

Stock Code: 2115



# **LU HAI HOLDING CORP.**

## **2023 Annual Report**

Taiwan Stock Exchange Market Observation Post System:

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Company website: <http://www.luhai.com.tw>

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Director	WU, CHIN-LU	R.O.C.	Chairman of LU HAI HOLDING CORP. Chairman of LU HAI INDUSTRIAL CORP. Graduated from Dah-Chin Commercial & Industrial Vocation High School
Director	WU, CHING-SHU	R.O.C.	Director of LU HAI INDUSTRIAL CORP. Supervisor of LU HAI INDUSTRIAL CORP. Director of LU HAI HOLDING CORP. Master degree of Management, National Chung Hsing University
Director	HSU, YA-TING	R.O.C.	Section Manager of YOKE Industrial Corp. VP of LU HAI HOLDING CORP. Department of Finance, National Taichung University of Science and Technology
Director	HSU, HUAI-YUN	R.O.C.	General Manager of Yun-Yi International Ltd. Master degree of Management, TungHai University
Director	HSU, HAN-YUAN	R.O.C.	Business Manager of Yuan-Hong Metal Co., Ltd. Assistant VP of LU HAI HOLDING CORP. General Manager of Xiamen Xiahui Rubber Metal Ind. Co., Ltd. Civil Engineering Department, Nanya Institute of Technology
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Independent Director	CHANG, HORNG-YAN	R.O.C.	Full-time Adjunctive Professor of Department of Communications Management and Department of Business Administration, Shih Hsin University Part-time Professor of Department of Business Administration, Soochow University Enterprise Research Institute and Accounting Institute of St. John's University, New York, US
Independent Director	YEH, CHIH-MING	R.O.C.	VP/General Manager, CVC Technologies, Inc. General Manager, Jinbi Technology Co., Ltd. General Manager, HongYi Industrial Co., Ltd. Director of WellTech Energy Inc. PHD, University of Chinese Academy of Sciences (Management Science and Engineering)

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Notes: This Annual Report in English is translation from Chinese version, and it is only for reference by investors. In case of any difference between the Chinese and English version, the Chinese version shall prevail.

## I. Letter to Shareholders

Looking back on 2023, the gunpowder-smelling Red Sea crisis, the Israeli-Palestinian conflict, the stalemate Russia-Ukraine war, and the restart of the U.S.-China technology dispute have led to a slowdown in the U.S. economy and a weakening Chinese economy. Coupled with the impact of global high inflation and high interest rates, factors such as rising geopolitical risks and extreme climate change are affecting global economic growth and causing instability to industrial development. As a result, the Company's revenue has not seen the light of day.

Benefiting from the slow recovery of the economy after the epidemic, the improvement of safety awareness and the recovery of customer demand, the Company's sales of truck valves and valves used in automobile tire pressure monitoring systems have grown steadily. However, due to the sluggish global economy, slowdown in terminal market demand and inventory adjustments in the industrial chain, the Company's sales volume of valves for bicycles, motorcycles and electric bicycles has significantly decreased. In 2023, the Company's overall valve sales volume decreased by 14.26% compared with 2022, and its operating income also decreased by 14.73% from NT\$3.040 billion to NT\$2.592 billion. Last year, the Company continued to improve its manufacturing processes to increase efficiency, and invested in purchasing automation equipment to meet customer orders and reduce the impact of rising wages in mainland China. Copper material procurement costs fell, but due to the overall product price reduction and production reduction, the gross profit margin also dropped from 21.86% to 20.54%. Due to the decline in performance, sales and marketing expenses were reduced, but investment in overall R&D, management and ESG (Environment, Social, Governance) plannings, and operating expenses continued to increase. The Company's operating net profit margin dropped from 10.99% to 7.31%. The Company's subsidies for 2023 decreased mainly due to the increase in global interest rates and the increase in financial costs. In addition, due to the decrease in exchange losses from the depreciation to appreciation of the New Taiwan dollar (against the U.S. dollar), as well as the completion of the new Kunshan factory (in mainland China) and its second relocation, compensation was recognized. After net benefits, non-operating income increased significantly. In summary, the Company's net profit margin for 2023 dropped from 7.46% to 6.75%, and earnings per share (EPS) dropped from NT\$2.28 to NT\$1.76.

Facing the challenges in the future, the Company will continue to invest in automation equipment, develop new customers, meet market demands, increase market shares and profits, adopt a stable financial management method, and adhere to the principle of "quality is the root, integrity is the foundation, and customers are the first, and keeps improving" business philosophy.

### Financial performance

Implementation achievement in the last two years:

Unit: NTD thousand

Item \ Year	Year		Percent Change	
	2023	2022		
Operating revenue	2,592,438	3,040,416	-447,978	-14.73%
Gross profit	532,609	664,576	-131,967	-19.86%
Operating profit	189,488	334,004	-144,516	-43.27%
Profit before income tax	325,750	350,384	-24,634	-7.03%
Profit for the Period	175,028	226,861	-51,833	-22.85%

### Budget implementation

The Company has not disclosed financial forecasting to the public in 2023, hence it is not applicable.

### Financial revenue and expenditure and profitability analysis

Year		2023	2022
Item			
Financial structure (%)	Debt to asset ratio	36.01	37.58
	Long-term fund to property, plant and equipment	184.95	180.51
Liquidity (%)	Current ratio	245.71	275.44
	Quick ratio	187.50	209.04
	Times interest earned (times)	8.68	13.84
Profitability (%)	Return on assets	4.12	4.87
	Return on equity	5.77	7.57
	Pre-tax income to paid-in capital	32.77	35.25
	Net profit margin	6.75	7.46
	Earnings per share (NTD)	1.76	2.28

Description: After the completion of the new factory in Kunshan and the second relocation, the net relocation compensation benefits were recognized, and deferred income tax liabilities were transferred to current income tax liabilities. Long-term borrowings due within one year increased, and current liabilities increased. As a result, both the current ratio and quick ratio decreased compared with the previous period.

Due to the decrease in profit of the Company, its times interest earned (times) and profitability decreased.

### Research and development situation

The R&D focus in 2023 was steadily implemented in accordance with the annual plan. It mainly includes rubber formula, new material technology and equipment automation development to improve product quality, shorten process time, reduce raw material consumption, save energy and reduce carbon, while improving production automation and saving manpower.

The main R&D achievements in 2023 include: improvement of valve vulcanization process efficiency, AR sandblasting-free vulcanization process, cost reduction of EPDM auxiliary materials, localization of natural rubber drugs to reduce costs, truck valve vulcanization block rubber saving process, TR1/C4E warm heading cost reduction process, TR4 and TR13 vulcanization mold encryption process, aluminum product valve automatic spraying equipment, truck valve automatic rubber slitting machine, internal mixing double cone screw process, high-speed valve automatic copper sleeve locking copper cap machine, and high-speed valve fully automatic small packaging machine. The above-mentioned projects have successfully enabled the Company to upgrade automation, save manpower, improve product process efficiency and reduce related consumables.

Key R&D goals for 2024 include: shortening process flows, promoting precision process automation projects, reducing raw material costs, improving quality, saving manpower, and continuing to save energy and reduce carbon emissions.

The main development projects include: TR4 sandblasting-free vulcanization process, electric vehicle valve cost reduction project, PVR64/TR413 series aluminum product technology, rubber

green formula technology, compression valve production technology, rubber seat type valve fully automatic vision testing equipment, fully automatic smart storage cabinet system, solar photovoltaic system engineering planning/implementation, truck valve fully automatic ultrasonic cleaning machine, and truck valve automatic sandblasting machine.

### Business plan in 2024

#### 1. Guideline for management

- a. Implementing the aspects of corporate sustainability development, including economy, environment, society, and corporate governance.
- b. Each key business unit development:
  - Xiahui plant: sticks to traditional valves and actively developing new customers while maximizing metal processing for maximum resource efficiency. In addition, it is planned to introduced MES system to improve production transparency and efficiency. Fine machining plant specializes the valves that TPMS uses, parts production and establishes anode line to satisfy customers' growing needs.
  - Kunshan Plant: transforms into an intelligent technology plant and focus on non-valve precision finishing products and provides customized automatic equipment and intelligent applications to demonstrate a developing innovative technology and become the clients' best partners.
  - Indonesia Plant: secures market position of traditional valves and fully uses its geographical advantage to reinforce the competitiveness and influence in the ASEAN/India valve markets, as well as focusing on develops rubber mixing, curtain coating for customer service.
  - Taiwan Plant: expands precision machining parts in bicycle market, continues to promote greenhouse gas inventory in the group, and implements sustainable development goals.
- c. Stay committed to reforming the manufacturing process, increase the levels of automation of equipment, and reduce energy consumption and waste production to lower environmental impact.
- d. Recycle copper materials for reuse: Continue to expand recycling copper materials for reuse, so as to reduce the impact of copper price fluctuation, and supporting concrete actions for ESG.

#### 2. Sales projection and its basis

In line with market conditions and our company's strategic development, we will increase the production capacity of TPMS valves and accessories. Tire valve manufacturing equipment will be upgraded, maintaining a total group monthly production capacity of approximately 70 million sets of valves. However, for precision machined products that are custom-made and not standard products, production capacity cannot be calculated due to the variability in product types. Sales plans will be based on customer order quantities.

#### 3. Important policy of production and marketing

China and Indonesia are the two biggest sales territories. Our company have production bases in China and Indonesia, apart from being close to the market, nearing our customers to serve them, it can also diversify the risk of group production bases management. Indonesia's labor is sufficient and steady, and the land is spacious, besides, we have geographical advantage and tariff benefits in the ASEAN market, The Company will timely increase PT. LUHAI's production capacity. While our company has two major production bases, China and Indonesia, so that we could diversify operating risks and have high-strain adaptability.

#### 4. Future development strategy of the company

- The Company always adopts the business model of cooperating with customers to move



forward, and good for obtaining more favorable opportunities in the current rapidly-growing TPMS market;

- Use years of experience in metal process technology and rubber mixing ability to provide a more diverse customized service and expand product line.
- Use intelligent technology plant technology to improve process efficiency, and promote automated equipment and smart software application.
- Continue to research for improving process technology and reducing cost, as well as working on diversification and high margin product and extending core field to different parts and components.

5. Influence of external competition environment, environmental regulation and overall management environment

After COVID-19 is under control, people's lives are gradually getting back on track globally. However, end customers of the bicycle industry still have excessive inventory caused by repeating orders because of the shipping delay during the pandemic. The supply chain of the bicycle industry has been working hard to reduce its inventory, and it is estimated that the inventory could be depleted by the second quarter of 2024. Besides, because of the lifting-rate policy, which countries aimed to protect the pressure of inflation, the demand from the market was in low demand, making the sales of tire valve decrease. Nevertheless, TPMS valves still increased since China had mandated that vehicles must carry TPMS, raising the AM market penetration rate of the tire-pressure monitor. International clients who are long-established could still be able to make the sales of OE market grow so our company's revenue from TPMS valves will keep increasing.

As we enter 2024, we still face many variables such as changes in global political-economic environment, international war, inflation, and decline in lift rates. The Company will constantly strengthen internal communication and maximize the Group's benefit with the teams in each subsidiary work closely together to bring advantages and tasks respectively. In addition, the Company is fully aware of the importance of sustainable operation. It will continue to promote ESG, boost process efficiency and the recovery rate of copper waste so as to reduce carbon emissions, and create an environment where employees are dedicated and enjoy their jobs, to maximize the benefits of shareholders in the long run and achieve sustainability.

Chairman	HSU, LIEN-KAI
General Manager	HSU, HSIU-HUA

## II. Company Profile

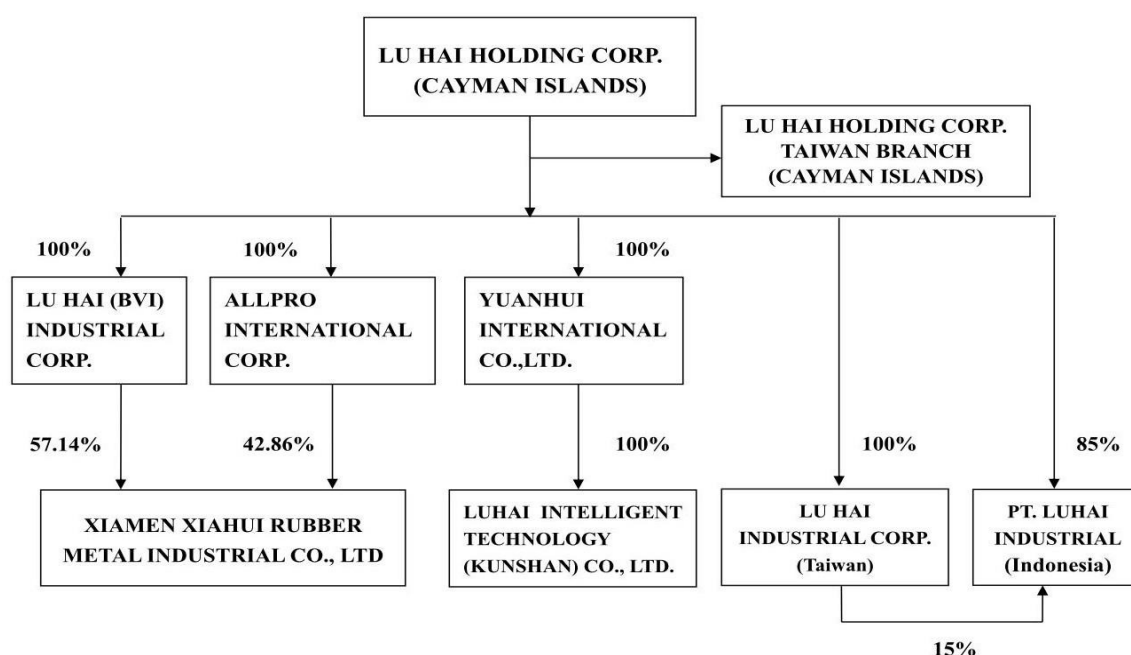
### 2.1 Company and Group Introduction

#### 2.1.1 Date of incorporation and Group profile:

The Company is originated from the LU HAI INDUSTRIAL CORP. in Chang-hua Taiwan, established in May 1983, the Company has been primarily engaged in manufacturing, processing and sales of various tire rubber valves and metal bodies of tire valves, with gradual expansion of operation scale, the Company has set manufacturing bases and important operating offices in Xiamen, Kunshan and Indonesia successively, Most of the reinvestment businesses are engaged in the businesses related to the manufacturing and sales of valves. After subsidiary Kunshan Lu Hai moved to the new plant in 2022, it has transformed into an intelligent technology plant and focus on production and sales of non-valve precision processing parts, as well as working with customers to develop customized automatic equipment.

On October 19, 2009, LU HAI HOLDING CORP. was established in Cayman Islands as the holding parent company of the Group and the application entity to apply for a listing in Taiwan, the Company sticks to the operation philosophy of “Quality Oriented, Integrity, Customer First, Continuous Improvement”, and takes becoming the “Most competitive valve manufacturer of the world” as the target, as the pioneer in global valve industry, the Group has been diligently engaged in valve industry for over 30 years and deeply recognized by customers in terms of product quality, customers are mostly globally well-known tire manufacturers, such as: Bridgestone, Michelin, Goodyear, Cheng Shin Group, Kenda Group, Giti Group etc. The Group will continue to strive for diversification and provide solutions to the customers with higher quality and innovation to meet the green smart manufacturing challenge in the future.

#### 2.1.2 Group structure



## 2.2 Company history:

Year	Important events
1980	LIUHO VALVE INDUSTRIAL CO., LTD. was established in Chang-hua Taiwan
1983	LU HAI INDUSTRIAL CORP. was established in Taiwan
1990	XIAMEN XIAHUI RUBBER METAL INDUSTRIAL CO., LTD. was established.
1995	XIAMEN XIAHUI had passed the ISO9002:1994 certification
1997	LU HAI INDUSTRIAL CORP. had passed the ISO9002:1994 quality management system certification by Bureau of Standards, Metrology and Inspection
	Approved to establish LUHAI RUBBER METAL INDUSTRIAL (KUNSHAN) CO., LTD
2000	Approved to establish XIAMEN LU HAI METAL CO., LTD
2001	KUNSHAN LUHAI had passed the ISO9001: 2000 system certification, and won the “Certificate of Quality Control System Certification” issued by China Quality Certification Center
	The certificate of quality system certification of XIAMEN XIAHUI was changed into ISO9001:2000 version
2002	LU HAI INDUSTRIAL CORP. had passed the ISO9001:2000 quality management system certification by Bureau of Standards, Metrology and Inspection
	KUNSHAN LUHAI had won the only qualified supplier certified by Michelin Tire in China
	KUNSHAN LUHAI had passed the safety certification of valve products by China Tire Products Certification Committee, and won the “Certificate of Product Quality Certification”.
2003	XIAMEN XIAHUI had passed the CQC product safety 3C certification
	XIAMEN XIAHUI was the member of National Valve Standardization Sub-Technical Committee
2005	XIAMEN XIAHUI had passed the ISO/TS16949:2002 Quality Control System certification
2006	KUNSHAN LUHAI had won the “Certificate of Confirmation for Foreign Invested Advanced Technology Enterprise” issued by Jiangsu Province
	XIAMEN XIAHUI had won the “AAA Credit Rating” enterprise awarded by the finance consulting & credit rating institution
2007	KUNSHAN LUHAI has been awarded the certificate of “Top 100 Rubber Parts Manufacturers in China” and “Famous Brand for Rubber Parts Manufacturing in China” issued by China Market Monitoring Center and China Market Research Center
	XIAMEN XIAHUI had won the title of “Fujian Famous Brand Product”
2009	LU HAI HOLDING CORP. was established in Cayman Islands, the establishment capital was NTD1,200,000 thousand, and the paid-up capital was NTD420,000 thousand
	LU HAI HOLDING CORP. carried out cash capital increase of NTD120,000 thousand, and the paid-up capital was NTD540,000 thousand after capital increase

Year	Important events
2010	LU HAI HOLDING CORP. carried out cash capital increase of NTD61,000 thousand, and the paid-up capital was NTD601,000 thousand after capital increase
	KUNSHAN LUHAI had passed the ISO/TS16949:2009 system certification, and won the “Certificate of Automotive Industry Quality System Certification” issued by China Quality Certification Center
2011	KUNSHAN LUHAI had won the good qualified supplier designated by Japan Bridgestone
	KUNSHAN LUHAI had passed the ISO14001:2004 system certification, and won the “Certificate of Environmental Management System Certification”
	PT. LUHAI INDUSTRIAL was established
	XIAMEN XIAHUI and XIAMEN LU HAI METAL CO., LTD. were merged.
2012	The hexagonal logo of the Company had won the “China Well-known Trademark”
2013	XIAHUI had won the first section of Top 10 Happy Enterprises.
	Officially listed in the Taiwan Stock Exchange on December 25, 2013
2014	LU HAI HOLDING had won the second section of Outstanding Taiwan Businessmen
2015	Carried out cash capital increase of 3,500 thousand shares and the first unsecured convertible corporate bonds (the total issuing denomination was NTD400 Million Only) in the territory of Republic of China
2016	XIAMEN XIAHUI had won the certificate of “Xiamen Famous Trademark: Tire Valve”
	XIAMEN XIAHUI had won the certificate of “Xiamen Famous Trademark: Metal Nut”
	XIAMEN XIAHUI had won the “Quality Management Award” issued by China Valve Core Industry
2017	LU HAI HOLDING had won the Outstanding Contribution Award issued by China Valve Core Industry
	KUNSHAN LUHAI had passed the ISO14001:2015 environmental management system certification, and won the Certificate of Management System Certification.
	KUNSHAN LUHAI had won the “Top Ten Eco-Friendly Enterprises”
2018	KUNSHAN LUHAI had passed the IATF16949:2016 system certification, and won the certificate of “Automotive Industry Quality Management System” issued by China Quality Certification Center
2019	LU HAI HOLDING, TAIWAN OFFICE(CAYMAN ISLANDS) had been changed to LU HAI HOLDING ,TAIWAN BRANCH(CAYMAN ISLANDS)
	XIAMEN XIAHUI had won the certificate of “Work Safety Standardization”
	KUNSHAN LUHAI had passed the IATF16949:2016 system certification, and won the certificate of “Manufacturing of inflating valves used tire”
2020	XIAMEN XIAHUI had passed the ISO 9001:2015 system certification, and won the certificate of “Manufacture of tire valves and parts”
	XIAMEN XIAHUI had passed the IATF 16949:2016 system certification, and won the certificate of “Manufacture of tire valves”

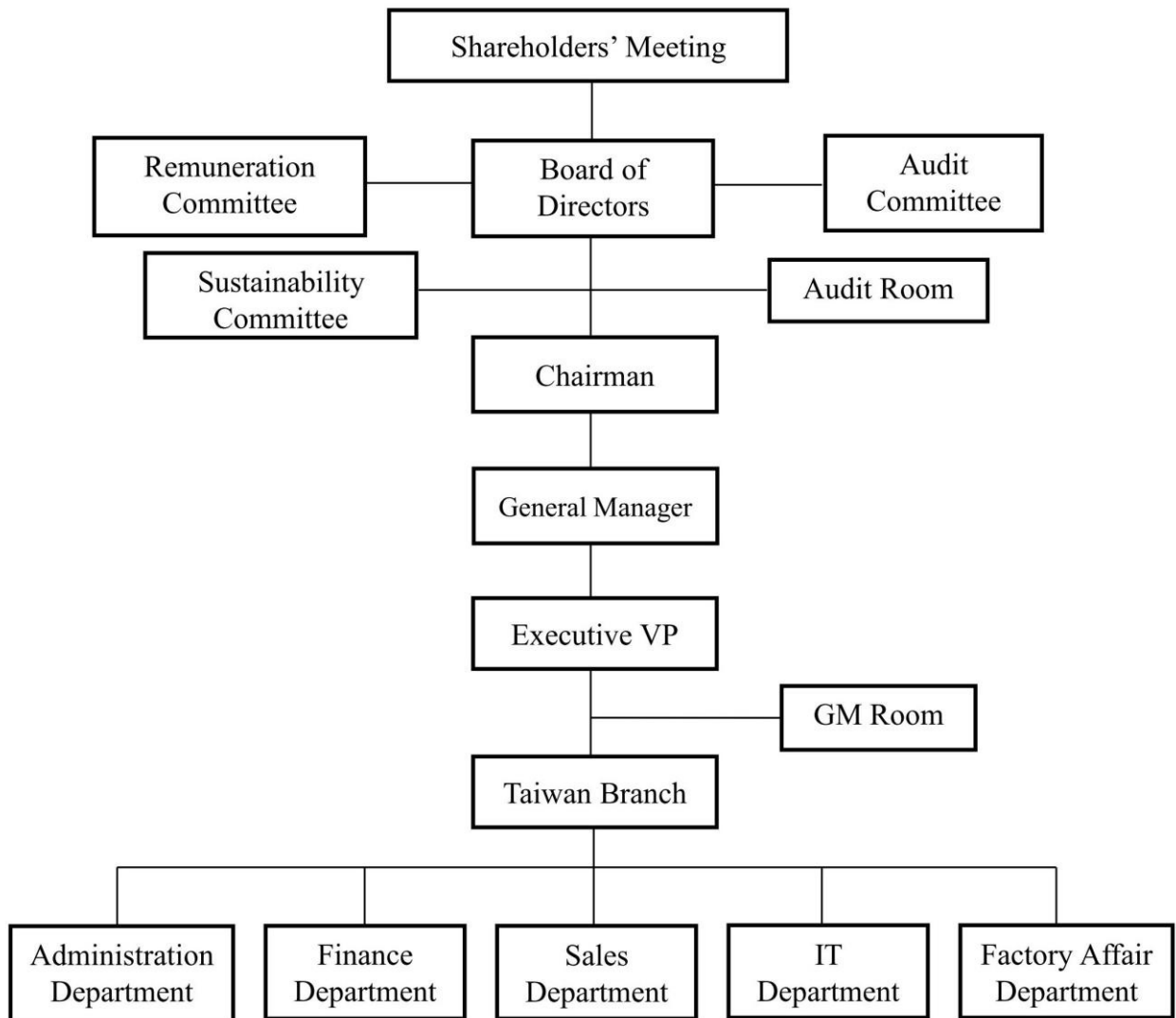
Year	Important events
2021	<p>The completion of XIAMEN XIAHUI's new plant</p> <p>XIAMEN XIAHUI- Fine machining department had passed the IATF16949:2016 system certification</p> <p>XIAMEN XIAHUI had passed the ISO14001:2015 environmental management system certification</p> <p>PT. LUHAI had passed the ISO14001:2015 environmental management system certification</p> <p>PT. LUHAI had passed the ISO 45001:2018 Occupational Health and Safety Management Systems</p> <p>PT. LUHAI had passed the ISO 9001:2015 system certification</p> <p>PT. LUHAI had passed the IATF16949:2016 system certification</p>
2022	<p>KUNSHAN LUHAI was renamed LUHAI Intelligent Technology (KUNSHAN) CO., LTD.</p> <p>The completion of KUNSHAN LUHAI's new plant</p> <p>XIAMEN XIAHAI awarded the exclusive strategic supplier of Decathlon china bicycle valves</p>
2023	<p>Taiwan branch initiates production line</p> <p>XIAMEN XIAHAI awarded the "Double Love Model Enterprise"</p>

**2.3 Risk Management:** Please refer to Page 185 to 190, Seven. Review of Financial Conditions, Operating Results, and Risk Management

### III. Corporate Governance Report

#### 3.1 Organization system

##### 3.1.1 Organization chart



##### 3.1.2 Operating business of major departments

Department	Management affairs
Board of Directors	Make policy directive and formulate objective and guideline according to the business operation of the Group
General Manager	Group strategic planning, execute the resolution of Board of Directors, and lead the team of the Company to achieve the target
Executive VP	Draw up operational objectives, and supervise and manage operating activities
GM Room	1. Annually plan the medium and long term business plan of the Group 2. Manage, control and supervise the work of each subsidiaries of the Group 3. Organization of Board of Directors Meeting and Shareholders' Meeting, and stock affairs related matters

Department	Management affairs
Audit Room	<ol style="list-style-type: none"> <li>1. Responsible for governing each company of the Group, formulating internal control system, reviewing and approving management regulations and executing internal audit, and proposing improvement proposal</li> <li>2. Promote policies and order of each company of the Group and execute each regulations</li> </ol>
Finance Department	<ol style="list-style-type: none"> <li>1. Manage fund procurement among each company of the Group and contacts with financial institutions</li> <li>2. Manage accounting transaction and cost analysis of each company of the Group</li> <li>3. Promote the strategy, integration and budget systems related to financial aspects of the Group</li> </ol>
Administration Department	<ol style="list-style-type: none"> <li>1. In charge of the management of general administrative affairs, as well as patent and certification related matters of the company</li> <li>2. Human resources management and organization development matters in the Group</li> <li>3. Application, report and approval of foreign investment</li> </ol>
Sales Department	<ol style="list-style-type: none"> <li>1. Responsible for product marketing, market development and sales business of the company</li> <li>2. Manage and integrate business promotion of each company of the Group</li> <li>3. Draw up business policy and set target for the Group</li> </ol>
IT Department	<ol style="list-style-type: none"> <li>1. Planning, establishment, implementation and management of Group computerization</li> <li>2. Safety control of computer software and hardware, and planning and execution of information security policy</li> <li>3. Design, maintenance, control, correction and management etc. of each operating management system</li> <li>4. Planning and assessment etc. on the specifications of industrial 4.0 equipment automation system of the Group</li> </ol>
Factory Affair Department	<ol style="list-style-type: none"> <li>1. Responsible for manufacturing and production plans, such as production schedule plan, material procurement plan, and quality control plan, etc.</li> <li>2. Responsible for product line production equipment maintenance and upkeep.</li> <li>3. Establish on-site production control plan and operation standards, and promote technical innovation project.</li> <li>4. Proofing, process design, and cost estimation for new sample.</li> </ol>

### 3.2 Information of directors, supervisors, General Manager, Vice President, Assistant Vice President, and head of each department and branch:

#### 3.2.1 Directors and supervisors' information

##### 3.2.1.1 Directors and supervisor's information:

April 30, 2024 Unit: share; %

Title	Nationality or place of registration	Name	Gender Age	Date Elected	Term (Years)	Date first Elected	Shareholding when Elected		Current shareholding		Spouse & Minor children Shareholding		Shareholding in the name of other person		Major experience (education background)	Concurrent title in the Company or other companies currently	Other managers, directors or supervisors of relationship of spouse or within second-degree relatives			Notes
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	HSU, LIEN-KAI	Male 51~60 years old	2021.7.15	3	2018.6.25	3,016,126	3.03%	3,348,627	3.37%	69,668	0.07%	-	-	General Manager of LU HAI HOLDING CORP. Department of Law, National Chengchi University	Chairman of XIAMEN XIAHUI Chairman of KUNSHAN LUHAI Supervisor of PT. LUHAI Chairman of LU HAI INDUSTRIAL Independent Director of SUNSPRING METAL CORPORATION Independent Director of TAISIC MATERIALS CORP.	-	-	-	
Director	R.O.C.	WU, CHIN-LU	Male 61~70 years old	2021.7.15	3	2012.1.13	381,794	0.38%	573,973	0.58%	332,016	0.33%	2,871,576	2.89%	Chairman of LU HAI HOLDING CORP. Director of LU HAI INDUSTRIAL CORP. Chairman of LU HAI INDUSTRIAL CORP. Dah-Chin Commercial & Industrial Vocation High School	Director of GET JOINT BUSINESS CORP. Director of DAY LIGHT BUSINESS CO., LTD.	Director Sales Senior Manager	WU, CHING-SHU WU, KO-LI	Brother Parent- child	
Director	R.O.C.	WU, CHING-SHU	Male 61~70 years old	2021.7.15	3	2012.1.13	803,131	0.81%	883,444	0.89%	122,020	0.12%	3,928,753	3.95%	Director of LU HAI INDUSTRIAL CORP. Supervisor of LU HAI INDUSTRIAL CORP. Director of LU HAI HOLDING CORP. Master degree in Management, National Chung Hsing University	Supervisor of XIAMEN XIAHUI Director of KUNSHAN LUHAI Supervisor of PT. LUHAI Supervisor of LU HAI INDUSTRIAL Director of GET JOINT BUSINESS CORP. Director of DAY LIGHT BUSINESS CO., LTD.	Director	WU, CHIN-LU	Brother	
Director	R.O.C.	HSU, YA-TING	Female 41~50 years old	2021.7.15	3	2018.6.25	623,807	0.63%	833,187	0.84%	-	-	218,031	0.22%	VP of XIAMEN XIAHUI VP of LU HAI HOLDING CORP. Section Manager of YOKE Industrial Corp. Department of Finance, National Taichung University of Science and Technology	Director of XIAMEN XIAHUI General Manager of XIAMEN XIAHUI Director of KUNSHAN LUHAI Supervisor of PT. LUHAI Director of LU HAI INDUSTRIAL	-	-	-	
Director	R.O.C.	HSU, HUAI-YUN	Female 41~50 years old	2021.7.15	3	2018.6.25	24,149	0.02%	56,563	0.06%	-	-	-	-	General Manager of Yun-Yi International Ltd. Master degree of Management, TungHai University	Director of XIAMEN XIAHUI Director of KUNSHAN LUHAI Supervisor of PT. LUHAI Director of LU HAI INDUSTRIAL Project VP of LU HAI HOLDING CORP. Director of Changhua County Incorporated Guang Cheng Welfare foundation	General Manager	HSU, HSIU-HUA	Sister	
Director	R.O.C.	HSU, HAN-YUAN	Male 41~50 years old	2021.7.15	3	2018.6.25	2,101,951	2.11%	2,312,146	2.33%	573,991	0.58%	-	-	Business Manager of Yuan-Hong Metal Co., Ltd. Assistant VP of LU HAI HOLDING CORP. General Manager of XIAMEN XIAHUI Civil Engineering Department, Nanya Institute of Technology	Director & General Manager Room VP of XIAMEN XIAHUI Director of XIAMEN XIAHUI Supervisor of KUNSHAN LUHAI Supervisor of PT. LUHAI Director of LU HAI INDUSTRIAL Special Assistant of Chairman, LU HAI HOLDING CORP.	-	-	-	
Independent Director	R.O.C.	YEN, MEI-YING	Female 51~60 years old	2021.7.15	3	2012.1.13	-	-	-	-	-	-	-	-	Director of PONY Leather Corporation Assistant VP of PONY Leather Corporation Master degree of Accounting, National Taiwan University	Assistant VP of GM Room and Head of Administration Department, PONY Leather Corporation Remuneration Member of LU HAI HOLDING CORP.	-	-	-	



Title	Nationality or place of registration	Name	Gender Age	Date Elected	Term (Years)	Date first Elected	Shareholding when Elected		Current shareholding		Spouse & Minor children Shareholding		Shareholding in the name of other person		Major experience (education background)	Concurrent title in the Company or other companies currently	Other managers, directors or supervisors of relationship of spouse or within second-degree relatives			Notes
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	R.O.C.	CHANG, HORNG-YAN	Male 61~70 years old	2021.7.15	3	2018.6.25	-	-	-	-	-	-	-	-	Full-time Adjunctive Professor of Department of Communications Management and Department of Business Administration, Shih Hsin University Part-time Professor of Department of Business Administration, Soochow University Professor of Department of Communications Management, Shih Hsin University Independent Director of TPK Holding Co., Ltd. Enterprise Research Institute and Accounting Institute of St. John's University, New York, US	Director of Soft-World International Corporation Remuneration Member of LU HAI HOLDING CORP.	-	-	-	
Independent Director	R.O.C.	YEH, CHIH-MING	Male 61~70 years old	2021.7.15	3	2021.7.15	-	-	-	-	-	-	-	-	VP/General Manager, CVC Technologies, Inc. Director of CVC Technologies, Inc. General Manager, Jinbi Technology Co., Ltd. General Manager, HongYi Industrial Co., Ltd. Director of WellTech Energy Inc. PHD, University of Chinese Academy of Sciences (Management Science and Engineering)	Independent Director of Cayman Engley Industrial Co., Ltd. CEO & General Manager of S&S Healthcare Holding Ltd. Representative Director of Soar Med CO., LTD. Director of S&S Healthcare Holding Ltd. General Manager of Swissray Asia Healthcare Co., Ltd. General Manager of Shin Shin Healthcare Co., Ltd. Representative Director of Swissray Medical AG(SRM) Chairman of Renax Biomedical Technology Co., Ltd. Chairman of Jin-Biotechnology Co., Ltd. Remuneration Member of LU HAI HOLDING CORP.	-	-	-	

3.2.1.2 Major shareholders of the institutional shareholders: Not applicable.

3.2.1.3 Major shareholders of the company's major institutional shareholders: Not applicable

3.2.1.4 Information disclosure of professional identity of directors and their independence

Criteria Name	Professional Qualification Requirements and experience	Independence Criteria	Number of other public companies in which concurrently act as independent director
HSU, LIEN-KAI	Having more than 5-years required experience in business and more than 20-years industry experience in the field of valves	Elected as a natural person, is not under any circumstances of article 30, of the Company Act, and Independence in the Article 3, paragraph 1, subparagraph 1, and subparagraph 5 to subparagraph 9 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	-
WU, CHIN-LU	Having more than 5-years required experience in business and more than 35-years industry experience	Elected as a natural person, is not under any circumstances of article 30, of the Company Act, and Independence in the Article 3, paragraph 1, subparagraph 1, and	-

	in the field of valves	subparagraph 5 to subparagraph 9 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	
WU, CHING-SHU	Having more than 5-years required experience in business and more than 35-years industry experience in the field of valves	Elected as a natural person, is not under any circumstances of article 30, of the Company Act, and Independence in the Article 3, paragraph 1, subparagraph 1, and subparagraph 5 to subparagraph 9 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	-
HSU, YA-TING	Having more than 5-years required experience in business and more than 15-years industry experience in the field of valves	Elected as a natural person, is not under any circumstances of article 30, of the Company Act, and Independence in the Article 3, paragraph 1, and subparagraph 5 to subparagraph 9 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	-
HSU, HUAI-YUN	Having more than 5-years required experience in business and more than 10-years industry experience in the field of valves	Elected as a natural person, is not under any circumstances of article 30, of the Company Act, and Independence in the Article 3, paragraph 1, and subparagraph 5 to subparagraph 9 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	-
HSU, HAN-YUAN	Having more than 5-years required experience in business and more than 10-years industry experience in the field of valves	Elected as a natural person, is not under any circumstances of article 30, of the Company Act, and Independence in the Article 3, paragraph 1, and subparagraph 5 to subparagraph 9 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	-
YEN, MEI-YING	Graduated from MBA in accounting, Taiwan University, is the member of Remuneration committee and audit committee. Current Director, General Manager Associate and Supervisor of management department of Pony Leather Corporation. Also, Yen used to be the Assistant Manager of Deloitte Touche Tohmatsu Limited, the Spokeswoman and manager of the finance department of Pony Leather Corporation, Assistant Manager of the finance department of LUHAI industry. Specialized in professional accounting affairs, and has plenty experiences of the industry.	Met each Independence criteria of the following two years before being elected and during the tenure: (1) Not an employee of the company or any of its affiliates. (2) Not the director or supervisor of the company or any of its affiliated (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent) (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings. (4) Not the spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of the managerial officer listed in Paragraph (1) or any of the persons listed in Paragraph (2) and (3).	-
CHANG, HORNG-YAN	Graduated from the Master of Business Administration and accounting, St. John's University, New York. Chang is the chairperson of The Company's Remuneration committee and the	(5) Not the director, supervisor or employee of the corporate shareholder that directly holds 5% or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Paragraph 1 or 2, Article	-

	<p>member of audit committee. Used to be the Adjunct Professor of Business Administration Department of Soochow University. Current Professor of Communications Management and Business Administration Department of Shih Hsin University, having more than 25-years of teaching experience. Current the Director of Soft-World International Corporation.</p>	<p>27, of the Company Act (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).</p> <p>(6) Not the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company. (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).</p>	
YEH, CHIH-MING	<p>Having the doctorate in Management, University of Chinese Academy of Sciences, is the convener of The Company's audit committee and the member of Remuneration committee. Current Independent Director of Cayman Engley Industrial, also the Director of S&amp;S Healthcare Holding Ltd. and CVC Technologies, General Manager of Swissray Asia Healthcare Co., Ltd. and Shin Shin Healthcare Co., Ltd., CEO and General Manager of S&amp;S Healthcare Holding Ltd., and the Representative Director Swissray Medical AG(SRM). Specialized in corporation operation, having plenty experience in the industry.</p>	<p>(7) Not the person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (member of a council), supervisor, or employee of that other company or institution (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).</p> <p>(8) Not the director (member of a council), supervisor, manager or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company (except that such specific company or institution holds 20% or more and no more than 50% of the total number of issued shares of the company, and independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).</p> <p>(9) Not the professional individual who, or an owner, partner, director (member of a council), supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.</p> <p>(10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company.</p>	1

		(11)Not been a person of any conditions defined in Article 30 of the Company Act. (12)Not a governmental, juridical person or its representative as defined in Article 27 of Company Act.	
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### 3.2.1.5 Diversity and independence of the Board of Directors

#### ①Board Diversity Policy

In order to boost corporate governance and the complete development of the formation and structure of Board of directors, the Board of Directors of The Company had passed “Corporate Governance Best Practice Principles”, and the twentieth Article regulates the members of Board of directors should be diversified, except that the concurrent managers are not appropriate to have more than one-third of the director seats, and focus on the company’s own operation, business model, development needs so as to draw out proper diversified policy, it is appropriate but not limited to fundamental requirements and value(gender, age, nationality and culture) and professional knowledge and technique (professional background, professional technique, and industry experience) , two main aspects.

Board members should be equipped universally with the knowledge, skills, and literacy that execution of duties require. In order to achieve the ideal goal of corporate governance, the overall ability of the board of directors should be as follows:

- |                            |   |                       |                              |
|----------------------------|---|-----------------------|------------------------------|
| a. Judgment of operation   | b. Analytical ability of accounting and finance | c. Management ability | d. Crisis management ability |
| e. Knowledge of industries | f. International market views                   | g. Leadership         | h. Decision-making ability   |

#### ②The specific management objectives and achievement

Management objectives	Progress
The half tenure of Independent Directors cannot be more than three sessions	Achieved
Number of Directors who concurrently serve as Company managers do not exceed one-third of all Directors	Achieved
At least one seats of Directors are females	Achieved

The Board of director of The Company is formed by 9 directors (including 3 Independent Directors), Independence Directors account for 33%, and the tenures of two seats cannot be more than three sessions. 3 managers are accounting for 33%, and 3 female directors are accounting for 33%. The situation of the diversification of Board of Directors:

Name	Nationality	Gender	Age			Concurrent Employee	Director Term (year)	Professional Background	Professional Skill	Industry/ Academic Experiences
			Under 50	51~64	Over 65					
HSU, LIEN-KAI	R.O.C.	Male		✓			6	tire valve		✓
WU, CHIN-LU	R.O.C.	Male		✓			12	tire valve		✓
WU, CHING-SHU	R.O.C.	Male		✓			12	tire valve		✓
HSU, YA-TING	R.O.C.	Female	✓			✓	6	tire valve		✓
HSU, HUAI-YUN	R.O.C.	Female	✓			✓	6	business management		✓
HSU, HAN-YUAN	R.O.C.	Male	✓			✓	6	tire valve		✓
YEN, MEI-YING	R.O.C.	Female		✓			12	financing	Accountant	✓
CHANG, HORNG-YAN	R.O.C.	Male			✓		6	business management		✓
YEH, CHIH-MING	R.O.C.	Male		✓			3	business management		✓

### ③Independence of the Board of Directors

The Board of director of The Company is formed by 9 directors (including 3 Independence Directors), Independent Directors account for 33%. In accordance with the regulations of Taiwan Stock Exchange, qualifications of all independent directors were examined before being elected and during the term of office and obtained signed declarations to ensure they are all independent.

