Luhai Holding Corp. and Subsidiaries

Consolidated Financial Statements for the Years Ended
December 31, 2025 and 2024 and Independent Auditors' Report

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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, 2025 and 2024, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2025 and 2024, 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, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the 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

Crowe

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, 2025. 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, 2025 are stated as follows:

1. Credit risk for notes receivable and accounts receivable

   As of December 31, 2025, notes and accounts receivable of the Group accounted for 15% of the total assets. Since expected credit loss of notes and accounts receivable are estimated based on receivables that are past due and the relating loss ratio, which are subject to the management's judgement. Therefore, the credit risk for notes and accounts receivable was 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 Standards on Auditing of 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 review of the work performed by the audit team members. 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, 2025 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 Ming Shou, Lin and Chien Chen, Huang.

Crowe (TW) CPAs
Taichung, Taiwan (Republic of China)

March 10, 2026

<u>***Notice to Readers***</u>

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, 2025 AND 2024
(In Thousands of New Taiwan Dollars)

		December 31,2025			December 31,2024		
	NOTES		Amount	%		Amount	%
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	6(1)	$	829,023	18	$	1,018,133	21
Financial assets at fair value through other comprehensive income - current	6(2)		15,395	-		15,450	-
Notes receivable, net	6(3)		44,337	1		33,916	1
Accounts receivable, net	6(4),7		651,869	14		716,937	15
Other receivables			11,765	-		9,485	-
Current tax assets			6,335	-		2,874	-
Inventories, net	6(5)		679,357	15		652,162	13
Prepayments	6(6)		27,605	1		24,513	-
Other current assets			2,826	-		1,318	-
Total current assets			2,268,512	49		2,474,788	50
NONCURRENT ASSETS							
Financial assets at fair value through other comprehensive income - noncurrent	6(2)		621	-		620	-
Property, plant and equipment	6(7)		1,979,995	42		2,053,784	42
Right-of-use assets	6(8)		148,112	3		152,854	3
Investment property, net	6(9)		169,599	4		180,852	4
Intangible assets	6(10)		12,235	-		13,557	-
Deferred income tax assets	6(28)		23,982	1		23,575	-
Other noncurrent assets	6(11)		38,246	1		36,875	1
Total noncurrent assets			2,372,790	51		2,462,117	50
TOTAL ASSETS		$	4,641,302	100	$	4,936,905	100
LIABILITIES AND EQUITIES							
CURRENT LIABILITIES							
Short-term loans	6(12)	$	112,413	2	$	214,053	4
Contract liabilities - current	6(22)		6,359	-		1,732	-
Accounts payable			276,107	6		304,739	6
Other payables	6(13)		185,809	4		217,095	5
Current tax liabilities			11,922	-		29,218	1
Long-term loan due within a year	6(14)		88,903	2		50,720	1
Other current liabilities	6(15)		33,921	1		4,192	-
Total current liabilities			715,434	15		821,749	17
NONCURRENT LIABILITIES							
Long-term loans	6(14)		661,418	14		819,828	17
Deferred income tax liabilities	6(28)		22,099	1		19,888	-
Guarantee deposits received			1,761	-		6,721	-
Total noncurrent liabilities			685,278	15		846,437	17
Total liabilities			1,400,712	30		1,668,186	34
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT							
Capital stocks	6(17)		1,043,732	23		1,043,732	21
Capital surplus	6(18,19)		394,003	9		393,999	8
Retained earnings	6(19)						
Legal reserve			345,719	7		324,368	6
Special reserve			385,883	8		385,883	8
Unappropriated retained earnings			1,366,627	29		1,379,379	28
Other equities	6(20)		(313,925)	(7)		(258,642)	(5)
Equity attributable to owners of parent			3,222,039	69		3,268,719	66
NON-CONTROLLING INTERESTS	6(21)		18,551	1		-	-
Total equity			3,240,590	70		3,268,719	66
TOTAL LIABILITIES AND EQUITIES		$	4,641,302	100	$	4,936,905	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, 2025 AND 2024
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

		2025			2024		
	NOTES		Amount	%		Amount	%
NET REVENUE	6(22),7	$	2,978,759	100	$	3,126,341	100
COST OF REVENUE	6(5,23)		(2,363,483)	(79)		(2,433,642)	(78)
GROSS PROFIT			615,276	21		692,699	22
OPERATING EXPENSES	6(23),7						
Marketing expenses			(88,868)	(3)		(96,626)	(3)
General and administrative expenses			(207,500)	(7)		(219,752)	(7)
Research and development expenses			(64,873)	(2)		(54,213)	(2)
Expected credit reversal			645	-		656	-
Total operating expenses			(360,596)	(12)		(369,935)	(12)
OPERATING INCOME			254,680	9		322,764	10
NONOPERATING INCOME AND EXPENSES							
Interest income	6(24)		12,413	-		15,994	1
Other income	6(25)		49,986	2		73,795	2
Other gains and losses	6(26)		(28,832)	(1)		(25,671)	(1)
Financial costs	6(27)		(29,032)	(1)		(40,624)	(1)
Total nonoperating income and expenses			4,535	-		23,494	1
INCOME BEFORE INCOME TAX			259,215	9		346,258	11
INCOME TAX EXPENSE	6(28)		(93,894)	(3)		(132,742)	(4)
NET INCOME			165,321	6		213,516	7
OTHER COMPREHENSIVE INCOME (LOSS)	6(29)						
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)	-
Income tax benefit (expense) related to items that will not be reclassified subsequently	6(28)		-	-		-	-
Items that may be reclassified subsequently to profit or loss:							
Exchange differences arising on translation of foreign operations			(56,080)	(2)		127,425	4
Unrealized profit (loss) from in debt instruments at fair value through other comprehensive income			997	-		(13)	-
Income tax benefit (expense) related to items that may be reclassified subsequently	6(28)		(200)	-		3	-
Other comprehensive income (loss) for the year, net of income tax			(55,283)	(2)		127,241	4
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		$	110,038	4	$	340,757	11
NET INCOME ATTRIBUTTABLE TO:							
Shareholders of the parnet		$	165,159	6	$	213,516	7
Non-controlling interests			162	-		-	-
Total		$	165,321	6	$	213,516	7
TOTAL COMPREHENSIVE INCOME ATTIRBUTABLE TO:							
Shareholders of the parnet		$	109,876	4	$	340,757	11
Non-controlling interests			162	-		-	-
Total		$	110,038	4	$	340,757	11
EARNINGS PER SHARE(NT$):	6(30)						
Basic earnings per share		$	1.58		$	2.05	
Diluted earnings per share		$	1.58		$	2.04	

