturing and selling various kinds of valves and accessories	508,168	Note 1	Not applicable	—	—	Not applicable	256,516	100%	252,720	2,140,336	Not applicable
		USD 15,500						USD 7,975		USD 7,857	USD 65,284	
LUHAI KUNSHAN	Manufacturing and selling precision processed products	270,280	Note 1	Not applicable	—	—	Not applicable	(8,845)	100%	(6,819)	653,110	Not applicable
		USD 8,244 (Note 4)						(USD 275)		(USD 212)	USD 19,921	

Accumulated Investment in Mainland China as of December 31, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Not applicable	Not applicable	Not applicable

Note 1 : Through investing in an existing company in the third area, which then investing in the investee in Mainland China.

Note 2 : Profit or loss recognized were based on the financial statements audited by the auditor of parent company.

Note 3 : Foreign currencies aforementioned were translated into NTD using the exchange rate as of December 31, 2024 or average exchange rate for the year ended.

Note 4 : The Company had capitalization of retained earnings amounted to USD 1,744 thousand in 2007.

Note 5 : The differences between net income and share of profits/losses are due from unrealized gains and losses.

LUHAI HOLDING CORP. AND SUBSIDIARIES
INFORMATION F MAJOR SHAREHOLDERS
DECEMBER 31, 2024

Table 9

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
DAY LIGHT BUSINESS CO., LTD.	11,210,799	10.74%
GET JOINT BUSINESS CORPORATION	11,210,799	10.74%

Note 1 : Table 9 is based on the information on the last business day of the quarter provided by the Taiwan Depository & Clearing Corporation (TDCC). The TDCC calculate the total number of ordinary shares and preferred shares held by shareholders who retain more than 5% of the Company's share (including treasury shares) that have delivered without physical registration. The number of shares in the Company's consolidated financial report and the actual number of shares delivered without physical registration may differ due to the different calculation basis.

Table 10

LUHAI HOLDING CORP. AND SUBSIDIARIES
SEGMENT INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2024 AND 2023
(AMOUNTS IN THOUSANDS OF NEW TAIWAN DOLLARS)

Year ended December 31, 2024							
	The Company	XIAHUI	LUHAI KUNSHAN	PT.LUHAI	Others	Elimination	Total
Revenue							
Net revenue from external customers	\$ 193,357	\$ 2,052,158	\$ 50,311	\$ 830,515	\$ -	\$ -	\$ 3,126,341
Inter-segment revenue	13,770	671,826	11,817	8,483	2,357	(708,253)	-
Total	<u>\$ 207,127</u>	<u>\$ 2,723,984</u>	<u>\$ 62,128</u>	<u>\$ 838,998</u>	<u>\$ 2,357</u>	<u>\$ (708,253)</u>	<u>\$ 3,126,341</u>
Interest income	<u>\$ 637</u>	<u>\$ 5,040</u>	<u>\$ 7,349</u>	<u>\$ 2,460</u>	<u>\$ 2,938</u>	<u>\$ (2,430)</u>	<u>\$ 15,994</u>
Financial costs	<u>\$ 20,690</u>	<u>\$ 22,740</u>	<u>\$ -</u>	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ (2,827)</u>	<u>\$ 40,624</u>
Depreciation and amortization	<u>\$ 8,837</u>	<u>\$ 178,146</u>	<u>\$ 18,498</u>	<u>\$ 27,800</u>	<u>\$ 511</u>	<u>\$ (3,437)</u>	<u>\$ 230,355</u>
Impairment losses on property, plant and equipment	<u>\$ -</u>	<u>\$ 1,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,894</u>
Segment benefit (loss)	<u>\$ (74,582)</u>	<u>\$ 333,985</u>	<u>\$ (8,702)</u>	<u>\$ 86,151</u>	<u>\$ 9,406</u>	<u>\$ -</u>	<u>\$ 346,258</u>
Income before tax							<u>\$ 346,258</u>
Total assets							<u>\$ 4,936,905</u>

(Continued)

Table 10

LUHAI HOLDING CORP. AND SUBSIDIARIES
SEGMENT INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2024 AND 2023
(AMOUNTS IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Year ended December 31, 2023						
	The Company	XIAHUI	LUHAI KUNSHAN	PT.LUHAI	Others	Elimination	Total
Revenue							
Net revenue from external customers	\$ 158,907	\$ 1,662,410	\$ 46,953	\$ 727,971	\$ -	\$ (3,803)	\$ 2,592,438
Inter-segment revenue	9,588	532,689	7,562	3,502	2,597	(555,938)	-
Total	<u>\$ 168,495</u>	<u>\$ 2,195,099</u>	<u>\$ 54,515</u>	<u>\$ 731,473</u>	<u>\$ 2,597</u>	<u>\$ (559,741)</u>	<u>\$ 2,592,438</u>
Interest income	<u>\$ 827</u>	<u>\$ 3,701</u>	<u>\$ 11,191</u>	<u>\$ 2,146</u>	<u>\$ 1,948</u>	<u>\$ (3,880)</u>	<u>\$ 15,933</u>
Financial costs	<u>\$ 25,172</u>	<u>\$ 21,160</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ (3,908)</u>	<u>\$ 42,428</u>
Depreciation and amortization	<u>\$ 4,812</u>	<u>\$ 166,079</u>	<u>\$ 15,579</u>	<u>\$ 24,587</u>	<u>\$ 697</u>	<u>\$ (3,387)</u>	<u>\$ 208,367</u>
Segment benefit (loss)	<u>\$ (76,776)</u>	<u>\$ 179,024</u>	<u>\$ 136,525</u>	<u>\$ 85,110</u>	<u>\$ 1,867</u>	<u>\$ -</u>	<u>\$ 325,750</u>
Income before tax							<u>\$ 325,750</u>
Total assets							<u>\$ 4,730,916</u> (Concluded)