More than half of the whole directors of the company do not have kinship, which is stated in the kinship regulation in the Article 26-3, paragraph 3 and paragraph 4 of the Securities and Exchange Act. Furthermore, if the directors have a conflict of interest in the matter being discussed in the meeting, they should recuse themselves from discussion and voting to ensure the motion is being judged in an objective and independent manner.

### 3.2.2 Management Team Information

April 30, 2024 Unit: share; %

Title	Nationality	Name	Gender	Inauguration date	Shareholding		Spouse & Minor children Shareholding		Shareholding in the name of other person		Major experience (education background)	Concurrent title in other companies currently	Managers who are spouse or within second-degree of kinship			Notes
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
General Manager	R.O.C.	HSU, HSIU-HUA	Female	2010.01.01	535,527	0.54%	-	-	-	-	Salesman of E.C.I. Elastic Co., Ltd. Sales Director of LU HAI INDUSTRIAL CORP. General Manager of LU HAI HOLDING CORP. Department of Computer Science & Information Management, Junior College Division, Hung Kuang Institute of Technology	Director of XIAMEN XIAHUI Director of KUNSHAN LUHAI Chairman of PT. LUHAI General Manager of KUNSHAN LUHAI General Manager of PT. LUHAI Acting General Manager of XIAMEN XIAHUI	Project VP	HSU, HUAI-YUN	Sister	
General Manager of XIAMEN XIAHUI	R.O.C.	HSU, YA-TING	Female	2012.07.01	833,187	0.84%	-	-	218,031	0.22%	Section Manager of YOKE Industrial Corp. VP of LU HAI HOLDING CORP. Department of Finance, National Taichung University of Science and Technology	Director of XIAMEN XIAHUI Director of KUNSHAN LUHAI Supervisor of PT. LUHAI Director of LU HAI INDUSTRIAL CORP.	None	None	None	
Special Assistant of Chairman & VP of XIAHUI General Manager Room	R.O.C.	HSU, HAN-YUAN	Male	2014.06.01	2,312,146	2.33%	573,991	0.58%	-	-	Business Manager of Yuan-Hong Metal Co., Ltd. Assistant VP of LU HAI HOLDING CORP. General Manager of Xiamen Xiahui Rubber Metal Ind. Co., Ltd. Civil Engineering Department, Nanya Institute of Technology	Director of XIAMEN XIAHUI General Manager of XIAMEN XIAHUI Supervisor of KUNSHAN LUHAI Supervisor of PT. LUHAI Director of LU HAI INDUSTRIAL CORP.	None	None	None	
VP of KUNSHAN LUHAI	P.R.C.	HSU, KUANG-WU	Male	2018.03.14	-	-	-	-	-	-	Manager of Manufacturing Department, XIAMEN XIAHUI RUBBER METAL INDUSTRIAL CO., LTD. Manager of Manufacturing Department, LUHAI RUBBER METAL INDUSTRIAL (KUNSHAN) CO., LTD. General Manager of Ningbo Powermetal Industrial Co., Ltd. Plant Manager of Manufacturing Department, LUHAI RUBBER METAL INDUSTRIAL (KUNSHAN) CO., LTD. EMBA, Shanghai Jiao Tong University	None	None	None	None	
VP of PT. LUHAI	R.O.C.	QIU ZHONG-LIE	Male	2015.08.01	9,582	0.01%	-	-	-	-	VP of LU HAI HOLDING CORP. Senior Engineer of LU HAI HOLDING CORP. Yuanlin Senior High School	General Manager of PT.DENIKIN INDUSTRI NUSANTARA	None	None	None	
Project VP	R.O.C.	HSU, HUAI-YUN	Female	2022.01.01	56,563	0.06%	-	-	-	-	General Manager of Yun-Yi International Ltd. Master degree of Management, TungHai University	Director of XIAMEN XIAHUI Director of KUNSHAN LUHAI Supervisor of PT. LUHAI Director of LU HAI INDUSTRIAL Director of Changhua County Incorporated Guang Cheng Welfare foundation	General Manager	HSU, HSIU-HUA	Sister	

Title	Nationality	Name	Gender	Inauguration date	Shareholding		Spouse & Minor children Shareholding		Shareholding in the name of other person		Major experience (education background)	Concurrent title in other companies currently	Managers who are spouse or within second-degree of kinship			Notes
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
C.F.O.	R.O.C.	CHANG, SHENG-HUNG	Male	2012.04.01	10,815	0.01%	-	-	-	-	Finance Supervisor and Director of Audit Room, CUB ELECPARTS INC. Manager of Finance Department, LU HAI INDUSTRIAL CORP. Bachelor degree in Accounting, Chung Yuan Christian University	None	None	None	None	
Senior Manager of General Manager Room & Corporate Governance Officer	R.O.C.	CHANG, CHI-CHI (Notes 1)	Female	2012.07.16	90,233	0.09%	-	-	-	-	Manager of Capital Market Div., Taishin Securities Co., Ltd. Manager of GM Room, LUHAI HOLDING CORP Master degree in Finance, National Chung Cheng University	None	None	None	None	
Financial Manager & Corporate Governance Officer	R.O.C.	TSAI, SHAO-FEN (Notes 1)	Female	2024.01.30	-	-	-	-	-	-	Assistant Manager of Audit Department, DinKum & Company CPAs Senior Specialist of Financial Department, LUHAI HOLDING CORP. Manager of Financial Department, LUHAI HOLDING CORP. Bachelor degree in Accounting, National Yunlin University of Science and Technology	None	None	None	None	
Audit Supervisor	R.O.C.	CHEN, YING-HUEI (Notes 2)	Female	2010.05.01	27,183	0.03%	-	-	-	-	Finance Specialist of YEU TYAN MACHINERY MFG. CO., LTD. Finance Manager of TUNG LIH PAPER CO., LTD. Director of Audit Room, LU HAI INDUSTRIAL CORP. Department of Business, National Open University	None	None	None	None	
Audit Supervisor	R.O.C.	CAI XIN-XING (Notes 2)	Male	2012.01.01	-	-	-	-	-	-	Manager of Administration Department, LU HAI INDUSTRIAL CORP. Bachelor degree in Accounting, National Chung Hsing University	None	None	None	None	
Senior Manager of Sales Department	R.O.C.	WU, KO-LI	Male	2015.04.01	1,670,830	1.68%	-	-	-	-	ARM of Institutional Banking, CTBC Bank Co., Ltd. Bachelor degree in Statistical Science, University College London	None	None	None	None	

Notes 1: Due to position adjustment, Corporate Governance Officer is changed from Chang, Chi-Chi to Tsai, Shao-Fen on January 30, 2024.

Notes 2: Audit supervisor Chen, Ying-Huei is at retirement age. Hence, Tsai, Hsin-Hsin took office on January 30, 2024.

3.2.3 If the Chairman and General Manager or equivalent (top managerial officer) are the same person, or are spouse or first degree relatives, the reasons thereof, rationality, necessity and solutions shall be described: None.

### 3.3 Remuneration of Directors, Supervisors, General Manager and Vice Presidents in the Last Year

#### 3.3.1 Remuneration paid to the Director and Independent Director in 2023

Unit: NTD thousand

Title	Name	Director remuneration								Amount and Ratio of Total Remuneration (A+B+C+D) and proportion of Net profit after tax		Relevant remuneration received by part-time employee								Amount and Ratio of Total Remuneration (A+B+C+D+E+F+G) and proportion of Net profit after tax		Receiving remuneration from reinvestment enterprise other than the subsidiaries or from the parent company
		Remuneration (A)		Retirement pension (B)		Directors Remuneration (C)		Business execution expenses (D)				Salary, bonus and special disbursement etc. (E)		Retirement pension (F)		Employee Compensation (G)						
		The Company	All companies in financial report	The Company	All companies in financial report	The Company	All companies in financial report	The Company	All companies in financial report	The Company	All companies in financial report	The Company	All companies in financial report	The Company	All companies in financial report	The Company		All companies in financial report		The Company	All companies in financial report	
Chairman	HSU, LIEN-KAI	0	0	0	0	1,856	1,856	300	300	2,156 1.23%	2,156 1.23%	7,773	8,998	0	0	446	0	446	0	10,375 5.93%	11,600 6.63%	None
Director	WU, CHIN-LU																					
Director	WU, CHING-SHU																					
Director	HSU, YA-TING																					
Director	HSU, HUA- YUN																					
Director	HSU, HAN-YUAN																					
Independent Director	YEN, MEI-YING	0	0	0	0	952	952	300	300	1,252 0.72%	1,252 0.72%	0	0	0	0	0	0	0	0	1,252 0.72%	1,252 0.72%	None
Independent Director	CHANG, HORNG-YAN																					
Independent Director	YEH, CHIH-MING																					
1.Please describe the payment policy, system, standard and structure of independent director’s remuneration, and describe the relevance of payment amount according to factors such as the borne responsibility, risk and devotion time etc. The payment of remuneration by the Company to independent director is based on the operating conditions of the company and the Board of Directors’ opinion on director's degree of participation and contribution value to the company operation, and implemented by considering the “Measures for Remuneration Payment to Director and Functional Committee” passed by the industry standard, among them, the professional suggestion and risk control etc. input by the functional member acting as independent director have been considered for remuneration payment, after the Remuneration Committee has reviewed and assessed the independent director's degree of participation in company operation and contribution, the suggestion on remuneration is proposed based on fairness and submitted to the Board of Directors for resolution. 2.Apart from those disclosed in the above table, the remuneration received by company directors for providing service (for example, serving as parent company/to all companies in financial report / being an adviser other than an employee etc.) in recent years: None.																						



### Range of Remuneration

Range of remuneration paid to directors	Name of directors			
	Total of Remuneration (A+B+C+D)		Total of Remuneration (A+B+C+D+E+F+G)	
	The Company	All companies in financial report (H)	The Company	All companies in financial report (I)
Below NTD1,000,000	HSU, LIEN-KAI; WU, CHIN-LU; WU, CHING-SHU; HSU, YA-TING; HSU, HUAI-YUN; HSU, HAN-YUAN; YEN, MEI-YING; CHANG, HORNG-YAN; YEH, CHIH-MING	HSU, LIEN-KAI; WU, CHIN-LU; WU, CHING-SHU; HSU, YA-TING; HSU, HUAI-YUN; HSU, HAN-YUAN; YEN, MEI-YING; CHANG, HORNG-YAN; YEH, CHIH-MING	WU, CHIN-LU; WU, CHING-SHU; YEN, MEI-YING; CHANG, HORNG-YAN; YEH, CHIH-MING	WU, CHIN-LU; WU, CHING-SHU; YEN, MEI-YING; CHANG, HORNG-YAN; YEH, CHIH-MING
NTD1,000,000(inclusive) ~ NTD2,000,000(exclusive)	-	-	HSU, HAN-YUAN	-
NTD2,000,000(inclusive) ~ NTD3,500,000(exclusive)	-	-	HSU, LIEN-KAI; HSU, YA-TING; HSU, HUAI-YUN;	HSU, LIEN-KAI; HSU, YA-TING; HSU, HUAI-YUN; HSU, HAN-YUAN
NTD3,500,000(inclusive) ~ NTD5,000,000(exclusive)	-	-		
NTD5,000,000 (inclusive) ~ NTD10,000,000(exclusive)	-	-	-	-
NTD10,000,000 (inclusive) ~ NTD15,000,000(exclusive)	-	-	-	-
NTD15,000,000 (inclusive) ~ NTD30,000,000(exclusive)	-	-	-	-
NTD30,000,000 (inclusive) ~ NTD50,000,000(exclusive)	-	-	-	-
NTD50,000,000 (inclusive) ~ NTD100,000,000(exclusive)	-	-	-	-
Over NTD100,000,000	-	-	-	-
Total	9	9	9	9

\* The contents of remuneration disclosed in this table is different from the concept of income stipulated in Income Tax Ac, hence the purpose of this table is for information disclosure and not for taxation.

Notes 1. All contents of director's remuneration disclosed are the director's compensation in 2023 passed by resolution of the Board of Directors on March 12, 2024, and they had not been actually distributed yet.

3.3.2 Remuneration paid to the Supervisors in 2023: The Company sets Audit Committee, hence it is not applicable.

3.3.3 Remuneration paid to General Manager and Vice President in 2023:

Unit: NTD thousand

Title	Name	Salary (A)		Retirement pension (B)		Bonuses and Allowances (C)		Employee compensation (D)(Notes)				Amount and Ratio of Total Remuneration (A+B+C+D) and proportion of Net profit after tax		Receiving remuneration from reinvestment enterprise other than the subsidiaries or from the parent company
		The Company	All companies in financial report	The Company	All companies in financial report	The Company	All companies in financial report	The Company		All companies in financial report		The Company	All companies in financial report	
								Cash	Stock	Cash	Stock			
General Manager	HSU, HSIU-HUA	7,005	9,277	193	193	907	907	759	0	759	0	8,864 5.06%	11,136 6.36%	None
Project VP	HSU, HUAI-YUN													
Vice President	HSU, YA-TING (Notes)													
Vice President	QIU, ZHONG-LIE (Notes)													

### Range of Remuneration

Numerical range of remuneration paid to each General Manager and Vice President of the Company	Name of General Manager and Vice President	
	The Company	All companies in financial report (E)
Below NTD1,000,000	-	-
NTD1,000,000 (inclusive) ~NTD2,000,000(exclusive)	HSU, YA-TING; HSU, HUAI-YUN	HSU, HUAI-YUN
NTD2,000,000 (inclusive) ~NTD3,500,000(exclusive)	HSU, HSIU-HUA; QIU, ZHONG-LIE	HSU, HSIU-HUA; HSU, YA-TING
NTD3,500,000 (inclusive) ~NTD5,000,000(exclusive)	-	QIU, ZHONG-LIE
NTD5,000,000 (inclusive) ~ NTD10,000,000(exclusive)	-	-
NTD10,000,000 (inclusive) ~ NTD15,000,000(exclusive)	-	-
NTD15,000,000 (inclusive) ~ NTD30,000,000(exclusive)	-	-
NTD30,000,000 (inclusive) ~ NTD50,000,000(exclusive)	-	-
NTD50,000,000 (inclusive) ~ NTD100,000,000(exclusive)	-	-
Over NTD100,000,000	-	-
Total	4	4

\* The contents of remuneration disclosed in this table is different from the concept of income stipulated in Income Tax Act, hence the purpose of this table is for information disclosure and not for taxation.

Notes 1. All contents disclosed are the employee's compensation in 2023 passed by resolution of the Board of Directors on March 12, 2024, and they had not been actually distributed yet.

#### 3.3.4 Name of managerial officer distributed with employee's compensation and distribution circumstance:

Unit: NTD thousand

	Title	Name	Stock amount	Cash amount	Total	Proportion of total amount in net profit after tax (%)
Managerial officer	General Manager	HSU, HSIU-HUA	0	1,365	1,365	0.78%
	Project VP	HSU, HUAI-YUN				
	General Manager of XIAMEN XIAHUI	HSU, YA-TING				
	Special Assistant of Chairman & VP of XIAHUI General Manager Room	HSU, HAN-YUAN				
	VP of PT. LUHAI	QIU, ZHONG-LIE				
	VP of KUNSHAN LUHAI	HSU, KUANG-WU				
	CFO of Finance Department	CHANG, SHENG-HUNG				
	Senior Manager of General Manager Room & Corporate Governance Officer	CHANG, CHI-CHI (Notes 1)				
	Manager of Finance Department & Corporate Governance Officer	TSAI, SHAO-FEN (Notes 1)				
	Director of Audit Room	CHEN, YING-HUEI (Notes 2)				
	Manager of Audit Room	TSAI, HSIN-HSIN (Notes 2)				
	Senior Manager of Sales Department	WU, KO-LI				

Notes 1: Due to position adjustment, Corporate Governance Officer is changed from CHANG, CHI-CHI to TSAI, SHAO-FEN on January 30, 2024.

Notes 2: Audit supervisor CHEN, YING-HUEI is at retirement age. Hence, TSAI, HSIN-HSIN took office on January 30, 2024

3.3.5 If the listed company has the circumstances as stated in 1 or 5 of Item 2, Subparagraph 3, Paragraph 1, Article 10 of “Regulations Governing Information to be Published in Annual Reports of Public Companies”, the remuneration of the top 5 supervisors shall be disclosed respectively: Not applicable.

3.3.6 Make respective and comparative description and analysis on the proportion of total remuneration paid to the directors, supervisors, general managers, and vice presidents of the Company in the last two years by the Company and all companies in the consolidated financial statement in the net profit after tax, and describe the policy, standard and combination of compensation payment, procedures of determining remuneration and relevance between operation performance and future risk

3.3.6.1 Proportion of total remuneration of Directors, Supervisors, General Manager and Vice Presidents in the last two years in the net profit after tax:

NTD: thousand

Item	2022				2023			
	Total remuneration		Proportion in the net profit after tax (%)		Total remuneration		Proportion in the net profit after tax (%)	
	The Company	All companies in financial report	The Company	All companies in financial report	The Company	All companies in financial report	The Company	All companies in financial report
Directors	12,732	13,536	5.61%	5.97%	11,627	12,852	6.64%	7.34%
General Manager and VP	9,251	10,818	4.08%	4.77%	8,864	11,136	5.06%	6.36%

3.3.6.2 Policy, standard and combination of remuneration payment; remuneration determination procedure; and relevance between operation performance and future risk are described as follows:

①The Company’s remuneration of directors executing duties are assessed by each director’s level of attendance and the value of contribution, which are agreed by the same trade remuneration standard that the board of directors’ concern. In addition, according to Article 115(a) of the company's articles of association, if the Company has made profits in the current year, the Company shall set aside not more than 3% of the profits as Directors’ remuneration. The Company has set the Remuneration Committee, in which all independent directors act as committee members; the Remuneration Committee is responsible for formulating and regularly reviewing the policies, systems, standards and structures of the performance assessment and remuneration of directors and managerial officers, and relative performance evaluation and the rationality of salary are both reviewed by the Remuneration Committee and the board of directors.

②The remuneration policy of General Manager, Vice Presidents and equivalent managers, according to the regulations for salary management, assesses salary, bonus and employees’ compensation. Related bonus is issued depending on the Company’s current performance, financial status, an individual’s position, responsibility that an individual bears, and an individual’s contribution to the company. In addition, according to Article 115(a) of the company's articles of association, if the Company has made profits in the current year, the Company shall set aside not less than 1.5% of the profits as employees’ compensation.

The actual allocation of 2023 Directors’ and managers’ remuneration was reviewed by the Remuneration Committee and submitted to the Board of Directors for resolution.

### 3.4 Corporate governance operation situation:

#### 3.4.1 Information of Board of Directors' operation situation

The Company has convened 8 (A) Board of Directors Meetings from 2023 till the date of annual report publication, attending situations of directors are as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) [B/A]	Notes
Chairman	HSU, LIEN-KAI	8	-	100.00%	
Director	WU, CHIN-LU	8	-	100.00%	
Director	WU, CHING-SHU	8	-	100.00%	
Director	HSU, YA-TING	8	-	100.00%	
Director	HSU, HUAI-YUN	8	-	100.00%	
Director	HSU, HAN-YUAN	8	-	100.00%	
Independent Director	YEN, MEI-YING	8	-	100.00%	
Independent Director	CHANG, HORNG-YAN	8	-	100.00%	
Independent Director	YEH, CHIH-MING	8	-	100.00%	

Other matters should be recorded:

- If the operation of Board of Directors Meeting has any one of the following circumstances, the date of Board of Directors Meeting, session, proposal content, opinions of all independent directors, and the Company's handling of independent directors' opinions shall be specified:
  - Matters listed in Article 14-3 of Securities and Exchange Act: The Company has set the Audit Committee, please refer to the operation situation of Audit Committee in the next page for details, no such circumstances are available.
  - Apart from the matters mentioned above, other board resolution matters on which independent director has objections or modified opinions and with record or written statements: No such circumstances are available.
- For the directors' avoidance of proposal with conflict of interest, the name of directors, proposal contents, reasons for conflict of interest and participation in voting shall be specified:

Meeting Date	Proposal Contents	Reasons for avoidance of conflict of interests and status of decisions
2023/01/13 The Sixth Session of the 10 <sup>th</sup> Meeting	The Company's distribution of year-end bonus to managerial officers in 2022	Director HSU, LIEN-KAI, HSU, HAN-YUAN, HSU, YA-TING and HSU, HUAI-YUN didn't participate in voting due to the principle of conflict of interests, with the agreement of the other four attending directors, the resolution was passed by a majority vote.
	The Company's distribution of annual performance bonus to managerial officers in 2022	Director HSU, LIEN-KAI, HSU, HAN-YUAN, HSU, YA-TING and HSU, HUAI-YUN didn't participate in voting due to the principle of conflict of interests, with the agreement of the other four attending directors, the resolution was passed by a majority vote.
	Salary adjustment for manager of the subsidiary, HSU, YA-TING	Director HSU, YA-TING didn't participate in voting due to the principle of conflict of interests, this case had been passed by the rest attending directors unanimously and as proposed.

2023/03/14 The Sixth Session of the 11 <sup>th</sup> Meeting	Salary adjustment for manager of the company, HSU, HAN-YUAN	Director HSU, HAN-YUAN didn't participate in voting due to the principle of conflict of interests, this case had been passed by the rest attending directors unanimously and as proposed.
2023/08/22 The Sixth Session of the 13 <sup>th</sup> Meeting	The Company's distribution of managerial officer's remuneration in 2022	Director HSU, YA-TING, HSU, HAN-YUAN and HSU, HUAI-YUN didn't participate in voting due to the principle of conflict of interests, this case had been passed by the rest attending directors unanimously and as proposed.
2024/01/30 The Sixth Session of the 15 <sup>th</sup> Meeting	The Company's distribution of year-end bonus to managerial officers in 2023	Director HSU, LIEN-KAI, HSU, HAN-YUAN, HSU, YA-TING and HSU, HUAI-YUN didn't participate in voting due to the principle of conflict of interests, this case had been passed by the rest attending directors unanimously and as proposed.
	The Company's distribution of annual performance bonus to managerial officers in 2023	Director HSU, LIEN-KAI, HSU, HAN-YUAN, HSU, YA-TING and HSU, HUAI-YUN didn't participate in voting due to the principle of conflict of interests, this case had been passed by the rest attending directors unanimously and as proposed.

3. Listed company shall disclose the evaluation cycle and period, evaluation scope, method and content etc. evaluated by Board of Directors itself (or by peer), and the implementation of Board of Directors' evaluation is as follows:

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Once a year	2023/1/1~ 2023/12/31	Board of Directors performance evaluation	Internal self-evaluation of the Board.	1. Participation in the operation of the company 2. Improvement of the quality of the Board of Directors' decision making 3. Composition and structure of the Board of Directors 4. Election and continuing education of the Directors 5. Internal control

			Individual director's performance evaluation	Self-evaluation by individual Board members.	1. Alignment of the goals and missions of the company 2. Awareness of the duties of a director 3. Participation in the operation of the company 4. Management of internal relationship and communication 5. The Director's professionalism and continuing education 6. Internal control
			Functional Committees (audit committee and remuneration committee)	Self-evaluation by functional committees	1. Participation in the operation of the company 2. Recognition of duties of the functional committees 3. Improvement of the quality of the Audit Committee 4. Composition and appointment of members of the functional committees 5. Internal control
	One three years	2022/09/01~2023/08/31	Board of Directors performance evaluation	Entrust external professional institution for evaluation (review relevant document, questionnaire, and interview)	1. Composition of the Board of Directors and professional development 2. Decision making quality of the Board of Directors 3. Operational effectiveness of the Board of Directors 4. Internal control and risk management 5. Involvement level of corporate social responsibility
4. The objective of strengthening the functions of Board of Directors (such as setting Audit Committee, improving information transparency etc.) in the current and last year and assessment on execution situation: (1) The Company has assigned 3 independent directors and set up Audit Committee and Remuneration Committee to strengthen the competency of the Board of Directors.					

- (2) The Company has arranged advance study twice a year for the directors to improve their professionalism and implement corporate governance.
- (3) The Company formulated the “Regulations Governing Procedure for Board of Directors Meetings”, and the evaluation of Board of Directors meetings has been rated every year since 2020, Evaluation of the functional committees were added since 2023. In addition, Rules for Performance Evaluation of Board of Directors was amended to have external professional institutions and experts to conduct performance evaluation of Board of Directors every three years to improve the sound operation of Board of Directors. The first performance evaluation of the Board of Directors by external professional institutions was conducted in 2023, and the result has been reported to the Board of Directors.
- (4) To implement the corporation governance and boost the Board of Directors’ efficacy, it had been passed by Board of Directors to have corporation governance supervisors.
- (5) The Company has formulated the “Regulations Governing Procedure for Board of Directors Meetings”, “Audit Committee Charter”, “Remuneration Committee Charter” and “Rules Governing the Scope of Powers of Independent Directors” to comply with, and input the attendance situations of Board of Directors Meeting and each committee meeting in company website and MOPS, and disclosed relevant information according to the requirement of laws and decrees to improve information transparency.

#### 3.4.2 Operation situation of Audit Committee or supervisor’s participation in Board of Directors

Audit Committee of the Company comprises of all independent directors, responsible for reviewing fair presentation of company financial statement, appointment and independence and performance (dismissal) of certified public accountant, effective implementation of company internal control, company’s compliance with relevant laws and decrees and rules, and control of existing or potential risks of the company etc., its major powers and authorities are as follows:

- (1) Adoption or amendment of an internal control system pursuant to Article 14-1 of Securities and Exchange Act.
- (2) Assessment of the effectiveness of the internal control system.
- (3) Adoption or amendment, pursuant to Article 36-1 of Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
- (4) A matters bearing on the personal interest of the director.
- (5) A material assets or derivatives transaction.
- (6) A material monetary loan, endorsement or provision of guarantee.
- (7) The offering, issuance, or private placement of any equity-type securities.
- (8) The hiring or dismissal of an attesting CPA, or the compensation given thereto.
- (9) The appointment or discharge of a financial, accounting, or internal auditing officer.

- (10) The annual financial report and the financial report of the first, second and third quarters that must be audited and attested by a CPA, which are signed or sealed by the Chairman, managerial officer, and accounting officer.
- (11) Any other material matters so required by the company or competent authority.

The major matters for examination of the 2023 audit committee include:

- (1) The annual financial report and quarterly financial report, business report, and distribution of net earnings
- (2) Assess the internal control system design and effectiveness of execution
- (3) The 2024 audit program
- (4) Major capital expenditure
- (5) Major loaning of funds and endorsement and guarantees
- (6) Evaluate the independence and the competence of CPA
- (7) The appointment and the salary of CPA

Audit Committee has convened 8 (A) meetings from 2023 till the date of annual report publication, attending situations of independent directors are as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance rate (%) [B/A]	Notes
Convenor	YEH, CHIH-MING	8	-	100.00%	
Independent Director	YEN, MEI-YING	8	-	100.00%	
Independent Director	CHANG, HORNG-YAN	8	-	100.00%	

Other matters should be recorded:

1. If the operation of Audit Committee has any one of the following circumstances, the date of Board of Directors Meeting, session, proposal content, Independent Directors' opposing viewpoints, reserved viewpoints, or major suggestions, and the resolutions of Audit Committee, and the Company's handling of Audit Committee' opinions shall be specified.

- (1) Matters stipulated in Article 14-5 of Securities and Exchange Act:

Board of Directors Meeting	Proposal contents and subsequent handling	Matters stipulated in Article 14-5 of Securities and Exchange Act	Resolution item not passed by Audit Committee but agreed by more than two third (2/3) of all directors.
The Sixth Session of the 10 <sup>th</sup> meeting 2023.1.13	1. New endorsement guarantee of LU HAI HOLDING CORP. (hereinafter referred to as the Company)	✓	-
	2. The installation of the Fine machining department of the sub-subsidiary XIAMEN XIAHUI anodizing	✓	-
	Resolution of Audit Committee: it is agreed and passed by all attending members. Resolution of Board of Directors: 1.it is agreed and passed by all attending directors. 2. The decision has been approved by all six directors.		



	The Sixth Session of the 11 <sup>th</sup> meeting 2023.3.14	1. The proposed 100 LTR BANBURY mixer line installation and re-construction of rubber mixing plants of subsidiary PT. LUHAI	✓	-
		2. 2022 business report and financial statements of the Company	✓	-
		3. Replacement of certified public accountants of the Company, and approval and certification of remuneration in 2023 financial statements	✓	-
		Resolution of Audit Committee: it is agreed and passed by all attending members. Resolution of Board of Directors: it is agreed and passed by all attending directors.		
	The Sixth Session of the 12 <sup>th</sup> meeting 2023.5.9	1. Consolidated financial statements for the first quarter of 2023 of LU HAI HOLDING CORP. (hereinafter referred to as the Company)		-
		2. The RMB 22 million funding proposal of the Company's sub-subsidiary LUHAI INTELLIGENT TECHNOLOGY (KUNSHAN) CO., LTD. (hereinafter referred to as KUNSHAN LUHAI) sub-subsidiary to loan from XIAMEN XIAHUI RUBBER METAL INDUSTRIAL CO., LTD (hereinafter referred to as XIAMEN XIAHUI)	✓	-
		Resolution of Audit Committee: it is agreed and passed by all attending members. Resolution of Board of Directors: it is agreed and passed by all attending directors.		
	The Sixth Session of the 13 <sup>th</sup> meeting 2023.8.22	1. Consolidated financial statements for the second quarter of 2023 of LU HAI HOLDING CORP. (hereinafter referred to as the Company)	✓	-
		2. Amendments to the "Internal control system" of the Company	✓	-
		Resolution of Audit Committee: it is agreed and passed by all attending members. Resolution of Board of Directors: it is agreed and passed by all attending directors.		
	The Sixth Session of the 14 <sup>th</sup> meeting 2023.11.7	1. Consolidated financial statements for the third quarter of 2023 of LU HAI HOLDING CORP. (hereinafter referred to as the Company)		-
		2. Amendments to the "Internal control system" of the Company	✓	-
		3. Damping fork developed by the subsidiary Lu Hai Intelligent Technology (Kunshan) Co., Ltd.	✓	-
		Resolution of Audit Committee: it is agreed and passed by all attending members. Resolution of Board of Directors: it is agreed and passed by all attending directors.		
	The Sixth Session of the 15 <sup>th</sup> meeting 2024.1.30	1. The RMB 22 million funding proposal of the Company's sub-subsidiary LUHAI INTELLIGENT TECHNOLOGY (KUNSHAN) CO., LTD. (hereinafter referred to as KUNSHAN LUHAI) sub-subsidiary to loan from XIAMEN XIAHUI RUBBER METAL INDUSTRIAL CO., LTD (hereinafter referred to as XIAMEN XIAHUI)	✓	-
		2. New endorsement guarantee of LU HAI HOLDING CORP. (hereinafter referred to as the Company)	✓	-
		3. The Company's acquisition of right-of-use assets	✓	-

	4. Personnel change in the Company’s Audit Supervisor	✓	-
	Resolution of Audit Committee: it is agreed and passed by all attending members. Resolution of Board of Directors: it is agreed and passed by all attending directors.		
The Sixth Session of the 16 <sup>th</sup> meeting 2024.3.12	1. The application for purchase new equipment of the fine machining department of subsidiary XIAMEN XIAHUI	✓	-
	2. 2023 business report and financial statements of the Company	✓	-
	3. The Company plans to convert capital reserves into capital and issue new shares	✓	-
	4. Appointment of certified public accountants of the Company in 2024, review of 2024 financial statements, and examination of certified remuneration	✓	-
	Resolution of Audit Committee: it is agreed and passed by all attending members. Resolution of Board of Directors: it is agreed and passed by all attending directors.		
The Sixth Session of the 17 <sup>th</sup> meeting 2024.5.7	1. The application for purchase new equipment of the fine machining department of sub-subsidiary XIAMEN XIAHUI	✓	-
	2. Additional budget for the proposed 100 LTR BANBURY mixer line installation and re-construction of rubber mixing plants of subsidiary PT. LUHAI	✓	-
	3. Consolidated financial statements for the first quarter of 2024 of LU HAI HOLDING CORP. (hereinafter referred to as the Company)		-
	Resolution of Audit Committee: it is agreed and passed by all attending members. Resolution of Board of Directors: it is agreed and passed by all attending directors.		

(2) Apart from the matters mentioned above, other resolution matters not passed by Audit Committee but agreed by more than two third of all directors: No such circumstances are available.

2. For the independent directors’ avoidance of proposal with conflict of interest, the name of independent directors, proposal contents, reasons for conflict of interest and participation in voting shall be specified: None.

3. Communication circumstances (shall include the major matters, method and result etc. of communication regarding financial and business situations of the company) between and among independent directors and internal audit supervisors and accountants.

(1) The audit unit of the Company would regularly provide internal examination audit report to independent directors, and attend the Board of Directors Meeting to report the latest audit situation.

(2) Independent directors may review the financial and business conditions of the Company at any time, in case of any doubt or suggestion on relevant operating contents of the Company, the independent director may immediately communicate with the head of relevant unit for review and improvement.

(3) Independent directors and accountants shall convene a regular meeting quarterly, in which the

accountants shall report the financial conditions, overall operation and examination situation of the Company to independent directors; apart from regular review of financial statements, independent directors may convene a meeting to communicate with the accountants at any time when necessary.

3.4.3 Corporate governance implementation status and its difference from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons

Assessment item	Implementation Status			Difference from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description abstract	
1. Whether the Company has formulated and disclosed the Corporate Governance Best Practice Principles according to the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company has formulated “Corporate Governance Best Practice Principles” pursuant to “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” to comply with, and it was disclosed at company’s website and MOPS.	None
2. Shareholding structure and shareholders’ rights				
(1) Whether the Company has formulated internal operation procedures to handle shareholders’ suggestions, doubts, disputes and litigation matters, and implement it according to such procedures?	✓		(1) The Company has appointed dedicated stock affairs agency to handle stock affairs, and set spokesman and deputy spokesman to handle suggestions from shareholders.	None
(2) Whether the Company has mastered the major shareholders actually controlling the company and the ultimate controller list of major shareholders?	✓		(2) The Company has set the stock affairs unit and mastered the major shareholders actually controlling the company and the ultimate controller list of major shareholders, and has regularly tracked and understood the changes in shareholding and disclose them on monthly basis pursuant to law.	
(3) Whether the Company has established and executed the risk control and firewall mechanism with affiliated enterprises?	✓		(3) The Company has formulated the “Affiliated Group Transaction Management Regulation” and “Governance Management Toward Subsidiaries Regulation”. Also, the assets and financial rights and responsibilities between and among each affiliated enterprise are independent respectively, and they are handled according to the internal control system of the Company.	

Assessment item	Implementation Status		Difference from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	
(4) Whether the Company has formulated internal regulation to prohibit insider of the Company from utilizing undisclosed information for the securities transaction?	✓		(4) The Company has formulated the “Administrative Measures for Insider Trading Prevention” and “Codes of Ethical Conduct”, strictly prohibiting insiders from trading negotiable securities by utilizing undisclosed information.
3. Board of Directors’ composition and responsibility			
(1) Whether the Board of Directors has a formulated diversified policy, specific management goals and implemented it?	✓		(1) According to Corporate Governance Best Practice Principles, Article 20 states the members of Board of Directors shall be diversified. The Company has drawn up and implemented the management goals based on the diversified policy. For the implementing situation of members Board of Directors, please refer to this annual report “The diversification and independence of the Board of Directors” (page 15)
(2) Apart from setting Remuneration Committee and Audit Committee pursuant to law, whether the Company is willing to set other functional committees?	✓		(2) The Company has set the Remuneration Committee pursuant and Audit Committee to law. In order to promote sustainable development, the Company has voluntarily established Sustainable Development Committee in the third quarter of 2022.
(3) Whether the Company has formulated Board of Directors Performance Assessment Measures and its assessment method, regularly carries out performance assessment every year, hands in the results of performance assessment to Board of Directors, and applies them as the reference for the remuneration, nomination	✓		(3) Board of Directors of the Company has passed the “Board of Directors Performance Assessment Measures” on August 8, 2019, and carries out internal performance assessment every year according to the assessment procedures stipulated in such Measures since 2020. The results of aforesaid performance assessment will be the reference for selection or nomination of directors, as well as for determining the remuneration of individual directors. The Company has completed the Board of Directors performance assessment in January 2024, and handed in the evaluation results to the Board of Directors meeting convened on March 12, 2024, the overall Board of Directors performance is perfect and conforming to corporate governance; and the overall performance of director members is good.