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, 2025 AND 2024

(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	Differences Arising on Translation of Foreign Operations	Unrealized Profit (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total attributable to Shareholders of parent
BALANCE, JANUARY 1, 2024	$ 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	-	-	-	-	(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
Appropriations of earnings								
Legal reserve	-	-	21,351	-	(21,351)	-	-	-
Cash dividends to shareholders	-	-	-	-	(156,560)	-	-	(156,560)
Exercise the right of imputation	-	4	-	-	-	-	-	4
Increase in non-controlling interests	-	-	-	-	-	-	-	-
Net income in 2025	-	-	-	-	165,159	-	-	165,159
Other comprehensive income (loss) in 2025, net of tax	-	-	-	-	-	(56,080)	797	(55,283)
BALANCE, DECEMBER 31, 2025	$ 1,043,732	$ 394,003	$ 345,719	$ 385,883	$ 1,366,627	$ (312,356)	$ (1,569)	$ 3,222,039

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

LUHAI HOLDING CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2025 AND 2024
(In Thousands of New Taiwan Dollars)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 259,215	$ 346,258
Adjustments for:		
Adjustments to reconcile profit (loss)		
Depreciation	229,216	227,803
Amortization	3,002	2,552
Expected credit reversal	(645)	(656)
Financial costs	29,032	40,624
Interest income	(12,413)	(15,994)
Dividend income	(124)	(128)
Losses on disposal of property, plant and equipment	1,059	934
Impairment losses on property, plant and equipment	-	1,894
Net changes in operating assets and liabilities		
Notes receivable	(10,020)	8,113
Accounts receivable	55,255	(42,447)
Other receivables	(2,744)	29,288
Inventories	(40,117)	(105,442)
Prepayments	(3,815)	(13,742)
Other current assets	(1,570)	103
Conrtract liabilities	4,471	(1,168)
Accounts payable	(27,480)	44,287
Other payables	(4,579)	10,600
Other current liabilities	30	(205)
Cash generated from operations	477,773	532,674
Interest received	13,226	24,969
Dividend received	124	128
Interest paid	(29,527)	(40,791)
Income taxes paid	(112,187)	(271,803)
Net cash provided by operating activities	349,409	245,177

(Continued)

	2025	2024
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	$ (120,561)	$ (80,895)
Proceeds from disposal of Property, plant and equipment	10,358	6,828
Advance proceeds from the disposal of investment property	23,478	-
Acquisition of intangible assets	(1,694)	(1,160)
Increase in prepaid equipment	(73,921)	(63,169)
Refundable deposits (paid) refunded	615	(81)
Decrease in other noncurrent assets	819	1,830
Net cash used in investing activities	(160,906)	(136,647)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in short-term loans	(99,261)	192,168
Increase in guarantee deposits received	435	894
Proceeds from long-term debt	435,927	568,117
Repayment of long-term debt	(550,942)	(756,884)
Cash dividends paid	(156,560)	(99,403)
Exercise the right of imputation	4	-
Increase in non-controlling interests	18,389	-
Net cash used in financing activities	(352,008)	(95,108)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(25,605)	37,333
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(189,110)	50,755
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,018,133	967,378
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 829,023	$ 1,018,133

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

(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 issuance by the Board of Directors on March 10, 2026.

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 in 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"

This amendment defines exchangeability and provides guidance on how an entity should determine the spot exchange rate when a particular currency lacks exchangeability. In addition, this amendment requires entities to provide more useful information in their financial statements when a currency cannot be exchanged for another currency.

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 2026

New standards, interpretations and amendments endorsed by the FSC and effective from 2026 are as follows:

New IFRSs	Effective Date Announced by IASB
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
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
Annual Improvements to IFRS Accounting Standards—Volume 11	January 1, 2026

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

(a) 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.

(b) 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.

(c) Clarifies the recognition and derecognition dates for certain financial assets and liabilities, and adds that when using an electronic payment system to settle financial liabilities (or part of financial liabilities) in cash, an entity is permitted to consider the financial liability as derecognized prior to the settlement date only when the entity initiates a payment instruction that results in the following circumstances:

i. The entity does not have the ability to revoke, stop, or cancel the specified payment.

ii. The entity, as a result of the payment instruction, does not have the actual ability to obtain the cash used for settlement.; and

iii. The settlement risk associated with the electronic payment system is not significant.

(d) Update regarding the irrevocable designation of equity instruments measured at fair value through other comprehensive income (FVTOCI): the fair value should be disclosed by each category, and it is no longer required to disclose fair value information for each individual item. In addition, the amount of gains or losses on fair value recognized in other comprehensive income during the reporting period should be disclosed, separately presenting the amount related to investments derecognized during the reporting period and the amount related to investments still held at the end of the reporting period. Furthermore, the cumulative gains or losses transferred to equity due to the derecognition of investments during the reporting period should be disclosed.

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

The amendment addresses contracts in which a company is involved and where electricity generation depends on uncontrollable natural conditions (such as weather), resulting in fluctuations in electricity output. The details are explained as follows:

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

When a contract requires a company to purchase and receive electricity during power generation, and the design and operation of the contract electricity trading market require the company to sell any unused electricity within a specified period, the company must consider reasonable and supported information regarding past, current, and expected future electricity transactions within a reasonable period not exceeding 12 months. If the company purchases enough electricity to offset any unused electricity sold in the same market, the company is considered a net purchaser of electricity.

A company applying these amendments to own-use contracts involving naturedependent electricity shall disclose the following:

i. Fluctuations in base electricity volume and risk being required to purchase electricity during delivery intervals when power cannot be used.

ii. Unrecognized contractual commitments, including the expected future cash flows from purchasing electricity under these contracts; and

iii. The impact of the contract on the company’s financial performance during the reporting period.

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

The hedged item may be designated as the variable notional amount of forecasted electricity transactions, which is consistent with the variable amount of natural electricity expected to be delivered by the power generation facilities referenced in the hedging instrument. Furthermore, when the cash flows of the hedging instrument are designated in a cash flow hedge relationship, and when a contract involving natural electricity is designated as the hedging instrument conditional on the occurrence of the designated 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.

As of the date the accompanying consolidated financial statements are authorized for issue, the Group is still evaluating the impact on its financial position and financial performance as a result of the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the Group completes the evaluation.

(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
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 18 "Presentation and Disclosure in Financial Statements"	January 1, 2027(Note)
IFRS 19 "Subsidiaries without Public Accountability: Disclosures"	January 1, 2027
Amendments to IAS 21 – Translation into a Hyperinflationary Currency	January 1, 2027

Note: On September 25, 2025, the FSC announced that IFRS 18 will take effect starting from January 1, 2028. Domestic entities could elect to apply IFRS 18 for an earlier period after the endorsement of IFRS 18 by the FSC.

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 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.

B. 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.

C. IFRS 19 “Subsidiaries without Public Accountability：Disclosure”

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

D. Amendments to IAS 21 – Translation into a Hyperinflationary Currency

The amendments require that when translating from a functional currency of a non-hyperinflationary economy into a presentation currency of a hyperinflationary economy, all amounts (including comparative information) shall be translated using the closing exchange rate at the end of the most recent reporting period. The amendments also provide an exception whereby entities whose functional currency and presentation currency are both currencies of hyperinflationary economies are not required to retranslate comparative information when their foreign operations have a functional currency of a non-hyperinflationary economy. In addition, the amendments introduce disclosure requirements, including the translation method applied and summarized financial information of foreign operations.