Assessment item	Implementation Status		Difference from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	
and reappointment of individual directors? (4) Whether the Company has regularly evaluate the independence of CPA?	✓		<p>(4) The Company refers to Audit Quality Indicators (AQIs)(which includes 13 indicators and five scopes—profession, quality control, independence, monitor and creativity.) to evaluate the independence and competence of the Certified public accountants. The Board of Directors has passed evaluation on March 12, 2024. The Company's Certified public accountants and their group have not been appointed by the Company or the affiliated enterprise, nor have close commercial relationship with the Company or directors and managerial officers of the Company, nor have any financial interests with the Company or the affiliated enterprise, nor have accepted any gift of great value or improper entertainment or received any payment other than the audit work; besides, certified public accountants and their group have not engaged in the trading of stocks of the Company, and maintain the accountant's independence, and their job rotations are following relevant regulations.</p> <p>None</p>
4. Whether or not the listed company sets eligible corporate governance personnel of appropriate number, and designates the corporate governance supervisor to be responsible for corporate governance related affairs (including but not limited to provide directors and supervisors necessary materials for business execution, assist directors and supervisors in legal compliance, handle matters related to Board of Directors Meeting and	✓		<p>On January 27, 2021, Board of Directors of the Company appointed CHANG, CHI-CHI, from Senior Manager of General Manager Room to be the corporate governance supervisor, who has been equipped with the work experiences of engaging in finance, stock affairs, meetings, and other management work of publicly owned corporation for over three years.</p> <p>Following are the main job descriptions:</p> <ul style="list-style-type: none"> <li>• Handle matters related to Board of Directors Meeting and Shareholders' Meeting pursuant to law</li> <li>• Prepare meeting minutes for Board of Directors Meeting and Shareholders' Meeting</li> <li>• Assist directors in assumptions of duty, and continuous training records</li> <li>• Provide directors with necessary information for business execution</li> <li>• Assist directors and supervisors in legal compliance</li> <li>• Implement Board of Directors performance evaluation</li> </ul> <p>Followings are the 2023 business execution situations:</p> <p>a. Handle Board of Directors 5 times pursuant to law, noticing meetings and preparing information related to meetings 7 days in advance, and complete</p> <p>None</p>

Assessment item	Implementation Status		Difference from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons																												
	Yes	No																													
Shareholders' Meeting pursuant to law, and prepare meeting minutes for Board of Directors Meeting and Shareholders' Meeting etc.)?			<p>meeting minutes for Board of Directors Meeting in 20 days after the meeting.</p> <p>b. Handle General Shareholders' Meeting pursuant to law, and prepare notice of meetings, meeting manuals, annual reports, and meeting minutes within the statutory time.</p> <p>c. Provide directors with the needed materials for executing, and assist directors in arranging 6-hours advanced studies every year.</p> <p>d. Carry out performance evaluation of the Board of Directors and individual directors every year. The 2023 performance evaluation has been handed to Board of Directors on March 12, 2024.</p> <p>Corporate governance supervisor' training records in 2023:</p> <table border="1"> <thead> <tr> <th>Date</th><th>Host unit</th><th>Course name</th><th>Hours</th></tr> </thead> <tbody> <tr> <td>2023/05/09</td><td>Taiwan Investor Relations Institute</td><td>Practical analysis on the 2023 corporate governance and Rules for Performance Evaluation of Board of Directors</td><td>3</td></tr> <tr> <td>2023/05/23</td><td>Taiwan Stock Exchange 、Taipei Exchange</td><td>The propaganda on Sustainable Development Action Plans for TWSE- and TPEX-Listed Companies</td><td>3</td></tr> <tr> <td>2023/06/09</td><td>Securities and Futures Institute</td><td>The 2023 propaganda on prevention of insider trading</td><td>3</td></tr> <tr> <td>2023/07/04</td><td>Taiwan Stock Exchange</td><td>The 2023 Cathay Sustainable Finance and Climate Change Summit</td><td>6</td></tr> <tr> <td>2023/11/07</td><td>Taiwan Corporate Governance Association</td><td>Risk management and internal controls</td><td>3</td></tr> <tr> <td>2023/11/29</td><td>Industrial Technology Research Institute</td><td>European Green Deal and the challenge and business opportunity of the bicycle</td><td>3</td></tr> </tbody> </table>	Date	Host unit	Course name	Hours	2023/05/09	Taiwan Investor Relations Institute	Practical analysis on the 2023 corporate governance and Rules for Performance Evaluation of Board of Directors	3	2023/05/23	Taiwan Stock Exchange 、Taipei Exchange	The propaganda on Sustainable Development Action Plans for TWSE- and TPEX-Listed Companies	3	2023/06/09	Securities and Futures Institute	The 2023 propaganda on prevention of insider trading	3	2023/07/04	Taiwan Stock Exchange	The 2023 Cathay Sustainable Finance and Climate Change Summit	6	2023/11/07	Taiwan Corporate Governance Association	Risk management and internal controls	3	2023/11/29	Industrial Technology Research Institute	European Green Deal and the challenge and business opportunity of the bicycle	3
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Assessment item	Implementation Status		Description abstract				Difference from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No					
					industry		
			2023/12/08	Securities and Futures Institute	The 2023 propaganda on regulation compliance of the insider equity trading	3	
5. Whether the Company has established communication channels with Stakeholders (including but not limited to shareholders, employees, customers and suppliers etc.), and set up a Stakeholders’ section on the company website, and appropriately respond to the important corporate social responsibilities concerned by Stakeholders?	✓		The website of the Company has set the–Stakeholders’ section to provide investors service, customers and suppliers and employees sections respectively, and has left contact information at MOPS and company website, and the Company can respond to the important issues concerned by Stakeholders by the dedicated person, fax and email etc.				None
6. Whether the Company has appointed a professional stock affairs agency to handle the affairs of Shareholders’ Meeting?	✓		The Company has appointed a professional stock affairs agency, the “Stock Agent Department, Sinopac Securities” to handle matters related to stock affairs in Taiwan, and has formulated the “Regulations Governing the Administration of Shareholder Services” to regulate relevant affairs.				None
7. Information disclosure							
(1) Whether the Company has set website to disclose financial business and corporate governance information?	✓		(1) The Company has set the website: <a href="http://www.luhai.com.tw/">http://www.luhai.com.tw/</a> , and disclose information related to financial business and corporate governance of the Company at MOPS regularly or irregularly as required.				None
(2) Whether the Company has adopted other information disclosure methods (such as setting English website, designating dedicated	✓		(2) The Company has set the English website, spokesman or deputy spokesman makes a statement on the issues related to the Company, and each relevant business department is responsible for the collection and disclosure of company information. Besides, relevant information on the investor conference presentation already convened or being invited to attend over the				



Assessment item	Implementation Status			Difference from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description abstract	
person to be responsible for the collection and disclosure of company information, implementing spokesman system, and webcasting investors conference etc.)?			years have been disclosed at company website and MOPS.	
(3) Whether or not the company announces and declares annual financial report within two months after the end of accounting year, and announces and declares the financial report of the first, second and third quarter and monthly operating situation before the prescribed time limit?		✓	(3) The Company declares annual financial report within the prescribed time limit, and announces and declares the financial report of the first, second and third quarter and monthly operating situation before the prescribed time limit.	The Company has planned annual financial report since 2022 in accordance with the “Governance 3.0 – The Blueprint of Sustainable Development” requested by the authorities in charge, and has finished and published the declaration of related financial information within 75 days after the year ended. The declaration of 2023 annual financial report has been finalized on March 12, 2024.
<p>8. Whether the Company has other important information contributing to the understanding of operation situation of corporate governance (including but not limited to rights and interests of employee, employee caring, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, execution situation of risk management policy and risk measurement standards, execution situation of customer policy, the situation in which the Company buys liability insurance for the directors and supervisors etc.)?</p> <p>(1) Rights and interests of employee: The Company and each local subsidiary have formulated the system related to employee welfare, according to the laws and decrees of various countries to safeguard the rights and interests of employee.</p> <p>(2) Employee caring: The Company and its reinvested subsidiaries have set the Employees Union as the communication channel between employees and management of the company, consensus is reached between the Employees Union and employees for all important matters involving in employees to condense centripetal force; besides, internal periodical of the Group “LUHAI’s Windows” has been set to encourage employees to contribute to share their spirits and actively give feedbacks.</p> <p>(3) Investor relations: the website of the Company sets the investor relations section to irregularly update relevant information to provide to the investor for reference.</p> <p>(4) Stakeholder: The Company has set the Stakeholder section on the company website to maintain a smooth communication channel of stakeholders</p>				

Assessment item	Implementation Status		Difference from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	
<p>(shareholders, investors, corresponding banks, suppliers, customers, medias and employees etc.), and respect and safeguard their due legal rights and interests.</p> <p>(5) Directors’ training records in 2023: please refer to “Directors’ training records in 2023” (Page 36) in this annual report for details.</p> <p>(6) The Company has formulated the “Administrative Measures for Insider Trading Prevention” and “Administrative Measures for Material Information Announcement” as the basis for handling major information and disclosure mechanism, and irregularly reviews those Measures to conform to current laws and decrees and meet the requirement of practical management, upon amendment, the Company will inform employees by E-mail internally and put the latest measures at internal website of the Company for reference by managerial officers and employees at any time.</p> <p>(7) Situation of the company's buying liability insurance for the director: the Company has bought director liability insurance and announced it at mops.twse.com.tw, the period of liability insurance is from June 20, 2023 to June 20, 2024, and the insuring amount is USD1 million.</p>			
<p>9. Please describe the improvement of corporate governance evaluation result released by corporate governance center of Taiwan Stock Exchange Corporation in the last year, and propose the prioritized strengthening matters and measures for the unimproved matters.</p> <p>The recent corporate governance evaluation result of the company is ranked between 36% and 50%. The matters which have been improved and prioritized strengthening are listed based for the ninth corporate governance evaluation result.</p> <p>(1) Improved circumstances: Shareholders' meeting before the end of May, conducted performance evaluation of the functional committee annually, conducted external evaluation every three years, disclosed sustainable development plan, prepared and announced sustainability report, set up policy on greenhouse gas, water, and waste management, disclosed TCFD-related information in the sustainability report.</p> <p>(2) Prioritized strengthening matters: The company will refer to Audit Quality Indicators (AQIs) to evaluate the independence and competence of the certified public accountants, and formulate human rights policy and specific management plan.</p>			

#### Directors' training records in 2023

Title	Name	Date	Host unit	Course name	Hours
Chairman	HSU, LIEN-KAI	2023/05/09	Taiwan Investor Relations Institute	Practical analysis on the 2023 corporate governance and Rules for Performance Evaluation of Board of Directors	3
		2023/05/23	Taiwan Stock Exchange 、Taipei Exchange	The propaganda on Sustainable Development Action Plans for TWSE- and TPEX-Listed Companies	3
		2023/11/07	Taiwan Corporate Governance Association	Risk management and internal controls	3

Title	Name	Date	Host unit	Course name	Hours
Director	WU, CHIN-LU	2023/04/14	Taiwan Academy of Banking and Finance	The Corporate Governance Lecture	3
		2023/07/15	Commercd Development Research Institute	Corporate Governance and Sustainable Business Management Workshop	3
Director	WU, CHING-SHU	2023/05/09	Taiwan Investor Relations Institute	Practical analysis on the 2023 corporate governance and Rules for Performance Evaluation of Board of Directors	3
		2023/11/07	Taiwan Corporate Governance Association	Risk management and internal controls	3
Director	HSU, YA-TING	2023/05/09	Taiwan Investor Relations Institute	Practical analysis on the 2023 corporate governance and Rules for Performance Evaluation of Board of Directors	3
		2023/11/07	Taiwan Corporate Governance Association	Risk management and internal controls	3
Director	HSU, HUAI-YUN	2023/05/09	Taiwan Investor Relations Institute	Practical analysis on the 2023 corporate governance and Rules for Performance Evaluation of Board of Directors	3
		2023/11/07	Taiwan Corporate Governance Association	Risk management and internal controls	3
Director	HSU, HAN-YUAN	2023/05/09	Taiwan Investor Relations Institute	Practical analysis on the 2023 corporate governance and Rules for Performance Evaluation of Board of Directors	3
		2023/11/07	Taiwan Corporate Governance Association	Risk management and internal controls	3
Independent Director	YEN, MEI-YING	2023/05/09	Taiwan Investor Relations Institute	Practical analysis on the 2023 corporate governance and Rules for Performance Evaluation of Board of Directors	3
		2023/11/07	Taiwan Corporate Governance Association	Risk management and internal controls	3
Independent Director	CHANG, HORNG-YAN	2023/05/09	Taiwan Investor Relations Institute	Practical analysis on the 2023 corporate governance and Rules for Performance Evaluation of Board of Directors	3
		2023/05/10	Securities and Futures Institute	The technology development and applicable business opportunity of Chatbot ChatGPT	3
		2023/11/07	Taiwan Corporate Governance Association	Risk management and internal controls	3
Independent Director	YEH, CHIH-MING	2023/05/09	Taiwan Investor Relations Institute	Practical analysis on the 2023 corporate governance and Rules for Performance Evaluation of Board of Directors	3
		2023/06/09	Securities and Futures Institute	The 2023 propaganda on prevention of insider trading	3
		2023/11/07	Taiwan Corporate Governance Association	Risk management and internal controls	3

### 3.4.4. Composition, responsibility and operation situation of the Remuneration Committee

#### 3.4.4.1 Composition of Remuneration Committee

The Company has set the Remuneration Committee by resolution on January 21, 2013, and all independent directors are members of Remuneration Committee.

Title	Criteria Name	Professional qualifications and experience	Independence Criteria	Number of other public companies in which concurrently act as Remuneration Committee member
Convenor	CHANG, HORNG-YAN	For the directors and supervisors' information, please refer to Page11 ~ Page14.		0
Independent Director	YEN, MEI- YING			0
Independent Director	YEH, CHIH- MING			1

#### 3.4.4.2 Responsibilities of Remuneration Committee

Remuneration Committee shall faithfully perform the following powers and authorities with the attention as a bona fide manager, and submit the recommendations to the Board of Directors for discussion:

- (1) Prescribe and periodically review the performance review and remuneration policy, system, standards and structure of directors and managerial officers.
- (2) Make sure that the company's remuneration arrangement is conforming to relevant laws and decrees and sufficient to attract outstanding talents.
- (3) With respect to the performance assessment and remuneration of directors, members of Audit Committee and managerial officers of the company, it shall refer to the typical pay levels adopted by peer companies, and take into consideration the reasonableness of the correlation between remuneration and individual performance, the company's business performance, and future risk exposure.
- (4) It shall not produce an incentive for the directors or managerial officers to engage in activity to pursue remuneration exceeding the risk that the company may tolerate.
- (5) Periodically evaluate and prescribe the remuneration of directors and managerial officers. The Remuneration Committee Meeting shall be convened by the convener at least twice a year, and meeting may be convened at any time as necessary.

#### 3.4.4.3 Operation situation of Remuneration Committee

- (1) There are 3 members in the Remuneration Committee of the Company.
- (2) Term of office of members in this session: from July 23, 2021 to July 14, 2024, as at the publication date of 2023 annual report, Remuneration Committee has convened 5 (A) meetings, and members' qualification and attending situation are as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance rate (%) (B/A)	Notes
Convenor	CHANG, HORNG-YAN	5	-	100.00%	
Committee member	YEN, MEI-YING	5	-	100.00%	
Committee member	YEH, CHIH-MING	5	-	100.00%	

Other matters should be recorded:

1. If Board of Directors refuses to adopt or revises the suggestion of Remuneration Committee, the date of board meeting, session, proposal contents, result of board resolution and handling of Remuneration Committee's opinion (if the remuneration passed by Board of Directors is superior to the suggestion of Remuneration Committee, the Differences and reason therefor shall be specified) shall be specified: None.
2. For the resolution of Remuneration Committee, if a member opposes or has a qualified opinion and with record or written statement, the date of Remuneration Committee meeting, session, proposal contents, and opinions of all members and handling of members' opinion shall be specified: None.
3. In 2023, as at the publication date of annual report, subjects of discussion are as follows:

Remuneration Committee	Proposal contents and subsequent handling
The Fourth Session of the 6th meeting 2023.1.13	<ol style="list-style-type: none"> <li>1. The Company's distribution of year-end bonus to managerial officers in 2022</li> <li>2. The Company's distribution of annual performance bonus to managerial officers in 2022</li> <li>3. The 2022 year-end bonus and performance bonus distribution of senior manager-level of the subsidiaries</li> <li>4. Salary adjustment for manager of the subsidiary, HSU, YA-TING</li> </ol> <p>Resolution result of Remuneration Committee: it is agreed and passed by all attending members.</p> <p>Resolution of Board of Directors: The first and second motions were approved by a majority vote, with four directors in favor, as directors HSU, LIEN-KAI, HSU HAN-YUAN, HSU, YA-TING, and HSU, HUAI-YUN abstained from voting due to conflicts of interest. The fourth motion, Director HSU, YA-TING didn't participate in voting due to the principle of conflict of interests, and the rest proposals had been agreed and passed by all attending directors.</p>
The Fourth Session of the 7th meeting 2023.3.14	<ol style="list-style-type: none"> <li>1. The Company's distribution of director and employee's remuneration in 2022</li> <li>2. Salary adjustment for manager of the company HSU HAN-YUAN.</li> <li>3. Bonus payout for subsidiary managers HSU KUANG-WU and CHIOU, CHUNG-LIE</li> </ol> <p>Resolution result of Remuneration Committee: it is agreed and passed by all attending members.</p> <p>Resolution of Board of Directors: The second motion was not voted upon by director HSU HAN-YUAN due to a conflict of interest. The third motion was approved by a majority vote, with seven directors in favor, and the motion was passed. The remaining motions were approved unanimously by all attending directors.</p>
The Fourth Session of the 8th meeting 2023.8.22	<ol style="list-style-type: none"> <li>1. The Company's distribution of director's individual remuneration in 2022</li> <li>2. The Company's distribution of managerial officer's remuneration in 2022</li> </ol> <p>Resolution result of Remuneration Committee: it is agreed and passed by all attending members.</p> <p>Resolution of Board of Directors: For Case 2, Director HSU, LIEN-KAI, HSU, HAN-YUAN, HSU, YA-TING, and HSU, HUAI-YUN didn't participate in voting due to the principle of conflict of interests, and the</p>

		rest proposals had been agreed and passed by all attending directors.	
	The Fourth Session of the 9th meeting 2024.1.30	1. The Company's distribution of year-end bonus to managerial officers in 2023 2. The Company's distribution of annual performance bonus to managerial officers in 2023 3. The 2023 year-end bonus and performance bonus distribution of senior manager-level of the subsidiaries Resolution result of Remuneration Committee: it is agreed and passed by all attending members. Resolution of Board of Directors: For Case1 and 2, Director HSU, LIEN-KAI, HSU HAN-YUAN, HSU, YA-TING and HSU, HUAI-YUN didn't participate in voting due to the principle of conflict of interests. The two cases were passed with the agreement of the other attending directors, and the rest proposals had been agreed and passed by all attending directors.	
	The Fourth Session of the 10th meeting 2024.3.12	1. The Company's distribution of director and employee's remuneration in 2023 Resolution result of Remuneration Committee: it is agreed and passed by all attending members. Resolution of Board of Directors: it is agreed and passed by all attending directors.	

3.4.5 Performance of Sustainable Development Promotion and its difference from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons

Evaluation Item	Implementation Status			Discrepancy with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description abstract	
1. Whether or not the company implements the governing structure of sustainable development, set up departments of sustainable development, and Board of Directors authorizes high-level managers to tackle with, and Board of Directors supervises?	✓		The Company has established “Sustainable Development Committee” in the third quarter of 2022, which is the highest level decision making center of sustainable development in the company. The chairman acts as the chairman of the committee, and General Manager of the group as the deputy chairman. Managers from several different fields have jointly promoted various sustainable developments. Five task forces were set up: corporate governance team, customer relation team, supply chain management team, public affair participation team, and environmental sustainability team. The “Sustainable Development Committee” reports to the Board of Directors on the implementing status and future work plan of sustainable development on a quarterly basis. It reported to the Board of Directors five times in 2023.	None
2. Whether the Company has set dedicated (part-time) unit to promote corporate social responsibility, and whether the Board of Directors has authorized senior management to handle and report the handling situation to Board of Directors?	✓		1. The sustainability report has disclosed sustainable development performance of the main locations between January 2023 and December 2023, with the Company and important subsidiaries as the main focus of the risk assessment boundary. 2. The Sustainability Development Committee, based on materiality principles, conducts risk assessments on environmental, social, and corporate governance issues related to the Company's operations, focusing on significant issues of concern to stakeholders. The risk items listed in Table 1 below are the management priorities.	None
3. Issues of Environment (1) Whether the Company has established appropriate environmental management system according to its industrial characteristics?	✓		(1) The Company has obtained ISO 14001 environmental management system and ISO 45001 occupational health and safety management system certifications, and operates in compliance with the aforementioned environmental management system and applicable environmental regulations. And has complete regulation on quality management, safety, health and environmental protection etc.	None

Evaluation Item	Implementation Status			Discrepancy with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons															
	Yes	No	Description abstract																
(2)Whether the Company has been devoting to improve the utilization efficiency and uses reclaimed material having lower impact on environmental?	✓		(2) The Company has been continuously implementing every equipment that is energy-saving designed to lower the Company’s energy consumption, and has been continuously improving the utilization efficiency of all kinds of resources and recycling and reusing raw materials. For example, the Company actively uses the reusable pallets formed by the recycled packaging materials (such as pallet, clapboard, carton etc.) and repair wooden pallets to mitigate the environmental load. The Company and subsidiaries will set dedicated unit or personnel for environmental management as the case may be.	None															
(3)Whether or not the company assesses potential current and future risk and opportunity brought by climate change to the company, and adopts solutions to relevant climate issues?	✓		(3) The Company’s sustainability report has followed the structure of Task Force on Climate-Related Financial Disclosures (TCFD) to evaluate the risk and opportunity of climate change on the company and disclose in the sustainability report. The Company constantly pays attention to relevant information and discusses corresponding measures from time to time.	None															
(4)Whether or not the company conducts statistics on greenhouse gas emissions, water consumption and total waste weight in the last two years, and formulates policies for energy saving, carbon reduction, reduction of greenhouse gas emissions and water consumption, or management of other waste?	✓		<div>(4) In order to effectively manage greenhouse gas emission, the Group has introduced ISO 14064-1 Greenhouse Gas Inventory since 2022. It is expected to complete a third party verification by 2025. Greenhouse gas emissions in the recent two years (Covering both the Taiwan plant and subsidiaries):<div>Unit : MT CO<sub>2</sub>e<table><tr><th>Item</th><th>2022</th><th>2023</th></tr><tr><td>Scope 1</td><td>2,502.2043</td><td>2,587.0828</td></tr><tr><td>Scope 2</td><td>19,899.0414</td><td>20,602.2547</td></tr><tr><td>Scope 3</td><td>51,695.0146</td><td>54,511.9028</td></tr><tr><td>Total</td><td>74,096.2603</td><td>77,701.2403</td></tr></table></div><div>Notes 1: KUNSHAN LUHAI has not been listed in the inventory boundary since moved in 2023 due to government policy.</div></div>	Item	2022	2023	Scope 1	2,502.2043	2,587.0828	Scope 2	19,899.0414	20,602.2547	Scope 3	51,695.0146	54,511.9028	Total	74,096.2603	77,701.2403	None
Item	2022	2023																	
Scope 1	2,502.2043	2,587.0828																	
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Evaluation Item	Implementation Status			Discrepancy with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons																								
	Yes	No	Description abstract																									
			<p>Water consumption in the recent two years (Covering both the Taiwan plant and subsidiaries):</p> <table><tr><th>Item</th><th>2022</th><th>2023</th></tr><tr><td>Water usage amount (MT)</td><td>119,908.7</td><td>135,699.3</td></tr><tr><td>Water density (MT/ Thousand)</td><td>0.039</td><td>0.052</td></tr></table> <p>Notes 1: Taiwan branch has launched production line since the second half of 2023, and the water consumption increased due to factory renovation.</p> <p>Notes 2: Water meter has not been set up in Indonesia, so there is no statistic number for water consumption in 2022. Water meter has been set up in 2023 (with duration from June 12, 2023 to December 31, 2023).</p> <p>Waste output in the last two years: (Covering both the XIAHUI plant and PT LUHAI plant):</p> <p style="text-align: right;">Unit : MT</p> <table><tr><th>Item</th><th>Disposal category</th><th>2022</th><th>2023</th></tr><tr><td>Hazardous Waste</td><td>Processed according to categories</td><td>161.85</td><td>60.08</td></tr><tr><td rowspan="2">Non-hazardous waste</td><td>Processed as general industrial waste (incineration/landfill)</td><td>327.85</td><td>271.89</td></tr><tr><td>Sale/Recycle and reuse</td><td>1,193.03</td><td>1,599.01</td></tr></table> <p>The major waste from Taiwan branch and KUNSHAN LUHAI is domestic waste and aluminum scrap from production, which accounts for very little proportion in the Group. The Company’s hazardous waste output in 2023 was 62.87% less than in 2022 because the moisture content in the surface treatment waste and electroplating sludge in XIAMEN XIAHUI was reduced by using sludge air drying method, and further reduced waste volume.</p>	Item	2022	2023	Water usage amount (MT)	119,908.7	135,699.3	Water density (MT/ Thousand)	0.039	0.052	Item	Disposal category	2022	2023	Hazardous Waste	Processed according to categories	161.85	60.08	Non-hazardous waste	Processed as general industrial waste (incineration/landfill)	327.85	271.89	Sale/Recycle and reuse	1,193.03	1,599.01	
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Evaluation Item	Implementation Status			Discrepancy with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description abstract	
			The Company pays attention to energy saving and carbon reduction at ordinary times, so as to save the power consumption in offices and production units; for general industrial waste and hazardous waste, the company reports to local environmental protection department every year, and implements the control policy as required by environmental protection department; for industrial water consumption and power consumption, Engineering Department will formulate relevant targets every year, and conduct statistics on and examine the completion of targets every month. Each department of the company emphasizes the process of water consumption, and formulates corresponding water saving targets, environmental safety department conducts statistics every month and convene a meeting every quarter to ask the department that fails to meet the target to make improvement. For example, subsidiaries have changed the original heating by the steam generated from heavy oil burning boiler into the current heating by electric energy, so as to gradually implement energy saving and carbon reduction and reduction of greenhouse gas.	
4. Issues of Social (1) Whether the Company has formulated relevant management policies and procedures according to relevant laws and regulations and International Covenants on Human Rights?	✓		(1) The Company has formulated personnel management regulations according to Labor Act and relevant personnel laws and the spirit of International Covenants on Human Rights, so as to safeguard legal rights and interests of employees. Specific human rights management method including: make sure employee staff equally, forbid child labor, review working environment , preserve and maintain facilities regularly, implement to provide a safe and healthy working environment, provide employees with the physical examination and establish mechanisms and channels for staff complaints.	None
(2) Whether or not the company formulates and implements rational employee welfare measures (including	✓		(2) The Company formulated the “Personnel Management Measures” pursuant to Labor Standards Act and setting Employee Welfare Committee to implement various welfare measures.	None

Evaluation Item	Implementation Status			Discrepancy with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description abstract	
remuneration, leave and other welfares etc.), and appropriately reflects the operation performance or achievement to employee remuneration?			<p>Welfare measures: physical examination for staff, subsidies for birthdays/marriages/childbirths education sponsorship for children of employees and statutory annual leave, marriage leave, funeral leave and maternity leave. Value the diversification of work place and equal promoting chances, the 2023 average proportion of female staff of the enterprise accounted for 38.33%, and the proportion for female superiors was 28.95%.</p> <p>The Company reflects its operation results on the employee remuneration according to Article 115(a), if the Company has pre-tax profits in the current year, the Company shall set aside not less than 1.5% of the profits as employees' compensation. Besides, the Company shall reflect its operation results on the employee remuneration in accordance with "Measures for Employee's Performance Bonus Assessment and Remuneration Distribution".</p>	
(3) Whether the Company has provided employees a safe and healthy working environment, and has implemented safety and health education to the employees regularly?	✓		<p>(3)The Company has provided employees a safe and healthy working environment according to relevant laws and regulations, and regularly provides health examination and irregularly carries out educational training, and provides appropriate and sufficient protective devices for work. Production bases of the Company carry out safety and health education to employees regularly and irregularly. For example, reduce noise, high temperature and pollution etc. in production workshop environment to provide employees a safer and healthier working environment, and regularly carry out propaganda and educational training on occupational injury prevention, fire safety practical drilling, and regularly provide employees the physical examination.</p> <p>The Company has set up Fire Management Committee on October 17, 2023 and prepared fire protection plan. Each member has corresponding responsibility. No fire case was reported on the year. Meeting is called on June and December regularly every year. Two fire drills were done on November 1, 2023 and March 29, 2024.</p>	None

Evaluation Item	Implementation Status			Discrepancy with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description abstract	
(4) Whether the Company has set effective occupational ability development training plan for the employees?	✓		(4) The Company is devoted to train a variety of talents, mainly cultivates employees by On-the-Job Training, encourage them to further their studies which are needed at work and they are able to apply for external training to improve their career abilities. More than 300 sessions of Group educational training were held in 2023 with a total of 5,780 training hours and 6,373 participants.	None
(5) As for the products and the customers' service, health, safety, marketing, marking and other issues, whether the Company follows relevant regulation and international standards? And formulate relevant policy and grievance procedure protecting consumers or clients' interests?	✓		(5) The Company takes responsibility for the produced products, and in principle, relevant marking and marketing method of its products will not violate laws and regulations and international norms. Also, product information is provided on the Company's website, and the Company had established stakeholders communication channel, relevant stakeholders can appeal against or communicate through the corresponding point of contact.	None
(6) Whether or not the company formulates supplier management policy, and asks the supplier to comply with relevant regulations on environmental protection, occupational safety and health, or labor rights etc.? And the implementation situation thereof?	✓		(6) The Company formulated "Regulations for Supplier Management" to conduct assessment on suppliers. Business can only be made with suppliers who have passed the assessment. Assessment items include production return, purchase and return, exceptional reply, customer complaint, delay in delivery, and compatibility. In addition, the Company is against using minerals (such as Tantalum (Ta), Stannum (Sn), Gold (Au), and Tungsten (W) that are mined under the situation of armed conflict and human rights invasion. There were 163 suppliers that has signed "Supplier Sustainable Commitment" in 2023.	None
5. Whether or not the company refers to international report preparation criterion or guidelines to prepare sustainability report and other reports disclosing non-financial information of the company? Whether or not the	✓		The Company has prepared sustainability report in accordance with 2021 GRI Standards issued by Global Reporting Initiative, GRI, Sustainability Accounting – Auto parts by Sustainability Accounting Standards Board, SASB, Recommendations of the Task Force on Climate-related Financial Disclosures, TCFD structure by Financial Stability Board, FSB, Sustainable Development Goals, SDGs, the United Nations Global Compact, and Taiwan	None

Evaluation Item	Implementation Status			Discrepancy with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description abstract	
aforesaid report has acquired the assurance or guarantee opinion from the third party verification unit?			Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies. The Company is not in the industry that required a third party verification by law; therefore, it is planned to complete a third party verification by 2025 and will expand the verification scope accordingly in the future.	
6.If the Company has formulated its own Sustainable Development Best Practice Principles according to the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”, please describe its operation and the difference circumstances there between: The Company has formulated the “Sustainable Development Best Practice Principles” according to the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”, and there is no significant difference.				
7.Other important information good for understanding the implement of sustainable development: <u>Environmental aspect:</u> (1) All important operating offices are complying with relevant local environmental protection laws and regulations and have acquired the Pollutant Discharge Permit and paid the pollutant discharge fee; besides, they have also acquired the ISO14001 certification. (2) The Company has been continuously improving the utilization efficiency of all kinds of resources and recycling reusing raw materials; carrying out energy saving and carbon reduction campaign to save the power consumption in offices and production units. (3) Important subsidiaries of the Company actively invest funds to introduce air pollution control equipment to fume emission in the plant to meet standards. (4) Important subsidiaries of the Company actively invest funds to introduce water pollution control equipment to discharge quality of electroplating water to meet standards. (5) Important subsidiaries of the Company actively invest funds to rectify and improve oil-burning equipment, and change the original heavy oil burning into electric heat energy to improve the issues of safety and air pollution, so as to meet standards. (6) Certificate obtained as follows:				
	Certificate	Factory Site		Expiration date of the latest certificate
ISO 14001:2015		XIAMEN XIAHUI		2022/8/2~2024/7/16
		KUNSHAN LUHAI		2023/10/27~2026/10/26
		PT. LUHAI		2024/1/11~2027/1/10
ISO 9001:2015		TAIWAN BRANCH		2021/11/13~2024/11/12
		XIAMEN XIAHUI		2021/12/1~2024/11/30
		KUNSHAN LUHAI		2023/2/1~2026/1/31

Evaluation Item		Implementation Status			Discrepancy with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
		Yes	No	Description abstract	
ISO 45001:2018  IATF 16494:2016	PT. LUHAI			2021/8/10~2024/8/9	
	PT. LUHAI			2024/1/11~2027/1/10	
	KUNSHAN LUHAI			2023/5/24-2026/5/23	
	XIAMEN XIAHUI			2021/12/1~2024/11/30	
	XIAMEN XIAHUI - Fine Machining Department			2021/11/16~2024/11/15	
	PT. LUHAI			2021/8/10~2024/8/9	

Social aspect:

(1) The Company's Taiwan Branch regular donation to Changhua Spinal Cord Injury Reconstruction Association and sponsored to the "Tianzhong Marathon" activity, etc.

Enthusiastic participation in public benefit activities, and serving fellow villagers or townsmen are the consistency principles of the Company in giving back to the society.

Employee aspect:

(1) The Company provides a channel for employee's opinion reflection, and sets internal publication of the Group, namely "LUHAI's Windows", and refers to the spirit of International Covenants on Human Rights to amend relevant measures of the Company, and irregularly convene meetings to keep a smooth communication channel.

Table 1.

Major issues	Risk assessment items	Description
Environmental aspect	Environment shock	1. Implement the ISO14001 environmental management system, formulate environmental policy and fully execute, maintain the validity of the certificate to make sure the environmental management continues to improve. 2. Install waste gas treatment system, sewage treatment system to actively lower the risk of environmental pollution. 3. Regularly check on greenhouse gas emission in accordance with ISO 14064-1 every year, and review impact on company operation.
Social aspect	Human rights	1. Equal employment, do not treat them differently due to different race, sex, age, religion and disability. 2. Various and smooth communication methods, keep caring employees and create harmonious labor relations.

	Occupational safety and health	<p>1. Subsidiary PT. LUHAI and KUNSHAN LUHAI had passed the “ISO 45001 Occupational health and safety management system” certification on 2021 and 2023 respectively, kept making ISO 45001 the managing policy to provide employees with a safe and healthy working environment.</p> <p>2. Subsidiaries regularly hold fire drills and occupational safety education and training every year to cultivate employees’ emergency response measure and their own safety management ability.</p>
Governance aspect	Enhancement of directors’ competencies	<p>1. Plan further study course for the directors, provide latest law and policies.</p> <p>2. Buy liability insurance for the directors to protect them from litigation or compensation claims.</p>
	Regulatory Compliance	Implementing internal control, make sure the directors, managers and employees understand and comply with the latest law and policies.
	Stakeholder engagement	Built various communication methods, for example, the spokesperson’s and the proxy spokesperson’s email are set on the Company’s official website, investor Conference invitation and the interaction with investors.

## Climate-Related Information of TWSE/TPEX Listed Company

### 1. Implementation of Climate-Related Information

Item	Implementation status
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	The Company has established “Sustainable Development Committee” and “Greenhouse Gas Inventory Group”. The chairman acts as the chairman of the committee, and General Manager of the group as the deputy chairman. We will review the company's climate change risks and opportunities, assess the implementation status, and discuss future plans annually, reporting to the board of directors on a quarterly basis.
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	Our company manages based on the TCFD recommended framework. We collect climate data through a cross-departmental team and convene members of the Sustainability Development Committee to identify major climate change risks and opportunities. We assess the short, medium, and long-term financial impacts of these risks and opportunities, and develop strategies for adjusting our business model and operational strategies in response. For more detailed information, please refer to the 2023 Sustainability Report.
3. Describe the financial impact of extreme weather events and transformative actions.	The financial impacts of extreme climate events and transition actions can be found in our company's 2023 Sustainability Report.
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	Luhai considers internal management mechanisms and the life cycle of major products to conduct short, medium, and long-term climate change risk assessments. The discussion content is guided by the TCFD recommended framework, focusing on identifying and discussing transition risks (policy and regulations, technology, market, reputation), physical risks (immediate risks, long-term risks), and opportunities (resource efficiency, energy sources, products and services, market, resilience).
5. If scenario analysis is used to assess resilience to climate change	N/A



risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	N/A
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	N/A
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	N/A
9. Greenhouse gas inventory and assurance status and reduction targets, strategy, and concrete action plan (separately fill out in points 1-1 and 1-2 below).	Please view the following explanation.

#### 1-1 Greenhouse Gas Inventory and Assurance Status for the Most Recent 2 Fiscal Years

##### 1-1-1 Greenhouse Gas Inventory Information

Describe the emission volume (metric tons CO <sub>2</sub> e), intensity (metric tons CO <sub>2</sub> e/NT\$ million), and data coverage of greenhouse gases in the most recent 2 fiscal years.
<p>According to the regulations of the Sustainable Development Roadmap for TWSE/TPEX Listed Companies :</p> <ol style="list-style-type: none"> <li>1. The parent company entity should start conducting inventory from 2026.</li> <li>2. Subsidiaries in the consolidated financial report should start conducting inventory from 2027.</li> </ol> <p>Luhai has introduced ISO 14064-1 Greenhouse Gas Inventory since 2022, the greenhouse gas emissions of the parent company entity and subsidiaries in the consolidated financial report are regularly inventoried every year to fully grasp the use and emission status of greenhouse gases. Furthermore, the greenhouse gas inventory data for the most recent two years is based on the operational control approach to aggregate the greenhouse gas emissions</p>

of the parent company and all subsidiaries in the consolidated financial report. KUNSHAN LUHAI has not been listed in the inventory boundary since moved in 2023 due to government policy. Described as follows:

	2022		2023	
	Emissions (Tons CO2e)	Intensity (Tons CO2e/Million NT\$ Revenue)	Emissions (Tons CO2e)	Intensity (Tons CO2e/Million NT\$ Revenue)
Scope 1	2,502.2043		2,587.0828	
Scope 2	19,899.0414		20,602.2547	
Scope 3	51,695.0146		54,511.9028	
Total	74,096.2603	24.7636	77,701.2403	29.9723

#### 1-1-2 Greenhouse Gas Assurance Information

Describe the status of assurance for the most recent 2 fiscal years as of the printing date of the annual report, including the scope of assurance, assurance institutions, assurance standards, and assurance opinion.

According to the regulations of the Sustainable Development Roadmap for TWSE/TPEX Listed Companies :

1. The parent company entity should start carrying out assurance from 2028.
2. Subsidiaries in the consolidated financial report should start carrying out assurance from 2029.

It is expected to complete a third party verification before 2025.

#### 1-2 Greenhouse Gas Reduction Targets, Strategy, and Concrete Action Plan

Specify the greenhouse gas reduction base year and its data, the reduction targets, strategy and concrete action plan, and the status of achievement of the reduction targets.

To plan a greenhouse gas reduction strategy, our company intends to use the consolidated financial report as the boundary and obtain third-party verification in 2024. Therefore, 2024 will be the base year. Various measures for reducing greenhouse gases include promoting a paperless office, purchasing green products and raw materials, encouraging employees to bring their own utensils, upgrading equipment, and adopting the best production methods. Through the implementation of these measures and actions, we aim to gradually reduce greenhouse gas emissions, with a target of a 3% reduction in energy consumption and carbon emissions each year.

3.4.6 Performance of integrity operation and its difference from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons

Assessment item	Implementation Status			Difference from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description abstract	
1. Formulate ethical corporate management policy and scheme (1) Whether or not the Company formulates integrity operation policy passed by Board of Directors, and explicitly formulates the policy and practice of integrity operation in the regulations and external documents, and the commitment of Board of Directors and senior management echelon to actively implement the operation policy?	✓		(1) The Company formulates prevention regulations on dishonest behaviors in the “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct”, and discloses on the company website to strengthen the acknowledgement of ethical management by employees, managers, and directors. Ethical management policy and practice are also listed in the Sustainability report for promotion and propaganda.	None
(2) Whether or not the company establishes assessment mechanism for the risk of dishonest behavior, regularly analyzes and assesses the operating activities of higher dishonest behavior risks within the scope of business, and formulates the scheme for preventing dishonest behavior accordingly, and at least covers the prevention measures for various behaviors prescribed in Paragraph 2, Article 7 of “Listed Company Integrity Operation Rules”?	✓		(2) The Company has formulated the “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct”, by adhering to honest, transparent and responsible operation philosophy, the Company has formulated operation policy based on integrity, and established favorable corporate governance and risk control mechanism to create an operation environment of sustainable development. The Company has also set internal control and internal audit systems to be executed by the audit unit, important business activities are the key points in auditing, if fraudulent practices or inappropriate behaviors are found, it will be handled according to relevant regulations immediately.	None

Assessment item	Implementation Status			Difference from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description abstract	
(3) Whether or not the company explicitly formulates the operation procedure, behavioral guideline, violation punishment and complaints system in the scheme of preventing dishonest behavior, and regularly review and amend the aforesaid scheme?	✓		(3) The Company has formulated the “Procedures for Ethical Management and Guidelines for Conduct” to comply with and implement it accordingly. The management department which is responsible for promoting regularly reviews the integrity operation policy. The latest revision was approved by the Board of Directors on March 12, 2020.	None
2. Implementation of ethical corporate management (1) Whether the Company has assessed the ethical records of contacting objects, and explicitly stipulated ethical clauses in the contract signed by and between the Company and trading objects?	✓		(1) Before trading with important customers, the Company will conduct credit investigation to avoid trading with customers with the record of dishonest behaviors.	None
(2) Whether the company has set dedicated unit subordinated to Board of Directors, and regularly (at least once a year) reports to Board of Directors on the integrity operation policy and scheme of dishonest behavior prevention, and supervises the execution situation?	✓		(2) Due to complete ethical corporate management, the Company designates Management Department as the dedicated unit for this business matter, in charge of formulating and supervising management of implementation of ethical corporate management and prevention scheme. New employees will sign “Employee’s statement of ethical management” to promote and practice ethical and moral values, with 100% signing completed in 2023. And reporting the situation to the Board of Directors regularly. The 2023 implementation situation had been reported to the Board of Directors on January 30, 2024.	None
(3) Whether the Company has formulated policy to prevent conflict of interest and provided proper statement channel, and implements them?	✓		(3) The company has formulated the “Procedures for Ethical Management and Guidelines for Conduct” to avoid any improper conduct involving conflicts of interest while carrying out their business duties, and a “complaints mailbox” should be set up in the stakeholder section of the Company website.	None

Assessment item	Implementation Status			Difference from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description abstract	
(4) Whether the company has established effective accounting system, internal control system for implementing integrity operation, and has the internal audit unit to draft relevant audit plan according to the assessment results of dishonest behavior risks, and checks the compliance of the scheme for dishonest behavior prevention accordingly, or appoints accountants to execute the auditing?	✓		(4) The Company has set accounting system for accounting personnel to comply with upon operation, and internal audit personnel will also carry out all kinds of audit operations regularly and irregularly, and report the results to the Audit Committee and Board of Directors.	None
(5) Whether the Company holds internal and external educational training on ethical corporate management regularly?	✓		(5) The Company irregularly propagandizes relevant stipulations of Ethical Corporate Management Best Practice Principles to directors, managerial officers, employees and appointees etc. In the future, the Company will regularly convene internal or external educational training after the date of Board of Directors Meeting as the case may be.	None
3. Operation situation of company reporting system (1) Whether the Company has formulated specific reporting and rewarding system and established convenient reporting channel, and assigned appropriate dedicated handling personnel for the object being reported?	✓		(1) Reporting system of the Company includes employee complaints, customer and supplier exposure, the reporting method is disclosed at the stakeholder section of company website. Specialists in the management department will take care of ethical management issues. All reporting cases are strictly classified to protect the privacy of the whistleblower.	None

Assessment item	Implementation Status			Difference from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description abstract	
(2) Whether the company has formulated standard investigation procedure for accepting reporting matters, and subsequent measures and relevant confidentiality mechanism should be adopted after investigation?	✓		(2) The Company has stipulated proper reporting and rewarding systems in the “Procedures for Ethical Management and Guidelines for Conduct”. Meanwhile, the Company will establish relevant operation procedures and confidentiality mechanism to ensure proper protection and guarantee of whistleblower.	None
(3) Whether the Company has taken measures to protect whistleblower from improper treatment due to the reporting?	✓		(3) Any reports are strictly confidential in the Company and are dealt by units in charge to protect the informant’s privacy. In 2023, colleagues of the Company and subsidiaries have not been reported due to the violation of enterprise integrity management.	None
4. Enhanced information disclosure Whether the Company has disclosed the contents of Ethical Corporate Management Best Practice Principles formulated and the promotion effect thereof at the company website and MOPS?	✓		(1) The Company has established the “Ethical Corporate Management Best Practice Principles” on website, in the future, the Company will gradually establish and disclose relevant information on ethical corporate management as necessary. (2) The Company has assigned dedicated personnel to be responsible for information collection, and information will be disclosed at MOPS in the future, striving to disclose complete and instant information to the public. (3) The Company had signed “Employees’ Statement of Integrity Management” at the end of 2023, to propagandize relevant integrity management content and the Company’s policy, with 100% signing completed in 2023.	None
5. If the Company has formulated its own Ethical Corporate Management Best Practice Principles according to the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”, please describe its operation and the difference circumstance therebetween: None.				

Assessment item	Implementation Status			Difference from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description abstract	
6. Other important information good for understanding the operation situation of ethical corporate management of the Company (such as the Company reviews and amends the Ethical Corporate Management Best Practice Principles formulated etc.): Upon contacting with manufacturers, the Company always adheres to the principle of ethical and propagandizes the ethical operation philosophy of the Company to contacting manufacturers, and also strengthens education to employees.				

3.4.7 If the company has formulated the Corporate Governance Best Practice Principles and relevant regulations, the inquiry method thereof shall be disclosed:  
 The Company has formulated the Corporate Governance Best Practice Principles and disclosed it at the website of the Company in the Corporate Governance under Investors Section <http://www.luhai.com.tw>.

3.4.8 Other important information sufficient enough to enhance the operation situation of corporate governance shall be disclosed all together: None.

### 3.4.9 Execution situation of internal control system:

#### 3.4.9.1 Internal Control Statement:

## **LU HAI HOLDING CORP.**

### **Internal Control System Statement**

Date: March 12, 2024

For the internal control system of the Company in 2023, based on the result of self-assessment, it is hereby made the statement as follows:

- I. The Company and subsidiaries acknowledge that the establishment, implementation and maintenance of internal control system are the responsibilities of Board of Directors and managerial officers of the Company and subsidiaries, and the Company and subsidiaries have established such system. Its purpose aims at providing a reasonable guarantee for achieving the objectives such as operation effectiveness and efficiency (including profitability, performance and safeguarding of assets etc.), report reliability, timeliness, transparency and the compliance of relevant regulations and relevant laws and decrees etc.
- II. The internal control system has its own inherent limitation, no matter how perfect its design is, an effective internal control system can only provide reasonable guarantee for achieving three objectives mentioned above. Moreover, the change of environment and circumstance, the effectiveness of internal control system might be changed accordingly. Nevertheless, the internal control systems of the Company and subsidiaries have set self-monitoring mechanism, once the deficiency has been identified and confirmed, the Company and subsidiaries will take correction action immediately.
- III. The Company and subsidiaries stipulate the determination items of internal control system effectiveness according to the “Regulations Governing Establishment of Internal Control Systems by Public Companies” (hereinafter referred to as “Regulations”), so as to determine whether the design and execution of internal control system are effective. The determination items of internal control system adopted in such “Regulations” are the processes of management control, dividing internal control system into five elements: 1. Control environment; 2. Risk assessment; 3. Control activities; 4. Information and communication, and 5. Monitoring activities. Each element further includes several items. Please refer to the provisions of “Regulations” for the preceding items.
- IV. The Company and subsidiaries have adopted the determination items of internal control system mentioned above to assess the effectiveness of the design and execution of internal control system.
- V. Based on the assessment result in preceding paragraph, the Company and subsidiaries believe that the internal control system of the Company and subsidiaries on December 31, 2023 (including supervision and management of subsidiaries), including that the design and execution of internal control system related to understanding the operation effect and achievement degree of efficiency objective; reliable, timeliness and transparent report; and compliance of relevant regulations and relevant laws and decrees etc. are effective, and it can reasonably guarantee the achievement of above objectives.
- VI. This Statement will become major contents of the annual report and public prospectus of the Company, and will be disclosed externally. If the preceding disclosed contents have any false, concealing or illegal circumstance, it will involve in the legal responsibilities as prescribed in Article 20, Article 32, Article 171 and Article 174 etc. of Securities and Exchange Act.
- VII. This Statement has been passed by Board of Directors of the Company on March 12, 2024, among 9 attending directors, no one holds opposing opinion and all agree upon the contents of this Statement, it is hereby declared as well.

LU HAI HOLDING CORP.

Chairman: HSU, LIEN-KAI

General Manager: HSU, HSIU-HUA



3.4.9.2 If the accountant is appointed to specifically examine the internal control system, the accountant's examination report shall be disclosed: None.

3.4.10 In the last year and as at the publication date of annual report, the company and its internal personnel are punished according to law, or the company punishes its internal personnel for violating the provisions of internal control system, and the punishment results thereof might cause significant impact on shareholders' equity or security price, the punishment contents, major deficiencies and improvement situation shall be listed: None.

3.4.11 In the last year and as at the publication date of annual report, important resolutions of General Shareholders' Meeting and Board of Directors Meeting

3.4.11.1 Important resolutions of 2023 General Shareholders' Meeting:

Date	Resolution matters	Resolution result and execution situation
2023.05.30	1. Ratification of the 2022 business report and financial statements	1. The weight of approval is accounting for 99.51% of the voting weight of attending shareholders, this case is approved by voting as proposed.
	2. Ratification of 2022 earnings distribution	1. The weight of approval is accounting for 99.51% of the voting weight of attending shareholders, this case is approved by voting as amendment. 2. Distribution of cash dividend at NT\$1.30 per share. The ex-dividend base date is on July 4, 2023, and cash dividend has been issued on July 28, 2023.

3.4.11.2 Important resolutions of Board of Directors Meeting in 2023:

Date	Important resolution matters
2023.01.13	<ol style="list-style-type: none"> <li>1. Amendments to the "Internal Audit Implementation Rules" of the Company</li> <li>2. The case of revising the Company's "The regulations for self-review of Internal control system"</li> <li>3. Foreign currency (USD and EUR) risk aversion limit of LU HAI HOLDING CORP. (hereinafter referred to as the Company), sub-subsidiary XIAMEN XIAHUI RUBBER METAL INDUSTRIAL CO., LTD (hereinafter referred to as XIAMEN XIAHUI), LUHAI INTELLIGENT TECHNOLOGY (KUNSHAN) CO., LTD. (hereinafter referred to as KUNSHAN LUHAI) and subsidiary PT. LUHAI INDUSTRIAL (hereinafter referred to as PT. LUHAI)</li> <li>4. New endorsement guarantee of LU HAI HOLDING CORP. (hereinafter referred to as the Company)</li> <li>5. Bank (CTBC Bank) financing limit</li> <li>6. Bank (Citi Bank) financing limit</li> <li>7. Greenhouse gas inventory and verification schedule plan of the subsidiaries</li> <li>8. The Company's distribution of year-end bonus to managerial officers in 2022</li> <li>9. The Company's distribution of annual performance bonus to managerial officers in 2022</li> <li>10. The 2022 year-end bonus and performance bonus distribution of senior manager-level of the subsidiaries</li> <li>11. Salary adjustment for manager of the subsidiary, HSU, YA-TING</li> </ol>

Date	Important resolution matters
	12. The installation of the Fine machining department of the sub-subsidiary XIAMEN XIAHUI anodizing
2023.03.14	<ol style="list-style-type: none"> <li>1. The proposed 100 LTR BANBURY mixer line installation and re-construction of rubber mixing plants of subsidiary PT. LUHAI</li> <li>2. The Company's Internal Control System Statement in 2022</li> <li>3. The Company's distribution of director and employee's remuneration in 2022</li> <li>4. The Company's regular assessment on the independence and competency of the appointed certified public accountant</li> <li>5. 2022 business report and financial statements of the Company</li> <li>6. 2022 earnings distribution of the Company</li> <li>7. Business report, financial statements and draw-up of non-distribution of British Cayman Islands Merchant LU HAI HOLDING CORP.(Branch in Taiwan) (hereinafter referred to as The Company's branch in Taiwan) drew up</li> <li>8. Replacement of certified public accountants of the Company, and approval and certification of remuneration in 2023 financial statements</li> <li>9. Amendments to the "Accounting System" of the Company</li> <li>10. Amendments to the "Articles of Incorporation" of the Company</li> <li>11. Amendments to the "Rules of Procedure for Shareholders Meetings", "Corporate Governance Best Practice Principles", and "Regulations Governing the Administration of Shareholder Services" of the Company</li> <li>12. Amendments to the "Regulations Governing Procedures for Board of Directors Meetings" of the Company</li> <li>13. Relevant matters of convening 2023 General Shareholders' Meeting of the Company</li> <li>14. Salary adjustment for manager of the company, HSU HAN-YUAN</li> <li>15. Bonus payout for subsidiary managers HSU KUANG-WU and CHIOU, CHUNG-LIE</li> </ol>
2023.05.09	<ol style="list-style-type: none"> <li>1. Consolidated financial statements for the first quarter of 2023 of LU HAI HOLDING CORP. (hereinafter referred to as the Company)</li> <li>2. The RMB 22 million funding proposal of the Company's sub-subsidiary LUHAI INTELLIGENT TECHNOLOGY (KUNSHAN) CO., LTD. (hereinafter referred to as KUNSHAN LUHAI) sub-subsidiary to loan from XIAMEN XIAHUI RUBBER METAL INDUSTRIAL CO., LTD (hereinafter referred to as XIAMEN XIAHUI)</li> <li>3. Bank (Agricultural Bank) financing limit</li> </ol>
2023.08.22	<ol style="list-style-type: none"> <li>1. Consolidated financial statements for the second quarter of 2023 of LU HAI HOLDING CORP. (hereinafter referred to as the Company)</li> <li>2. The budget in 2023 is not planned to be amended</li> <li>3. Amendments to the "Internal Control Systems" of the Company</li> <li>4. Amendments to the "Internal Audit Procedures" of the Company</li> <li>5. Bank (EnTie Bank) financing limit</li> <li>6. Bank (Far Eastern International Bank) line of credit</li> <li>7. Agricultural Bank of China Limited financing limit and Agricultural Bank of China Limited and Xiamen International Trust Co., Ltd. participate in group</li> </ol>

Date	Important resolution matters
	<p>fixed asset loan limit.</p> <p>8.Amendments to the “Board of Directors Performance Assessment Measures” of the Company</p> <p>9.Formulation of the “Cyber Security Management Act” of the Company</p> <p>10.Formulation of the “Preparation of Sustainability Reports and Verification Procedure” of the Company</p> <p>11.Amendments to the “Asset Management Regulation” of the Company</p> <p>12.Personnel changes of the Company’s spokesperson and deputy spokesperson</p> <p>13.The Company’s distribution of director’s individual remuneration in 2022</p> <p>14.The Company’s distribution of managerial officer’s remuneration in 2022</p>
2023.11.7	<p>1.Consolidated financial statements for the third quarter of 2023 of LU HAI HOLDING CORP. (hereinafter referred to as the Company)</p> <p>2.Business plan and budget of the Company in 2024</p> <p>3.Audit plan of the Company in 2024</p> <p>4.Amendments to the “Internal Control Systems” of the Company</p> <p>5.Amendments to the “Internal Audit Procedures” of the Company</p> <p>6.Amendments to the “The regulations for self-review of Internal control system” of the Company</p> <p>7.Application for (Yuanta Bank) Bank Financing Limit Increase</p> <p>8.Amendments to the “Remuneration Committee Charter”, “Audit Committee Charter” and “Rules for Election of Directors” of the Company</p> <p>9.Damping fork developed by the subsidiary Lu Hai Intelligent Technology (Kunshan) Co., Ltd.</p>
2024.1.30	<p>1.Foreign currency (USD and EUR) risk aversion limit of LU HAI HOLDING CORP. (hereinafter referred to as the Company), sub-subsidiary XIAMEN XIAHUI RUBBER METAL INDUSTRIAL CO., LTD (hereinafter referred to as XIAMEN XIAHUI), LUHAI INTELLIGENT TECHNOLOGY (KUNSHAN) CO., LTD. (hereinafter referred to as KUNSHAN LUHAI) and subsidiary PT. LUHAI INDUSTRIAL (hereinafter referred to as PT. LUHAI)</p> <p>2.The RMB 22 million funding proposal of the Company’s sub-subsidiary LUHAI INTELLIGENT TECHNOLOGY (KUNSHAN) CO., LTD. (hereinafter referred to as KUNSHAN LUHAI) sub-subsidiary to loan from XIAMEN XIAHUI RUBBER METAL INDUSTRIAL CO., LTD (hereinafter referred to as XIAMEN XIAHUI)</p> <p>3.New endorsement guarantee of LU HAI HOLDING CORP. (hereinafter referred to as the Company)</p> <p>4.Bank (CTBC Bank) financing limit</p> <p>5.Bank (Citi Bank) financing limit</p> <p>6.Bank (Construction Bank) financing limit renew</p> <p>7.Bank (ICBC) new financing limit</p> <p>8.The Company’s distribution of year-end bonus to managerial officers in 2023</p> <p>9.The Company’s distribution of annual performance bonus to managerial officers in 2023</p> <p>10.The 2023 year-end bonus and performance bonus distribution of senior</p>

Date	Important resolution matters
	manager-level of the subsidiaries 11. Formulation of the “Organizational Charter of Sustainable Development Committee” of the Company 12. The Company’s acquisition of right-of-use assets 13. Personnel change in the Company’s Audit Supervisor 14. Personnel changes in the Company's Corporate Governance Management
2024.3.12	1. The application for purchase new equipment of the fine machining department of subsidiary XIAMEN XIAHUI 2. The Company’s Internal Control System Statement in 2023 3. The Company’s distribution of director and employee’s remuneration in 2023 4. The Company’s regular assessment on the independence and competency of the appointed certified public accountant 5. 2023 business report and financial statements of the Company 6. 2023 earnings distribution of the Company 7. The Company plans to convert capital reserves into capital and issue new shares 8. Business report, financial statements and draw-up of accumulated deficit of British Cayman Islands Merchant LU HAI HOLDING CORP. (Branch in Taiwan) (hereinafter referred to as The Company’s branch in Taiwan) 9. Appointment of certified public accountants of the Company in 2024, review of 2024 financial statements, and examination of certified remuneration 10. Bank (Fubon Bank) financing limit renew 11. Bank (Shanghai Bank) financing limit renew 12. Elect the 7 <sup>th</sup> Board of Director 13. Formulate the nomination of the directors (including independent directors) 14. Relevant matters of convening 2024 General Shareholders’ Meeting of the Company
2024.5.7	1. The application for purchase new equipment of the fine machining department of sub-subsidiary XIAMEN XIAHUI 2. Additional budget for the proposed 100 LTR BANBURY mixer line installation and re-construction of rubber mixing plants of subsidiary PT. LUHAI 3. Consolidated financial statements for the first quarter of 2024 of LU HAI HOLDING CORP. (hereinafter referred to as the Company) 4. Agricultural Bank financing limit and Agricultural Bank and Xiamen International Trust Co., Ltd. participated in fixed asset loan limit 5. List of director (including independent director) candidates nominated by the General Shareholders’ Meeting of the Company holding more than one percent of the total outstanding shares

(1) Resolution result: all above proposals were agreed and passed by all attending directors unanimously.

(2) Execution situation: execution according to resolution result.

3.4.12 In the last year and as at the publication date of annual report, if a director or supervisor has different opinion on the important resolution passed in the Board of Directors Meeting and with record and written statement, major contents thereof: None.

3.4.13 In the last year and as at the publication date of annual report, the resignation or dismissal of Chairman, General Manager, Accounting Director, Financial Director, Internal Audit Director, Corporate Governance Executive and R&D Director etc. of the Company:

Title	Name	Date of appointment	Date of dismissal	Reason for resignation or dismissal
Corporate Governance Executive	CHANG, CHI-CHI	2012.07.16	2024.1.30	Job adjustment Transferred
Audit Director	CHEN, YING-HUEI	2010.05.01	2024.1.30	Retirement

### 3.5 Certified Public Accountant fees information

#### 3.5.1 Certified Public Accountant fees information

Unit: NTD thousand

Name of accounting firm	Name of accountant	Accountant audit period	Audit fees	Non-audit fees	Total	Notes
Crowe (TW) CPAs	SHAO, CHAO-PIN HUANG, CHIEN-CHEN	2023	3,290	1(Notes)	3,291	

Notes: Major non-audit fees NT\$1,000 were mainly for authentication service

3.5.2 In case of change of accounting firm and the audit fees paid in the year of change is reduced comparing with that in the year before change, amounts of audit fees before and after change and reasons shall be disclosed: None.

3.5.3 If the audit fees are reduced by more than 10% comparing with that in the last year, the reduced amount of audit fees, proportion and reason shall be disclosed: None.

**3.6 Information on change of CPA: None.**

**3.7 Whether the Chairman, General Manager, and managerial officers responsible for financial or accounting affairs of the Company once worked in the affiliated firm or enterprise of the CPA in the last year: None.**

**3.8 In the last year and as at the publication date of annual report, stock right transfer and changes in pledge of stock right in the directors, supervisors, managerial officers and shareholders with shareholding ratio over 10%:**

3.8.1 Changes in stock right in the directors, supervisors, managerial officers and major shareholders:

Unit: share

Title	Name	2023		As at April 30, 2024 in the current year	
		Increased (decreased) number of shareholding	Increased (decreased) number of pledged shares	Increased (decreased) number of shareholding	Increased (decreased) number of pledged shares
Chairman	HSU, LIEN-KAI	-	-	30,000	-
Director	WU, CHIN-LU	58,000	-	15,000	-
Director	WU, CHIEN-SZU	-	-	-	-
Director & Project VP	HSU, HUAI-YUN	-	-	-	-

Title	Name	2023		As at April 30, 2024 in the current year	
		Increased (decreased) number of shareholding	Increased (decreased) number of pledged shares	Increased (decreased) number of shareholding	Increased (decreased) number of pledged shares
Director & XIAMEN XIAHUI General Manager	HSU, YA-TING	-	-	31,000	-
Director & Special Assistant of Chairman & VP of XIAHUI General Manager Room	HSU, HAN-YUAN	-	-	-	-
Independent Director	YEN, MEI-YING	-	-	-	-
Independent Director	CHANG, HORNG-YAN	-	-	-	-
Independent Director	YEH, CHIH-MING	-	-	-	-
General Manager	HSU, HSIU-HUA	-	-	39,000	-
PT. LUHAI VP	QIU ZHONG-LIE	-	-	-	-
KUNSHAN LUHAI VP	HSU, KUANG-WU	-	-	-	-
CFO of Finance Department	CHANG, SHENG-HUNG	-	-	-	-
Senior Manager of GM Room & Corporate Governance Officer	CHANG, CHI-CHI(Notes 1)	-	-	-	-
Manager of Financial Dept. & Corporate Governance Officer	TSAI, SHAO-FEN(Notes 1)	-	-	-	-
Audit Supervisor	CHEN, YING-HUEI(Notes 2)	(6,000)	-	-	-
Audit Supervisor	TSAI, HSIN-HSIN(Notes 2)	-	-	-	-
Senior Manager of Sales Dept.	WU, KO-LI	-	-	-	-
Major shareholder	DAY LIGHT BUSINESS CO., LTD.	-	-	-	-
Major shareholder	GET JOINT BUSINESS CORPORATION	-	-	-	-

Notes 1: Due to position adjustment, Corporate Governance Officer is changed from Chang, Chi-Chi to Tsai, Shao-Fen on January 30, 2024.

Notes 2: Audit supervisor Chen, Ying-Huei is at retirement age. Hence, Tsai, Hsin-Hsin took office on January 30, 2024.

3.8.2 Shares Trading with Related Parties: None.

3.8.3 Stock Pledge with Related Parties: None.

**3.9 Information that the top ten shareholders in shareholding are of interested party, spouse or relatives within second degree relationship mutually:**

April 21, 2024; Unit: share; %

Name	Individual shareholding		Spouse & Minor children Shareholding		Total shareholding in the name of other person		Name and relationship between Company's top ten shareholders, spouse or relatives within second degree.		Notes
	shares	%	shares	%	shares	%	Name	Relation	
GET JOINT BUSINESS CORPORATION	10,676,952	10.74	-	-	-	-	-	-	
(Representative: HSU, CHIN)	674,957	0.68	458,024	0.46	-	-	DAY LIGHT BUSINESS LARGE RISE HOLDING HOLD INVESTMENT GROUP NEWS UP ENTERPRISE KEEP GRACE TECHNOLOGY PATTERN FINANCIAL HSU, SHIH	Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree the relative within second degree	
DAY LIGHT BUSINESS CO., LTD.	10,676,952	10.74	-	-	-	-	-	-	
(Representative: WU, CHIN-LU)	573,973	0.58	332,016	0.33	2,871,576	2.89	GET JOINT BUSINESS LARGE RISE HOLDING HOLD INVESTMENT GROUP NEWS UP ENTERPRISE KEEP GRACE TECHNOLOGY PATTERN FINANCIAL HSU, SHIH	Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree the relative within second degree	
NEWS UP ENTERPRISE LIMITED	3,992,400	4.02	-	-	-	-	-	-	
(Representative: HSU, SHOU)	409,546	0.41	-	-	3,992,400	4.02	GET JOINT BUSINESS DAY LIGHT BUSINESS LARGE RISE HOLDING HOLD INVESTMENT GROUP KEEP GRACE TECHNOLOGY PATTERN FINANCIAL HSU, SHIH	Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree the relative within second degree	
LARGE RISE HOLDING LIMITED	3,928,753	3.95	-	-	-	-	-	-	

(Representative: HSU, HO)	570,762	0.57	16,090	0.02	3,928,753	3.95	GET JOINT BUSINESS DAY LIGHT BUSINESS HOLD INVESTMENT GROUP NEWS UP ENTERPRISE KEEP GRACE TECHNOLOGY PATTERN FINANCIAL HSU, SHIH	Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree the relative within second degree	
PATTERN FINANCIAL MANAGEMENT S.A.	3,928,753	3.95	-	-	-	-	-	-	
(Representative: WU, CHING-SHU)	883,444	0.89	122,020	0.12	3,928,753	3.95	GET JOINT BUSINESS DAY LIGHT BUSINESS LARGE RISE HOLDING HOLD INVESTMENT GROUP NEWS UP ENTERPRISE KEEP GRACE TECHNOLOGY HSU, SHIH	Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree the relative within second degree	
HSU, LIEN-KAI	3,348,627	3.37	69,668	0.07	-	-	HSU, HO	First degree relative	
HOLD INVESTMENT GROUP LTD.	3,182,423	3.20	-	-	-	-	-	-	
(Representative: HSU, CHIN)	674,957	0.68	458,024	0.46	-	-	GET JOINT BUSINESS DAY LIGHT BUSINESS LARGE RISE HOLDING NEWS UP ENTERPRISE KEEP GRACE TECHNOLOGY PATTERN FINANCIAL HSU, SHIH	Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree the relative within second degree	
KEEP GRACE TECHNOLOGY LIMITED	2,871,576	2.89	-	-	-	-	-	-	
(Representative: WU, CHIN-LU)	573,973	0.58	332,016	0.33	2,871,576	2.89	GET JOINT BUSINESS DAY LIGHT BUSINESS LARGE RISE HOLDING HOLD INVESTMENT GROUP NEWS UP ENTERPRISE PATTERN FINANCIAL HSU, SHIH	Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree the relative within second degree	



HSU, SHIH	2,562,530	2.58	-	-	-	-	GET JOINT BUSINESS DAY LIGHT BUSINESS LARGE RISE HOLDING HOLD INVESTMENT GROUP NEWS UP ENTERPRISE KEEP GRACE TECHNOLOGY PATTERN FINANCIAL	Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree Representative is the relative within second degree	
HSU, HAN-YUAN	2,312,146	2.33	-	-	-	-	HSU, SHOU	First degree relative	

**3.10 Number of shareholding of the Company, the directors, supervisors, managerial officers of the Company, and the enterprise under direct or indirect control of the Company in the same reinvestment enterprise, and the consolidated comprehensive shareholding ratio**

April 30, 2024 Unit: Thousand shares; %

Reinvestment enterprise	Investment of the Company		Investment of director, supervisor, managerial officer and enterprise under direct or indirect control		Comprehensive investment	
	shares	%	shares	%	shares	%
LU HAI (BVI) INDUSTRIAL CORP.	8,857	100	-	-	8,857	100
ALLPRO INTERNATIONAL CORP.	6,643	100	-	-	6,643	100
YUANHUI INTERNATIONAL CO, LTD.	6,500	100	-	-	6,500	100
LU HAI INDUSTRIAL CORP.	3,000	100	-	-	3,000	100
PT. LUHAI INDUSTRIAL	8,000	100	-	-	8,000	100
XIAMEN XIAHUI RUBBER METAL INDUSTRIAL CO., LTD.	-	100	-	-	-	100
LUHAI INTELLIGENT TECHNOLOGY (KUNSHAN) CO., LTD.	-	100	-	-	-	100

## IV. Fundraising Situation

### 4.1 Capital and stock

#### 4.1.1 Sources of share capital

##### 4.1.1.1 Stock formation process:

April 21, 2024; Unit: thousand shares; NTD thousand

Month & Year	Issue price (NTD)	Authorized capital		Paid-in capital		Notes		
		shares	Amount	shares	Amount	Sources of share capital	Compensation of shares payment with property other than cash	Other
2009/10	10	120,000	1,200,000	42,000	420,000	Share swap	None	-
2009/10	14.8	120,000	1,200,000	54,000	540,000	Cash capital increase	None	-
2010/11	18	120,000	1,200,000	60,100	601,000	Cash capital increase	None	-
2013/12	23.8	120,000	1,200,000	67,614	676,140	Cash capital increase	None	November 13, 2013 Jin-Guan-Zheng-Fa-Zi No. 1020045461
2014/09	10	120,000	1,200,000	70,995	709,947	Transfer surplus to capital increase	None	September 19, 2014, Document No.: Tai-Zheng-Shang-Er-Zi No. 10300194131
2015/04	50	120,000	1,200,000	74,495	744,947	Cash capital increase	None	April 7, 2015, Document No.: Tai-Zheng-Shang-Er-Zi No. 10400057261
2017/06	57.7	120,000	1,200,000	74,515	745,155	Convertible bonds and conversion of new shares	None	-
2017/09	10	120,000	1,200,000	81,965	819,650	Transfer surplus to capital increase	None	-
2019/08	10	120,000	1,200,000	86,063	860,632	Transfer surplus to capital increase	None	-
2020/09	10	120,000	1,200,000	90,366	903,664	Transfer surplus to capital increase	None	-
2021/09	10	120,000	1,200,000	99,403	994,030	Transfer surplus to capital increase	None	-

##### 4.1.1.2 Capital and shares:

April 21, 2024; Unit: share

Type of shares	Authorized capital			Notes
	Issued shares (Listed Stock)	Unissued shares	Total	
Registered ordinary shares	99,403,013	80,596,987	180,000,000	

##### 4.1.1.3 Summary of relevant information on reporting system: Not applicable.

#### 4.1.2 Shareholder structure

April 21, 2024; Unit: share

Shareholder structure Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	0	4	19	3,922	32	3,977
Number of shareholding	0	1,106,030	276,470	53,815,492	44,205,021	99,403,013
Shareholding (%)	0.00%	1.11%	0.28%	54.14%	44.47%	100.00%

Notes : Shares held by China's ownership is 0%.

#### 4.1.3 Dispersion of shares

##### 4.1.3.1 Common shares

April 21, 2024; par value per share: NTD10

Classification of shareholding	Number of shareholders	Number of shareholding	Shareholding (%)
1 ~ 999	1,052	191,393	0.19%
1,000 ~ 5,000	1,970	4,044,723	4.07%
5,001 ~ 10,000	370	2,789,907	2.81%
10,001 ~ 15,000	189	2,354,861	2.37%
15,001 ~ 20,000	92	1,656,587	1.67%
20,001 ~ 30,000	98	2,401,723	2.42%
30,001 ~ 40,000	50	1,735,724	1.75%
40,001 ~ 50,000	23	1,031,661	1.04%
50,001 ~ 100,000	48	3,393,040	3.41%
100,001 ~ 200,000	34	4,732,054	4.76%
200,001 ~ 400,000	16	4,785,608	4.81%
400,001 ~ 600,000	9	4,560,267	4.59%
600,001 ~ 800,000	3	2,016,857	2.03%
800,001 ~ 1,000,000	4	3,616,710	3.64%
Over 1,000,001	19	60,091,898	60.45%
Total	3,977	99,403,013	100.00%

##### 4.1.3.2 Preferred share: Unissued.

#### 4.1.4 List of major shareholders

Name, shareholding amount and proportion of the shareholders with over five percent equity proportion, if less than ten shareholders, the top ten shareholders in equity proportion shall be disclosed:

April 21, 2024; Unit: share

Name of major shareholders	Share Number of shareholding	Shareholding (%)
GET JOINT BUSINESS CORPORATION	10,676,952	10.74%
DAY LIGHT BUSINESS CO., LTD.	10,676,952	10.74%
NEWS UP ENTERPRISE LIMITED	3,992,400	4.02%

Share	Number of shareholding	Shareholding (%)
Name of major shareholders		
LARGE RISE HOLDING LIMITED	3,928,753	3.95%
PATTERN FINANCIAL MANAGEMENT S.A.	3,928,753	3.95%
HSU, LIEN-KAI	3,348,627	3.37%
HOLD INVESTMENT GROUP LTD.	3,182,423	3.20%
KEEP GRACE TECHNOLOGY LIMITED	2,871,576	2.89%
HSU, SHIH	2,562,530	2.58%
HSU, HAN-YUAN	2,312,146	2.33%

#### 4.1.5 Market price, net value, earnings, dividend per share and relevant materials in the last two years

Unit: NTD/ thousand shares

Year			2022	2023	As at March 31, 2024 in the current year (notes 1)
Item					
Market price per share	Highest market price		43.80	35.70	31.65
	Lowest market price		28.80	29.30	28.55
	Average market price		34.17	31.20	29.83
Net value per share	Before distribution		30.56	30.46	31.66
	After distribution		29.2	28.06(Notes2)	-
Earnings per share	Weighted-average shares (thousand shares)		99,403	99,403	99,403
	Earnings per share (after tax)		2.28	1.76	0.40
Dividend per share	Cash dividend (Notes 3)		1.30	1.00	-
	Stock Dividends	Stock dividends from retained earnings (Notes 3)	-	-	-
		Stock dividends from capital surplus	-	0.50	-
	Accumulated unappropriated dividends		-	-	-
Analysis of return on investment	Price/Earnings ratio (Notes 4)		14.99	17.73	16.90
	Price/Dividend ratio (Notes 5)		26.28	31.20	-
	Cash dividend yield (Notes 6)		3.80	3.21	-

Notes 1. The Company's financial report of the first quarter of 2024 reviewed by the accountant.

Notes 2. This earnings distribution has not been passed by the General Shareholders' Meeting.

Notes 3. The year in which the dividend is distributed by resolution is the year of disclosure.

Notes 4. Price/Earnings ratio = average market price / earnings per share.

Notes 5. Price/Dividend ratio = average market price / cash dividend per share.

Notes 6. Cash dividend yield = cash dividend per share / average market price.

#### 4.1.6 Dividend policy and execution status

##### 4.1.6.1 Dividend policy stipulated in Articles of Incorporation:

Article 115(a) If the Company has pre-tax profits in the current year, the Company shall set aside not less than 1.5% of the profits as employees' compensation and not more than 3% of the profits as Directors' remuneration. When the employees' compensation is distributed by cash or by issuing new shares, the employees entitled to such compensation may include employees of the Subsidiaries satisfying certain criteria as promulgated and amended by the Board of Directors from time to time. A resolution for employees' compensation or Directors' remuneration proposed to the Board of Directors of the Company shall be adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors and reported to the general meeting. However, before setting aside the profits as employees' compensation and Directors' remuneration in accordance with the ratio set forth in this paragraph, the Company's accumulated losses shall have been covered. A Director who also serves as an executive officer of the Company may receive a bonus in his capacity as a Director and a bonus in his capacity as an employee.

Article 115(b) 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.

Article 115(c) 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 Article 115(a) and/or (b) may be distributed as Dividends (including cash dividends or stock dividends) or bonuses in accordance with the Statute and the Applicable Public Company Rules, among which the Dividends to be distributed shall not be lower than 10% of the balance left over and the cash Dividends shall not be lower than 10% of the total amount of Dividends distributed to the Members.

##### 4.1.6.2 Situation of dividend distribution planned to be discussed in this year:

The 2023 earnings distribution of the Company has been passed by the resolution of the Board of Directors on March 12, 2024, it is planned to distribute cash dividends to shareholders at NTD 1.00000000 per share, this part is still pending for the resolution of General Meeting, relevant earnings distribution statement is as follows:

Unit: NTD

Item	Amount	
Net profit after tax in 2023		175,027,630
Minus:		
Allocation of statutory surplus reserve	17,502,763	
Allocation of other equities minus special surplus reserve (Notes 1)	5,019,894	
Earnings available for distribution in 2023		152,504,973
Plus:		
Beginning undistributed earnings	1,112,761,177	
Accumulated earnings available for distribution as at the end of 2023		1,265,266,150
Distribution item:		
Shareholder Dividend— cash (Notes 2)	99,403,013	
Ending undistributed earnings		1,165,863,137

Notes 1. The company there is a difference of NTD5,019,894 between the amount of NTD380,863,242 set aside for special surplus reserve and the net amount of NTD385,883,136 deducted from other equities. Therefore, the special surplus reserve of other equity deductions is listed.

Notes 2. It is proposed to distribute cash dividends to shareholders of NTD1.00 per share, totaling NTD 99,403,013 in cash dividends to shareholders this time.

4.1.7 The impact of stock Dividends proposed by General Meeting this time on company's business performance and earnings per share:

There will be no employee stock dividend distributed this time. It is proposed to use the capital reserve from the issuance of stock premium to increase capital and issue new shares. Allotment of every thousand shares is 49.99999346 shares, and diluted earnings per share is 4.76%, which has minor impact on the business performance and earnings per share.

4.1.8 Compensation of Employees, directors and supervisors:

4.1.8.1 Percentage or scope of compensation of employees, directors and supervisors stated in Articles of Incorporation:

Article 115(a) of Articles of Incorporation of the Company has stipulated that, if the Company has pre-tax profits in the current year, the Company shall set aside not less than 1.5% of the profits as employees' compensation and not more than 3% of the profits as Directors' remuneration. When the employees' compensation is distributed by cash or by issuing new shares, the employees entitled to such compensation may include employees of the Subsidiaries satisfying certain criteria as promulgated and amended by the Board of Directors from time to time. A resolution for employees' compensation or Directors' remuneration proposed to the Board of Directors of the Company shall be adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors and reported to the general meeting. However, before setting aside the profits as employees' compensation and Directors' remuneration in accordance with the ratio set forth in this paragraph, the Company's accumulated losses shall have been covered. A Director who also serves as an executive officer of the Company may receive a bonus in his capacity as a Director and a bonus in his capacity as an employee.

4.1.8.2 Estimation base of employee, director and supervisor compensation in this estimation, the shares calculation base for employee's compensation in stock distribution, and accounting treatment when the actual distribution amount is different from and estimated figure:

- (1) Estimation base of employee and director's compensation in this estimation: the 2023 employee and director's compensation of the Company is subject to the profitability in such year, and it is estimated according to 1.5% of the profitability.
- (2) Calculation base for stock bonus distribution: No stock bonus is distributed.
- (3) In case of difference with the actual distribution amount according to the resolution of General Meeting and the recorded amount, it will be deemed as the change in accounting estimate, and the difference will be adjusted as the profit and loss of the actual distribution year.

4.1.8.3 Situation of compensation distribution passed by Board of Directors:

- (1) Date of board resolution: March 12, 2024
- (2) The amount of employee, director and supervisor's compensation in cash or stock distribution. In case of difference with the annual estimated amount of recognized expenses, the difference, reason and handling situation shall be disclosed:
  - A. Proposed employee's compensation: NTD 2,808,835
  - B. Proposed director's compensation: NTD 2,808,835The employees' compensation and directors' compensation proposed to be distributed by the Company in 2023 have no difference with the estimated amount.
- (3) The amount of employee's compensation in stock distribution, and the proportion in the net profit after tax in individual financial report of this period and in the total amount of employee's compensation:

The 2023 earnings distribution of the Company does not plan to distribute stock bonus to employees, hence it is not applicable.

4.1.8.4 For the actual distribution situation of employee, director and supervisor remuneration in last year (including the number of shares distributed, amount and stock price), if it is different from the recognized employee, director and supervisor remuneration, the balance, reason and handling situation shall be specified:

- (1) Employees' compensation: NTD 3,508,157, it has no difference with the actual distribution.
- (2) Directors' compensation: NTD 3,508,157, it has no difference with the actual distribution.

4.1.9 Buyback of Common Stock: None.

**4.2 Status of Corporate bonds:** There is no outstanding and in process corporate bonds.

**4.3 Status of Preferred Shares:** None.

**4.4 Issuance of Global Depositary Receipts:** None.

**4.5 Status of Employee Stock Options Plan:** None.

**4.6 Status of New Restricted Employee Shares:** None.

**4.7 Status of New Share Issuance in Connection with Mergers and Acquisitions:** None.

**4.8 Financing Plans and Implementation:** None.

## V. Operational Highlights

### 5.1 Business content

#### 5.1.1 Business scope

##### 5.1.1.1 Major contents of operating business

LU HAI Group is the manufacturer specialized in producing all kinds of valves, it has complete product lines and its product quality is deeply trusted by customers. Currently, the valves produced by the Group can be roughly divided into the following four categories according to application use: ① Bicycle class; ② Motorcycle and electric motorcycle class; ③ Passenger car, truck and off-the-road vehicles class; ④ Accessories and other.

##### 5.1.1.2 Proportion of business

Unit: NTD thousand; %

Major products \ Year	2022		2023	
	Sales amount	%	Sales amount	%
Bicycle class	614,507	20.21	363,203	14.01
Motorcycle and electric motorcycle class	878,264	28.89	741,767	28.61
Passenger car, truck and off-the-road vehicles class	906,621	29.82	904,261	34.88
Accessories and other	641,024	21.08	583,207	22.50
Total	3,040,416	100.00	2,592,438	100.00

##### 5.1.1.3 Current commodity (service) items of the company

All kinds of valves produced by the Group are a kind of independent valve body device, the air can enter into tubeless tire or tube space when opening it, then it will be closed and sealed automatically to preserve the air to generate air pressure, so as to prevent the air from flowing out from tire or tube. Apart from solid, all other inflatable tires or tubes need to use such device for inflation.

##### 5.1.1.4 New products and services planned to be developed

Apart from development of new products according to customer's tire design concept and functional requirements, R&D Team of the Group also continues to invest in projects such as equipment automation, system deployment and research and development of mold and jig etc., so as to improve the Group's competitiveness in valve industry.

#### 5.1.2 Industry overview

##### 5.1.2.1 Current situation and development of industry:

All kinds of valves produced by the Group can be roughly divided into the following four categories according to application use: ① Bicycle class; ② Motorcycle and electric motorcycle class; ③ Passenger car, truck and off-the-road vehicles class; ④ Accessories and other; hence the proportion of revenue and future development of company are of high relevance to bicycle industry, motorcycle and electric motorcycle industry, automobile industry and TPMS industry, it is hereby explained the current situation and development of the Group's industry according to the development of the aforesaid four industries.

##### A. Bicycle industry

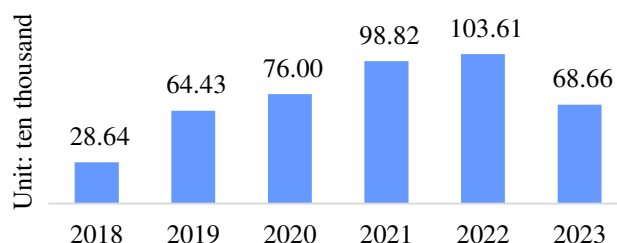


Bicycle is the industry of ten thousand years, with the development of social economy and improvement of living standards, bicycle also marches towards diversified use along with era development; The global bicycle development is moving towards green practice, innovation, startup, and cycling culture and life development in recent years. With the green energy and environmental protection era coming, carbon reduction is the goal in every country. The bicycle industry is in line with global trend and wave of sustainable carbon reduction and lifestyles of health and sustainability. Next, the constant development of technology has brought the new driving power to the bicycle industry. Smart bicycle, E-Bike and new products are emerging to satisfy consumers' needs for functionality and accessibility. The bicycle industry is expected to grow in the future.

According to the statistics done by Taiwan Bicycle Association, the electric bicycle export volume in 2023 was 686,600, which was declined due to destocking. Data from the Ministry of Economic Affairs, Department of Statistics showed the overall bicycle production output declined, but the average price increased.

Major consumer markets for the global bicycle are the US, Europe, China, and Japan with a total global sales volume of 130 to 140 million in a year. Chinese market was about 41 million. Even though the overall bicycle market in 2023 was declined due to destocking, the demand in sports competition, electronic bicycle and other medium to high class models continued to grow because of the new sustainable lifestyle.

Export Volume of Taiwan Electric Bicycle



Data source: Taiwan Bicycle Association; summarized by LU HAI (2024/03)

Trend of Production Value and Average Unit Price of Taiwan Bicycle in the Last Ten Years

Unit: NTD

Year	Production quantity (ten thousand)	Production value (one hundred million)	Average unit price (NTD/bicycle)
2014	375.8	502.3	13,365
2015	383.8	565.3	14,728
2016	269.8	474.1	17,574
2017	201.5	382.3	18,972
2018	193.4	410.8	21,242
2019	192.3	429.3	22,328
2020	158.0	325.3	20,589
2021	177.4	337.9	19,048

2022	180.0	456.4	25,354
2023	124.5	410.1	32,946

Data source: Department of Statistics, Ministry of Economic Affairs

According to the report of market research institution -GII, the market scale of global bicycle industry is expected to increase to 22.693 billion from 2023 to 2027, and it is expected to grow with 6.32% compound annual growth rate during the expectation. The scale of the global electric bicycle is estimated to reach 52.37 billion and it is expected to grow at the speed of 13.5% CAGR during the period by 2030.

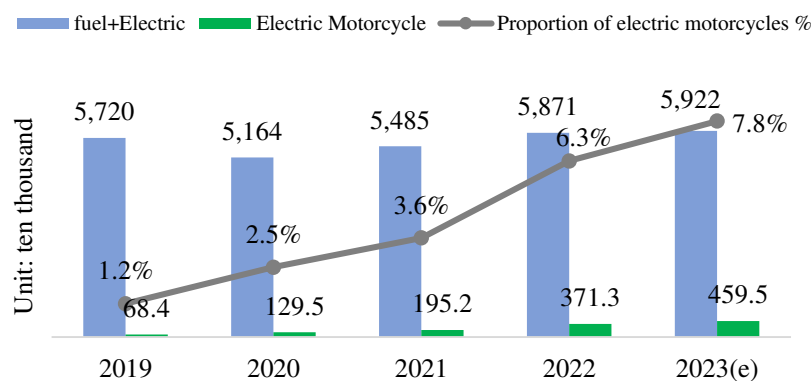
#### B. Motorcycle and electric motorcycle industry

Motorcycle is not only one of the important means of transportation in emerging developing countries, but also one of the components in the compound and modern means of transportation in metropolis of developed countries, and its demand will also continue to increase in the future. Asia is an important production base for global motorcycle, apart from that India, China and Indonesia are the top 3 in global sales respectively, together with those in Vietnam, Thailand, Pakistan, Malaysia, Philippine and Taiwan etc., the sales volume is accounting for nearly 90% worldwide.