As of the date the accompanying consolidated financial statements are authorized for issue, the Group is still evaluating the impact on its financial position and financial performance as a result of the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the Group completes the evaluation

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:

			Percentage of ownership	
Name of investor	Name of subsidiary	Main businesses and activities	December 31, 2025	December 31, 2024
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, 2025	Percentage of ownership December 31, 2024
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%
PT.LUHAI	PT SHEDA TOOLS INDONESIA (PT SHEDA)(Note 1)	Manufacturing and selling hand tools	70.00%	-

Note 1：PT SHEDA is a subsidiary of PT. LUHAI, in which PT. LUHAI holds a 70% equity interest. It was established in Jakarta, Indonesia in November 2025, and is primarily engaged in the manufacturing and selling hand tools products.

The financial statements of the subsidiaries included in the consolidated financial statements for the years ended December 31, 2025 and 2024 are audited by certified public accountants.

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

D. Subsidiaries that have non-controlling interests that are material to the Group:

Name of Subsidiary	Percentage of Ownership	December 31, 2025 Non-controlling Interests
PT SHEDA	30%	$ 18,551

Summarized financial information of the subsidiaries:

	December 31, 2025
Current assets	$ 61,872
Non-current assets	-
Current liabilities	(35)
Non-current liabilities	-
Equity	$ 61,837

	Year ended December 31	
	2025	
NET REVENUE	$	-
NET INCOME	$	540
Other comprehensive income (loss) for the year, net		-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$	540
Net Income Attributable to Non-controlling Interests	$	162
Total Comprehensive Income Attributable to Non-controlling Interests	$	162

	Year ended December 31	
	2025	
Net cash provided by operating activities	$	482
Net cash provided by investing activities		-
Net cash provided by financing activities		61,874
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(577)
NET INCREASE IN CASH AND CASH EQUIVALENTS		61,779
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		-
CASH AND CASH EQUIVALENTS, END OF YEAR	$	61,779

(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 on that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Exchange differences arising in the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising in the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange difference are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rate at the date of the transaction and are not retranslated.

C. When preparing the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into NT$ 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 and are attributed to non-controlling interests as appropriate.

(5) Classification of Current and Noncurrent Assets and Liabilities

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) Measurement category

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

Financial assets are classified as financial assets at amortized cost, debt instruments at fair value through other comprehensive income and investment in equity instruments at FVTOCI.

i. 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 to hold financial assets in order to collect 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.

ii. 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.

iii. 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 entirely, 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 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	4~20 years
Other equipment	2~20 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.

<u>The Group as lessee</u>

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.

<u>The Group as lessor</u>

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 properties 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 land 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 reflects 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 exchange for service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

<u>Defined contribution plans</u>

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 substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

D. Deferred 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.

(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.

6. DESCRIPION OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31	
Item	2025	2024
Cash on hand	$ 476	$ 395
Demand deposits	303,435	552,020
Time deposits	525,112	465,718
Total	$ 829,023	$ 1,018,133

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

	December 31	
Item	2025	2024
Current		
Debt instruments		
Foreign corporate bonds	$ 15,395	$ 15,450
Noncurrent		
Equity instruments		
Foreign unlisted stocks	$ 621	$ 620

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	
	2025	2024
At amortized cost		
Notes receivable	$ 44,337	$ 33,916
Less: loss allowance	-	-
Notes receivable, net	$ 44,337	$ 33,916

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

B. As of December 31, 2025 and 2024, notes receivable being accepted by banks were $17,961 thousand and $11,128 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, 2025 and 2024, $15,693 thousand and $10,550 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	
	2025	2024
At amortized cost		
Accounts receivable	$ 653,754	$ 720,277
Accounts receivable – related parties	621	-
Less: loss allowance	(2,506)	(3,340)
Accounts receivable, net	$ 651,869	$ 716,937

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

B. The average credit period of sales of goods ranges from 14 to 180 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 mitigatingthe 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.

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

December 31, 2025

Aging interval	Rate of expected credit loss	Gross carrying amount	Loss allowance (lifetime expected credit loss)	Amortized cost
Not past due	0.08%	$ 664,653	$ (530)	$ 664,123
Past due within 30 days	1.68%	28,681	(482)	28,199
Past due 31-60 days	9.22%	3,765	(347)	3,418
Past due 61-90 days	24.21%	233	(56)	177
Past due 91-180 days	58.76%	701	(412)	289
Past due over 181 days	100%	679	(679)	-
Total		$ 698,712	$ (2,506)	$ 696,206

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		$ 754,193	$ (3,340)	$ 750,853

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:

	Years ended December 31	
Item	2025	2024
Balance, January 1	$ 3,340	$ 3,949
Recognition of impairment losses	284	157
Reversal of impairment losses	(929)	(813)
Amounts written off	(33)	(77)

Item	Years ended December 31	
	2025	2024
Effect of exchange rate changes	$ (156)	$ 124
Balance, December 31	$ 2, 506	$ 3, 340

The Group has recognized an appropriate amount of loss allowance complying with the Group's policies as of December 31, 2025 and 2024.

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

(5) Inventories and cost of goods sold

Item	December 31	
	2025	2024
Merchandise	$ 62,963	$ 77,685
Finished goods	139,442	143,816
Work in process	221,000	195,636
Raw materials	157,324	140,242
Supplies	36,410	30,608
Inventory in transit	62,218	64,175
Total	$ 679,357	$ 652,162

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

Item	Years Ended December 31	
	2025	2024
Unallocated overhead	$ 103,997	$ 86,551
Loss on decline in market value of inventories	4,006	4,006
Loss on inventory disposed	785	-
Gain on inventory taking	(647)	(1,434)
Total	$ 108,141	$ 89,123

B. The Group has no inventory pledged to others.

(6) Prepayments

Item	December 31	
	2025	2024
Prepayment to suppliers	$ 3,289	$ 3,037
Offset against VAT payable	13,889	11,280
Others	10,427	10,196
Total	$ 27,605	$ 24,513

(7) Property, plant and equipment

Item	December 31 2025		December 31 2024	
Land	$	7,567	$	7,567
Buildings		1,309,543		1,300,084
Machinery		1,681,675		1,617,984
Other equipment		306,171		265,161
Equipment to be inspected and construction in progress		23,702		30,986
Total cost		3,328,658		3,221,782
Less: deferred government grants		(14,389)		(17,061)
Accumulated depreciation and impairment		(1,334,274)		(1,150,937)
Property, plant and equipment, net	$	1,979,995	$	2,053,784