With the automotive market transforming towards electronic mode, some motorcycle with larger scale in Asia market has processed to electrification rapidly. Emerging manufacturers have been growing fast in the electronic motorcycle market in various countries. Traditional well-known motorcycle manufacturers, such as Harley-Davidson, BMW Motorrad, Honda, and Kawasaki, have added electronic model in their product line and draw up electronic motorcycle developing schedule and green supply chain goals.

According to data from Industrial Economics & Knowledge Center at the Industrial Technology Research Institutes, market share of the electronic motorcycle has increased to 6.3% in 2022, which is 3.713 million vehicles with more than 90% in the Asia market. Because the international micromobility and business demand in logistics delivery have increased in 2023, as well as partial transection caused by the expiration of the buffer period of China's new national standard policy, the global electronic motorcycle market has reached 4.5 million vehicles, and the market share has increased to 7.8% by initial estimation. The global motorcycle market is expected to grow in the future, as well as the market share of the electronic motorcycle. The government policy support, growth in shared motorcycle market, and the development in Internet of Things in motorcycle will provide new driving energy to the global motorcycle market.

## Global Motorcycle & Electric Motorcycle Market Scale Forecast



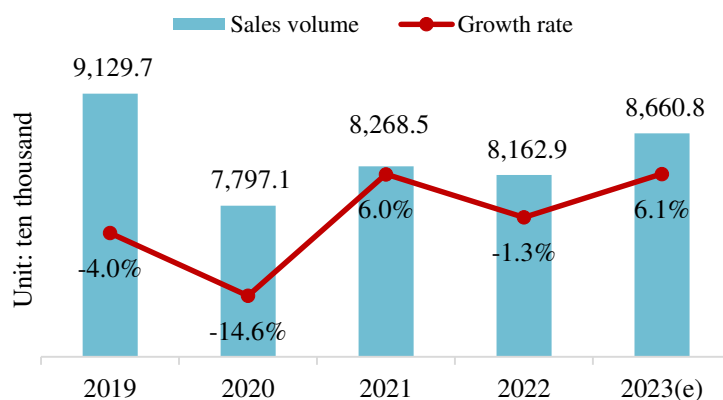
Data source: IEK Consulting (2023/10)

### C. Automobile industry

Among the sales volume of new automobile worldwide, the sales volume in China is approximately accounting for thirty percent, and twenty percent in US, China and US are accounting for approximately half of the automobile market. In the past three years, the global car sales faced various challenges. Firstly, it was Covid-19 and boarder closure requested by nations. In addition, the chip shortage along with the supply chain problem caused by shutdown also influenced the car production's schedule. In 2022, Russo-Ukrainian War and the continuous tense global geopolitics and inflation made the car industry face extremely difficult challenges.

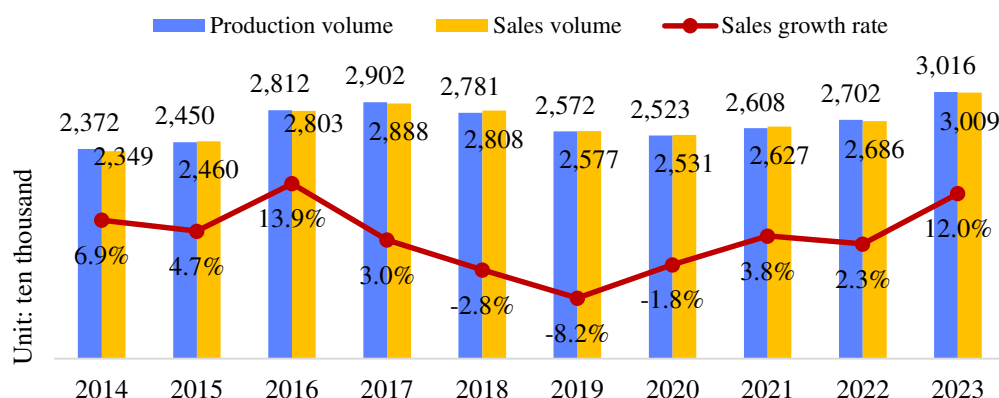
Looking back in 2023, the global chip shortage has relieved and the economic activity is getting back after the pandemic eased up. Even though the Russo-Ukrainian War continues, the automotive manufacturer's supply chain production capacity in Russia and Ukraine has been transferred to other country. According to statistics report from Industrial Economics & Knowledge Center at the Industrial Technology Research Institutes, the global automotive sales will slightly increase 6.1% and return to 85 million vehicles in 2023. Among the top five automotive markets, China has 12% growth in 2023.

#### Global Finished Automobile Industry



Data source: OICA(2023/10), IEK Consulting (2023/10)

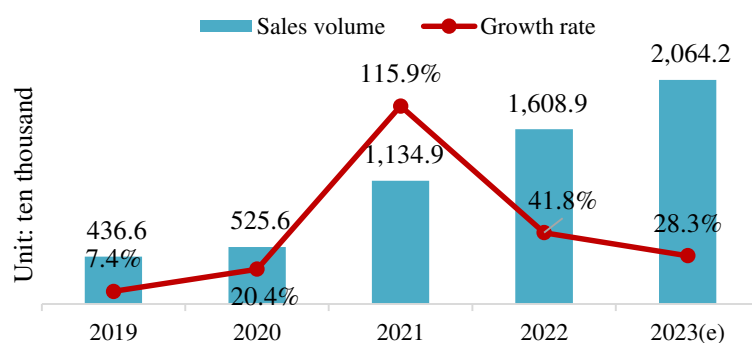
## Overview of Automobile Production and Sales in China Mainland in Recent Years



Data source: China Association of Automobile Manufactures; summarized by LU HAI (2024/02)

Due to net zero emission and carbon reduction goal in recent years, more than 20 countries have drawn up electrification plan and banned the sales of gas vehicle targeted at 2025-2050. In June 2022, the European Union government has reached an agreement to ban the sales of new gas vehicles starting 2035, including hybrid electric vehicle. The sales of electronic vehicles are growing. According to IEK data, over 20 million electronic vehicles were sold globally in 2023 with an annual growth rate of 28.3%.

### Global Electric Automobile Sales Volume Forecast



Data source: Marklines (2023/08) ; IEK Consulting (2023/09)

## D. TPMS Industry

According to market analysis on Tire Pressure Monitoring System (TPMS for short), major function of TPMS is active safety of automobile, apart from avoiding the traffic accident caused by tire burst, it can also improve tire life and reduce oil consumption, and emission of carbon dioxide and exhaust gas, therefore, national governments have been promoting TPMS legislation successively in recent years. US is the country listing TPMS as the standard configuration by legislation at the earliest worldwide, legislation was passed in 2005, and 100% standard configuration was listed in 2007, it is estimated that there are approximately 280 million tire pressure monitoring systems are under operation currently. Apart from US, EU also started to promote TPMS by legislation in November 2012, and officially stipulated to list tire pressure monitoring system as standard configuration in November 2014. In Asian regions, the timing of TPMS legislation has been mature, currently Korea has followed up the legislation in 2013, and new automobiles delivered in July 2016

in Taiwan also listed TPMS as standard configuration, and starting from 2019, China Mainland, the biggest automobile market worldwide, requires that all newly certified passenger vehicles must install TPMS; and mandatory installation requirement will be implemented for all passenger vehicles under production as of 2020. Other regions including Japan and India etc. are also going through relevant legislative programs. Since China's mandatory installation, China is expected to become the market with the rapidest growth of TPMS worldwide, or become the third biggest TPMS consumption market worldwide after Europe and America.

On one hand, the major growth momentum of TPMS comes from the demand on original (OE) components of TPMS driven by the increase of finished automobile production, the sales volume of new automobiles has been growing at a stable growth rate, hence the promoting effect on market growth of TPMS is limited; on the other hand, for countries (such as US, EU and China) have passed legislation for mandatory installation of TPMS, the accumulation of automobile holdings will bring strong momentum to the growth of demand on TPMS after market (AM) parts.

a. TPMS - OE market

According to the time of regulations formulation, currently the demand of OEM market mainly focuses on US and EU, and China has implemented requirement of force installment in passenger cars in 2020, major growth point will be in China market in the future. The global TPMS OEM market is mainly dominated by Sensata, Continental, TRW and HUF currently, and the competition among these top five manufacturers are quite fierce, with their technological superiority, their market share worldwide is nearly 90%. And the top two manufactures Sensata and Continental account for two-third of the globe's amount, and due to earlier entry into the market and having close relations with international car factories, the opportunity of new TPMS manufacturers to enter into the existing supply chain is quite low. According to the investigation and measurement by the Research Department of China CITIC Securities, it is estimated that in 2025, the global penetration rate of direct tire pressure monitoring system will reach 85%, and the global market scale of direct TPMS is RMB7.5 billion approximately.

Measurement of Market Space of Front Loading TPMS in Global Passenger vehicles

	2014	2015	2016	2017	2018	2019E	2020E	2025E
Production quantity of global passenger vehicle (ten thousand vehicles)	6,753	6,856	7,239	7,288	7,057	7,021	7,000	7,000
Production quantity growth of global passenger vehicle	3.3%	1.5%	5.6%	0.7%	-3.2%	-0.5%	-0.5%	0%
Average price of global TPMS in single vehicle (NTD/vehicle)				173	147	135	128	126
Global penetration rate of direct TPMS				75%	75%	80%	85%	85%
Global market scale of direct TPMS (NTD100 million)				94.3	77.6	75.8	76.2	74.7

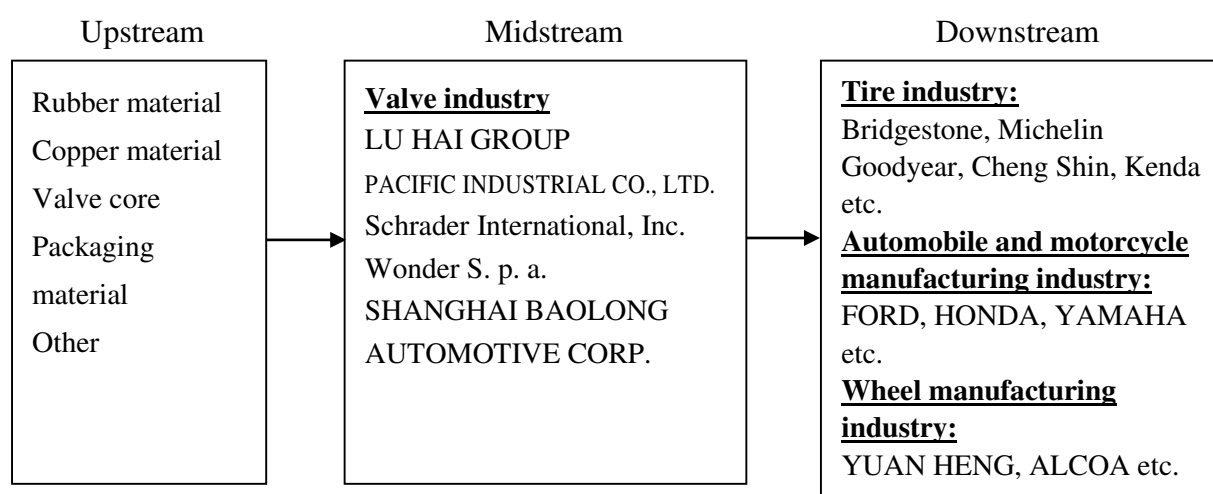
Data source: CAAM , CITIC Securities' Special Report on TPMS in Automobile Industry (2019/12)

#### b. TPMS - After Market (AM)

The life of TPMS battery is approximately 5~10 years, US and European Union have been installing TPMS mandated by legislation in 2007 and 2014 respectively. The demand for after market is starting to emerge and grow.

In China, all vehicles in production are required to install starting from 2020. Asia pacific region is estimated to be the largest TPMS market, and Japan, India, and China are the main automotive centers. TPMS market in India is expected to grow by the increasing consumer awareness, TPMS installment at the after market, and constant demand in luxury cars. According to the estimation of China Association of Automobile Manufacturers, the vehicle production capacity in China is 27 million in 2022. If 4 tire pressure monitoring systems are configured in each automobile, it is estimated that the market demand on TPMS original OE items in China is approximately 108 million items in one year, the wave of replacement of battery of 5 years of service life will emerge as of 2027, and the demand in AM market will be more obvious. Overall, with the advanced technique, the reliability of TPMS will be higher in the next 3 to 5 years, and its functions would be more amazing. It is expected to increase the after-sales penetration and meet the need of product upgrade.

#### 5.1.2.2 Relevance of upstream, midstream and downstream of industry



#### 5.1.2.3 Various development trends of product:

The Group focuses on research and development of the sealing gas of valves and the process technology of jointing rubber materials to metal body and tube. The developed equipment and process technologies are applied to the production of all kinds of valves, product lines are complete, applying to the tires in industries of bicycle, motorcycle and electric motorcycle, automobile, truck and Off-the-road vehicle etc. The valve industry can be of hundred years, apart from solid tire, all other inflatable tires or tubes need to use such device for inflation. Since the performance of solid tire has great limitations, inflatable tires almost have achieved complete success, valves are almost the indispensable components in tire commodities.

TPMS and valves are relevant to tires, and the sales channels of these two products are almost the same. Currently in international market, major TPMS suppliers include Sensata Technologies, Inc. (hereinafter referred to as Sensata),

Continental AG and Pacific Industrial Co., Ltd. (hereinafter referred to as Pacific), and they are also the valve suppliers at the same time. The Group is one of the biggest valve suppliers worldwide, possessing thorough sales channels and customer resources, in the future, in response to the trend of legislation and safety awareness, the growth of TPMS is promising.

R&D team of the Group comprises of multiple senior experts engaging in rubber material, metal processing, machine design, and automation control industries etc., they have been dedicated to respective fields of professional skills for more than ten year, under the coordination with the development trend of tires in bicycle, motorcycle and electric motorcycle, and automobile industries etc., the Group matches up with customer development and performance improvement, and improve the degree of process production automation, so as to reduce costs and enhance product competitiveness.

#### 5.1.2.4 Competition situation:

World-class U.S. company Sensata has sold its traditional valve business to Japanese company Pacific, only keep developing TPMS products; Due to Japanese company Pacific previously failed to effectively reduce the production cost of valve, Pacific is focusing on other products within the Development Group and finding partner to reduce costs; German company Continental's major supplier Baolong has formed a joint venture with Huff Group. As the result is bound to replace the valve industry, Luhai Corp. as the industry's leading enterprise, with obvious marketing channels, quality advantage which is the best of opportunity to undertake the industrial sector adjustment.

For the Group's major competitors in valve products currently, among domestic listed manufacturers and unlisted practitioners, there are no relevant manufacturers. The Group's professional manufacturing capabilities of valve products have been deeply recognized by customers in the market, in the future, the Group will attach more attention to the investment in automation equipment and differentiated customer service, so as to get rid of the low price competition with valve manufacturers from mainland.

#### 5.1.3 Technology and research and development overview:

##### 5.1.3.1 Research and development costs input in the last year and as at the publication date of annual report

Unit: NTD thousand		
Item \ Year	2023	As at March 31, 2024 in current year
Research and development costs	38,914	9,661
Net revenue	2,592,438	725,627
Proportion of research and development costs %	1.50	1.33

### 5.1.3.2 Technologies or products successfully developed

Year	Product
2008	Part composite valve, light tire valve, improved structure of tire valve, multi-station metalworking combined machine tool, automatic feeder, automatic bending machine
2009	Process technique improvement, change manual tapping into automatic threading, truck valve anti-bending testing machine, one-time bending jig, and special valve
2010	Vacuum vulcanizing technique, improvement of green copper process, truck valve with deep end hole, O type assembly machine, assembly machine with rubber mat, valve with rubber mat
2011	Automatic pin removal machine, patent for new valve, patent for improved structure of valve, full-automatic valve marking equipment, two-end type truck valve, extension tube, TPMS airtight machine
2012	Air pressure cover technique development, valve core body development, TPMS rubber base valve development, air-conditioning valve, multi-functional airtight machine, stainless steel sand blasting technique
2013	Development of various rubber bases and aluminum valves for TPMS, multi-axis base cutting equipment, hot forging production technique
2014	Coil material technique development, visual inspection tester, vulcanizing mold cover improvement, hot hammer automation development, automatic tapping machine development, aluminum alloy valve body development
2015	Automatic chamfering machine, communal automatic bending machine, communal visual inspection airtight machine, valve automatic sorting machine, hot forging rotary table and change it to one-shot, change manual feeding into automatic feeding by mechanical arm in hot forging, vulcanizing mold improvement, development of TPMS high speed valve, development of green passivation technique, development of vacuum automatic feeding, development of cost reduction in PVR70 series, green copper technique improvement, development of green copper hollow technique, development of low cost in 87 series
2016	JS2 automatic technique development, development of cut resistance H-SR rubber material, development of tube valve of balance car, development of free cutting copper AR technique, renovation for energy saving in electrothermal vulcanizing machine, change steam vulcanizing machine into electrothermal type, development of various tungsten steel cutting tools in the plant, optimization of aluminum alloy jointing technique
2017	Renovation of visual inspection automatic sorting machine, realization of automatic upending and marking process after grinding, development and production of cutting tools for five-axis CNC sharpening equipment, development of PVR series automatic bottom forming machine, VFR riveting machine development, VFR airtight machine development, ITV punching machine development, valve core airtight machine development, development of copper coil winding machine and pay-off machine, development of automatic stock cutter, development of automatic upender, MH series airtight machine development, development of various German tungsten steel cutting tools



Year	Product
2018	Development of TR4 series full-automatic plugging machine and grinding machine, development of CR202 sand blasting automatic discharging machine, development of PVR70 visual airtight machine and automatic bending machine, development of full-automatic copper powder dumping machine, development of VFR visual image airtight testing machine, dual copper rod synchronous automatic stock cutter, four stations all-in-one machine, two-sided processing machine, green automatic sand blasting machine, research and development on the issue of new anti-rust liquid for truck valve, research and development of the new mold of rubber for wastage reduction in high speed valve.
2019	Development of disulfide rubber saving mold, development of smoke-free hot header, development of PVR70 series automatic vulcanized disc inserting machine, development of TR4/AR/CR202 series full-automatic grinding machine, development of TR4 automatic sand blasting machine, development of German processor with VFR/CR202 stem, research and development of annealing flow-line equipment, research and development of new punch equipment, automatic connection of body processing line, and research and development of grinding and feeding robot, automatic grinding machine and V002 gaseous core assembly machine.
2020	EPDM rubber low-cost formula, improvement of PVR70 forging technology, CR202L, AR, TR13 no-clean process for sand blasting, VFR60L new forging technology, optimization of BU specification curing time, improvement of the efficiency of PVR64 curing time, the project of rubber-saving of curing mold, PVR70 bending assembly German machine, high speed valve automatic airtight machine, project of noise-canceling automatic bending machine, automatic grinding machine of oval specification, PVR64 automatic vulcanized disc inserting machine, CR202L automatic sand blasting machine.
2021	The developments of TPMS rubber valve formula for project customers, development of RV series cold forging process, high-speed valves move mold to inject rubber materials for vulcanization, PVR series full-automatic bending and automatic core assembly integrated machines, development of PVR series full-automatic tightness and core-inspecting integrated machines, high-speed valve integrated machine that full-automatic core assembly , tightness, core-inspecting and cap assembly, CR202 series full-automatic bending and grinding integrated machines, warm pier and annealing, thread rolling, automatic development of German-machine-connected production lines, and automatic VFR machine for inserting valves and rivets.
2022	Rubber saving process that moving mold to inject rubber for vulcanization, localization B bag of EPDM rubber for cost reduction, blanks of truck valve directly punched to across flats, production line development after vulcanization of truck valve, AR series valve consumption reduction and efficiency increase, PVR64 series valves consumption reduction and efficiency increase, VFR aluminum rubber cushion-type valve and automatic chamfering machine, truck valve automatic marking machine, automatic typewriter, and MH visual airtight machine.

Year	Product
2023	Improvement of valve vulcanization process efficiency, AR sandblasting-free vulcanization process, cost reduction of EPDM auxiliary materials, localization of natural rubber drugs to reduce costs, truck valve vulcanization block rubber saving process, TR1/C4E warm heading cost reduction process, TR4 and TR13 vulcanization mold encryption process, aluminum product valve automatic spraying equipment, truck valve automatic rubber slitting machine, internal mixing double cone screw process, high-speed valve automatic copper sleeve locking copper cap machine, and high-speed valve fully automatic small packaging machine.

#### 5.1.4 Long-term and short-term business development plan

##### 5.1.4.1 Short-term development plan

- ① In the aspect of marketing strategy
  - A. Provide stable quality and quantity, strengthen after-sales service and establish a perfect system, dedicated to serve existing customers.
  - B. Develop potential customers in OE automobile market.
  - C. Construct complete production process for subsidiaries in Indonesia, actively develop domestic market of Indonesia.
  - D. Continuously develop products of high gross profit to ensure competitive advantage of the company.
- ② In the aspect of production strategy
  - A. Improve procurement efficiency, master the dynamic condition of raw materials, and reduce inventory.
  - B. Strengthen cooperation relationship with suppliers to reduce procurement cost.
  - C. Strengthen production management to reduce production cost and improve product competitiveness.
- ③ In the aspect of R&D strategy
  - A. Enhance process improvement, and further conduct lean management on production process to reduce wastage and stabilize quality.
  - B. Continue to invest in the update of automation equipment and develop technologies actively, and expand the market of high gross profit products.
- ④ In the aspect of operation management
  - A. Introduced MES system to improve production transparency and efficiency.
  - B. Regularly hold educational training inside and outside the plant to improve the quality of manpower in terms of technology research and development, business and operation management.
- ⑤ In the aspect of financial management
  - A. Establish close relationship with contacting financial institution to master financial market fluctuation and improve the performance of financial use.
  - B. According to the plan on medium and long term fund demand, carry out short term financial planning under safe and steady principles.
- ⑥ In the aspect of sustainable environment

A. Introduce and promote ISO14064-1 greenhouse gas inventory system to control carbon emission of the Group.

B. Classification, recycle, and reuse of the resources, and promote paperless.

#### 5.1.4.2 Long-term development plan

##### ① In the aspect of marketing strategy

A. Actively develop the market for niche products to acquire higher profits.

B. Seek for possible strategic partner to give play to the operating efficiency of one plus one is greater than two.

C. Participate in overseas exhibitions, actively establish cooperation relationship with OE car factories.

##### ② In the aspect of production strategy

A. Integrate procurement power of the Group to acquire reasonable price to reduce production cost, and maintain a long-term, good and stable cooperation relationship with suppliers.

B. Keep close to major customers and markets, and carry out nearby production to shorten delivery time.

C. Vertical integration, develop copper smelting and rubber refining businesses, and expand the self-production rate of large valve core.

##### ③ In the aspect of R&D strategy

A. Establish system integration capability to provide consulting and technical services to subsidiaries of the Group and customers.

B. Jointly improve products with customers, and improve added value and gross profit of products.

##### ④ In the aspect of operation management

A. Establish the flat organization, thorough objective management system and reasonable employee's performance appraisal system.

B. Construct enterprise electronation, information security system and thorough knowledge management system.

C. Initiate global competition and employee's concept of lifelong learner, and take marching towards an international enterprise as the striving objective.

D. Establish high quality, integrity and innovative corporate culture, so as to condense the centripetal force of the management team and employees of the company.

E. Reduce impact on environment from operating activity, actively introduce energy saving and carbon reduction and move towards net zero emission.

##### ⑤ In the aspect of financial management

A. Regarding working capitals, apart from supplemented by net profit after tax, collocate with loans and cash capital increase from financial institutions to inject funds necessary for future development.

B. Properly arrange financial planning of the company to reduce operating risks.

##### ⑥ In the aspect of sustainable environment

A. Increase green energy power, green certification, and circular economic product

B. Introduce and promote ISO14067 product carbon footprint management system.

C. In cooperation with Taiwan 2050 net zero emission pathway and strategy.

## 5.2 Market, production and marketing overview:

### 5.2.1 Market analysis

#### 5.2.1.1 Sales (supply) regions of main commodities (services):

Unit: NTD thousand

Sales region \ Year	2022		2023	
	Amount	%	Amount	%
China	1,382,290	45.47	1,228,901	47.40
Indonesia	697,564	22.94	631,163	24.35
Other	960,562	31.59	732,374	28.25
Total	3,040,416	100.00	2,592,438	100.00

#### 5.2.1.2 Market share:

The Group is a professional valve manufacturer, currently, there is no professional research institute on making research on global valve industry. According to the “Report on 2012-2016 Valve Market In-depth Research and Future Development Trend Forecast” published by Beijing Junyi Huasheng Technology Co., Ltd., the production capacity of valve industry in China is approximately 3.4~4 billion items, and monthly production capacity of the Group is approximately 70 million items, namely with annual production capacity of at least 800 million items, it is estimated that the Group’s production capacity is approximately accounting for at least 10% of the production capacity of global valve market, it can be called as the professional valve supplier with maximum production capacity worldwide.

Professional valve core committee of China Chemical Industrial Equipment Association shows that, the valve manufacturing in China is accounting for eighty percent worldwide, and the output of valve industry in China is approximately 3~4 billion items, the output of the Group in 2023 is approximately 490 million items, it is estimated that the Group’s output is accounting for at least 10% of the output of global valve market, it can be called as the professional valve supplier with maximum output worldwide.

The news of China valve core website in May 2014 indicated that, the valve industry had entered into the era of micro growth, according to the estimate based on the annual sales volume of 5 billion items worldwide, by conservative estimate, the sales volume of the Company in 2023 is accounting for 10% of market share.

#### 5.2.1.3 Future market supply and demand condition and growth:

##### ① Supply and demand aspect

The demand of valve market is mainly divided into OE market and AM market, valve is an important safety item in wheel module, since it is exposed outside for a long time and needs to bear all kinds of severe environments and changes in temperature difference, and it needs to bear strong centrifugal force upon running at high speed, the valve can be easily worn down, upon annual vehicle inspection or tire replacement, generally the valve will be replaced for the sake of “driving safety”,

hence the demand on valve in AM market is far higher than that in OE market.

US Tire Business has announced the “Ranking of 2023 Global Tire Companies”, and estimated the total revenue of tire manufacturers worldwide in 2022 was approximately USD177.822 billion (information of some enterprises are not available), increased by 0.46% year-on-year. It highlights the tire industry has gradually broken away from the pandemic impact afterwards.

The ranking in 2023 has not changed in comparison with the ranking in 2022. Michelin, Bridgestone, Goodyear, and Continental are still in top four; whereas Cheng Shin from Taiwan remains at number 10.

In 2022, the overall global tire industry was good mainly due to global economic recovery and growth in automotive sales. In global tire market, tire for passenger car takes lead with 70% of the total market. As the new energy automotive is getting popular, the demand for new energy automotive tire will be rapidly increasing in the future.

Global Top Ten Ranking in Tire Industry			
Ranking in 2023	Company/country	Sales volume of tire in 2022 (USD 100 million)	Sales volume of tire in 2021 (USD 100 million)
1	Michelin/France	282.60	262.95
2	Bridgestone/Japan	266.00	221.75
3	Goodyear/USA	178.92	149.17
4	Continental/German	124.20	120.00
5	Sumitomo Rubber Industries/Japan	71.60	72.50
6	Pirelli/Italy	69.57	63.40
7	Hankook Tire/Korea	63.10	59.76
8	Yokohama Rubber/Japan	57.45	52.60
9	ZC Rubber/China	41.76	45.28
10	Cheng Shin Rubber/Taiwan	36.77	38.66

Data source: US Tire Business

## ② Future market growth

The proportion of global tire production is roughly as follows: Asia (59.8%), Europe (15.5%), North American (11.7%), South America (5.8%) and other (7.2%); and the proportion of consumption in global tire market is roughly as follows: Asia (42.1%), Europe (18.7%), North American (19.3%), South America (8.2%) and other (11.7%); among them, the tire demand in China Mainland is obviously greater than global level, generally speaking, replacement of tire is needed about every 2~3 years, hence it is expected that the AM market in China will grow stably, and the demand on tire replacement will increase gradually. In the long run, the demand of valves will return to normal standard and grow steadily.

### 5.2.1.4 Competition niche:

#### ① Technology aspect

- A. With key capability in process and mold
- B. Capability of providing output promptly
- C. Degree of automation equipment is ahead of the general industry level

In order to ensure to provide customers stable quality and rapid service, the Group continuously increases automation equipment investment and the research and development of process improvement, in recent years, the research and development costs have been rising along with the increase in revenue, the achievements in these process improvement and automation equipment investment will continue to produce benefits in the future, the error generated from manual operation and the impact on the rising wage costs can be reduced substantially.

② Product aspect

- A. Rapid delivery
- B. The product quality is recognized by major international manufacturers
- C. With advantage in scale production

The Group has acquired certification from world's top three tire manufacturers, namely Bridgestone, Michelin and Goodyear, and the top ten tire manufacturers including Cheng Shin and Kenda are also the customers of the Group, indicating that the product quality of the Group is deeply recognized by major international manufacturers; besides, currently the Group takes a leading position worldwide in terms of overall yield and quality of valves, with advantage in scale production, the Group is able to deploy production line according to the delivery time of customers to achieve rapid delivery and stable quality.

③ Management aspect

- A. Degree of mastering cost and inventory
- B. The management team has rich experience and have been engaged in valve industry for over thirty years.

Directors and managerial officers of the Company are the professionals engaging in valve industry for many years, they are highly sensitive to industry changes, and are able to promptly adjust raw materials and cost inventory for strict cost control in response to the changes in the upstream, midstream and downstream of the industry.

④ Customer aspect

- A. Satisfy special specification requirement of the customer
- B. Complete product lines, convenient to provide one-stop service to customers

The Group has complete product lines, and products have extensive scope of application to bicycle class, motorcycle and electric motorcycle class, automobile and truck and off-the-road vehicle class, satisfying application requirements of different customers and products have various specifications, which is convenient to provide one-stop service to customers, saving procurement management costs of customers.

5.2.1.5 Favorable and unfavorable factors in development prospect and solutions:

① Favorable factors

- A. Legislation trend

With various countries are attaching importance to the issues of environment friendly and energy saving and driving safety, advanced countries have legislated and implemented regulations on mandatory installation of Tire Pressure Monitoring System (TPMS) successively. For example, US had

passed the legislation in 2005 and listed TPMS as standard configuration in 2007, after 2015, over 90% of old automobiles in US were installed with TPMS; EU and Korea also gradually implemented mandatory installation in new automobiles in November 2012 and January 2013 respectively; Taiwan planned to release standard configuration for new automobiles in July 2016; starting from 2019, TPMS must be installed in all newly certified passenger vehicles in China Mainland; and as of 2020, mandatory installation requirement will be implemented for all passenger vehicles under production. And Japan and India have also gone through similar legislative procedures. Due to such international trend, the valves produced by the Group can be combined with electronic sensor of various electronics developers to TPMS, taking advantages in AM market and future OE regulatory requirements.

B. Restructuring of industrial order is favorable to us

Under the pressure of unable to reduce production cost effectively, the world's leading manufacturers, namely Schrader from US and Pacific Industrial Co., Ltd. from Japan, who have made their fortune in valve industry, withdraw from the traditional valve market gradually, and focus on developing TPMS valves or other products of the Group instead. Under the background of global sourcing and industrial transfer, with existing advantages in customer resources and market popularity, in the course of undertaking industrial transfer, the Group has the chance to improve the market share of products.

C. Full and complete product lines

The Group possesses full and complete product lines respectively applied to bicycle industry, motorcycle and electric motorcycle industry, automobile industry and tire pressure monitoring system, therefore, the Group has not focused on application to a single industry, and industrial risks are relatively dispersed.

D. Degree of automation is superior to general industry level

The Group's degree of investment in automation equipment is higher than the general industry level, under the trend of rising wages in Mainland, due to higher investment in automation equipment, the Group's management efficiency will continue to emerge in the future and widen the gap between the competitors.

② Unfavorable factors

A. Declining product gross profit rate

China Mainland increases the basic salary year by year and implements social insurance system and housing fund, making the costs of human resources in business management increasing continuously, along with the price competition pressure from competitors, it will affect the performance of product gross profit rate of the company.

Solutions

- a. The rising wages in mainland dilutes the gross profit, the Group will strengthen automation equipment and make the best of labors in Indonesia plant, so as to shorten manufacturing and production process, reduce defect rate and cost, and provide products of more price competitiveness to customers.

- b. Continue technology development and launch niche products, conduct market segmentation to maintain higher gross profit rate.

B. Price competition among competitors

In recent years, the China's automobile market is booming, driving rapid growth of relevant industry and supply and demand of components, causing gradual increase of investment competitors, and the price competition among competitors will cause impact on profitability.

Solutions

In respond to industrial demand, the Group will focus on the differentiation in product and operation model, actively improve the existing products, and continue to develop niche products to make the differentiation advantage of the company prominent and make market segmentation, so as to improve overall competitiveness of the company.

C. Fluctuations in prices of raw materials

Major procurement raw materials of the Group are copper material and rubber, the rising prices of raw materials will increase the procurement costs and dilute gross profit from sales; and the declining prices of raw materials will make the downstream customers postpone ordering due to expecting price reduction, hence the fluctuations in prices of raw materials will have considerable impact on the profitability of the Group.

Solutions

According to ICSG, the global refined copper production in 2024 is estimated to increase by 4.6% to 27.534 million metric tons compared to 2023, while consumption is estimated to increase by 2.7% to 27.066 million metric tons. In the long term, as the world transitions towards clean energy, the construction of renewable energy facilities such as solar and wind power plants, electricity grids, and charging infrastructure for new energy vehicles will require more copper. S&P Global predicts that global demand for copper will exceed current global mine production by two-fold from 2021 to 2040. In the future, copper demand will shift from traditional to green demand. However, as new copper mines become harder to discover and development costs increase, there may be a supply shortage in the copper market in the next decade. Therefore, with the energy transition and tightening supply, copper prices are expected to rebound.

Rubber tree is a kind of plant in fond of high temperature and humidity, it has obvious regionalism, due to climatic suitability, Southeast Asia is the most important natural rubber production region worldwide, over 90% natural rubbers are produced from Southeast Asia ever year, among them, Thailand and Indonesia are the major place of production, accounting for 60% worldwide. It takes 7 years of planting rubber trees before they start producing rubber, and they can produce 25~30 years, but the production capacity decreases year by year. According to a report from the Association of Natural Rubber Producing Countries (ANRPC), global natural rubber production is estimated to increase by 1.5% to 14.508 million metric tons in 2024, while consumption is projected to increase by 4% to 15.826 million metric tons. The report indicates that despite of secret concerns of global economic growth, the natural rubber market



is improved significantly. As the industry pays more attention in sustainable development, small-scale rubber farmers haven't gotten enough attention in their voice and the dilemma they are facing. It also affects the tension in the current market supply indirectly.

The Group masters market information all the time, reduces the pressure from rising price of raw materials with a stable procurement quantity, prepares reasonable and safe inventory for raw materials, and appropriately reflects the sales price of downstream customers upon price fluctuation, so as to reduce the impact on operation performance.

## 5.2.2 Important use and production process of major products

### 5.2.2.1 Important use of major products:

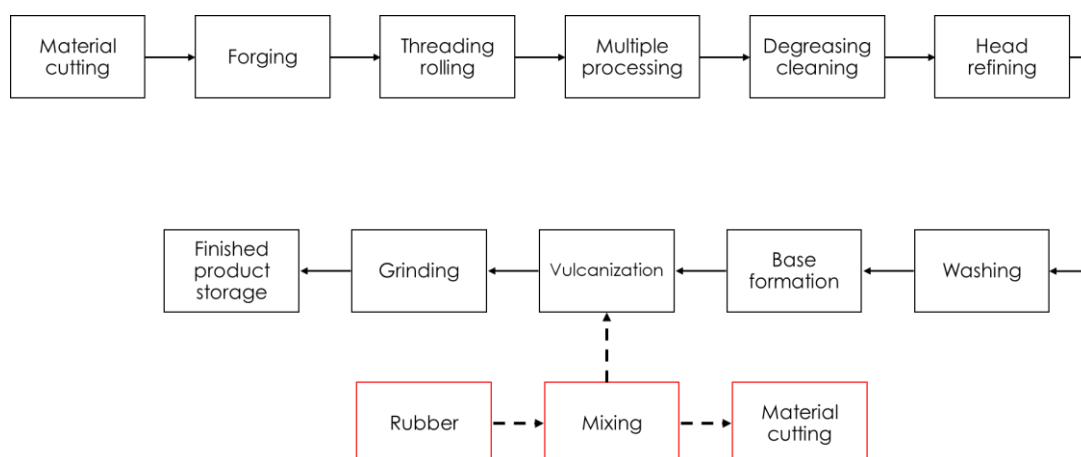
The Group is a professional manufacturer producing all kinds of valves, the valve is a kind of independent valve body device, its main function is to let air enter into tubeless tire or tube space when opening it, then it will be closed and sealed automatically to preserve the air to generate air pressure, so as to prevent the air from flowing out from tire or tube.

### 5.2.2.2 Production process

The production technique is divided into two parts of process: namely the part for metal piece and the part for rubber piece.

**Metal piece production process:** after forging raw copper materials into a certain length, it will enter into automatic thread rolling machine for thread rolling, after cutting by multiple processing machining, one-off degreasing will be conducted, then conduct machining such as head refining (deburring), reaming etc. in head refining machine, after further cleaning (removing greasy dirt on the surface) of the processed metal piece, it will enter into plating line for nickel plating, after treatment of the electroplated piece by bottom forming machine (the purpose is to remove cladding material, and make copper material able to set off vulcanization reaction with rubber), it will be taken as the semi-finished product of metal piece and stored for further use.

**Rubber piece production process:** place rubber material into rubber refining machine for mixing processing to make the mixing thickness of rubber meet the requirements of the next working procedure; after forming into piece in mixing machine, apply a layer of powder onto the rubber piece after a while, after cut into certain size by stock cutter, place the cut rubber piece into vulcanizing machine together with metal piece, then go through high-temperature steam by mold, rubber mat will be vulcanized and machine shaping into all kinds of rubber mat valve



products, finally, conduct roughening and grinding, after passing manual quality inspection, the product will be packed and stored.

### 5.2.3 Main raw materials' supply condition

Main raw materials	Main supplier (domestic)	Supply condition
Copper material	DAECHANG, Ningbo Jintian, Ningbo Boway	Good
Rubber material	Exxon Mobil, Sinopec	Good

### 5.2.4 List of main trade creditors and debtors

5.2.4.1 Name of the suppliers once accounting for over 10% of total purchase in any year of the last two years and its purchase amount and proportion, and describe the reason for increase or decrease change:

Unit: NTD thousand

	2022				2023				As at the first quarter of 2024			
Item	Name	Amount	Proportion of net purchase in the whole year (%)	Relation with the company	Name	Amount	Proportion of net purchase in the whole year (%)	Relation with the company	Name	Amount	Proportion of net purchase in the whole year (%)	Relation with the company
1	Ningbo Jintian	460,188	33.68	None	Ningbo Jintian	418,725	31.55	None	Ningbo Jintian	115,888	29.54	None
2	Ningbo Boway	137,195	10.04	None	Other	908,306	68.45	-	Ningbo Boway	45,856	11.69	None
3	Other	769,117	56.28	-					Other	230,519	58.77	-
	Net purchase	1,366,500	100.00		Net purchase	1,327,031	100.00		Net purchase	392,263	100.00	

Reason for increase or decrease change: Major supply objects of the Group are stable, there is no significant change, and there is no risk of centralized purchasing.

5.2.4.2 Name of the customers once accounting for over 10% of total sales in any year of the last two years and its sales amount and proportion, and describe the reason for increase or decrease change:

Unit: NTD thousand

	2022				2023				As at the first quarter of 2024			
Item	Name	Amount	Proportion net sales in the whole year (%)	Relation with the company	Name	Amount	Proportion net sales in the whole year (%)	Relation with the company	Name	Amount	Proportion net sales in the whole year (%)	Relation with the company
1	Cheng Shin Group	485,841	15.98	None	Cheng Shin Group	298,539	11.52	None	Cheng Shin Group	93,548	12.89	None
	Other	2,554,575	84.02	-	Other	2,293,899	88.48	-	Other	632,079	87.11	-
	Net sales	3,040,416	100.00		Net sales	2,592,438	100.00		Net sales	725,627	100.00	

Reason for increase or decrease change: major sales objects of the Group are stable, there is no significant change, and there is no risk of centralized sales.

### 5.2.5 Table of production quantity and value in the last two years

Unit: 10 thousand pcs; NTD thousand

Production quantity and value Major commodity	Year	2022			2023		
		Production capacity	Production quantity (Notes 1)	Production value	Production capacity (Notes3)	Production quantity (Notes1)	Production value
Bicycle class		24,000	14,795	382,810	24,000	11,605	285,146
Motorcycle and electric motorcycle class		32,000	27,530	836,288	32,000	25,632	733,638
Passenger car, truck and off-the-road vehicles class (Notes 2)		17,500	11,140	882,441	17,500	11,968	881,777
Total		73,500	53,465	2,101,539	73,500	49,205	1,900,561

Notes 1. The production quantity of valves includes the quantity in outsourcing.

Notes 2. Production quantity of valves for passenger car, truck and off-the-road vehicles class includes the values of other classes and quantity of assembly.

Notes 3. The production capacity does not include precision processed products other than valve seats, which have many types and specifications and are customized products. Therefore, only production volume and output value are counted.

Reason for increase or decrease change: The production capacity of major items of our group can be customized by client's adjustment to the back-end sulfurization process, so that we can produce different scales of products. As the economy is slowly recovering after the pandemic, increasing in safety awareness, and increasing in customer demand, the sales volume of the truck valves and TPMS valves have been growing steadily. However, limited by global economy recession, slow end market demand, and constant stocking adjustment of the industrial chain, the sales volume of the bicycle valves, scooters valves, and electronic bicycle valves is decreasing.

### 5.2.6 Table of sales quantity and value in the last two years

Unit: 10 thousand pcs; NTD thousand

Sales quantity and value Major commodity	Year		2022				2023			
			Domestic sales		Export sales		Domestic sales		Export sales	
			Sales quantity	Sales value	Sales quantity	Sales value	Sales quantity	Sales value	Sales quantity	Sales value
Bicycle class			-	-	14,806	614,507	-	-	10,692	363,203
Motorcycle and electric motorcycle class			-	-	23,026	878,264	-	-	20,137	741,767
Passenger car, truck and off-the-road vehicles class			-	-	7,924	906,621	-	-	8,403	904,261
Accessories and other			-	-	-	641,024	-	-	-	583,207
Total			-	-	45,756	3,040,416	-	-	39,232	2,592,438

Notes: For accessories and other items of the Group, due to various product categories and specifications, hence only sales value is included in statistics.

Reason for increase or decrease change: please refer to Item (V), the description on the reason for increase or decrease change stated in the table of production quantity and value in the last two years.

### 5.3 Information of service employees in the last 2 years and as at the publication date of annual report

Year		2022	2023	As at the end of March 2024
Number of employees	Indirect labor	456	449	454
	Direct labor	660	680	699
	R&D labor	27	35	34
	Sales and Management labor	101	91	88
	Total	1,244	1,255	1,275
Average age		39	40	40
Average length of service		7	7	6
Degree distribution ratio	Doctor degree	-	-	-
	Master degree	1.13%	0.96%	0.86%
	College degree	16.72%	18.01%	18.35%
	Senior high school degree	29.34%	30.20%	30.35%
	Below senior high school degree	52.81%	50.84%	50.43%

### 5.4 Environmental protection expenditure information

5.4.1 In the last year and as at the publication date of annual report, the loss suffered due to environmental pollution (including compensation and violation of environmental protection regulations according to the inspection results of environmental protection, the date of punishment, punishment number, legal provisions violated, contents of legal provisions violated, and punishment contents shall be listed), and disclosure of estimated amount might occur currently and in the future and the solutions, if it cannot be reasonably estimated, the facts of unable to estimate reasonably shall be described:

In the last year and as at the publication date of annual report, the Group is free of any dispute regarding environmental pollution, hence there is no major punishment and loss due to polluting the environment.

5.4.2 Pursuant to laws and decrees, if pollution facility setting license or pollutant discharge permit shall be applied for, or pollution prevention and control costs shall be paid, or environmental protection dedicated unit and personnel shall be set, description on the application, payment or setting circumstances thereof:

Region	License	Validity date	Pollution prevention and control costs
XIAMEN XIAHUI	Pollutant discharge permit	2024/04/19~2029/04/18	File Eco tax in accordance with the regulation
PT. LUHAI	Environmental treatment permit	Permanent validity	None

5.4.3 Investment in major pollution prevention and control equipment, and their use and benefits might be generated:

April 30, 2024

Equipment name	Quantity	Date of acquisition	Investment cost	Undepreciated balance	Use and expected possible benefits
Sewage treatment system	1	2012/08/31	IDR 218.27 million	IDR 0 million	Sewage treatment, reduce pollutant discharge.
Dust remover (filter cartridge included)	1	2015/02/04	RMB 163.8 thousand	RMB 13.6 thousand	Function: Collect fume and dust generated from copper melting and casting, and conduct purification treatment to meet emission standard. Benefits: recycle the zinc oxide from exhaust gas, fume and dust.
Sewage treatment plant	1	2021/06/30	RMB 4,272 thousand	RMB 3,868.8thousand	Function: 1. Collecting and storing the waste water produced in workshop 2. Disposal the waste water produced in workshop. Efficiency: Making the waste water reach the emission standard.
Smelly waste gas treatment plant	1	2021/12/17	RMB 318 thousand	RMB 244.2 thousand	Function: Collecting the biochemical smelly waste gas from sewage treatment plant for purification. Efficiency: Making the biochemical system smelly waste gas from sewage treatment plant reach the emission standard.
Vulcanized waste gas purification RN-700 treatment facility	1	2021/12/17	RMB 2,300 thousand	RMB 1,764 thousand	Function: Collecting the waste gas from Manufacturing department number 2 for purification. Efficiency: Making the vulcanized waste gas from Manufacturing department number 2 reach the emission standard.
Vulcanized waste gas purification RN1200 treatment facility	1	2021/12/17	RMB 3,053 thousand	RMB 2,443 thousand	Function: Collecting the vulcanization waste gas from Manufacturing department number 2 for purification. Efficiency: Making the vulcanized waste gas from Manufacturing department number 2 reach the emission standard.
Eco-friendly passivation	1	2021/12/17	RMB 238.9 thousand	RMB 183.2 thousand	Function: Collecting the purified eco-friendly

Equipment name	Quantity	Date of acquisition	Investment cost	Undepreciated balance	Use and expected possible benefits
exhaust gas treatment facility					passivation exhaust gas Efficiency: Making the environmentally friendly passivation waste gas reach the emission standard.
Waste dust gas treatment	1	2021/12/17	RMB 460.2 thousand	RMB 352.8 thousand	Function: Collecting the sand blasting and buffing waste gas from Manufacturing department number 2 for purification. Efficiency: Making the sand blasting and buffing waste gas from Manufacturing department number 2 reach the emission standard.
Waste dust gas treatment	1	2021/12/17	RMB 265.4 thousand	RMB 203.5 thousand	Function: Collecting the powder and buffing waste gas from Manufacturing department number 2 for purification. Efficiency: Making the powder and buffing waste gas from Manufacturing department number 2 reach the emission standard.
Warm pier waste gas treatment facility	1	2021/12/20	RMB 584 thousand	RMB 447.8 thousand	Function: Collecting the warm pier waste gas for purification. Efficiency: 1.Improve workshop environment 2. Making the warm pier waste gas reach the emission standard.
waste gas treatment facility RN100+RN400	1	2021/12/20	RMB 2,168 thousand	RMB 1,662.2 thousand	Function: Collecting the rubber mixing workshop waste gas for purification. Efficiency: Making the rubber mixing workshop waste gas reach the emission standard.
Sewage treatment equipment	1	2021/12/31	RMB 4,483 thousand	RMB 3,436.7 thousand	Function: Deal with wastewater of workshop with sewage treatment plant. Efficiency: Making the waste water reach the emission standard.

Equipment name	Quantity	Date of acquisition	Investment cost	Undepreciated balance	Use and expected possible benefits
acid cleaning waste gas treatment facility	1	2022/01/01	RMB 318.5 thousand	RMB 249.6 thousand	Function: Collecting the acid cleaning waste gas for purification. Efficiency: 1. Improve workshop environment 2. Making the acid cleaning waste gas reach the emission standard

## 5.5 Labor relations

5.5.1 Employee welfare measures, further education, training and retirement system of the company and the implementation circumstances thereof, agreement between labor and employer, and management measures for all kinds of employees' rights and interests

### 5.5.1.1 Employee welfare measures

- ① The Company and its affiliated reinvested subsidiaries have formulated management measures and regulations regarding employees, such as remuneration, promotion, award and punishment, leave and social insurance etc., which are complying with relevant local laws and decrees.
- ② The Company and its affiliated reinvested subsidiaries provide clean and sanitary foods to employees, and reinvested companies provide dormitory to employees and implement level-to-level management.
- ③ Cash gift for important festivals, birthday cash gift, education sponsorship for children of employees and subsidies for weddings and funerals etc., and irregularly hold staff traveling to enhance affective interaction among employees.
- ④ Provide employees health examination every year, taking care of employees' physical and psychological health by active action.

### 5.5.1.2 Further education and training circumstance

The Company and affiliated reinvested subsidiaries attach importance to employees' educational training, including orientation training before entry into the plant, in-service training and external professional training, so as to assist employees to improve professional working knowledge and skills.

### 5.5.1.3 Retirement system

The Company and affiliated reinvested subsidiaries are the companies within the territory of the Republic of China, and adopt defined contribution system pursuant to "Labor Pension Act", for the payment of pension contribution, the Company and its subsidiaries contribute six percent of monthly salary as the pension on a monthly basis, and deposit it in the special pension account of labors. For affiliated investment companies outside the Republic of China, the pension is contributed according to local laws and decrees of the investment country, and the rates are as follows:

	Xiamen City		Nonnative of Xiamen City		Kunshan City and nonnative		Indonesia	
	Contribution by enterprise	Personal contribution	Contribution by enterprise	Personal contribution	Contribution by enterprise	Personal contribution	Contribution by enterprise	Personal contribution
XIAMEN XIAHUI	16%	8%	16%	8%				
KUNSHAN LUHAI					16%	8%		
PT. LUHAI							5.7%	3%

#### 5.5.1.4 Agreement between labor and capital and management measures for all kinds of employees' rights and interests

- ① The Company and its reinvested subsidiaries have set the Employees Union as the communication channel between employees and management of the company, consensus is reached between the Employees Union and employees for all important matters involving in employees to condense centripetal force.
- ② The Group has formulated internal control system and various administrative measures, whose contents explicitly stipulate employees' rights and obligations and welfare items, and welfare contents are reviewed regularly to safeguard employees' rights and interests.

5.5.2 In the last year and as at the publication date of annual report, the loss suffered due to labor dispute (including the violation of Labor Standards Act according to labor inspection results, the date of punishment, punishment number, legal provisions violated, contents of legal provisions violated, and punishment contents shall be listed), and disclosure of estimated amount might occur currently and in the future and the solutions, if it cannot be reasonably estimated, the facts of unable to estimate reasonably shall be described: None.

## 5.6 Cybersecurity management

5.6.1 State the cybersecurity risk management structure, cybersecurity policy, specific management plan, and resources invested in the management of cybersecurity

### 5.6.1.1 Cybersecurity Risk Management Structure

The IT department of the Company is responsible for installing information security policy, information security prevention and information security risk management and relevant affairs. Executing information security work, and forming "information security response team" based on the structure of information security events

- A. The members of information security response team: Composed by IT employees who are responsible for reporting and dealing with the Company's information security.
- B. The supervisor of information security response team: The chief information officer who is responsible for governing dealing situation and reporting to the supervising agency.
- C. Our Company's internal control includes relevant information security management regulation, undergoing audits regularly or irregularly, keeping improving to provide the environment of information system safety and non-stop operation.



#### 5.6.1.2 Cybersecurity Policy

As for The Company's information relevant working environment of computer systems, internet, information, equipment, staff, antivirus and anti-hacking, the Company includes safety management system and formulate prevention and emergency response measures. Make great information security propaganda properly so as to secure the information security of the Company.

#### 5.6.1.3 Specific Management Plan and Resources Invested in the Management of Cybersecurity

Major computer room of information system of the Group locates in Changhua, the operating host adopts IBM System X3650, and the backup host adopts Synology RS810+, and drilling of backup restoration is conducted every year. For the part of network security, the Group has established firewall internally, and the Group adopts ESET NOD32 antivirus software internally and mandatorily update virus code every day; install EDR endpoint sensor for real-time monitoring and tracking abnormal behavior. It eliminates potential threats and adopts contingency measures at any time to improve and promote security protection ability of the internet and information system.

- A. Building a strict and effective information security protection net is the Company's important goal of information security protection. Every year, the Company signs conservation contract about the Company's important hardware facilities, software applications and anti-virus facilities with professional agencies to lower the risk loss of break of service.
- B. To foster the protection ability of information security, the Company has information security manufacturers to execute vulnerability assessment each quarter and improve the items which are tested high risk. For example, upgrading anti-virus software versions, hardware, old circuits. Ensuring the information security of the Company by increasing the quality of information security protection.
- C. Having educational drills or internet promotion about security protection to the employees, boosting employees' awareness and alert about information security to lower the risk engendered by information security.
- D. Maintenance vendor will conduct performance testing on software and hardware environment and system quarterly to prevent and reduce information security risks.

5.6.2 By the last year and as at the publication date of annual report, the person who suffers from loss due to major information security events, possible influence and measures, if reasonable estimation cannot be made, shall explain the fact that cannot be estimated reasonably.

The Company did not encounter major information security events till 2023 and the day that the annual report was printed, hence there was no loss suffering from information security.

### 5.7 Important contracts

Contract nature	Contracting Parties	Term	Major contents	Restrictions
Credit granting	Mega International Commercial Bank - LU HAI HOLDING	2021/11~2024/11	Medium and long-term borrowing, financing limit of USD8 million, revolving use. (appropriation period till the end of November 2024)	-

Contract nature	Contracting Parties	Term	Major contents	Restrictions
Credit granting	Cathay United Bank - LU HAI HOLDING	2022/09~2024/09	Medium and long-term borrowing, financing limit of USD4 million, revolving use, appropriation period is 2 year (Repayment date till September 2024)	Total limit is controlled at USD6 million.
Credit granting	Cathay United Bank - LU HAI HOLDING (Branch in Taiwan)	2022/09~2024/09	Medium and long-term borrowing, financing limit of NTD60 million, revolving use, appropriation period is 2 year (Repayment date till September 2024)	
Credit granting	CTBC Bank - LU HAI HOLDING	2024/01~2025/12	Medium and long-term borrowing, financing limit of USD2 million, revolving use, appropriation period till the end of December 2025. (Repayment date till July 2025)	-
Credit granting	CTBC Bank - LU HAI HOLDING (Branch in Taiwan)	2024/01~2024/12	Short-term borrowing, financing limit of NTD 60 million, revolving use.	-
Credit granting	CTBC Bank - LU HAI HOLDING (Branch in Taiwan)	2023/01~2027/01	Medium and long-term borrowing, financing limit of NTD 50 million, non-revolving use, appropriation period till the end of March 2024. (Repayment date till March 2027)	-
Credit granting	Taipei Fubon Bank - LU HAI HOLDING	2024/03~2027/03	Medium and long-term borrowing, financing limit of USD7 million, non-revolving use. (Repayment date till March 2027)	-
Credit granting	Far Eastern International Bank - LU HAI HOLDING	2023/11~2025/10	Medium and long-term borrowing, financing limit of USD5 million, revolving use. (Repayment date till October 2025)	-
Financial transaction	Far Eastern International Bank - LU HAI HOLDING	2023/11~2025/10	Financial transaction limit (USD600 thousand for forward exchange, FX swap and foreign exchange option respectively, provided the total shall not exceed USD600 thousand).	-
Credit granting	Shanghai Commercial & Savings Bank- LU HAI HOLDING	2024/03~2027/03	Medium and long-term borrowing, financing limit of USD2.0 million, non-revolving use. (appropriation period till the end of June 2024)	-
Credit granting	Taichung Commercial Bank - LU HAI HOLDING	2022/09~2024/09	Medium and long-term borrowing, financing limit of USD3 million, revolving use, appropriation period is 2 year.	-

Contract nature	Contracting Parties	Term	Major contents	Restrictions
Credit granting	EnTie Commercial Bank - LU HAI HOLDING	2023/09~2025/08	Medium and long-term borrowing, financing limit of USD3 million, revolving use. (appropriation period till the end of August 2025)	-
Credit granting	Yuanta Commercial Bank- LU HAI HOLDING	2023/11~2025/11	Medium and long-term borrowing, financing limit of USD2.5 million, revolving use. (Repayment date till November 2025)	-
Credit granting	CTBC Bank - XIAMEN XIAHUI	2020/02~2024/12	Medium and long-term borrowing, financing limit of USD5 million. (Non-revolving use, can be appropriated by installment, appropriation period is 1 year (before December 31, 2020))(amortization period till September 2025)	-
Credit granting	CTBC Bank - XIAMEN XIAHUI	2021/02~2025/09	Medium and long-term borrowing, financing limit of USD3 million. (Non-revolving use, can be appropriated by installment, appropriation period is before September 30 2021) (amortization period till September 2025)	-
Credit granting	Agricultural Bank of China Limited - XIAMEN XIAHUI	2023/07~2026/07	Medium and long-term borrowing, the loan is RMB 10 million, can be repaid in advance. (Repayment date till July 2026)	-
Credit granting	Agricultural Bank of China Limited - XIAMEN XIAHUI	2023/08~2026/08	Medium and long-term borrowing, the loan is RMB 9 million, can be repaid in advance. (Repayment date till August 2026)	-
Credit granting	Agricultural Bank of China Limited - XIAMEN XIAHUI	2023/08~2026/08	Medium and long-term borrowing, the loan is RMB 5 million, can be repaid in advance. (Repayment date till August 2026)	-
Credit granting	Agricultural Bank of China Limited - XIAMEN XIAHUI	2023/11~2026/11	Medium and long-term borrowing, the loan is RMB 22 million, can be repaid in advance. (Repayment date till November 2026)	-
Credit granting	Agricultural Bank of China Limited and Xiamen International Trust Co., Ltd.- XIAMEN XIAHUI	2023/09~2028/09	Fixed asset loan, the loan is RMB 21 million, can be repaid in advance, non-revolving use. (Repayment date till September 2028)	-

Contract nature	Contracting Parties	Term	Major contents	Restrictions
Credit granting	Agricultural Bank of China Limited - XIAMEN XIAHUI	2024/03~2025/03	Short-term borrowing, the loan is RMB 20 million (Repayment date till March 2025)	-
Credit granting	China Construction Bank - XIAMEN XIAHUI	2023/03~2026/03	Medium and long-term borrowing, the loan is RMB 9 million, can be repaid in advance. (Repayment date till March 2026)	-
Credit granting	China Construction Bank - XIAMEN XIAHUI	2023/04~2026/04	Medium and long-term borrowing, the loan is RMB 6 million, can be repaid in advance. (Repayment date till April 2026)	
Credit granting	China Construction Bank - XIAMEN XIAHUI	2023/06~2026/06	Medium and long-term borrowing, the loan is RMB 20 million, can be repaid in advance. (Repayment date till June 2026)	
Credit granting	China Construction Bank - XIAMEN XIAHUI	2023/10~2026/10	Medium and long-term borrowing, the loan is RMB 15 million, can be repaid in advance. (Repayment date till October 2026)	
Credit granting	China Construction Bank - XIAMEN XIAHUI	2024/03~2025/03	Short-term borrowing, the loan is RMB 18 million, can be repaid in advance. (Repayment date till March 2025)	
Credit granting	CTBC Bank - KUNSHAN LUHAI	2024/01~2024/12	Short-term borrowing, financing limit of USD2 million.	-
Credit granting	Citi Bank - PT. LUHAI	2024/01~2024/12	Short-term borrowing, financing limit of USD3 million, revolving use.	-
Financial transaction	Citi Bank - PT. LUHAI	2024/01~2024/12	Financial transaction limit of USD300 thousand.	-
Credit granting	CTBC Bank - PT. LUHAI	2024/01~2024/12	Short-term borrowing, financing limit of USD2 million.	-

## VI. Financial Overview

### 6.1 Concise financial information in the last five years

#### 6.1.1 Condensed balance sheet and consolidated profit and loss statement

##### 6.1.1.1 Condensed balance sheet - International Financial Reporting Standards:

Unit: NTD thousand

Item \ Year		Financial information in the last five years					Financial information in current year as at March 31, 2024 (Notes 1)
		2019 (Notes 1)	2020 (Notes 1)	2021 (Notes 1)	2022 (Notes 1)	2023 (Notes 1)	
Current assets		2,732,532	2,765,828	2,774,809	2,364,466	2,274,356	2,502,748
Financial assets at fair value through profit or loss - noncurrent		1,558	1,267	890	778	764	731
Property, plant and equipment		1,148,538	1,631,999	2,088,514	2,220,150	2,057,421	2,093,103
Right-of-use assets (Notes 3)		197,862	198,398	197,986	179,395	158,621	161,593
Investment property net amount		-	-	28,738	25,409	154,223	156,069
Intangible assets		6,956	13,737	11,440	9,650	10,953	10,940
Other assets		59,210	113,906	64,258	66,146	74,578	58,878
Total assets		4,146,656	4,725,135	5,166,635	4,865,994	4,730,916	4,984,062
Current liabilities	Before distribution	1,345,967	915,111	900,615	858,446	925,644	1,006,817
	After distribution	1,535,306	1,050,661	1,099,421	987,670	(Notes 2)	-
Non-current liabilities		499,994	1,090,601	1,307,494	970,245	777,907	829,799
Total liabilities	Before distribution	1,845,961	2,005,712	2,208,109	1,828,691	1,703,551	1,836,616
	After distribution	2,035,300	2,141,262	2,406,915	1,957,915	(Notes 2)	-
Capital stocks		860,632	903,664	994,030	994,030	994,030	994,030
Capital surplus		443,701	443,701	443,701	443,701	443,701	443,701
Retained earnings	Before distribution	1,365,892	1,728,280	1,901,658	1,929,713	1,975,517	2,014,791
	After distribution	1,176,553	1,592,730	1,702,852	1,800,489	(Notes 2)	-
Other equity		(369,530)	(356,222)	(380,863)	(330,141)	(385,883)	(305,076)
Treasury shares		-	-	-	-	-	-
Non-controlling interests		-	-	-	-	-	-
Total equity	Before distribution	2,300,695	2,719,423	2,958,526	3,037,303	3,027,365	3,147,446
	After distribution	2,111,356	2,583,873	2,759,720	2,908,079	(Notes 2)	-

Notes 1: Financial information from 2019 to 2023 have been audited and certified by the accountant, the financial report of the first quarter of 2024 has been reviewed by the accountant.

Notes 2: The 2023 surplus distribution has not been passed by General Shareholders' Meeting listed based on the resolution of Board of Directors on March 12, 2024.

Notes 3: According to the provisions in the bulletin of IFRS 16 "Lease", as of 2019, newly added the title of "Right-of-use assets".

6.1.1.2 Condensed consolidated statement of comprehensive income - International Financial Reporting Standards:

Unit: NTD thousand

Item \ Year	Financial information in the last five years					Financial information in current year as at March 31, 2024 (Notes 1)
	2019 (Notes 1)	2020 (Notes 1)	2021 (Notes 1)	2022 (Notes 1)	2023 (Notes 1)	
Net revenue	2,716,889	2,602,257	3,397,556	3,040,416	2,592,438	725,627
Gross Profit	615,058	626,635	846,003	664,576	532,609	155,586
Operating income (loss)	312,635	328,035	471,553	334,004	189,488	72,903
Non-operating income and expenses	33,203	501,754	85,315	16,380	136,262	(7,982)
Income (loss) before tax from continuing operations	345,838	829,789	556,868	350,384	325,750	64,921
Net income (loss) from continuing operations	241,910	594,759	399,294	226,861	175,028	39,274
Loss from discontinued operations	-	-	-	-	-	-
Net income (loss)	241,910	594,759	399,294	226,861	175,028	39,274
Other comprehensive income (loss) for the year, net of income tax	(86,854)	13,308	(24,641)	50,722	(55,742)	80,807
Total comprehensive income (loss) for the year	155,056	608,067	374,653	277,583	119,286	120,081
Net income (loss) attributable to: Shareholders of the parent	241,910	594,759	399,294	226,861	175,028	39,274
Net income attributable to non-controlling interests	-	-	-	-	-	-
Total comprehensive income (loss) attributable to: shareholders of the parent	155,056	608,067	374,653	277,583	119,286	120,081
Comprehensive income attributable to non-controlling interests	-	-	-	-	-	-
Earnings per share	2.81	6.58	4.02	2.28	1.76	0.40

Notes 1: Financial information from 2019 to 2023 have been audited and certified by the accountant, the financial report of the first quarter of 2024 has been reviewed by the accountant.

#### 6.1.2 Name and audit opinion of certified public accountants in the last five years

Year	Accounting firm	Name of CPA	Audit opinion
2019	Crowe (TW) CPAs	LIN, MING-SHOU HUANG, SU-CHUAN	Unmodified Opinion
2020	Crowe (TW) CPAs	LIN, MING-SHOU SHAO, CHAO-PIN	Unmodified Opinion
2021	Crowe (TW) CPAs	LIN, MING-SHOU SHAO, CHAO-PIN	Unmodified Opinion
2022	Crowe (TW) CPAs	LIN, MING-SHOU SHAO, CHAO-PIN	Unmodified Opinion
2023	Crowe (TW) CPAs	SHAO, CHAO-PIN HUANG, CHIEN-CHEN	Unmodified Opinion

## 6.2 Financial analysis in the last five years

### 6.2.1 Financial analysis - International Financial Reporting Standards

Analysis item \ Year		Financial analysis in the last five years					As at March 31 in 2024 (Notes 1)
		2019 (Notes 1)	2020 (Notes 1)	2021 (Notes 1)	2022 (Notes 1)	2023 (Notes 1)	
Financial structure	Debt to assets ratio (%)	44.52	42.45	42.74	37.58	36.01	36.85
	Long-term funds to property, plant and equipment (%)	243.85	233.46	204.26	180.51	184.95	190.02
Liquidity	Current ratio (%)	203.02	302.24	308.10	275.44	245.71	248.58
	Quick ratio (%)	153.18	222.52	217.57	209.04	187.50	191.15
	Times interest earned (times)	27.62	95.89	49.44	13.84	8.68	6.85
Operating Performance	Accounts receivables turnover (times)	4.10	3.60	4.30	4.14	3.74	4.14
	Average collection days	89	101	85	88	98	88
	Average inventory turnover (times)	3.44	2.97	3.43	3.54	3.73	3.99
	Accounts payable turnover (times)	7.53	6.70	8.91	9.70	8.36	8.80
	Average inventory turnover period	106	123	106	103	98	91
	Property, plant and equipment turnover (times)	2.90	1.87	1.83	1.41	1.21	1.40
	Total assets turnover (times)	0.72	0.59	0.69	0.61	0.54	0.60
Profitability	Return on assets (%)	6.67	13.55	8.24	4.87	4.12	3.79
	Return on equity (%)	10.68	23.70	14.06	7.57	5.77	5.09
	Pre-tax income to paid-in capital (%)	40.18	91.82	56.02	35.25	32.77	26.12
	Net profit margin (%)	8.90	22.86	11.75	7.46	6.75	5.41
	Earnings per share (NTD)	2.81	6.58	4.02	2.28	1.76	0.40
Cash flow	Cash flow ratio (%)	21.06	28.80	45.24	81.60	28.25	10.91
	Cash flow adequacy ratio (%)	76.15	53.82	47.06	58.29	57.19	63.86
	Cash reinvestment ratio (%)	5.53	1.63	5.45	10.32	2.75	2.18
Leverage	Operating leverage	2.91	2.78	2.53	3.39	4.99	3.71
	Financial leverage	1.04	1.03	1.02	1.09	1.29	1.18
<p>If the increase or decrease change in various financial ratios reaches to 20% in the last two years, descriptions are as follows:</p> <ol style="list-style-type: none"> <li>1. The interest coverage ratio (times), return on equity (%), and earnings per share (EPS) decreased or declined mainly due to global economy recession, slow end market demand, and constant stocking adjustment of the industrial chain, the sales volume of the bicycle valves, scooters valves, and electronic bicycle valves is decreasing, as well as decrease in revenue and gross profit, and increased income tax due to surplus remittance from subsidiary, resulting in reduced profitability in 2023.</li> <li>2. The cash flow ratio (%) and cash reinvestment ratio (%) decreased mainly due to profit (excluding net profit compensation for second relocation) decrease (less inventory in 2022 and increase in cash inflow), resulting in decreased cash inflow from operating activities in 2023.</li> <li>3. The operating leverage increased mainly due to the decrease in revenue and gross profit.</li> </ol>							

Notes 1. Financial information from 2019 to 2023 have been audited and certified by the accountant, the financial report of the first quarter of 2024 has been reviewed by the accountant.



Calculation formulas of financial analysis are listed as follows:

1. Financial structure
  - (1) Debt to assets ratio = total liabilities / total assets
  - (2) Long-term funds to property, plant and equipment = (total equity + long-term liabilities (non-current liabilities)) / net property, plant and equipment
2. Liquidity
  - (1) Current ratio = current assets / current liabilities
  - (2) Quick ratio = (current assets-inventory-prepaid expenses) / current liabilities
  - (3) Times interest earned = income tax and net profit before interest expense/ interest expenses
3. Operating Performance
  - (1) Accounts receivables (including accounts receivable and notes receivable arising from business) turnover = net sales/ average account receivable (including accounts receivable and notes receivable arising from business) balance
  - (2) Average collection days=365/ accounts receivables turnover
  - (3) Average inventory turnover = cost of goods sold /average inventory
  - (4) Accounts payables (including accounts payable and notes payable arising from business) turnover = cost of goods sold / average account payable (including accounts payable and notes payable arising from business) balance
  - (5) Average inventory turnover period =365/inventory turnover
  - (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment
  - (7) Total assets turnover = net sales/average total assets
4. Profitability
  - (1) Return on assets =[post-tax profit or loss + interest expense×(1-tax rate)]/average total assets
  - (2) Return on equity= post-tax profit or loss / average total equity
  - (3) Proportion of net profit before tax in paid-in capital = pretax profit / amount of paid-in capital
  - (4) Net profit margin = post-tax profit or loss/net sales
  - (5) Earnings per share = (net profit attributable to owners of parent company - preferred share dividend) / weighted average number of outstanding shares
5. Cash flow
  - (1) Cash flow ratio = net cash flow in operating activities/current liabilities
  - (2) Cash flow adequacy ratio = net cash flow in operating activities in the last 5 years/ (capital expenditure + inventory increment + cash dividend) in the last five years
  - (3) Cash reinvestment ratio= (net cash flow in operating activity-cash dividend) / (gross amount of property, plant and equipment + long-term investment + other non-current assets + working capital)
6. Leverage
  - (1) Operating leverage = (net revenue - changes in operating costs and expenses)/operating income
  - (2) Financial leverage = operating income / (operating income - interest expense)

### **6.3 Audit Committee's Examination Report of the financial report in the last year**

#### **LU HAI HOLDING CORP.**

#### **Audit Committee's Review Report**

The Board of Directors has prepared 2023 business report, financial statements and earning distribution proposal etc. of the Company; among them, the financial statements have been audited by accountants SHAO, CHAO-PIN and HUANG, CHIEN-CHEN from Crowe (TW) CPAs, and the audit report of unmodified opinion has been issued. The above business report, financial statements and earnings distribution proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company, we hereby submit this report.

To the 2024 General Shareholders' Meeting

Chairman of Audit Committee:

YEH, CHIH-MING

March 12, 2024

**6.4 Financial statements in the last year:** Please refer to page 110 to 183 for details.

**6.5 Company's individual financial statements audited and certified by the accountant in the last year:** Not applicable.

**6.6 In the last year and as at the publication date of annual report, if the company and its affiliated enterprise have difficulty in financial turnover, its impact on the financial situation of the Company shall be listed:** None.

## 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, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, 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 Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountant of the Republic of China (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. 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, 2023 are stated as follows:

### **1. Credit risk for notes receivable and accounts receivable**

As of December 31, 2023, notes and accounts receivable of the Group accounted for 15% of the total assets. Since expected credit loss of notes and accounts receivable is estimated based on receivables that are past due and the relating loss ratio plus forward-looking adjustments, which are subject to the management's judgement. Therefore, the credit risk for notes and accounts receivable has been identified as a key audit matter.

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial



Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

#### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

As part of an audit in accordance with the auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these





matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chao Pin, Shao and Chien Chen, Huang.

A handwritten signature in black ink that reads "Crowe TW CPAs".

Crowe (TW) CPAs

Taichung, Taiwan (Republic of China)

March 12, 2024

#### Notice to Readers

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

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



# LUHAI HOLDING CORP. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

	NOTES	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	6(1)	\$ 967,378	21	\$ 1,064,075	22
Financial assets at fair value through other comprehensive income - current	6(2)	14,607	-	14,315	-
Notes receivable, net	6(3)	40,505	1	20,296	-
Accounts receivable, net	6(4)	651,301	14	666,674	14
Other receivables		46,263	1	8,163	-
Current tax assets		14,142	-	16,168	-
Inventories, net	6(5)	528,390	11	528,023	11
Prepayments	6(6)	10,367	-	41,971	1
Other current assets		1,403	-	4,781	-
Total current assets		<u>2,274,356</u>	<u>48</u>	<u>2,364,466</u>	<u>48</u>
<b>NONCURRENT ASSETS</b>					
Financial assets at fair value through other comprehensive income - noncurrent	6(2)	764	-	778	-
Property, plant and equipment	6(7)	2,057,421	44	2,220,150	46
Right-of-use assets	6(8)	158,621	4	179,395	4
Investment property, net	6(9)	154,223	3	25,409	1
Intangible assets	6(10)	10,953	-	9,650	-
Deferred income tax assets	6(27)	22,052	-	18,016	-
Other noncurrent assets	6(11)	52,526	1	48,130	1
Total noncurrent assets		<u>2,456,560</u>	<u>52</u>	<u>2,501,528</u>	<u>52</u>
<b>TOTAL ASSETS</b>		<u>\$ 4,730,916</u>	<u>100</u>	<u>\$ 4,865,994</u>	<u>100</u>
<b>LIABILITIES AND EQUITIES</b>					
<b>CURRENT LIABILITIES</b>					
Short-term loans	6(12)	\$ 21,000	1	\$ 21,000	1
Contract liabilities - current	6(21)	2,831	-	5,296	-
Accounts payable		250,627	5	242,210	5
Other payables	6(13)	190,001	4	207,876	4
Current tax liabilities		169,633	4	28,911	1
Current lease liabilities	6(8)	-	-	2,303	-
Current deferred income	6(14)	-	-	145,162	3
Long-term loan due within a year	6(15)	288,177	6	203,557	4
Other current liabilities		3,375	-	2,131	-
Total current liabilities		<u>925,644</u>	<u>20</u>	<u>858,446</u>	<u>18</u>
<b>NONCURRENT LIABILITIES</b>					
Long-term loans	6(15)	749,547	16	833,529	17
Deferred income tax liabilities	6(27)	21,895	-	131,830	3
Guarantee deposits received		6,465	-	4,886	-
Total noncurrent liabilities		<u>777,907</u>	<u>16</u>	<u>970,245</u>	<u>20</u>
Total liabilities		<u>1,703,551</u>	<u>36</u>	<u>1,828,691</u>	<u>38</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF PARENT</b>					
Capital stocks	6(17)	994,030	21	994,030	20
Capital surplus	6(18)	443,701	9	443,701	9
Retained earnings	6(19)				
Legal reserve		306,865	7	284,179	6
Special reserve		380,863	8	380,863	8
Unappropriated retained earnings		1,287,789	27	1,264,671	26
Other equities	6(20)	(385,883)	(8)	(330,141)	(7)
Equity attributable to owners of parent		<u>3,027,365</u>	<u>64</u>	<u>3,037,303</u>	<u>62</u>
Total equity		<u>3,027,365</u>	<u>64</u>	<u>3,037,303</u>	<u>62</u>
<b>TOTAL LIABILITIES AND EQUITIES</b>		<u>\$ 4,730,916</u>	<u>100</u>	<u>\$ 4,865,994</u>	<u>100</u>

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, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	NOTES	2023		2022	
		Amount	%	Amount	%
NET REVENUE	6(21)	\$ 2,592,438	100	\$ 3,040,416	100
COST OF REVENUE	6(5,22)	(2,059,829)	(79)	(2,375,840)	(78)
GROSS PROFIT		532,609	21	664,576	22
OPERATING EXPENSES	6(22),7				
Marketing expenses		(83,750)	(3)	(90,410)	(3)
General and administrative expenses		(220,645)	(9)	(219,019)	(7)
Research and development expenses		(38,914)	(2)	(24,027)	(1)
Expected credit reversal		188	-	2,884	-
Total operating expenses		(343,121)	(14)	(330,572)	(11)
OPERATING INCOME		189,488	7	334,004	11
NONOPERATING INCOME AND EXPENSES					
Interest income	6(23)	15,933	1	12,658	-
Other income	6(24)	43,488	2	115,374	3
Other gains and losses	6(25)	119,269	5	(84,354)	(3)
Financial costs	6(26)	(42,428)	(2)	(27,298)	(1)
Total nonoperating income and expenses		136,262	6	16,380	(1)
INCOME BEFORE INCOME TAX		325,750	13	350,384	10
INCOME TAX EXPENSE	6(27)	(150,722)	(6)	(123,523)	(3)
NET INCOME		175,028	7	226,861	7
OTHER COMPREHENSIVE INCOME (LOSS)	6(28)				
Items that will not be reclassified subsequently to profit or loss:					
Unrealized profit (loss) from equity instrument at fair value through other comprehensive income		4	-	(128)	-
Income tax benefit (expense) related to items that will not be reclassified subsequently	6(27)	-	-	-	-
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		(56,212)	(2)	52,731	2
Unrealized profit (loss) from in debt instruments at fair value through other comprehensive income		583	-	(2,351)	-
Income tax benefit (expense) related to items that may be reclassified subsequently	6(27)	(117)	-	470	-
Other comprehensive income (loss) for the year, net of income tax		(55,742)	(2)	50,722	2
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		\$ 119,286	5	\$ 277,583	9
NET INCOME ATTRIBUTABLE TO:					
Shareholders of the parnet		\$ 175,028	7	\$ 226,861	7
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Shareholders of the parnet		\$ 119,286	5	\$ 277,583	9
EARNINGS PER SHARE(NT\$):	6(29)				
Basic earnings per share		\$ 1.76		\$ 2.28	
Diluted earnings per share		\$ 1.76		\$ 2.28	

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, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

Item	Equity Attributable to Shareholders of the Parent									
	Retained Earnings					Other Equities				
	Capital Stocks	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences Arising on Translation of Foreign Operations	Unrealized Profit (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total		
BALANCE, JANUARY 1, 2022	\$ 994,030	\$ 443,701	\$ 244,249	\$ 369,530	\$ 1,287,879	\$ (380,220)	\$ (643)	\$	\$	2,958,526
Appropriations of earnings										
Legal reserve	-	-	39,930	-	(39,930)	-	-	-	-	-
Special reserve	-	-	-	11,333	(11,333)	-	-	-	-	-
Cash dividends to shareholders - NT\$2.00 per share	-	-	-	-	(198,806)	-	-	-	-	(198,806)
Net income in 2022	-	-	-	-	226,861	-	-	-	-	226,861
Other comprehensive income (loss) in 2022, net of tax	-	-	-	-	-	52,731	(2,009)	-	-	50,722
BALANCE, DECEMBER 31, 2022	994,030	443,701	284,179	380,863	1,264,671	(327,489)	(2,652)			3,037,303
Appropriations of earnings										
Legal reserve	-	-	22,686	-	(22,686)	-	-	-	-	-
Cash dividends to shareholders - NT\$1.30 per share	-	-	-	-	(129,224)	-	-	-	-	(129,224)
Net income in 2023	-	-	-	-	175,028	-	-	-	-	175,028
Other comprehensive income (loss) in 2023, net of tax	-	-	-	-	-	(56,212)	470	-	-	(55,742)
BALANCE, DECEMBER 31, 2023	\$ 994,030	\$ 443,701	\$ 306,865	\$ 380,863	\$ 1,287,789	\$ (383,701)	\$ (2,182)	\$	\$	3,027,365

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

(Concluded)

LUHAI HOLDING CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR YEARS ENDED DECEMBER 31, 2023 AND 2022  
(In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 325,750	\$ 350,384
Adjustments for:		
Adjustments to reconcile profit (loss)		
Depreciation	206,293	203,589
Amortization	2,074	2,109
Expected credit reversal	(188)	(2,884)
Gains on financial assets at fair value through profit or loss	-	(1,030)
Interest expense	42,428	27,298
Interest income	(15,933)	(12,658)
Dividend income	(125)	(84)
Losses (Gains) on disposal of property, plant and equipment	(1,314)	3,608
Net profit on relocaion compensation	(143,046)	-
Net changes in operating assets and liabilities		
Notes receivable	(20,972)	22,834
Accounts receivable	4,445	75,176
Other receivables	(9,102)	10,624
Inventories	(7,673)	250,021
Prepayments	6,859	7,536
Other current assets	(320)	716
Contract liabilities	(2,541)	2,436
Accounts payable	14,005	(9,654)
Other payables	8,454	(66,121)
Other current liabilities	1,291	345
Cash generated from operations	410,385	864,245
Interest received	11,700	11,796
Dividend received	125	84
Interest paid	(42,427)	(26,614)
Income taxes paid	(118,263)	(149,010)
Net cash provided by operating activities	261,520	700,501

(Continued)

	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through profit or loss	\$ -	\$ (132,837)
Proceeds from disposal of financial assets at fair value through profit or loss	-	223,658
Acquisition of property, plant and equipment	(113,229)	(340,305)
Proceeds from disposal of Property, plant and equipment	5,410	1,945
Acquisition of intangible assets	(3,610)	(117)
Increase in prepaid equipment	(115,818)	(44,777)
Increase in prepaid of intangible assets	(4,829)	(3,210)
Refundable deposits (paid) refunded	5,496	(122)
Decrease in other noncurrent assets	147	921
Payments of relocation expenses	(1,003)	(8,777)
Net cash used in investing activities	<u>(227,436)</u>	<u>(303,621)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	-	21,000
Increase (decrease) in guarantee deposits received	1,717	(15,537)
Proceeds from long-term debt	733,833	868,047
Repayment of long-term debt	(721,416)	(1,080,004)
Cash dividends paid	(129,224)	(198,806)
Repayments of the principal portion of lease liabilities	(2,285)	(17,556)
Net cash used in financing activities	<u>(117,375)</u>	<u>(422,856)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(13,406)</u>	<u>23,071</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(96,697)	(2,905)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,064,075	1,066,980
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 967,378</u>	<u>\$ 1,064,075</u>

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

# LUHAI HOLDING CORP. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

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#### 1. GENERAL INFORMATION

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

#### 2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on March 12, 2024.

#### 3. APPLICATION OF NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

<b>New Standards, Interpretations and Amendments</b>	<b>Effective Date Issued by IASB</b>
Amendments to IAS 1 “Disclosures of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023 (Note 3)
Amendments to IAS 12 “International Tax Reform – Pillar Two Model Rules”	(Note 4)

Note 1: The amendments will be applied for annual reporting period beginning on or after January 1, 2023.