	Land	Buildings	Machinery	Other equipment	Equipment to be inspected and construction in progress	Total
Cost						
Balance, January 1, 2025	$ 7,567	$ 1,300,084	$ 1,617,984	$ 265,161	$ 30,986	$ 3,221,782
Additions	-	1,161	38,855	11,884	44,443	96,343
Disposals	-	(319)	(32,782)	(4,651)	-	(37,752)
Reclassification	-	19,986	66,723	35,000	(50,957)	70,752
Effect of exchange rate difference	-	(11,369)	(9,105)	(1,223)	(770)	(22,467)
Balance, December 31, 2025	$ 7,567	$ 1,309,543	$ 1,681,675	$ 306,171	$ 23,702	$ 3,328,658
Defferd government grants						
Balance, January 1, 2025	$ -	$ -	$ -	$ (17,061)	$ -	$ (17,061)
Decrease depreciation expense	-	-	-	2,609	-	2,609
Effect of exchange rate Difference	-	-	-	63	-	63
Balance, December 31, 2025	$ -	$ -	$ -	$ (14,389)	$ -	$ (14,389)
Accumulated depreciation and impairment						
Balance, January 1, 2025	$ -	$ (224,227)	$ (797,682)	$ (129,028)	$ -	$ (1,150,937)
Depreciation expense	-	(50,510)	(134,259)	(32,698)	-	(217,467)
Disposals	-	272	21,462	4,601	-	26,335
Effect of exchange rate difference	-	4,249	2,651	895	-	7,795
Balance, December 31, 2025	$ -	$ (270,216)	$ (907,828)	$ (156,230)	$ -	$ (1,334,274)

	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

	Land	Buildings	Machinery	Other equipment	Equipment to be inspected and construction in progress	Total
Balance, December 31, 2024	$ 7,567	$ 1,300,084	$ 1,617,984	$ 265,161	$ 30,986	$ 3,221,782
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	$ -	$ -	$ -	$ (17,061)	$ -	$ (17,061)
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	$ -	$ (224,227)	$ (797,682)	$ (129,028)	$ -	$ (1,150,937)

A. 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).

B. The Group has no property, plant and equipment pledged to others.

C. Please refer to Note 6(27) for the information on interest capitalization.

(8) Lease agreement

A. Right-of-use assets

Item	December 31 2025	December 31 2024
Land right-of-use assets	$ 170,228	$ 171,624
Total cost	170,228	171,624
Less: Accumulated depreciation and impairment	(22,116)	(18,770)
Right-of-use assets, net	$ 148,112	$ 152,854

Item	Years Ended December 31 2025	Years Ended December 31 2024
Depreciation expense		
Land right-of-use assets	$ 3,208	$ 3,540

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

B. Material lease-in activities and terms

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

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.

C. Other lease information

Item	Years Ended December 31 2025		2024	
Short-term lease expense	$	242	$	249
Total cash outflow for leases	$	242	$	249

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 2025		2024	
Buildings	$	298,461	$	298,117
Land right-of-use assets		25,486		25,447
Total cost		323,947		323,564
Less: Accumulated depreciation and impairment		(154,348)		(142,712)
Investment property, net	$	169,599	$	180,852

	Buildings		Land right-of-use assets		Total	
Cost						
Balance, January 1, 2025	$	298,117	$	25,447	$	323,564
Disposals		(110)		-		(110)
Effect of exchange rate difference		454		39		493
Balance, December 31, 2025	$	298,461	$	25,486	$	323,947
Accumulated depreciation and impairment						
Balance, January 1, 2025	$	(137,914)	$	(4,798)	$	(142,712)
Depreciation expense		(10,226)		(924)		(11,150)
Disposals		110		-		110
Effect of exchange rate difference		(557)		(39)		(596)
Balance, December 31, 2025	$	(148,587)	$	(5,761)	$	(154,348)
Cost						
Balance, January 1, 2024	$	226,671	$	15,079	$	241,750

	Buildings		Land right-of-use assets		Total	
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	$	298,117	$	25,447	$	323,564
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	$	(137,914)	$	(4,798)	$	(142,712)

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

	Years Ended December 31			
Item	2025		2024	
Rental income from investment property	$	25,869	$	27,061
Direct operating expenses arising from the investment property that generated rental income during the period	$	11,876	$	13,664
Direct operating expenses arising from the investment property that did not generate rental income during the period	$	4,349	$	373

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

	December 31			
Item	2025		2024	
Within 1 year	$	16,530	$	28,416
1-5 years		28,173		44,634
Total	$	44,703	$	73,050

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, 2025 and 2024 is $324,790 thousand and $355,785 thousand. The aforesaid fair value was appraised by an independent external appraiser using cost method or cost method and income method.

D. The Xinglin Plant of XIAHUI will be disposed of at the end of its lease term in April 2026 for RMB 18,000 thousand, of which a 30% deposit of RMB 5,400 thousand has been received and recorded under other current liabilities, please refer to Note 6(15).

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

(10) Intangible assets

Item	December 31 2025		December 31 2024	
Computer Software	$	28,266	$	28,360
Total cost		28,266		28,360
Less: Accumulated amortization		(16,031)		(14,803)
Intangible assets, net	$	12,235	$	13,557

	Year Ended December 31, 2025					
	Computer Software		Trademarks		Total	
Cost						
Balance, January 1, 2025	$	28,360	$	-	$	28,360
Additions		1,694		-		1,694
Disposals		(1,821)		-		(1,821)
Effect of exchange rate difference		33		-		33
Balance, December 31, 2025	$	28,266	$	-	$	28,266
Accumulated amortization						
Balance, January 1, 2025	$	(14,803)	$	-	$	(14,803)
Amortization expense		(3,002)		-		(3,002)
Disposals		1,821		-		1,821
Effect of exchange rate difference		(47)		-		(47)
Balance, December 31, 2025	$	(16,031)	$	-	$	(16,031)

	Year Ended December 31, 2024					
	Computer Software		Trademarks		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						
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)

	Year Ended December 31, 2024		
	Computer Software	Trademarks	Total
Balance, December 31, 2024	$ (14,803)	$ -	$ (14,803)

The Group has no intangible assets pledged to others.

(11) Other noncurrent assets

	December 31	
Item	2025	2024
Prepaid of equipment	$ 21,575	$ 18,725
Refundable deposits	7,072	7,703
Prepaid of intangible assets	4,668	4,597
Other noncurrent assets	4,931	5,850
Total	$ 38,246	$ 36,875

(12) Short-term loans

	December 31	
The nature of borrowings	2025	2024
Credit borrowings	$ 112,413	$ 214,053
Interest rates	2.21%	2.08%~2.55%

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

(13) Other payables

	December 31	
Item	2025	2024
Salaries and bonus payable	$ 79,575	$ 74,571
Consumption expense payable	30,466	31,253
Construction and equipment payable	10,065	34,283
Insurance payable	11,784	11,583
Sales tax payable	12,176	11,747
Outsourced expense payable	12,238	21,913
Compensation payable of employees, directors	7,913	6,851
Others	21,592	24,894
Total	$ 185,809	$ 217,095

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

	December 31	
The nature of borrowings	2025	2024
Credit borrowings	$ 750,321	$ 870,548
Less: Current portion	(88,903)	(50,720)
Total	$ 661,418	$ 819,828

The nature of borrowings	December 31 2025	December 31 2024
Interest rates	2.00%~4.82%	2.00%~5.50%
Maturity date	2026 to 2029	2025 to 2029

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

B. According to loan agreements with banks, the Company should maintain certain agreed financial ratios. The Company have not breached the agreements as of December 31, 2025 and 2024.