Note 2: The amendments are applicable to changes in accounting estimates and in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for the temporary differences associated with leases and decommissioning obligations that should be in compliance with additional regulations, the amendments will be applied

prospectively to transactions occur on or after the beginning of the earliest period presented, January 1, 2022.

Note 4: As a temporary exception under IAS 12, an entity shall not recognize deferred income tax assets and liabilities associated with Pillar 2 income tax, nor shall it disclose the related information. However, the entity shall disclose in its financial report that it has already applied this exception. An entity shall apply this part of the amendment retrospectively in accordance with IAS 8 since the date that the amendments were issued (i.e. May 23, 2023). An entity shall apply the remaining disclosure requirements for the annual reporting periods beginning on or after January 1, 2023 and needs not to disclose such information in its interim reports with a reporting date ending before or on December 31, 2023.

**A. Amendments to IAS 1 “Disclosures of Accounting Policies”**

The amendments clarify that accounting policy information must be disclosed when transactions, other events or conditions is material, whilst the related accounting policy information is simultaneously material to the financial statements. Disclosure of immaterial accounting policy information would not be compulsory if the amounts or the nature of transactions, other events or conditions is considered immaterial by the corporation or is considered material but the related accounting policy information immaterial; this conclusion of immateriality does not affect relevant disclosures regulated by other IFRSs.

**B. Amendments to IAS 8 “Definition of Accounting Estimates”**

The amendments define accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty and clarify that a change in measurement techniques or inputs used to develop an accounting estimate is a change in accounting estimates unless the change is due to an error from prior periods.

**C. Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”**

The amendments narrow the exemption extent in paragraphs 15 and 24 of IAS 12 for an entity from recognizing a deferred tax asset or liability in particular circumstances. In particular, the exemption does not apply to a transaction that gives rise to equal taxable and deductible difference at the time of the transaction. At the initial application of the amendments, an entity shall, at the beginning of the earliest comparative period presented, recognise deferred taxes for all deductible and taxable temporary differences associated with (i) lease and (ii) decommissioning liabilities and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date. An entity shall also apply the amendments transactions that occur on or after the beginning of the earliest comparative period presented. When initially applying the amendments, the information for comparable periods shall be restated.

**D. Amendments to IAS 12 “International Tax Reform – Pillar Two Model Rules”**

The amendments stipulates that, as a temporary exception to IAS 12, Group shall neither recognize nor disclose information about deferred income tax assets and liabilities for Pillar Two income tax relating to international tax reform; however, Group shall disclose in its financial reports that it has applied this exception. In addition, Group shall separately disclose its current income tax expenses (benefits) relating to Pillar Two income tax. If the Pillar Two bill has been enacted or has been substantively enacted but has not yet taken effect, Group should disclose qualitative and quantitative information on its exposure to Pillar Two income tax that is known or can be reasonably estimated. Based on the Group's assessment, the New IFRSs above have no significant effect on the Group's financial position and financial performance.

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) Effect of the new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group:**

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

<b>New Standards, Interpretations and Amendments</b>	<b>Effective Date Issued by IASB</b>
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 1)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier finance arrangements "	January 1, 2024 (Note 2)

Note 1: The seller-lessee shall apply the amendments retrospectively in accordance with IAS 8 for the sale and leaseback transactions made after the initial application of IFRS 16.

Note 2: The amendment provides certain transitional reliefs. When initially applying the amendment, entities are not required to disclose comparative information and interim period information, as well as opening information required by paragraph 44H(b)(ii)-(iii).

**A. Amendments to IFRS 16 "Lease liability in a sale and leaseback"**

The amendment clarifies that for a sale and leaseback transaction, if the transfer of the asset is treated as a sale in accordance with IFRS 15, the liabilities incurred by the seller-lessee due to the leaseback should be treated in accordance with the IFRS 16. Moreover, if any variable lease payments that do not depend on an index or rate are involved, the seller-lessee should still determine and recognize the lease liability arising from such variable payments in a manner that does not recognize gains and losses related to the retained right of use. The difference between the subsequent actual lease payment amount and the reduced carrying amount of the lease liability is recognized in profit or loss.

**B. Amendments to IAS 1 "Classification of Liabilities as Current or Non-current "**

The amendments clarify that when an entity determines whether a liability is classified as non-current, the entity should assess whether it has the right to defer the settlement for at



least twelve months after the reporting period. If the entity has that right on the end of reporting period, that liability must be classified as non-current regardless whether the entity expects whether to exercise the right or not. If the entity must follow certain conditions to have the right to defer the settlement of a liability, the entity must have followed those conditions at the end of reporting period in order to have that right, even if the lender tests the entity's compliance on a later date.

The aforementioned settlement means transferring cash, other economic resources or the entity's equity instruments to the counter-party to extinguish the liability. If the terms of the liability give the counter-party an option to extinguish the liability by the entity's equity instruments, and this option is recognized separately in equity in accordance with IAS 32 "Financial Instruments: Presentation", then the classification of the liability will not be affected.

**C. Amendment to IAS 1 "Non-current Liabilities with Covenants "**

This amendment further clarifies that only contractual terms that are required to be complied with before the end of the reporting period will affect the classification of the liability at that date. The contractual terms that required to be complied with within 12 months after the reporting period do not affect the classification of liabilities at the reporting date. However, for liabilities classified as non-current and must be repaid within 12 months after the reporting period due to potential non-compliance, the relevant facts and circumstances should be disclosed.

**D. Amendments to IAS 7 and IFRS 7 "Supplier finance arrangements "**

Supplier financing arrangements involve one or more financing providers making payments to suppliers on behalf of an entity, and the entity agrees to repay the financing providers on the payment date agreed with the suppliers or a later date. The amendments to IAS 7 require an entity to disclose information on its supplier financing arrangements to enable users of financial statements to assess the impact of these arrangements on the entity's liabilities, cash flows and exposure to liquidity. The amendments to IFRS 7 include into its application guidance that when disclosing how an entity manages the liquidity risk of its financial liabilities, it may also consider whether it has obtained or can obtain financing facilities through supplier financing arrangements, and whether these arrangements may cause concentration of liquidity risk.

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

**(3) The 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 Standards, Interpretations and Amendments	Effective Date Issued by IASB
Amendments to IFRS 10 and IAS 28 "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB

<b>New Standards, Interpretations and Amendments</b>	<b>Effective Date Issued by IASB</b>
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 – Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of above standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, 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 as endorsed by the FSC.

##### **(2) Basis of Preparation**

- A.** The accompanying consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.
- B.** The preparation of consolidated financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

##### **(3) Basis of consolidation**

- A.** Basis for preparation of consolidated financial statements:
  - (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
  - (b) Inter-company transactions, balances and unrealized gains or losses on transactions

between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss or transferred directly to retained earnings as appropriate, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

**B. Subsidiaries included in the consolidated financial statements:**

Name of investor	Name of subsidiary	Main business activities	Percentage of ownership	
			December 31, 2023	December 31, 2022
The Company	LU HAI (BVI) INDUSTRIAL CORP. (LU HAI BVI)	Investing activities	100.00%	100.00%
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. (Note1) (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%

Name of investor	Name of subsidiary	Main business activities	Percentage of ownership	
			December 31, 2023	December 31, 2022
LU HAI IND.	PT.LUHAI	Manufacturing and selling various kinds of valves and accessories	15.00%	15.00%

Note 1:LUHAI KUNSHAN. Its original name was LUHAI RUBBER METAL INDUSTRIAL (KUNSHAN) Co., LTD. Considering the future business development and environment changes, the board of Directors of the Group resolved that LUHAI KUNSHAN changed its name to LUHAI INTELLIGENT TECHNOLOGY (KUNSHAN) Co., LTD on January 20, 2022, and completed the change registration on February 11, 2022.

The financial statements of the subsidiaries included in the consolidated financial statements for the years ended December 31, 2023 and 2022 are audited by certified public accountants.

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

#### **(4) Foreign Currencies**

A. Items included in the financial statements of each of the Group's entities were expressed in the currency which reflected its primary economic environment (functional currency). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

B. In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences are recognized in profit or loss for the period. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are retranslated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss as part of the fair value gain or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income is retranslated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are measured using the historical exchange rates at the dates of the initial transactions.

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

#### **(5) Classification of Current and Noncurrent Items**

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

(a) Assets arising from operating activities that are expected to be realized, or are

- intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the end of reporting period.
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off 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 paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities due to be settled within 12 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 the repayment date cannot be extended unconditionally to more than twelve months after the end of reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

**(6) Cash and cash equivalents**

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

**(7) Financial instruments**

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

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

**A. Financial assets**

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

**(a) Measurement category**

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

i. Financial assets at fair value through profit or loss

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

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

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

ii. Financial assets at amortized cost

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

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

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

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

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

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

Debt investments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt investments relating to interest income calculated using the effective interest method, changes in foreign currency exchange rates, and impairment losses or reversals are recognized in profit or

loss. Other changes in the carrying amount of these debt investments are recognized in other comprehensive income and will be reclassified to profit or loss when such investment is disposed of.

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

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

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

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

(b) Impairment of financial assets

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

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

Expected credit losses reflect the weighted average credit losses with the respective risks of a default occurring as the weights. Lifetime expected credit loss represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month expected credit loss represents the portion of lifetime expected credit loss that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at

FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such financial asset.

(c) Derecognition of financial assets

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

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

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

**B. Financial liabilities and equity instruments**

(a) Classification of financial liabilities and equity instruments

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

(b) Equity instruments

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

(c) Financial liabilities

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

- i. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or designated as financial liabilities at fair value through profit or loss on initial recognition. Financial liabilities are classified as held for trading if the principal purpose of acquisition is repurchasing in the short term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.
- ii. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial



liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

**(d) Derecognition of financial liabilities**

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

**C. Modification of Financial Instruments**

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

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

**(8) Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

**(9) Property, plant and equipment**

**A.** Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized. For property, plant and equipment under

construction, sample produced from testing whether the asset is functioning properly before its intended use are measured at lower of the costs or net realizable value. Proceeds from selling such an item and the cost of the item are recognized in profit or loss.

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

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

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

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

#### **(10) Leases**

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

##### The Group as lessee

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

Right-of-use assets are measured at cost. The cost of right-of-use assets comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus an estimate of costs needed to restore the underlying assets. Subsequent measurement is calculated as cost less accumulated depreciation and accumulated impairment loss and adjusted for changes in lease liabilities as a result of lease term modification or other related factors.

Right-of-use assets are presented as a separate line item in the consolidated balance sheets, except for those that meet the definition of investment property. With respect to the

recognition and measurement of right-of-use assets that meet the definition of investment property, please refer to Note 4(11) for the accounting policies for investment property.

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

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

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

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2022, that results in the reduction in lease payment. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to rent concessions for the abovementioned lease contracts, and therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss presented in other income in the period in which the events or conditions that trigger the concession occurs, and makes a corresponding adjustment to the lease liability.

#### The Group as lessor

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

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

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

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

**(11) Investment property**

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

Owned investment property are initially measured at cost, including transaction costs, and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Investment property is depreciated on a straight-line basis, the estimated useful lives are as follows: 20 to 30 years for buildings; 40 years for right-of-use assets.

Investment properties acquired through leases are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made on or before the commencement date, plus initial direct costs incurred and an estimate of costs to restore the underlying asset to the condition required by the terms and conditions of the lease, less any lease incentives received. These investment properties are subsequently measured at cost less accumulated depreciation and accumulated impairment loss and adjusted for any remeasurement of the lease liabilities.

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

**(12) Intangible Assets**

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

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

**(13) Impairment of non-financial assets**

The Group assesses at the end of reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for

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

#### **(14) Provisions**

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

#### **(15) Employee benefits**

##### **A. Short-term employee benefits**

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

##### **B. Pensions**

###### Defined contribution plans

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

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

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

##### **D. Termination benefits**

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's

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

**(16) Capital stock**

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

**(17) Income tax**

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

**B. Lease terms**

In determining the lease term, the Group considers all the facts and circumstances that create an economic incentive to exercise (or not exercise) the option, including all expected change in facts and circumstances from the commencement date until the exercise date of the option. Factors considered include the contractual terms and conditions for the period covered by the option, the significant leasehold improvements made (or expected) during



the contract period, and the importance of the underlying assets to the Group's operations, etc. The lease term is reassessed if a significant change in circumstance that are within the control of the Group occurs.

## **(2) Critical accounting estimates and assumptions**

### **A. Estimated impairment of financial assets**

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

### **B. Impairment of Tangible and Intangible Assets**

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

### **C. Realization of Deferred Income Tax Assets**

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

### **D. Evaluation of inventories**

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

### **E. Lessee's incremental borrowing rates**

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

#### F. Deferred income

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

### 6. DESCRIPTION OF SIGNIFICANT ACCOUNTS

#### (1) Cash and cash equivalents

Item	December 31	
	2023	2022
Cash on hand	\$ 304	\$ 395
Checking accounts and demand deposits	487,257	554,196
Time deposits	479,817	509,484
Total	<u>\$ 967,378</u>	<u>\$ 1,064,075</u>

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

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

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

Item	December 31	
	2023	2022
<u>Current</u>		
Debt instruments		
Foreign corporate bonds	<u>\$ 14,607</u>	<u>\$ 14,315</u>
<u>Noncurrent</u>		
Equity instruments		
Foreign unlisted stocks	<u>\$ 764</u>	<u>\$ 778</u>

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

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

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

#### (3) Notes receivable, net

Item	December 31	
	2023	2022
<b><u>At amortized cost</u></b>		
Notes receivable	\$ 40,505	\$ 20,296
Less: loss allowance	-	-
Notes receivable, net	<u>\$ 40,505</u>	<u>\$ 20,296</u>

- A. The Group has no notes receivable pledged to others.
- B. As of December 31, 2023 and 2022, notes receivable being accepted by banks were \$21,152 thousand and \$2,540 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, 2023 and 2022, \$9,069 thousand and \$16,883 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	
	2023	2022
<b><u>At amortized cost</u></b>		
Accounts receivable	\$ 655,250	\$ 670,826
Less: loss allowance	(3,949)	(4,152)
Accounts receivable, net	<u>\$ 651,301</u>	<u>\$ 666,674</u>

- A. The Group has no accounts receivable pledged to others.
- B. The average credit period of sales of goods ranges from 14 to 150 days, which is determined by reference to the credit granting policy based on the counterparties' industrial characteristics, operation scales and profitability. Where appropriate ask customers to pay in advance, as a means of mitigating the risk of financial loss from defaults.
- C. The Group applies the simplified approach to providing expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base. The Group takes into account the future prospect of market and assess the loss allowance for notes and accounts

receivable using loss ratio established based on historical and timely information plus forwarding-looking adjustments.

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

December 31, 2023

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

December 31, 2022

Aging interval	Rate of expected credit loss	Gross carrying amount	Loss allowance (lifetime expected credit loss)	Amortized cost
Not past due	0.18%	\$ 654,320	\$ (1,179)	\$ 653,141
Past due within 30 days	3.38%	27,014	(913)	26,101
Past due 31-60 days	6.21%	5,562	(346)	5,216
Past due 61-90 days	11.03%	287	(32)	255
Past due 91-180 days	24.07%	2,972	(715)	2,257
Past due over 181 days	100%	967	(967)	-
Total		<u>\$ 691,122</u>	<u>\$ (4,152)</u>	<u>\$ 686,970</u>

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

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

Item	Years ended December 31	
	2023	2022
Balance, January 1	\$ 4,152	\$ 6,927
Provision for impairment	403	911
Reversal of impairment	(591)	(3,795)
Effect of exchange rate changes	(15)	109
Balance, December 31	<u>\$ 3,949</u>	<u>\$ 4,152</u>

The Group has recognized an appropriate amount of loss allowance complying with the Group's policies as of December 31, 2023 and 2022.

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

**(5) Inventories and cost of goods sold**

Item	December 31	
	2023	2022
Merchandise	\$ 57,557	\$ 75,171
Finished goods	111,191	88,181
Work in process	154,371	167,486
Raw materials	99,613	134,619
Supplies	30,002	30,567
Inventory in transit	75,656	31,999
Total	<u>\$ 528,390</u>	<u>\$ 528,023</u>

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

Item	Years Ended December 31	
	2023	2022
Unallocated overhead	\$ 93,556	\$ 87,644
Loss on decline (gain on reversal) in market value of inventories	1,884	(737)
Gain on inventory taking	(387)	(1,134)
Loss on inventory disposed	73	2,351
Total	<u>\$ 95,126</u>	<u>\$ 88,124</u>

The reversal in market value of the Group's inventories as for 2022 is mainly due to decline in the amount of slow-moving inventory and increase in the copper price.

**B. The Group has no inventory pledged to others.**

**(6) Prepayments**

Item	December 31	
	2023	2022
Prepayment to suppliers	\$ 2,074	\$ 4,132
Input VAT	4	3
Offset against VAT payable	1,500	30,293
Others	6,789	7,543
Total	<u>\$ 10,367</u>	<u>\$ 41,971</u>

**(7) Property, plant and equipment**

Item	December 31	
	2023	2022
Land	\$ 7,567	\$ 7,567
Buildings	1,289,209	1,135,738
Machinery	1,488,534	1,379,225
Other equipment	233,769	208,855
Equipment to be inspected and construction in progress	35,532	342,352
Total cost	3,054,611	3,073,737
Less: defferd government grants	(19,001)	(22,098)

		December 31					
Item		2023			2022		
Accumulated depreciation and impairment		\$ (978,189)			\$ (831,489)		
Property, plant and equipment, net		\$ 2,057,421			\$ 2,220,150		
		Land	Buildings	Machinery	Other equipment	Equipment to be inspected and construction in progress	Total
Cost							
Balance, January 1, 2023	\$	7,567	\$ 1,135,738	\$ 1,379,225	\$ 208,855	\$ 342,352	\$ 3,073,737
Additions		-	780	25,815	9,551	54,286	90,432
Disposals		-	-	(13,476)	(21,448)	-	(34,924)
Transfer to investment properties		-	-	-	-	(128,618)	(128,618)
Reclassification		-	175,776	125,897	40,572	(229,325)	112,920
Effect of exchange rate difference		-	(23,085)	(28,927)	(3,761)	(3,163)	(58,936)
Balance, December 31, 2023	\$	7,567	\$ 1,289,209	\$ 1,488,534	\$ 233,769	\$ 35,532	\$ 3,054,611
Defferd government grants							
Balance, January 1, 2023	\$	-	\$ -	\$ -	\$ (22,098)	\$ -	\$ (22,098)
Decrease depreciation expense		-	-	-	2,632	-	2,632
Effect of exchange rate Difference		-	-	-	465	-	465
Balance, December 31, 2023	\$	-	\$ -	\$ -	\$ (19,001)	\$ -	\$ (19,001)
Accumulated depreciation and impairment							
Balance, January 1, 2023	\$	-	\$ (154,584)	\$ (578,963)	\$ (97,942)	\$ -	\$ (831,489)
Depreciation expense		-	(51,703)	(119,044)	(23,320)	-	(194,067)
Disposals		-	-	9,704	21,124	-	30,828
Effect of exchange rate difference		-	2,135	12,916	1,488	-	16,539
Balance, December 31, 2023	\$	-	\$ (204,152)	\$ (675,387)	\$ (98,650)	\$ -	\$ (978,189)
Cost							
Balance, January 1, 2022	\$	7,567	\$ 1,069,031	\$ 1,256,816	\$ 198,586	\$ 277,312	\$ 2,809,312
Additions		-	1,993	83,132	6,416	155,840	247,381
Disposals		-	-	(34,842)	(6,669)	-	(41,511)
Reclassification		-	47,703	53,521	7,331	(95,628)	12,927
Effect of exchange rate difference		-	17,011	20,598	3,191	4,828	45,628
Balance, December 31, 2022	\$	7,567	\$ 1,135,738	\$ 1,379,225	\$ 208,855	\$ 342,352	\$ 3,073,737
Defferd government grants							
Balance, January 1, 2022	\$	-	\$ -	\$ -	\$ (24,320)	\$ -	\$ (24,320)
Decrease depreciation expense		-	-	-	2,657	-	2,657
Effect of exchange rate difference		-	-	-	(435)	-	(435)
Balance, December 31, 2022	\$	-	\$ -	\$ -	\$ (22,098)	\$ -	\$ (22,098)
Accumulated depreciation and impairment							
Balance, January 1, 2022	\$	-	\$ (108,365)	\$ (506,104)	\$ (82,009)	\$ -	\$ (696,478)
Depreciation expense		-	(45,211)	(113,252)	(21,919)	-	(180,382)
Disposals		-	-	30,322	5,636	-	35,958
Reclassification		-	-	18,376	1,551	-	19,927

	Land	Buildings	Machinery	Other equipment	Equipment to be inspected and construction in progress	Total
Effect of exchange rate difference	\$ -	\$ (1,008)	\$ (8,305)	\$ (1,201)	\$ -	\$ (10,514)
Balance, December 31, 2022	\$ -	\$ (154,584)	\$ (578,963)	\$ (97,942)	\$ -	\$ (831,489)

- A. LUHAI KUNSHAN signed plant build contract with Kunshan Zhentong Construction Engineering Co., LTD., the price of the contract and its supplementary agreements is RMB 66,980 thousand. LUHAI KUNSHAN need to pay according the terms in the contract. The construction began in August, 2021 and completed in the February of 2023. After revolution for earning rental income,one of the building of Luhai Kunshan has been reclassified as investment property, please refer to Note 6 (9).
- B. Please refer to Note 6(14) for the relocation of LUHAI KUNSHAN.
- C. The Group has no property, plant and equipment pledged to others.
- D. Please refer to Note 6(26) for the information on interest capitalization.

## (8) Lease agreement

### A. Right-of-use assets

Item	December 31	
	2023	2022
Land right-of-use assets	\$ 174,770	\$ 189,900
Buildings	-	60,472
Total cost	174,770	250,372
Less: Accumulated depreciation and impairment	(16,149)	(70,977)
Right-of-use assets, net	\$ 158,621	\$ 179,395

	Land right-of-use assets	Buildings	Total
Cost			
Balance, January 1, 2023	\$ 189,900	\$ 60,472	\$ 250,372
Disposals	-	(60,008)	(60,008)
Transfer to investment properties	(11,679)	-	(11,679)
Effect of exchange rate difference	(3,451)	(464)	(3,915)
Balance, December 31, 2023	\$ 174,770	\$ -	\$ (174,770)
Accumulated depreciation and impairment			
Balance, January 1, 2023	\$ (13,777)	\$ (57,200)	\$ (70,977)
Depreciation expense	(3,531)	(3,247)	(6,778)
Disposals	-	60,008	60,008
Transfer to investment properties	802	-	802
Effect of exchange rate difference	357	439	796

	Land right-of-use assets	Buildings	Total
Balance, December 31, 2023	\$ (16,149)	\$ -	\$ (16,149)
Cost			
Balance, January 1, 2022	\$ 186,711	\$ 59,423	\$ 246,134
Effect of exchange rate difference	3,189	1,049	4,238
Balance, December 31, 2022	\$ 189,900	\$ 60,472	\$ 250,372
Accumulated depreciation and impairment			
Balance, January 1, 2022	\$ (9,662)	\$ (38,486)	\$ (48,148)
Depreciation expense	(3,952)	(18,068)	(22,020)
Effect of exchange rate difference	(163)	(646)	(809)
Balance, December 31, 2022	\$ (13,777)	\$ (57,200)	\$ (70,977)

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

#### B. Lease liabilities

	December 31	
Item	2023	2022
Current lease liabilities	\$ -	\$ 2,303

Ranges of discount rates for lease liabilities are as follows:

	December 31	
Item	2023	2022
Buildings	-	3.20%~3.65%

Please refer to Note 6(26) for interest on lease liabilities.

#### C. Material lease-in activities and terms

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

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

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

Please refer to Note 6(14) for the relocation of LUHAI KUNSHAN.

#### D. Other lease information



Item	Years Ended December 31	
	2023	2022
Short-term lease expense	\$ 241	\$ 285
Total cash outflow for leases	\$ 2,537	\$ 18,099

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	
	2023	2022
Buildings	\$ 226,671	\$ 102,375
Land right-of-use assets	15,079	3,663
Total cost	241,750	106,038
Less: Accumulated depreciation and impairment	(87,527)	(80,629)
Investment property, net	\$ 154,223	\$ 25,409

	Buildings	Land right-of-use assets	Total
<b>Cost</b>			
Balance, January 1, 2023	\$ 102,375	\$ 3,663	\$ 106,038
Transfers from property, plant, and equipment/right-of-use assets	128,618	11,679	140,297
Effect of exchange rate difference	(4,322)	(263)	(4,585)
Balance, December 31, 2023	\$ 226,671	\$ 15,079	\$ 241,750
<b>Accumulated depreciation and impairment</b>			
Balance, January 1, 2023	\$ (79,606)	\$ (1,023)	\$ (80,629)
Depreciation expense	(7,443)	(637)	(8,080)
Transfers from property, plant, and equipment/right-of-use assets	-	(802)	(802)
Effect of exchange rate difference	1,939	45	1,984
Balance, December 31, 2023	\$ (85,110)	\$ (2,417)	\$ (87,527)
<b>Cost</b>			
Balance, January 1, 2022	\$ 100,599	\$ 3,599	\$ 104,198
Effect of exchange rate difference	1,776	64	1,840
Balance, December 31, 2022	\$ 102,375	\$ 3,663	\$ 106,038
<b>Accumulated depreciation and impairment</b>			
Balance, January 1, 2022	\$ (74,706)	\$ (754)	\$ (75,460)
Depreciation expense	(3,588)	(256)	(3,844)
Effect of exchange rate difference	(1,312)	(13)	(1,325)

	Buildings	Land right-of-use assets	Total
Balance, December 31, 2022	\$ (79,606)	\$ (1,023)	\$ (80,629)

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

Item	Years Ended December 31	
	2023	2022
Rental income from investment property	\$ 20,318	\$ 18,842
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 7,565	\$ 6,918
Direct operating expenses arising from the investment property that did not generate rental income during the period	\$ 5,500	\$ -

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

Item	December 31	
	2023	2022
Within 1 year	\$ 30,496	\$ 20,663
1-5 years	70,887	53,009
Over 5 years	6,764	-
Total	\$ 108,417	\$ 73,672

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, 2023 and 2022 is \$245,159 thousand and \$108,874 thousand. The aforesaid fair value was appraised by an independent external appraiser using cost method or cost method and income method.

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

#### (10) Intangible assets

Item	December 31	
	2023	2022
Computer Software	\$ 26,971	\$ 24,032
Trademarks	107	109
Patents	-	38
Total cost	27,078	24,179
Less: Accumulated amortization	(16,125)	(14,529)

Item	December 31	
	2023	2022
Intangible assets, net	\$ 10,953	\$ 9,650

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

	Year Ended December 31, 2022			
	Computer Software	Trademarks	Patents	Total
Cost				
Balance, January 1, 2022	\$ 25,070	\$ 412	\$ 132	\$ 25,614
Additions	117	-	-	117
Disposals	(1,518)	(310)	(97)	(1,925)
Effect of exchange rate difference	363	7	3	373
Balance, December 31, 2022	<u>\$ 24,032</u>	<u>\$ 109</u>	<u>\$ 38</u>	<u>\$ 24,179</u>
Accumulated amortization				
Balance, January 1, 2022	\$ (13,645)	\$ (400)	\$ (129)	\$ (14,174)
Amortization expense	(2,095)	(11)	(3)	(2,109)
Disposals	1,518	310	97	1,925
Effect of exchange rate difference	(161)	(7)	(3)	(171)
Balance, December 31, 2022	<u>\$ (14,383)</u>	<u>\$ (108)</u>	<u>\$ (38)</u>	<u>\$ (14,529)</u>

The Group has no intangible assets pledged to others.

#### (11) Other noncurrent assets

Item	December 31	
	2023	2022
Prepaid of equipment	\$ 29,872	\$ 27,854
Refundable deposits	7,336	9,341
Prepaid of intangible assets	7,886	3,204
Other noncurrent assets	<u>7,432</u>	<u>7,731</u>

Item	December 31	
	2023	2022
Total	\$ 52,526	\$ 48,130

**(12) Short-term loans**

The nature of borrowings	December 31	
	2023	2022
Credit borrowings	\$ 21,000	\$ 21,000
Interest rates	1.89%	1.50%

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

**(13) Other payables**

Item	December 31	
	2023	2022
Salaries and bonus payable	\$ 65,215	\$ 62,096
Consumption expense payable	27,671	24,712
Construction and equipment payable	23,987	46,784
Insurance payable	11,185	11,169
Sales tax payable	11,167	13,781
Outsourced expense payable	21,129	19,311
Compensation payable of employees, directors	5,800	7,240
Others	23,847	22,783
Total	\$ 190,001	\$ 207,876

**(14) Deferred income**

Item	December 31	
	2023	2022
<u>Current</u>		
Compensation income for relocation	\$ -	\$ 145,510
Less: Second stage relocation expenses		
Expenses of moving and installing assets	-	(348)
Deferred income, net	\$ -	\$ 145,162

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

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

LUHAI KUNSHAN had completed the delivery of the immovable items and had received all the compensation by years ended December 31, 2020, except the second stage relocation expenses RMB 32,924 thousand was recognized as deferred income as of December 31, 2022, the rest of the compensation was recognized as the net relocation compensation profit after deducting the relocation expenses by years ended December 31, 2020.

LUHAI KUNSHAN obtained the land use right of 36 mu in a public bidding in December 2020, and build plants began in August 2021. The second stage relocation was completed in February of 2023. The net profit on relocation compensation amount to 143,046 thousand, after deducting the expense from compensation income, was recognized in other income, please refer to Note 6(25) for details.

According to the relocation agreement, Weimin Company needs to subsidize the rent of LUHAI KUNSHAN from the lease date of the transitional plant to the date of obtaining the construction permit for the construction of the factory building. LUHAI KUNSHAN entered into a supplementary agreement with Weimin Company in July 2022, confirmed the subsidies amounted to RMB 8,903 thousand, and received the amounts in August 2022. The amounts are recognized as other income, please refer to Note 6 (24) for details.

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

The nature of borrowings	December 31	
	2023	2022
Credit borrowings	\$ 1,037,724	\$ 1,037,086
Less: Current portion	(288,177)	(203,557)
Total	\$ 749,547	\$ 833,529
Interest rates	1.87%~6.75%	1.20%~6.12%
Maturity date	2024 to 2028	2023 to 2025

- A. The Group does not provide any asset as a collateral for long-term borrowings.
- B. According to loan agreements with banks, the Company and XIAHUI should maintain certain agreed financial ratios. The Company and XIAHUI have not breached the agreements as of December 31, 2023 and 2022.

## (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 \$29,191 thousand and \$26,911 thousand were recognized in accordance with rate specified in defined contribution plans in consolidated comprehensive income statement as of December 31, 2023 and 2022.

## (17) Capital stocks

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

Item	Years ended December 31			
	2023		2022	
	Shares (in thousands)	Amount	Shares (in thousands)	Amount
Balance at January 1	99,403	\$ 994,030	99,403	\$ 994,030
Balance at December 31	99,403	\$ 994,030	99,403	\$ 994,030

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

B. The Company's authorized capital was \$1,800,000 thousand, consisting of 180,000 thousand shares as of December 31, 2023.

## (18) Capital surplus

Item	December 31	
	2023	2022
From merger	\$ 44,012	\$ 44,012
Additional paid-in capital	349,674	349,674
From convertible bonds	1,033	1,033
From difference between acquisition of interests in subsidiaries and its carrying value of equity	28,451	28,451
Share-based payments	2,028	2,028
Others	18,503	18,503
Total	\$ 443,701	\$ 443,701

Under the Company Act, the capital surplus generated from the excess of the issuance price over the par value of capital stock ( including mergers, convertible bonds and difference between acquisition of interests in subsidiaries and its carrying value of equity ) and from donations can be used to offset deficit or may be distributed as stock

dividends or cash dividends. Under the regulations of the Security Exchange Law, the maximum amount transferred from the foregoing capital surplus to the Company's capital per year shall not be over 10% of the Company's capital surplus. Capital surplus can't be used to offset deficit unless legal reserve is insufficient. The capital surplus from long-term investments may not be used for any purpose.

**(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 less than 10% of the total amount of Dividends distributed to the shareholders.

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

C. Special reserve

Item	December 31	
	2023	2022
Special reserve	\$ 380,863	\$ 380,863

(a) In accordance with the regulation, the Company shall set aside special reserve from the debit balance on other equity item at the end of the year before distributing earnings. When debit balance on other equity is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs, shall be reversed proportionately to retained earnings when the relevant assets are used, disposed of or reclassified subsequently.

D. The appropriations of 2022 and 2021 earnings have been approved by shareholders' meetings held on May 30, 2023 and June 13, 2022, respectively. The appropriations and dividends per share were as follows:

Item	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Year 2022	For Year 2021	For Year 2022	For Year 2021
Legal reserve	\$ 22,686	\$ 39,930	\$ -	\$ -
Special reserve	-	11,333	-	-
Cash dividends	129,224	198,806	1.30	2.00
Total	<u>\$ 151,910</u>	<u>\$ 250,069</u>		

E. The Company's appropriations of earnings for 2023 had been approved in the meeting of the Board of Directors held on March 12, 2024. The appropriations and dividends per share were as follows, and proposed stock distributed from capital surplus to shareholders 49,702 thousand with a dividend of NT\$0.5 per share.

Item	Appropriation of Earnings	Dividends Per Share (NT\$)	
Legal reserve	\$ 17,503	\$ -	-
Special reserve	5,020	-	-
Cash dividends	99,403		1.00
Total	<u>\$ 121,926</u>		

The appropriations of earnings for 2023 are to be presented for approval in the Company's annual shareholders' meeting to be held on June 19, 2024.

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, 2023	\$ (327,489)	\$ (2,652)	\$ (330,141)
Exchange differences on translation of foreign financial statements	(56,212)	-	(56,212)
Valuation adjustments on equity instrument at fair value through other comprehensive income	-	4	4
Valuation adjustments on debt instrument at fair value through other comprehensive income	-	466	466
Balance, December 31, 2023	<u>\$ (383,701)</u>	<u>\$ (2,182)</u>	<u>\$ (385,883)</u>
Balance, January 1, 2022	\$ (380,220)	\$ (643)	\$ (380,863)
Exchange differences on translation of foreign financial statements	52,731	-	52,731



Item	Exchange differences on translation of foreign financial statements	Profit (loss) on financial assets at fair value through other comprehensive income	Total
Valuation adjustments on equity instrument at fair value through other comprehensive income	\$ -	\$ (128)	\$ (128)
Valuation adjustments on debt instrument at fair value through other comprehensive income	-	(1,881)	(1,881)
Balance, December 31, 2022	<u>\$ (327,489)</u>	<u>\$ (2,652)</u>	<u>\$ (330,141)</u>

## (21) Net revenue

Item	Years ended December 31	
	2023	2022
Revenue from contract with customers		
Revenue from sale of goods	\$ 2,550,815	\$ 3,010,230
Service revenue	41,623	30,186
Total	<u>\$ 2,592,438</u>	<u>\$ 3,040,416</u>

### A. Description of contract with customers

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

### B. Disaggregation of revenue from contracts with customers

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

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

Item	Year ended December 31, 2022						Total
	The Company	XIAHUI	LUHAI KUNSHAN	PT.LUHAI	Eliminations		
<u>Main products</u>							
Bicycle valves	\$ 62,069	\$ 451,683	\$ 2,566	\$ 98,189	\$ -	\$	\$ 614,507
Motorcycle and electric bike valves	50,101	437,571	-	390,592	-		878,264
Passenger car, truck and other valves	135,281	687,898	6,733	76,709	-		906,621
Accessories and others	81,918	347,818	38,973	179,024	(6,709)		641,024

Year ended December 31, 2022						
Item	The Company	XIAHUI	LUHAI KUNSHAN	PT.LUHAI	Eliminations	Total
Total	\$ 329,369	\$ 1,924,970	\$ 48,272	\$ 744,514	\$ (6,709)	\$ 3,040,416

### C. Contract balances

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

Item	December 31	
	2023	2022
Contract liabilities - current	\$ 2,831	\$ 5,296

## (22) Employee benefits, depreciation and amortization expense

By nature	Years ended December 31					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	\$ 333,139	\$ 130,741	\$ 463,880	\$ 340,661	\$ 127,826	\$ 468,487
Remuneration to directors	-	6,396	6,396	-	7,341	7,341
Insurance	17,041	9,294	26,335	11,298	7,427	18,725
Pension	20,988	8,203	29,191	19,310	7,601	26,911
Other labor cost	27,034	9,082	36,116	28,037	10,158	38,195
Depreciation	159,468	46,825	206,293	157,458	46,131	203,589
Amortization	44	2,030	2,074	1	2,108	2,109
Total	\$ 557,714	\$ 212,571	\$ 770,285	\$ 556,765	\$ 208,592	\$ 765,357

**A.** According to the Company's Article of Incorporation, if the Company has pre-tax profits in the current year, the Company shall aside not less than 1.5% of the profits as employees' compensation and not more than 3% of the profits as Directors' remuneration. The company asided 1.5% of pre-tax profit of 2023 and 2022 as employees' and Directors' compensation respectively. If there is a change in amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

**B.** The appropriations of employees' compensation and remuneration of directors of 2023 and 2022 have been approved by directors' meeting held on March 12, 2024 and March 14, 2023, respectively. The amounts approved and recognized in financial statements are shown as follows:

	Years ended December 31			
	2023		2022	
	Employees' compensation	Remuneration to directors	Employees' compensation	Remuneration to directors
Amount resolved to be distributed	\$ 2,809	\$ 2,809	\$ 3,508	\$ 3,508
Amount recognized in financial statements	2,809	2,809	3,508	3,508

	Years ended December 31			
	2023		2022	
	Employees' compensation	Remuneration to directors	Employees' compensation	Remuneration to directors
Difference	\$ -	\$ -	\$ -	\$ -

The employees' compensation and remuneration to directors of 2023 and 2022 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, 2023 and 2022, the numbers of employees of the Group were 1,261 and 1,249, respectively. Among them, the numbers of Directors who were not employees both 5, respectively.

### (23) Interest income

Item	Years ended December 31	
	2023	2022
Interest income		
Bank deposit	\$ 15,684	\$ 12,415
Financial assets at fair value through other comprehensive income	249	243
Total	\$ 15,933	\$ 12,658

### (24) Other income

Item	Years ended December 31	
	2023	2022
Government grants	\$ 17,735	\$ 90,433
Rent income	20,318	18,842
Others	5,435	6,099
Total	\$ 43,488	\$ 115,374

The 2022 government grants included the rent subsidies for the transitional plant of LUHAI KUNSHAN, please refer to Note 6(14) for details.