(15) Other current liabilities

Item	December 31 2025	December 31 2024
Advance proceeds from the disposal of investment property	$ 24,281	$ -
Advance rental income	3,039	3,034
Guarantee deposits received	6,320	898
Others	281	260
Total	$ 33,921	$ 4,192

(16) 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 $42,502 thousand and $35,715 thousand were recognized in accordance with rate specified in defined contribution plans in consolidated comprehensive income statement as of December 31, 2025 and 2024.

(17) Capital stocks

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

Item	2025 Shares (in thousands)	2025 Amount	2024 Shares (in thousands)	2024 Amount
	Years ended December 31			
Balance at January 1	104,373	$ 1,043,732	99,403	$ 994,030
Stock dividend from capital surplus	-	-	4,970	49,702
Balance at December 31	104,373	$ 1,043,732	104,373	$ 1,043,732

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, 2025.

(18) Capital surplus

	December 31			
Item	2025		2024	
From merger	$	44,012	$	44,012
Additional paid-in capital		299,972		299,972
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		18,507		18,503
Total	$	394,003	$	393,999

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.

Capital surplus arising from the Company's exercise of the right of attribution may only be used to offset losses; capital surplus arising from employee stock options and subscription rights shall not be used for any purpose.

(19) 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 lower than 10% of the balance left over after appropriation of loss and allocation for Reserve in that year and the cash Dividends shall not be lower than 10% of the total amount of Dividends distributed to the Members.

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 2025		December 31 2024	
Special reserve	$	385,883	$	385,883

(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 2024 and 2023 earnings have been approved by shareholders' meetings held on May 27, 2025 and June 19, 2024, 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 sharehoders' meetings held on June 19, 2024.

	Appropriation of Earnings				Dividends Per Share (NT$)			
Item	For Year 2025		For Year 2024		For Year 2025		For Year 2024	
Legal reserve	$	21,351	$	17,503	$	-	$	-
Special reserve		-		5,020		-		-
Cash dividends		156,560		99,403		1.50		1.00
Total	$	177,911	$	121,926				

E. The Company's appropriations of earnings for 2025 had been approved in the meeting of the Board of Directors held on March 10, 2026. The appropriations and dividends per share were as follows:

Item	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 16,516	$ -
Cash dividends	125,248	1.20
Total	$ 141,764	

The appropriations of earnings for 2025 are to be presented for approval in the Company's annual shareholders' meeting to be held on May 27, 2026.

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.

(20) 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, 2025	$ (256,276)	$ (2,366)	$ (258,642)
Exchange differences on translation of foreign financial statements	(56,080)	-	(56,080)
Valuation adjustments on debt instrument at fair value through other comprehensive income	-	797	797
Balance, December 31, 2025	$ (312,356)	$ (1,569)	$ (313,925)
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	$ (256,276)	$ (2,366)	$ (258,642)

(21) Non-controlling interests

Item	Year ended December 31 2025
Balance, January 1	
Increase in non-controlling interests	$ 18,389
Attributtable to Non-controlling interests	
NET INCOME	162

Item	Year ended December 31
	2025
Other comprehensive income (loss) for the year, net of income tax	$ -
Balance, December 31	$ 18,551

(22) Net revenue

Item	Years ended December 31	
	2025	2024
Revenue from contract with customers		
Revenue from sale of goods	$ 2,949,642	$ 3,099,490
Service revenue	29,117	26,851
Total	$ 2,978,759	$ 3,126,341

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, 2025					
	The Company	XIAHUI	LUHAI KUNSHAN	PT.LUHAI	Eliminations	Total
Main products						
Bicycle valves	$ 37,918	$ 410,975	$ 926	$ 73,390	$ -	$ 523,209
Motorcycle and electric bike valves	2,138	378,084	-	394,467	-	774,689
Passenger car, truck and other valves	116,283	854,540	2,592	90,918	-	1,064,333
Accessories and others	26,201	364,132	48,870	177,325	-	616,528
Total	$ 182,540	$ 2,007,731	$ 52,388	$ 736,100	$ -	$ 2,978,759

Item	Year ended December 31, 2024					
	The Company	XIAHUI	LUHAI KUNSHAN	PT.LUHAI	Eliminations	Total
Main products						
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	$ 193,357	$ 2,052,158	$ 50,311	$ 830,515	$ -	$ 3,126,341

C. Contract balances

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

Item	December 31, 2025	December 31, 2024	January 1, 2024
Contract liabilities - current	$ 6,359	$ 1,732	$ 2,831

(23) Employee benefits, depreciation, depletion and amortization expense

	Years ended December 31					
	2025			2024		
By nature	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	$ 367,193	$ 140,178	$ 507,371	$ 370,146	$ 136,496	$ 506,642
Remuneration to directors	-	11,483	11,483	-	7,613	7,613
Insurance	20,824	9,221	30,045	20,222	8,455	28,677
Pension	32,197	10,305	42,502	27,153	8,562	35,715
Other labor cost	29,293	8,557	37,850	30,469	10,525	40,994
Depreciation	180,678	48,538	229,216	177,981	49,822	227,803
Amortization	424	2,578	3,002	256	2,296	2,552
Total	$ 630,609	$ 230,860	$ 861,469	$ 626,227	$ 223,769	$ 849,996

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 5% of the profits as Directors' remuneration. The Company accrued employees' compensation at 1.5% of pre-tax profit for both 2025 and 2024. Directors' remuneration was accrued at 3% and 1.5% of pre-tax profit for 2025 and 2024, 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 2025 and 2024 have been approved by directors' meeting held on March 10, 2026 and March 11, 2025, respectively. The amounts approved and recognized in financial statements are shown as follows:

	Years ended December 31			
	2025		2024	
	Employees' compensation	Remuneration to directors	Employees' compensation	Remuneration to directors
Amount resolved to be distributed	$ 2,594	$ 5,188	$ 3,302	$ 3,302
Amount recognized in financial statements	2,594	5,188	3,302	3,302
Difference	$ -	$ -	$ -	$ -

The employees' compensation and remuneration to directors of 2025 and 2024 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, 2025 and 2024, the numbers of employees of the Group were 1,246 and 1,241, respectively. Among them, the numbers of Directors who were not employees both 5, respectively.

(24) Interest income

Item	Years ended December 31 2025		2024	
Interest income				
Bank deposit	$	12,171	$	15,741
Financial assets at fair value through other comprehensive income		242		253
Total	$	12,413	$	15,994

(25) Other income

Item	Years ended December 31 2025		2024	
Government grants	$	17,894	$	40,704
Rent income		25,869		27,061
Others		6,223		6,030
Total	$	49,986	$	73,795

(26) Other gains and losses

Item	Years ended December 31 2025		2024	
Net currency exchange losses	$	(6,946)	$	(6,497)
losses on disposal of property,Plant and equipment		(1,059)		(934)
Impairment losses on property, plant and equipment		-		(1,894)
Direct operating expenses arising from the investment property that generated rental income during the period		(11,876)		(13,664)
Direct operating expenses arising from the investment property that did not generate rental income during the period		(4,349)		(373)
Others		(4,602)		(2,309)
Total	$	(28,832)	$	(25,671)

(27) Financial costs

Item	Years ended December 31 2025		2024	
Interest expense				
Bank borrowings	$	29,032	$	40,624

Item	Years ended December 31 2025	2024
Less: capitalized amount for qualified assets	$ -	$ -
Financial costs	$ 29,032	$ 40,624
Interest capitalization rates	-	-

(28) Income tax

A. Components of income tax expense:

Item	Years ended December 31 2025	2024
Current income tax expense		
Current tax expense recognized in the current year	$ 97,723	$ 143,595
Income tax adjustments on prior years	(6,660)	(7,061)
Additional income tax on unappropriated earnings	653	435
Current income tax expense	91,716	136,969
Deferred income tax expense		
Deferred income tax expense (benefit) related to temporary differences	2,182	(2,737)
Unused loss carryforwards	(4)	(1,490)
Deferred income tax expense (benefit)	2,178	(4,227)
Income tax expense	$ 93,894	$ 132,742

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

Item	Years ended December 31 2025	2024
Unrealized profit (loss) from debt instrumens at fair value through other comprehensive income	$ 200	$ (3)

C. Reconciliation between income tax expense and accounting profit:

Item	Years ended December 31 2025	2024
Income before tax	$ 259,215	$ 346,258
Income tax expense at the statutory rate	$ 93,816	$ 137,954
Tax effect of adjusting items:		
Deductible items in determining taxable income	3,907	5,641
Additional tax on unappropriated earnings	653	435
Income tax adjustments on prior years	(6,660)	(7,061)
Net changes on deferred income tax		
Temporary differences	2,182	(2,737)

Item	Years ended December 31 2025	2024
Unused loss carryforwards	$ (4)	$ (1,490)
Income tax expense recognized in profit or loss	$ 93,894	$ 132,742

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.

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 declared and paid the relocation income tax in May, 2024. For the relocation of LUHAI KUNSHAN, please refer to Note 6(24) of the consolidated financial statements for the year 2024.

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

Item	Year ended December 31, 2025 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	$ 1,474	$ 589	$ -	$ (25)	$ 2,038
Loss allowance	744	(142)	-	(35)	567
Loss on decline in market value of inventory	7,274	909	-	(85)	8,098
Gain on foreign Investments accounted For using equity method	(18,214)	(3,541)	-	727	(21,028)
Deferred depreciation expense	3,161	(292)	-	(8)	2,861
Impairment losses	1,483	(93)	-	(1)	1,389
Deferred insurance expense and housing provident fund	2,262	-	-	3	2,265
Unrealized profit (loss) on Financial Assets at Fair Value Through other comprehensive income	530	-	(200)	-	330
Others	22	388	-	(2)	408
Unused loss carryforwards	4,951	4	-	-	4,955
Total	$ 3,687	$ (2,178)	$ (200)	$ 574	$ 1,883

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

Item	Year ended December 31, 2024 Beginning balance	Recognized in (losses) gains	Recognized in other comprehensive income	Effect of exchange rate changes	Ending Balance
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

E. As of December 31, 2025, the tax authorities have examined The Company's Taiwan branch and LU HAI IND.'s income tax returns through 2023.

(29) Other comprehensive income

Item	Year ended December 31, 2025 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	$ -	$ -	$ -
Subtotal	-	-	-
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	(56,080)	-	(56,080)
Unrealized profit (loss) from debt instrument at fair value through other comprehensive income	997	(200)	797
Subtotal	(55,083)	(200)	(55,283)
Total	$ (55,083)	$ (200)	$ (55,283)

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)

Item	Year ended December 31, 2024 Before tax	Income tax (expense) benefit	After tax
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

(30) Earnings per share

Item	Years ended December 31 2025	2024
Basic earnings per share		
Net income attributable to shareholders of the parent	$ 165,159	$ 213,516
Net income for calculating basic earnings per share	$ 165,159	$ 213,516
Weighted average number of shares outstanding for the period (in thousands)	104,373	104,373
Basic earnings per share, after tax (in dollar)	$ 1.58	$ 2.05
Diluted earnings per share		
Net income attributable to shareholders of the parent	$ 165,159	$ 213,516
Net income for calculating diluted earnings per share	$ 165,159	$ 213,516
Weighted average number of shares outstanding for the period (in thousands)	104,373	104,373
Effect of dilutive potential common shares		
Employees’ compensation	127	126
Weighted average shares outstanding for dilutive earnings per share	104,500	104,499
Diluted earnings per share, after tax (in dollar)	$ 1.58	$ 2.04

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.

(31) Reconciliation of liabilities arising from financing activities

Items	January 1, 2025	Cash Flows	Change in Exchange Rate	December 31, 2025
Short-term loans	$ 214,053	$ (99,261)	$ (2,379)	$ 112,413
Long-termloans (including long-term ioans due within a year)	870,548	(115,015)	(5,212)	750,321
Guarantee deposits received	7,619	435	27	8,081
Total liabilities arising from finacing	$ 1,092,220	$ (213,841)	$ (7,564)	$ 870,815

Items	January 1, 2024	Fianancing cash flow Changes	Non-cash Changes	December 31, 2024
Short-term loans	$ 21,000	$ 192,168	$ 885	$ 214,053
Long-termloans (including long-term ioans 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 finacing	$ 1,065,189	$ 4,295	$ 22,736	$ 1,092,220

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) Related party name and categories

Related Party	Related Party Categories
SHIH YEONG INDUSTRY CORP.	Substantive related parties

(2) Significant transactions with related parties

A. Net Revenue

Item	Related party category	Year ended December 31 2025
Processing fees revenue	Substantive related parties	$ 54

Selling prices between related parties were determined and negotiated referring to related market prices. The payment term was T/T 30 days.

B. Receivables due from related parties

Item	Related party category	December 31, 2025
Accounts receivable	Substantive related parties	$ 621

(3) Compensation of key management personnel

Item	Years ended December 31	
	2025	2024
Salary and short-term employee benefits	$ 28,025	$ 21,038
Post- employment benefits	179	191
Total	$ 28,204	$ 21,229

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	
	2025	2024
Property, plant and equipment	$ 47,250	$ 39,499

(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, 2025 to March 15, 2026. The insurance policy covers from March 15, 2007 to March 15, 2026. 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					
	2025			2024		
	Foreign currency	Exchange rate	New Taiwan Dollars	Foreign currency	Exchange rate	New Taiwan Dollars
Financial assets						
Monetary items						
USD	$ 10,619	31.43	$ 333,750	$ 14,133	32.79	$ 463,338
EUR	239	36.90	8,825	257	34.14	8,760
Financial liabilities						
Monetary items						
USD	$ 12,924	31.43	$ 406,202	$ 13,504	32.79	$ 442,730
EUR	3,547	36.90	130,871	3,524	34.14	120,299

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 currenct 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 $1,943 thousand and $907 thousand for the years ended December 31, 2025 and 2024, respectively.

The Group's foreign exchange gains and losses, including realized and unrealized, for the years ended December 31, 2025 and 2024 were net exchange losses of $6,946 thousand and $6,497 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 since the fair value of financial assets at fair value through other comprehensive income increased/decreased for the years ended December 31, 2025 fand 2024.

iii. Interest rate risk

The Group's exposure to interest rate risk primarily arises from its investment positions and financial liabilities. The carrying amounts of interest-bearing financial instruments held by the Group as of the reporting date were as follows:

	December 31	
Item	2025	2024
Fair value interest rate risk		
Financial assets	$ 360,197	$ 368,928
Financial liabilities	-	-
Net value	$ 360,197	$ 368,928
Cash flow interest rate risk		
Financial assets	$ 483,745	$ 664,260
Financial liabilities	(862,734)	(1,084,601)
Net value	$ (378,989)	$ (420,341)

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) $3,790 thousand and $4,203 thousand for the years ended December 31, 2025 and 2024, respectively.

The Group does not utilize derivative financial instruments of interest rate risk as of December 31, 2025.

(b) Credit risk

Credit risk is the risk that counterparty will default on its contractual obligations under a contract leading to a financial losses 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 each accounted for 40% of the total accounts receivable as of December 31, 2025 and 2024.

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

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities:

	December 31, 2025				
Non-derivative financial liabilities	Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying value
Short-term loans	$ 112,855	$ -	$ -	$ 112,855	$ 112,413
Accounts payable	276,107	-	-	276,107	276,107
Other payables	74,361	-	-	74,361	74,361
Long-term loans (including long-term loans due within a year)	112,512	678,747	-	791,259	750,321
Guarantee deposits received	6,320	1,761	-	8,081	8,081
Total	$ 582,155	$ 680,508	$ -	$ 1,262,663	$ 1,221,283

Non-derivative financial liabilities	December 31, 2024 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

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, 2025 and 2024 were as follows:

Item	December 31 2025	2024
Financial assets		
Financial assets at amortized cost(Note 1)	$ 1,536,485	$ 1,781,080
Financial assets at fair value through other comprehensive income	16,016	16,070
Financial liabilities		
Financial liabilities at amortized cost (Note 2)	$ 1,221,283	$ 1,509,302

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 short-term loans, accounts payable, other payables, 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:

	December 31, 2025			
Item	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurement				
Financial assets at fair value through other comprehensive income				
Debt instruments				
Foreign corporate bonds	$ -	$ 15,395	$ -	$ 15,395
Equity instruments				
Foreign unlisted stocks	-	-	621	621
Total	$ -	$ 15,395	$ 621	$ 16,016

	December 31, 2024			
Item	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurement				
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

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:

	Years ended December 31	
Item	2025	2024
Financial assets at fair value through other comprehensive income		
Balance at January 1	$ 620	$ 764
Recognized in other comprehensive income	-	(174)
Effect of exchange rate difference	1	30
Balance at December 31	$ 621	$ 620

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information (before inter-company eliminations)：

A. Financings provided to others: None;

B. Endorsement and guarantee provided to others: Please see Table 1 attached;

C. Material Securities Held at the End of the Period (excluding Investment in a subsidiary or an associate and interest in a joint venture): Please see Table 2 attached;

D. Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Please see Table 3 attached;

E. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None ;

F. The business relationship between the parent and the subsidiaries and significant transaction between then: Please see Table 4 attached

(2) Information on investees (before inter-company eliminations): Please see Table 5 attached;

(3) Information on investment in Mainland China(before inter-company eliminations)

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 6 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 4 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 7 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

	Years ended December 31	
Areas	2025	2024
China	$ 1,514,418	$ 1,557,300
Indonesia	649,955	725,587
Others	814,386	843,454
Total	$ 2,978,759	$ 3,126,341

B. Noncurrent assets

	December 31	
Areas	2025	2024
China	$ 2,065,179	$ 2,170,045
Indonesia	211,450	197,625

Areas	December 31	
	2025	2024
Others	$ 64,486	$ 62,549
Total	$ 2,341,115	$ 2,430,219

(6) Major customer information

Customer	Years ended December 31			
	2025		2024	
	Amount	%	Amount	%
Customer A	$ 383,789	12.88%	$ 419,979	13.43%

LUHAI HOLDING CORP. AND SUBSIDIARIES
ENDORSEMENT AND GUARANTEE PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2025
(AMOUNTS IN THOUSANDS OF NEW TAIWAN DOLLARS AND FOREIGN CURRENCIES)

Table 1

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	1,288,816	166,579	—	—	—	—	1,611,020	Y	N	N
					USD 5,300	—	—						
0	The Company	LUHAI KUNSHAN	2	1,288,816	62,860	—	—	—	—	1,611,020	Y	N	Y
					USD 2,000	—	—						

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
MATERIAL SECURITIES HELD AT THE END OF THE PERIOD
DECEMBER 31, 2025
(AMOUNTS IN THOUSANDS OF FOREIGN CURRENCIES)

Table 2

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Item	December 31, 2025				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
LU HAI IND.	EXXON MOBIL CORP. corporate bonds	None	Financial assets at fair value through other comprehensive income-current	—	USD 490	—	USD 490	—

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, 2025
(AMOUNTS IN THOUSANDS OF FOREIGN CURRENCIES)

Table 3

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 13,505	16.47%	According to conditions agreed upon the parties	—	—	Accounts receivable USD 2,689	13.18%	Note 1
XIAHUI	The company	The ultimate parent of the Company	Sales	USD 3,848	4.69%	According to conditions agreed upon the parties	—	—	Accounts receivable USD 1,053	5.16%	Note 1

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

Table 4

LUHAI HOLDING CORP. AND SUBSIDIARIES
THE BUSINESS RELATIONSHIP BETWEEN THE PARENT AND THE SUBSIDIARIES
AND SIGNIFICANT TRANSACTIONS BETWEEN THEM
FOR THE YEAR ENDED DECEMBER 31, 2025
(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	8,793	Note 3	0.30%
0	The Company	PT.LUHAI	1	Other revenue	768	〃	0.03%
0	The Company	XIAHUI	1	Sales revenue	5,371	〃	0.18%
0	The Company	XIAHUI	1	Other revenue	11,452	〃	0.38%
0	The Company	LUHAI KUNSHAN	1	Sales revenue	167	〃	0.01%
0	The Company	LUHAI KUNSHAN	1	Other revenue	2,469	〃	0.08%
1	LU HAI IND.	The Company	2	Rental income	2,357	〃	0.08%
2	PT.LUHAI	The Company	2	Sales revenue	13,300	〃	0.45%
2	PT.LUHAI	XIAHUI	3	Sales revenue	2,542	〃	0.09%
3	XIAHUI	The Company	2	Sales revenue	120,085	〃	4.03%
3	XIAHUI	The Company	2	Other revenue	15	〃	-
3	XIAHUI	PT.LUHAI	3	Sales revenue	421,327	〃	14.14%
3	XIAHUI	LUHAI KUNSHAN	3	Sales revenue	297		0.01%
3	XIAHUI	LUHAI KUNSHAN	3	Other revenue	92	〃	-
4	LUHAI KUNSHAN	The Company	2	Sales revenue	507	〃	0.02%

(Continued)

Table 4

LUHAI HOLDING CORP. AND SUBSIDIARIES

THE BUSINESS RELATIONSHIP BETWEEN THE PARENT AND THE SUBSIDIARIES AND SIGNIFICANT TRANSATION BETWEEN THEN

DECEMBER 31, 2025

(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	1,101	Note 3	0.02%
0	The Company	PT.LUHAI	1	Other receivables	22	〃	-
0	The Company	XIAHUI	1	Account receivables	1,217	〃	0.03%
0	The Company	XIAHUI	1	Other receivables	626	〃	0.01%
0	The Company	LUHAI KUNSHAN	1	Account receivables	70	〃	-
1	LU HAI IND.	The Company	2	Other receivables	619	〃	0.01%
2	XIAHUI	The Company	2	Account receivables	33,110	〃	0.71%
2	XIAHUI	PT.LUHAI	3	Account receivables	84,509	〃	1.82%
2	XIAHUI	LUHAI KUNSHAN	3	Account receivables	400	〃	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 INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2025
(AMOUNTS IN THOUSANDS OF NEW TAIWAN DOLLARS AND FOREIGN CURRENCIES)

Table 5

Investor	Investee	Location	Main Businesses and activities	Original Investment Amount		Balance as of December 31, 2025			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2025	December 31, 2024	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
The Company	LU HAI BVI	Note 1	Investing activities	278,376 (USD 8,857)	278,376 (USD 8,857)	8,857	100%	1,244,274	115,614	115,614	Note 6
	ALLPRO	Note 2	Investing activities	208,789 (USD 6,643)	208,789 (USD 6,643)	6,643	100%	932,866	86,733	86,733	Note 6
	YUANHUI	Note 3	Investing activities	204,295 (USD 6,500)	204,295 (USD 6,500)	6,500	100%	625,306	(32,733)	(32,733)	Note 6
	LU HAI IND.	Note 4	Leasing activities	30,000	30,000	3,000	100%	172,953	7,751	7,751	Note 6
	PT.LUHAI	Note 5	Manufacturing and selling various kinds of valves and accessories	213,724 (USD 6,800)	213,724 (USD 6,800)	6,800	85%	565,511	51,411	43,700	Note 6
LU HAI IND.	PT.LUHAI	Note 5	Manufacturing and selling various kinds of valves and accessories	37,716 (USD 1,200)	37,716 (USD 1,200)	1,200	15%	99,887	51,411	Note 7	Note 6
PT.LUHAI	PT SHEDA	Note 5	Manufacturing and selling of hand tools	42,911 (IDR 22,912,400)	–	1	70%	43,286	540	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. JI. 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, 2025
(AMOUNTS IN THOUSANDS OF NEW TAIWAN DOLLARS AND FOREIGN CURRENCIES)

Table 6

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, 2025	Amount remitted from Taiwan for the year ended December 31,2025		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2025	Net Income (Losses) of the Investee Company (Note 5)	Percentage of Ownership	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2025	Accumulated Inward Remittance of Earnings as of December 31, 2025
					Remittance to	Remittance back						
XIAHUI	Manufucturing and selling various kinds of valves and accessories	487,165	Note 1	Not applicable	—	—	Not applicable	223,658	100%	222,816	2,190,702	Not applicable
		USD 15,500						USD 7,169		USD 7,142	USD 69,701	
LUHAI KUNSHAN	Manufucturing and selling precision processed products	259,109	Note 1	Not applicable	—	—	Not applicable	(34,162)	100%	(32,789)	620,491	Not applicable
		USD 8,244 (Note 4)						USD (1,095)		USD (1,051)	USD 19,742	

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, 2025 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
Note 6：The transactions had been eliminated when preparing the consolidated financial statements.

Table 7

LUHAI HOLDING CORP. AND SUBSIDIARIES
SEGMENT INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2025 AND 2024
(AMOUNTS IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Year ended December 31, 2025						
	The Company	XIAHUI	LUHAI KUNSHAN	PT.LUHAI	Others	Elimination	Total
Revenue							
Net revenue from external customers	$ 182,540	$ 2,007,731	$ 52,388	$ 736,100	$ -	$ -	$ 2,978,759
Inter-segment revenue	14,331	541,709	507	15,842	2,357	(574,746)	-
Total	$ 196,871	$ 2,549,440	$ 52,895	$ 751,942	$ 2,357	$ (574,746)	$ 2,978,759
Interest income	$ 927	$ 2,872	$ 3,352	$ 3,015	$ 2,247	$ -	$ 12,413
Financial costs	$ 13,477	$ 15,914	$ -	$ -	$ -	$ (359)	$ 29,032
Depreciation and amortization	$ 9,947	$ 173,817	$ 22,642	$ 28,455	$ 435	$ (3,078)	$ 232,218
Segment benefit (loss)	$ (56,305)	$ 280,522	$ (33,636)	$ 66,512	$ 2,122	$ -	$ 259,215
Income before tax							$ 259,215
Total assets							$ 4,641,302

(Continued)

Table 7

LUHAI HOLDING CORP. AND SUBSIDIARIES
SEGMENT INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2025 AND 2024
(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	$ 207,127	$ 2,723,984	$ 62,128	$ 838,998	$ 2,357	$ (708,253)	$ 3,126,341
Interest income	$ 637	$ 5,040	$ 7,349	$ 2,460	$ 2,938	$ (2,430)	$ 15,994
Financial costs	$ 20,690	$ 22,740	$ -	$ 21	$ -	$ (2,827)	$ 40,624
Depreciation and amortization	$ 8,837	$ 178,146	$ 18,498	$ 27,800	$ 511	$ (3,437)	$ 230,355
Impairment losses on property, plant and equipment	$ -	$ 1,894	$ -	$ -	$ -	$ -	$ 1,894
Segment benefit (loss)	$ (74,582)	$ 333,985	$ (8,702)	$ 86,151	$ 9,406	$ -	$ 346,258
Income before tax							$ 346,258
Total assets							$ 4,936,905

(Concluded)