### (25) Other gains and losses

Item	Years ended December 31	
	2023	2022
Net profit on relocation compensation	\$ 143,046	\$ -
Net currency exchange losses	(9,993)	(69,792)
Gains of financial assets at fair value through profit or loss	-	1,030
Gains (losses) on disposal of property, Plant and equipment	1,314	(3,608)

Item	Years ended December 31	
	2023	2022
Direct operating expenses arising from the investment property that generated rental income during the period	\$ (7,565)	\$ (6,918)
Direct operating expenses arising from the investment property that did not generate rental income during the period	(5,500)	-
Others	(2,033)	(5,066)
Total	<u>\$ 119,269</u>	<u>\$ (84,354)</u>

Please refer to Note 6(14) for the transaction detail of LUHAI KUSHAN relocation. LUHAI KUSHAN recognized the net profit on relocation compensation stated as follow:

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

## (26) Financial costs

Item	Years ended December 31	
	2023	2022
Interest expense		
Bank borrowings	\$ 42,417	\$ 27,040
Interest of lease liabilities	11	258
Less: capitalized amount for qualified assets	-	-
Financial costs	<u>\$ 42,428</u>	<u>\$ 27,298</u>
Interest capitalization rates	<u>-</u>	<u>-</u>

## (27) Income tax

### A. Components of income tax expense:

Item	Years ended December 31	
	2023	2022
<u>Current income tax expense</u>		
Current tax expense recognized in the current year	\$ 261,248	\$ 115,940
Income tax adjustments on prior years	2,350	934
Additional income tax on unappropriated earnings	580	675
Current income tax expense	<u>264,178</u>	<u>117,549</u>
<u>Deferred income tax expense</u>		
Deferred income tax expense (benefit)	(109,995)	5,974

Item	Years ended December 31	
	2023	2022
related to temporary differences		
Unused loss carryforwards	\$ (3,461)	\$ -
Deferred income tax expense (benefit)	(113,456)	5,974
Income tax expense	<u>\$ 150,722</u>	<u>\$ 123,523</u>

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

Item	Years ended December 31	
	2023	2022
Unrealized profit (loss) from debt instruments at fair value through other comprehensive income	<u>\$ 117</u>	<u>\$ (470)</u>

**C. Reconciliation between income tax expense and accounting profit:**

Item	Years ended December 31	
	2023	2022
Income before tax	<u>\$ 325,750</u>	<u>\$ 350,384</u>
Income tax expense at the statutory rate	\$ 137,729	\$ 124,133
Tax effect of adjusting items:		
Deductible items in determining taxable income	123,519	(8,193)
Additional tax on unappropriated earnings	580	675
Income tax adjustments on prior years	2,350	934
Net changes on deferred income tax		
Temporary differences	(109,995)	5,974
Unused loss carryforwards	<u>(3,461)</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 150,722</u>	<u>\$ 123,523</u>

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

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

Item	Year ended December 31, 2023				
	Beginning balance	Recognized in (losses) gains	Recognized in other comprehensive income	Effect of exchange rate changes	Ending Balance
Deferred tax assets (liabilities)					
Temporary differences					
Timing of revenue recognition	\$ 1,320	\$ 1,202	\$ -	\$ (40)	\$ 2,482
Loss allowance	889	18	-	(5)	902

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

Item	Year ended December 31, 2022				
	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	\$ 2,194	\$ (923)	\$ -	\$ 49	\$ 1,320
Loss allowance	1,616	(754)	-	27	889
Loss on decline (gain on reversal) in market value of inventory	5,898	(238)	-	93	5,753
Gain (loss) on foreign Investments accounted For using equity method	(18,031)	4,170	-	(1,859)	(15,720)
Deferred depreciation expense	12,845	2,898	-	221	15,964
Impairment loss	2,900	(673)	-	52	2,279
Deferred insurance expense and housing provident fund	2,188	-	-	39	2,227
Unrealized profit (loss) on Financial Assets at Fair Value Through other comprehensive income	174	-	470	-	644
Net profit on relocation compensation	(120,634)	-	-	(2,130)	(122,764)
The rent subsidy for the transitional plant	-	(9,855)	-	19	(9,836)
Others	5,927	(599)	-	102	5,430
Total	<u>\$ (104,923)</u>	<u>\$ (5,974)</u>	<u>\$ 470</u>	<u>\$ (3,387)</u>	<u>\$ (113,814)</u>

The tax for the net relocation compensation recognized by the Group may be paid in the year the relocation is completed within five years from the beginning of the relocation,

or in the fifth year in which the relocation is completed. The Group chooses to declare and pay income tax in the year when the relocation is completed, thus reclassifying deferred income tax liabilities as current income tax liabilities for the year ended December 31, 2023.

E. As of December 31, 2023, the tax authorities have examined The Company's Taiwan branch and LU HAI IND.'s income tax returns through 2021.

## (28) Other comprehensive income

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

Item	Year ended December 31, 2022		
	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	\$ (128)	\$ -	\$ (128)
Subtotal	(128)	-	(128)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	52,731	-	52,731
Unrealized profit (loss) from debt instrument at fair value through other comprehensive income	(2,351)	470	(1,881)
Subtotal	50,380	470	50,850
Total	\$ 50,252	\$ 470	\$ 50,722

## (29) Earnings per share

Item	Years ended December 31	
	2023	2022
Basic earnings per share		
Net income attributable to shareholders of the parent	\$ 175,028	\$ 226,861

Item	Years ended December 31	
	2023	2022
Net income for calculating basic earnings per share	\$ 175,028	\$ 226,861
Weighted average number of shares outstanding for the period (in thousands)	99,403	99,403
Basic earnings per share, after tax (in dollar)	\$ 1.76	\$ 2.28
Diluted earnings per share		
Net income attributable to shareholders of the parent	\$ 175,028	\$ 226,861
Net income for calculating diluted earnings per share	\$ 175,028	\$ 226,861
Weighted average number of shares outstanding for the period (in thousands)	99,403	99,403
Effect of dilutive potential common shares		
Employees' compensation	117	153
Weighted average shares outstanding for dilutive earnings per share	99,520	99,556
Diluted earnings per share, after tax (in dollar)	\$ 1.76	\$ 2.28

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.

## 7. RELATED PARTY TRANSACTIONS

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

### (1) Compensation of key management personnel

Item	Years ended December 31	
	2023	2022
Salary and short-term employee benefits	\$ 19,332	\$ 19,533
Post- employment benefits	193	184
Total	\$ 19,525	\$ 19,717



**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	
	2023	2022
Property, plant and equipment	\$ 31,433	\$ 81,289

**(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, 2023 to March 15, 2024. The insurance policy covers from March 15, 2007 to March 15, 2024. 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						
	2023			2022		
	Foreign currency	Exchange rate	New Taiwan Dollars	Foreign currency	Exchange rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 12,150	30.71	\$ 373,076	\$ 12,781	30.71	\$ 392,500
EUR	276	33.98	9,363	540	32.72	17,655
<u>Financial liabilities</u>						
Monetary items						
USD	\$ 14,982	30.71	\$ 460,009	\$ 21,279	30.71	\$ 653,492
EUR	6,325	33.98	214,923	10,844	32.72	354,816

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 current 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 \$2,920 and \$5,918 for the years ended December 31, 2023 and 2022, respectively.

The Group's foreign exchange gains and losses, including realized and unrealized, for the years ended December 31, 2023 and 2022 were net exchange loss of \$9,993 thousand and \$69,792 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 \$8 thousand since the fair value of financial assets at fair value through other comprehensive income increased/decreased for the years ended December 31, 2023 and 2022.

iii. Interest rate risk

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

Item	December 31	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 403,739	\$ 446,898
Financial liabilities	-	-
Net value	<u>\$ 403,739</u>	<u>\$ 446,898</u>
Cash flow interest rate risk		
Financial assets	\$ 577,942	\$ 630,977
Financial liabilities	(1,058,724)	(1,058,086)
Net value	<u>\$ (480,782)</u>	<u>\$ (427,109)</u>

Sensitivity analysis for instruments with fair value interest rate risk

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

Sensitivity analysis for instruments with cash flow interest rate risk

The Group's financial instruments with variable interest rate are those with floating-rate. If interest rate increases (decreases) 1%, the profit before tax will increase (decrease) \$4,808 thousand and \$4,271 thousand for the years ended December 31, 2023 and 2022, respectively.

The Group does not utilize derivative financial instruments of interest rate risk as of December 31, 2023.

(b) Credit risk

Credit risk is the risk that counterparty will default on its contractual obligations under a contract leading to a financial loss to the Group. The Group is exposed to credit risk from operation activities, primarily trade receivable, and from investing activities,

primarily deposit and other financial instruments with bank. Credit risk is managed separately for business related and financial related exposures.

#### Business related credit risk

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

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

#### Financial credit risk

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

##### i. Concentration of credit risk

The Group's concentration of credit risk was related to the customers whose balances of accounts receivable are top 4 of the Group, which accounted for 38% and 40% of the total accounts receivable as of December 31, 2023 and 2022.

##### 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

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

Non-derivative financial liabilities	December 31, 2022				
	Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying value
Short-term loans	\$ 21,077	\$ -	\$ -	\$ 21,077	\$ 21,000
Accounts payable	242,210	-	-	242,210	242,210
Other payables	113,590	-	-	113,590	113,590
Lease liabilities	2,313	-	-	2,313	2,303
Long-term loans (including long-term loans due within a year)	241,619	866,999	-	1,108,618	1,037,086
Guarantee deposits received	-	4,886	-	4,886	4,886
Total	<u>\$ 620,809</u>	<u>\$ 871,885</u>	<u>\$ -</u>	<u>\$ 1,492,694</u>	<u>\$ 1,421,075</u>

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, 2023 and 2022 were as follows:

Item	December 31	
	2023	2022
<u>Financial assets</u>		
Financial assets at amortized cost(Note 1)	\$ 1,679,417	\$ 1,772,251
Financial assets at fair value through other comprehensive income	15,371	15,093
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	\$ 1,412,450	\$ 1,418,772

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

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

#### (4) Fair value information

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

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

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

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

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

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

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

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

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

Item	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurement</u>				
Financial assets at fair value through other comprehensive income				

Item	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Debt instruments				
Foreign corporate bonds	\$ -	\$ 14,607	\$ -	\$ 14,607
Equity instruments				
Foreign unlisted stocks	-	-	764	764
Total	<u>\$ -</u>	<u>\$ 14,607</u>	<u>\$ 764</u>	<u>\$ 15,371</u>

Item	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurement</u>				
Financial assets at fair value through other comprehensive income				
Debt instruments				
Foreign corporate bonds	\$ -	\$ 14,315	\$ -	\$ 14,315
Equity instruments				
Foreign unlisted stocks	-	-	778	778
Total	<u>\$ -</u>	<u>\$ 14,315</u>	<u>\$ 778</u>	<u>\$ 15,093</u>

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

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

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

G. Changes in level 3 instruments are as follows:

Item	Years ended December 31	
	2023	2022
<u>Financial assets at fair value through other comprehensive income</u>		
Balance at January 1	\$ 778	\$ 890
Recognized in other comprehensive income	4	(128)
Effect of exchange rate difference	(18)	16
Balance at December 31	<u>\$ 764</u>	<u>\$ 778</u>

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

### 13. SUPPLEMENTARY DISCLOSURES

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

- A. Financings provided: Please see Table 1 attached;
- B. Endorsement/ guarantee provided: Please see Table 2 attached;
- C. Marketable securities held (excluding investments in subsidiaries, associates and joint ventures at the end of the period): Please see Table 3 attached;
- D. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
- E. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None;
- F. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- G. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- H. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
- I. Information on the derivative instrument transactions: None;
- J. Intercompany relationships and significant intercompany transactions: Please see Table 5 attached;

**(2) Information on investees (before inter-company eliminations): Please see Table 6 attached;**

**(3) Information on investment in Mainland China**

- A. The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 7 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 5 attached.

**(4) Information of major shareholder: Please see Table 8 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 9 attached;**

##### **(4) Reconciliation for segment income (loss)**

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

##### **(5) Geographic information**

###### **A. Sales from external customers**

Areas	Years ended December 31	
	2023	2022
China	\$ 1,228,901	\$ 1,382,290
Indonesia	631,163	697,564
Others	732,374	960,562
Total	<u>\$ 2,592,438</u>	<u>\$ 3,040,416</u>

###### **B. Noncurrent assets**

Areas	December 31	
	2023	2022
China	\$ 2,171,923	\$ 2,274,397
Indonesia	193,893	179,895
Others	60,592	19,101
Total	<u>\$ 2,426,408</u>	<u>\$ 2,473,393</u>

##### **(6) Major customer information**

Customer	Years ended December 31			
	2023		2022	
	Amount	%	Amount	%
Customer A	\$ 298,539	11.52%	\$ 485,841	15.98%

LUHAI HOLDING CORP. AND SUBSIDIARIES  
FINANCING PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2023

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

Table 1

No. (Note 1)	Financing Company	Counter-party	Financial Statement Item	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn (Note 6)	Interest Rate	Nature for Financing (Note 2)	Transaction Amounts	Reason for Financing	Recognized loss allowance	Collateral		Limit on Financing Provided to Each Company (Note 3)	Financing Company's Total Financing Limit (Note 4)
													Item	Value		
1	LUHAI KUNSHAN	XIAHUI	Other receivables- related parties	Yes	190,006	95,003	95,003	2.80%	2	—	Operating capital	—	—	—	234,475	468,950
					RMB 44,000	RMB 22,000	RMB 22,000								RMB 54,298	RMB 108,595

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

Note 2: Nature of loans:

1. Business transaction
2. Short-term financing

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

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

Note 5: Foreign currencies aforementioned were translated into NTD using the exchange rate as of December 31, 2023 or average exchange rate for the year ended.

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

LUHAI HOLDING CORP. AND SUBSIDIARIES  
ENDORSEMENT/GUARANTEE PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(AMOUNTS IN THOUSANDS OF NEW TAIWAN DOLLARS AND FOREIGN CURRENCIES)

Table 2

No. (Notes 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 4)	Guarantee Provided by Parent company	Guarantee Provided by Subsidiary to Parent Company	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 2)										
0	The Company	PT. LUHAI	2	1,210,946	168,878 USD 5,500	— —	— —	— —	—	1,513,683	Y	N	N
0	The Company	LUHAI KUNSHAN	2	1,210,946	61,410 USD 2,000	— —	— —	— —	—	1,513,683	Y	N	Y
0	The Company	XIAHUI	2	1,210,946	245,640 USD 8,000	245,640 USD 8,000	245,640 USD 8,000	— —	8.11%	1,513,683	Y	N	Y

Note 1 : The Company is '0'.

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

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

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

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

LUHAI HOLDING CORP. AND SUBSIDIARIES  
MARKETABLE SECURITIES HELD  
DECEMBER 31, 2023  
(AMOUNTS IN THOUSANDS OF FOREIGN CURRENCIES)

Table 3

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Item	December 31, 2023				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
XIAHUI	Xiamen Taiwan Merchants Association Management Co., LTD	None	Financial assets at fair value through other comprehensive income-noncurrent	—	RMB 177	0.53%	RMB 177	—
LU HAI IND.	EXXON MOBIL CORP. corporate bonds	None	Financial assets at fair value through other comprehensive income-current	—	USD 476	—	USD 476	—

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, 2023

(AMOUNTS IN THOUSANDS OF FOREIGN CURRENCIES)

Table 4

Purchaser/Seller	Counterparty	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 13,709	19.31%	According to conditions agreed upon the parties	—	—	Accounts receivable USD 2,219	10.76%	Note 1
XIAHUI	The company	The ultimate parent of the Company	Sales	USD 3,311	4.66%	According to conditions agreed upon the parties	—	—	Accounts receivable USD 1,152	5.59%	Note 1

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

Table 5

LUHAI HOLDING CORP. AND SUBSIDIARIES  
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTION  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(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	5,865	Note 3	0.23%
0	The Company	PT.LUHAI	1	Other revenue	678	"	0.03%
0	The Company	XIAHUI	1	Sales revenue	2,702	"	0.10%
0	The Company	XIAHUI	1	Other revenue	10,558	"	0.41%
0	The Company	LUHAI KUNSHAN	1	Sales revenue	1,021	"	0.04%
0	The Company	LUHAI KUNSHAN	1	Other revenue	2,467	"	0.10%
1	LU HAI IND.	The Company	2	Rental income	2,597	"	0.10%
2	PT.LUHAI	The Company	2	Sales revenue	1,300	"	0.05%
2	PT.LUHAI	XIAHUI	3	Sales revenue	2,202	"	0.08%
3	XIAHUI	The Company	2	Sales revenue	103,436	"	3.99%
3	XIAHUI	PT.LUHAI	3	Sales revenue	426,740	"	16.46%
3	XIAHUI	LUHAI KUNSHAN	3	Sales revenue	2,513	"	0.10%
4	LUHAI KUNSHAN	The Company	2	Sales revenue	7,562	"	0.29%
4	LUHAI KUNSHAN	XIAHUI	3	Other revenue	162	"	0.01%
4	LUHAI KUNSHAN	XIAHUI	3	Interest revenue	3,880	"	0.15%

(Continued)

Table 5

LUHAI HOLDING CORP. AND SUBSIDIARIES  
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTION  
DECEMBER 31, 2023  
(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	2,516	Note 3	0.05%
0	The Company	PT.LUHAI	1	Other receivables	46	"	-
0	The Company	XIAHUI	1	Account receivables	1,112	"	0.02%
0	The Company	XIAHUI	1	Other receivables	812	"	0.02%
1	LU HAI IND.	The Company	2	Other receivables	682	"	0.01%
2	PT.LUHAI	The Company	2	Account receivables	1,233	"	0.03%
2	PT.LUHAI	XIAHUI	3	Account receivables	4,073	"	0.09%
3	XIAHUI	The Company	2	Account receivables	35,363	"	0.75%
3	XIAHUI	PT.LUHAI	3	Account receivables	68,127	"	1.44%
3	XIAHUI	LUHAI KUNSHAN	3	Account receivables	1,276	"	0.03%
4	LUHAI KUNSHAN	The Company	2	Account receivables	1,784	"	0.04%
4	LUHAI KUNSHAN	XIAHUI	3	Other receivables	95,003	"	2.01%

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

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

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

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

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

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

(Concluded)



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

Table 6

Investor	Investee	Location	Main business activities	Original Investment Amount		Balance as of December 31, 2023			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2023	December 31, 2022	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
The Company	LU HAI BVI	Note 1	Investing activities	271,954 (USD 8,857)	271,954 (USD 8,857)	8,857	100%	1,147,171	51,863	51,863	Note 6
	ALLPRO	Note 2	Investing activities	203,973 (USD 6,643)	203,973 (USD 6,643)	6,643	100%	860,273	38,882	38,882	Note 6
	YUANHUI	Note 3	Investing activities	199,583 (USD 6,500)	199,583 (USD 6,500)	6,500	100%	777,942	101,785	101,785	Note 6
	LU HAI IND. PT.LUHAI	Note 4 Note 5	Leasing activities Manufacturing and selling various kinds of valves and accessories	30,000 208,794 (USD 6,800)	30,000 208,794 (USD 6,800)	3,000 6,800	100% 85%	155,616 500,614	9,675 62,024	9,675 52,720	Note 6 Note 6
LU HAI IND.	PT.LUHAI	Note 5	Manufacturing and selling various kinds of valves and accessories	36,846 (USD 1,200)	36,846 (USD 1,200)	1,200	15%	88,400	62,024	Note 7	Note 6

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

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

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

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

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

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

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

LUHAI HOLDING CORP. AND SUBSIDIARIES  
INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(AMOUNTS IN THOUSANDS OF NEW TAIWAN DOLLARS AND FOREIGN CURRENCIES)

Table 7

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, 2023	Amount remitted from Taiwan for the year ended December 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net Income (Losses) of the Investee Company (Note 5)	Percentage of Ownership	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
XIAHUI	Manufacturing and selling various kinds of valves and accessories	475,928	Note 1	Not applicable	-	-	Not applicable	130,022	100%	133,383	2,023,337	Not applicable
		USD 15,500						USD 4,177			USD 65,896	
LUHAI KUNSHAN	Manufacturing and selling precision processed products	253,132	Note 1	Not applicable	-	-	Not applicable	95,874	100%	101,664	773,183	Not applicable
		USD 8,244 (Note 4)						USD 3,080			USD 25,181	

Accumulated Investment in Mainland China as of December 31, 2023	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, 2023 or average exchange rate for the year ended.

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

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

LUHAI HOLDING CORP. AND SUBSIDIARIES  
INFORMATION F MAJOR SHAREHOLDERS  
DECEMBER 31, 2023

Table 8

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
DAY LIGHT BUSINESS CO., LTD.	10,676,952	10.74%
GET JOINT BUSINESS CORPORATION	10,676,952	10.74%

Note 1 : Table 8 is based on the information on the last business day of the quarter provided by the Taiwan Depository & Clearing Corporation (TDCC). The TDCC calculate the total number of ordinary shares and preferred shares held by shareholders who retain more than 5% of the Company's share (including treasury shares) that have delivered without physical registration. The number of shares in the Company's consolidated financial report and the actual number of shares delivered without physical registration may differ due to the different calculation basis.

Table 9

LUHAI HOLDING CORP. AND SUBSIDIARIES  
SEGMENT INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2023 AND 2022  
(AMOUNTS IN THOUSANDS OF NEW TAIWAN DOLLARS)

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

(Continued)

Table 9

LUHAI HOLDING CORP. AND SUBSIDIARIES  
SEGMENT INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2023 AND 2022  
(AMOUNTS IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Year ended December 31, 2022					
	The Company	XIAHUI	LUHAI		PT.LUHAI	Total
			KUNSHAN	Others	Elimination	
Revenue						
Net revenue from external customers	\$ 329,369	\$ 1,924,970	\$ 48,272	\$ -	\$ (6,709)	\$ 3,040,416
Inter-segment revenue	13,722	678,258	53,075	2,597	(762,696)	-
Total	<u>\$ 343,091</u>	<u>\$ 2,603,228</u>	<u>\$ 101,347</u>	<u>\$ 2,597</u>	<u>\$ (769,405)</u>	<u>\$ 3,040,416</u>
Interest income	<u>\$ 256</u>	<u>\$ 2,926</u>	<u>\$ 10,259</u>	<u>\$ 714</u>	<u>\$ (2,749)</u>	<u>\$ 12,658</u>
Interest expenses	<u>\$ 11,981</u>	<u>\$ 18,026</u>	<u>\$ 114</u>	<u>\$ -</u>	<u>\$ (2,823)</u>	<u>\$ 27,298</u>
Depreciation and amortization	<u>\$ 3,097</u>	<u>\$ 162,221</u>	<u>\$ 19,313</u>	<u>\$ 886</u>	<u>\$ (3,050)</u>	<u>\$ 205,698</u>
Segment benefit (loss)	<u>\$ (69,712)</u>	<u>\$ 271,728</u>	<u>\$ 65,576</u>	<u>\$ 5,960</u>	<u>\$ -</u>	<u>\$ 350,384</u>
Income before tax						<u>\$ 350,384</u>
Total assets						<u>\$ 4,865,994</u>
						<u>(Concluded)</u>

## VII. Review of Financial Conditions, Operating Results, and Risk Management

### 7.1 Financial situation

Unit: NTD thousand

Item \ Year	2022	2023	Difference	
			Amount	%
Current assets	2,364,466	2,274,356	(90,110)	(3.81%)
Financial assets at fair value through profit or loss – noncurrent	778	764	(14)	(1.80%)
Property, plant and equipment	2,220,150	2,057,421	(162,729)	(7.33%)
Right-of-use assets	179,395	158,621	(20,774)	(11.58%)
Investment property net amount	25,409	154,223	128,814	506.96%
Intangible assets	9,650	10,953	1,303	13.50%
Other assets	66,146	74,578	8,432	12.75%
Total assets	4,865,994	4,730,916	(135,078)	(2.78%)
Current liabilities	858,446	925,644	67,198	7.83%
Non-current liabilities	970,245	777,907	(192,338)	(19.82%)
Total liabilities	1,828,691	1,703,551	(125,140)	(6.84%)
Equity attributable to owners of parent company	3,037,303	3,027,365	(9,938)	(0.33%)
Capital stocks	994,030	994,030	-	-
Capital surplus	443,701	443,701	-	-
Retained earnings	1,929,713	1,975,517	45,804	2.37%
Other equity	(330,141)	(385,883)	(55,742)	16.88%
Treasury shares	-	-	-	-
Non-controlling interests	-	-	-	-
Total equity	3,037,303	3,027,365	(9,938)	(0.33%)
Description on major change items: (if the proportion of increase or decrease change exceeds 20%, and the change amount thereof reaches to NTD10 million)				
<ol style="list-style-type: none"> <li>1. Increase in net investment property mainly because Kunshan new plant has been completed in February 2023. One of the buildings has been re-evaluated for lease to produce rental, and it is recognized as investment property.</li> <li>2. Decrease in non-current liabilities mainly because Kunshan new plant has completed the relocation for the second time and recognized as net profit of relocation compensation. Also, the deferred income tax liabilities are transferred to current income tax liabilities, and the increase in long-term loan that is due within one year.</li> </ol>				

## 7.2 Financial performance

### 7.2.1 Main reasons for major changes in operating income, operating net profit and net profit before tax in the last two years

Unit: NTD thousand

Item \ Year	2022	2023	Amount of increase (decrease)	Change proportion (%)
Net revenue	3,040,416	2,592,438	(447,978)	(14.73%)
Gross Profit	664,576	532,609	(131,967)	(19.86%)
Operating income (loss)	334,004	189,488	(144,516)	(43.27%)
Non-operating income and expenses	16,380	136,262	119,882	731.88%
Income (loss) before tax from continuing operations	350,384	325,750	(24,634)	(7.03%)
Net income (loss) from continuing operations	226,861	175,028	(51,833)	(22.85%)
Loss from discontinued operations	-	-	-	-
Net profit	226,861	175,028	(51,833)	(22.85%)
Other comprehensive income (loss) for the year, net of income tax	50,722	(55,742)	(106,464)	(209.90%)
Total comprehensive income (loss) for the year	277,583	119,286	(158,297)	(57.03%)
Net income (loss) attributable to: Shareholders of the parent	226,861	175,028	(51,833)	(22.85%)
Net income attributable to non-controlling interests	-	-	-	-
Total comprehensive income (loss) attributable to: shareholders of the parent	277,583	119,286	(158,297)	(57.03%)
Comprehensive income attributable to non-controlling interests	-	-	-	-

Description on major change items: (if the proportion of increase or decrease change exceeds 20%, and the change amount thereof reaches to NTD10 million)

1. Decrease in operation profit and loss: mainly because global economy recession in 2023, slow end market demand, and constant stocking adjustment of the industrial chain, the sales volume of the bicycle valves and scooters valves are decreased and revenue decreased. Also, because of factors such as lower selling price and reduced production, the gross profit margin decreased and therefore the operating profit decreased.
2. Increase in non-operating income was mainly because of the decrease in subsidy. Global interest rate rise and financial cost increased; however, New Taiwan Dollar appreciated (to US dollar) and loss in exchange rate decreased, and Kunshan new plant has completed the relocation for the second time and recognized as net profit of relocation compensation, the non-operating income increased significantly.
3. Decrease in current net profit of the continuing operations, current net profit, and net profit attributed to the shareholders of the parent company. For more detail, please refer to note 1 and 2. Increase in income tax due to surplus remittance from subsidiary, resulting in reduced

profitability in 2023.

4. Decrease in current other comprehensive income (net income after tax) was mainly because RMB depreciated to US dollar in 2023 which caused the decrease in exchange difference on the financial statement of foreign operations (New Taiwan Dollar depreciated to US dollar in 2022 which caused the increase in exchange difference on the financial statement of foreign operations.)
5. Decrease in current total comprehensive profit and loss and total comprehensive profit and loss attributed to the shareholders of the parent company. For more detail, please refer to note 1 to 4.

#### 7.2.2 Expected sales quantity and its basis

The reinvestment company of the Company has worked out reasonable and achievable sales quantity according to market demand, sales in customer end and supply assessment. For relevant market research analysis and current condition and development of industry, please refer to the descriptions in Operational Highlights.

#### 7.2.3 Possible impact on the company's future financial affairs and response plan

The market demand of the Group's product application end is still growing, reinvestment company of the Company will always pay attention to the changes of market demand to improve company performance, and the Company will continue to strengthen the operation and cost control of each subsidiaries to improve profitability of the Group.

### 7.3 Cash flow

#### 7.3.1 Analysis of cash flow changes in the last year

Unit: %

Item	2023	2022	Amount of increase or decrease	Proportion of increase or decrease
Net cash provided by operating activities	261,520	700,501	(438,981)	(62.67%)
Net cash provided by (used in) investing activities	(227,436)	(303,621)	76,185	(25.09%)
Net cash used in financing activities	(117,375)	(422,856)	305,481	(72.24%)
Data source: the financial statement audited and certified by the accountant. Analysis of cash flow changes in this year: Decrease in net cash flows from operating activity: mainly because profit (excluding net profit compensation for second relocation) decreased (less inventory in 2022 and increase in cash inflow), resulting in decreased cash inflow from operating activities. Decrease in net cash outflow from investing activity: mainly because Kunshan new plant was completed in February 2023. The decrease in plant construction expense has led to a decrease in cash flow used in investment activity. Decrease in net cash flow used in funding activity: mainly because cash dividends distribution decreased in 2023, and stocking decreased in 2022. The cash flow increased and repaid partial loans.				

#### 7.3.2 Improvement plan for liquidity shortage

The business of the Group is at the stage of profit growth, and the Group appropriates bank loan in due time, and there is no liquidity shortage currently.



### 7.3.3 Cash liquidity analysis in the coming year

Unit: NTD thousand

Cash and cash equivalents, beginning of year	Estimated net cash flow from operating activities	Estimated cash outflow (inflow)	Cash Surplus (Deficit)	Remedial measures for estimated cash surplus (Deficit)	
				Investment plan	Financial plan
967,378	224,031	204,048	987,361	-	-
Analysis on cash flow changes in the coming Year:					
1. Operating activity: the expected cash inflow to be generated in 2024 is mainly due to the net profit generated after tax.					
2. Expected annual cash outflow (investment and fundraising activities): the cash outflow expected to be generated from the investment activity of the Company in 2024 is mainly due to the automatic equipment expenditure; the cash inflow expected to be generated from the fundraising activity of the Company in 2024 is mainly due to the increase of financing and distribution of cash dividend, it is expected that the investment and fundraising activities will generate cash outflow.					

### 7.4 The impact of significant capital expenditure on financial affairs in the last year

Items of significant capital expenditure of the Group mainly include the expenditure in acquisition of plant, production equipment and detection equipment, mainly because of aiming at increase the investment in automation and continuous purchase of mechanical equipment in respond to market strategy planning, in 2023, the capital expenditure invested was approximately NTD229,047 thousand, accounting for 8.84% of net revenue, and it had no adverse impact on financial affairs of the company yet.

### 7.5 Reinvestment policy in the last year, the main reason for its profit or loss, improvement plan and investment plan in the coming year

#### 7.5.1 Reinvestment policy of the Company

Reinvestment policy of the Company is to take main business into core consideration, and take the strengthening of vertical integration of upstream and downstream as the development direction. Relevant investment plans have been analyzed and measured in every aspect, they can bring benefits to the Group and comply with the “Investment cycle” in internal control system passed by the resolution of Board of Directors Meeting or General Meeting and the “Regulations Governing the Acquisition and Disposal of Assets” of the Company.

#### 7.5.2 Main reason for profit or loss from reinvestment in the last year, improvement plan and investment plan in the coming year

Unit: NTD thousand

Invested company	Direct (indirect) shareholding ratio	Investment profit and loss recognized in the last year	Reason for profit or loss	Improvement plan	Investment plan in the coming year
LU HAI (BVI) INDUSTRIAL CORP.	100%	51,863	Mainly due to the recognition of profits from XIAMEN XIAHUI	None	None
ALLPRO INTERNATIONAL CORP.	100%	38,882		None	None

Invested company	Direct (indirect) shareholding ratio	Investment profit and loss recognized in the last year	Reason for profit or loss	Improvement plan	Investment plan in the coming year
YUANHUI INTERNATIONAL CO., LTD.	100%	101,785	Mainly due to the recognition of profits from KUNSHAN LUHAI	None	None
LU HAI INDUSTRIAL CORP.	100%	9,675	Mainly due to the recognition of profits from PT. LUHAI	None	None
PT. LUHAI INDUSTRIAL	100%	62,024	Under good operating conditions	None	None
XIAMEN XIAHUI RUBBER METAL INDUSTRIAL CO., LTD.	100%	133,383	Under good operating conditions	None	None
LUHAI INTELLIGENT TECHNOLOGY (KUNSHAN) CO., LTD.	100%	101,664	Mainly because the relocation for the second time and recognized as net profit of relocation compensation	None	None

## 7.6 Risk Management

7.6.1 The impact of interest rate, fluctuation in exchange rate, and inflation on company's profit and loss and future solutions

7.6.1.1 Interest rate change

Unit: NTD thousand

	2022		2023	
	Amount	Proportion in net sales	Amount	Proportion in net sales
Interest income	12,658	0.42%	15,933	0.61%
Interest expense	27,298	0.90%	42,428	1.64%

The interest income and interest expense of the Group in the last two years are accounting for a low proportion in net sales of the year, recorded at 0.42% and 0.61%, and 0.90% and 1.64% respectively, and the impact on profit and loss is still manageable. Specific solutions of the company in respond to interest rate change:

In principle, the capital planning of the Group is conservative and steady, in the aspect of capital allocation, the Group gives priority to safety management, and the capital investment is mainly short-term deposit, and the proportion of interest income is low. The financial structure of the Group is sound, borrowings are made in respond to the working capital necessary for the expansion of business scale, and the proportion of interest expense is also low. The Company and each subsidiary will give comprehensive consideration to the limit and cost of all kinds of capital sources to raise the needed capital, in the future, we will still pay close attention to the development trend of global economy, and adopt hedging instruments in due to avoid the risk of rising interest rate.

#### 7.6.1.2 Impact of fluctuation in exchange rate

Unit: NTD thousand

Item \ Year	2022	2023
Foreign exchange gain (loss)	(69,792)	(9,993)
Proportion in operating revenue (%)	(2.30%)	(0.39%)

Foreign exchange loss of the Group in the last two years are NTD 69,792 thousand and NTD 9,993 thousand respectively, only accounting for 2.30% and 0.39% of the net operating income, and it is not significant. Collection currency of the Group are mainly USD and RMB, and the payment for material procurement is also mainly made by USD and RMB, the mutual offset between them will generate the effect of natural hedge to reduce the exchange demand, and it should be able to minimize the impact of exchange rate fluctuation.

Specific solutions of the company in respond to fluctuation in exchange rate:

- ① Financial personnel will collect real-time exchange rate market information at any time, and maintain appropriate net foreign exchange position according to the judgment on the trend of future exchange rate and provide it to business personnel for reference when making an offer.
- ② Adjust the foreign currency deposit position according to the fluctuation in exchange rate, when necessary, pre-order or presell forward exchange contract for hedging purpose or borrow money to reduce the risk of exchange rate.
- ③ Adopt foreign exchange income and expenditure for automatic hedging, use the offset in the foreign currency receipts and payments generated from export sales and external procurement to reduce the position of net assets in foreign currency.
- ④ Formulate the “Regulations Governing the Acquisition and Disposal of Assets” pursuant to “Regulations Governing the Acquisition and Disposal of Assets by Public Company”, and take it as the basis for engaging in derivative transactions, making the exchange loss in daily operation within a manageable scope.

#### 7.6.1.3 Impact of inflation

Upon planning annual business plan, the Group has considered the risk of inflation, the profit and loss of the Group has not been significantly impacted by inflation in the past, in case of rising purchasing cost due to inflation, the Group will also always master the price changes in upstream commodities, and reflect it in the cost and offer, so as to reduce the impact on the profit and loss of the company caused by cost fluctuation.

### 7.6.2 Policy on engaging in high risk and highly leveraged investment, granting of loans, endorsement and derivative securities transaction, main reason for profit or loss, and future solutions

7.6.2.1 Based on the steady principle and practical operation philosophy, apart from focusing on the business fields of the Group, the Group has not engaged in high risk and highly leveraged investment.

7.6.2.2 In the last two years and as at the publication date of annual report, apart from granting of loans to and endorsement and guarantee for the subsidiaries in which the Group with direct and indirect shareholding of one hundred percent, the Group has not made granting of loans

to and endorsement and guarantee for others. Besides, the Group has formulated the “Regulations Governing Loaning of Funds” and “Regulations Governing Making of Endorsements/Guarantees”, relevant operations are executed prudently after giving consideration to risk conditions and relevant regulations.

7.6.2.3 The financial derivatives held by important subsidiaries of the Company are used for avoiding the exchange rate risks imposed in operation, financial and investment activities, however, since they are not conforming to the element of hedge accounting, hence they are recognized as the financial assets and liabilities listed in profit and loss according to the change in fair value.

#### 7.6.3 Research and development Plan and expected invested research and development costs

##### 7.6.3.1 Future research and development plan

- ① Process improvement: improve the automation degree and reduce production cost.
- ② New technology development: continue to focus on the research and development of professional fields of valves, and obtain patent right of utility models.

The key points in current research and development of the Group is to continuously develop dedicated automation equipment, improve equipment production efficiency and product quality, accelerate the introduction and conduct mass production for the completed research and development achievements, complete the transformation of production technique, and expand the overall benefits.

##### 7.6.3.2 Expected invested research and development costs

For the investment in research and development costs, the Group has complied gradually according to the progress of new products and process development, in 2022 and 2023, the research and development costs was NTD 24,027 thousand and NTD 38,914 thousand respectively, the company has maintained stable expenditure in research and development costs, so as to support the future research and development plan and increase the market competitiveness of the Group. The research and development costs compiled by the Group in 2024 is NTD 40,924 thousand.

#### 7.6.4 The impact of changes in domestic and overseas important policies and laws on financial affairs of the company and solutions

The Company is registered in Cayman Islands and has no substantial economic activities there, and the main places of business include China Mainland, Indonesia, and Taiwan, the Company and subsidiaries always pay attention to the information of changes in important policies and laws in the locating countries and regions, and make preventive preparation through all kinds of channels in advance, hence the changes in important policies and laws both at home and abroad have not caused significant impact on the financial affairs of the Company.

#### 7.6.5 The impact of changes in technology(including Cybersecurity Risk) and industry on financial affairs of the company and solutions

The Company and its subsidiaries are engaged in the valve industry, which is a century-old industry and an essential industry in industrial and commercial society. The Group pays close attention to the technological developments and changes in the prices of rubber and copper materials in the industry, and works closely with customers to stay updated on the latest market trends. The Group also continually strengthens its processing and research and development

capabilities and actively expands its market application areas. Currently, there have been no significant technological changes (including information security risks) or industry changes that may have a significant impact on the Company's financial business.

Solutions:

1. Understand industry trend, continue to invest in research and development and apply for patents, and improve automation degree.
2. Understand customer requirements, provide complete product lines, provide one-stop service, and increase added value.
3. In terms of information security, our company actively implements data backup mechanisms, periodically and irregularly backing up important data at designated points and offsite locations. We have signed maintenance contracts for important software, hardware, and systems, and conduct annual data recovery drills and testing. Analyzing recent security threats, the main threats come from hackers and computer viruses. Therefore, we strengthen firewall defense, conduct daily and irregular checks on antivirus software and operating system updates. We also promote information security awareness and concepts to employees, prevent external malicious attacks, strictly prohibit downloading or using unfamiliar computer programs, and enhance the promotion of the Company's information security work.

7.6.6 The impact of change in corporate image on corporate crisis management and solutions:

Ever since the establishment, the Company has a good corporate image and comply with relevant laws and decrees, actively promotes various quality certifications, and maintain a harmonious labor-capital relationship and local relationship at the same time, so as to continuously maintain a good corporate image, and in recent years, there is no any circumstance affecting the corporate image.

7.6.7 Expected benefit and possible risk of merger and acquisition and solutions

As at the publication date of annual report, the Company does not have any plan of merger and acquisition of other companies, in case of any merger and acquisition plan in the future, the Company will conduct assessment prudently and give consideration to the merger synergy, so as to ensure the rights and interests of shareholders.

7.6.8 Expected benefit and possible risk of plant expansion and solutions

In order to satisfy the future market and Group's strategic planning, the Company ordered subsidiaries XIAMEN XIAHUI to acquire a new land in 2018, and the plant had completed the construction in 2021 and relocated, it was planned to expand production capacity in metal processing, so as to win market opportunity and achieve the synergy in the Group's resources allocation. The subsidiary, KUNSHAN LUHAI has gained new land-use right by the end of 2020, and the plant had completed the construction in 2022 and relocated, intending to develop precision finishing products. The funds in plant expansion is supported by own funds, and bank loans, and the Company's debt ratio is only 36.01%, hence the risk might be caused is limited.

7.6.9 Risk encountered in centralized purchasing or sales and solutions

1. Risk encountered in centralized purchasing and solutions

The purchasing objects of the Group are dispersed, suppliers are from both at home and abroad, there is no single supplier in overall purchasing. In the last three years, the purchasing

amount of the first biggest supplier is accounting for 26.63%, 33.68% and 31.55% of the total purchase account respectively. The Group will continue to expand the recovery and reuse of its own copper materials, dispersed the proportion of purchase of single supplier, it may dispersed the impact of fluctuation in copper price at the same time, and it may also reduce the impact on operation performance.

2. Risk encountered in centralized sales and solutions

Regions of customers in sales of the Group include Europe, Africa, America and Asia etc., in the last three years, the total sales volume of top ten customers in sales was accounting for 53.44%, 55.98% and 54.02% of the annual net revenue respectively, and the total sales volume of the biggest customer in sales was accounting for 15.96%, 15.98% and 11.52% of the annual net revenue respectively, there is no single customer with sales proportion over 30%, all customers have been doing business of the Group for years, and product quality has been deeply recognized and trusted by customers, both parties are maintaining a long-term and stable sales relationship, hence there is no risk of centralized sales.

7.6.10 The impact and risk of massive transfer or change of the stock rights of directors, supervisors or shareholders with shareholding over ten percent and solutions

As at the publication date of annual report, there is no massive transfer of stock rights in the directors and substantial shareholders with shareholding over ten percent of the Company; the Company carried out comprehensive re-election of directors and supervisors in General Meeting on July 15, 2021, maintaining 9 seats of directors and 1 director member change. However, the shareholdings of substantial shareholders are stable, there is no significant change of important managerial officers, and management is stable.

7.6.11 The impact and risk of change in management right and solutions

As at the publication date of annual report, the Company has no circumstance of change in management right.

7.6.12 Litigation or non-litigation case

The sentenced or pending significant litigation, non-litigation or administrative litigation involving in the company or the directors, supervisors, General Manager, actual head and substantial shareholders with shareholding ratio over ten percent of the company shall be listed, and if the results thereof have significant impact on shareholders' equity or securities price, the facts in dispute, amount of object, commencement date of litigation, major parties involved in litigation, and handling circumstance as at the publication date of annual report shall be disclosed: None.

7.6.13 Other important risks and solutions:

1. Dividend distribution

The Company is a holding company, the ability of paying dividends depends on the surplus and distribution of its subsidiaries, as well as the distribution method and amount approved by the Board of Directors. Therefore, the future dividends allocation will be allocated depending on the enterprise's entire operation performance, financial conditions, the need for cash, and factors including laws, regulations that apply. For example, according to China's law, subsidiaries in China can only allocate and distribute dividends from their net income; and net income depends on China's Generally accepted accounting practice and the reserved surplus

standard of related financial calculation regulation, which is different from International Financial Reporting Standards.

Besides, subsidiaries in China have to allocate 10% of their post-tax net income to the legal reserve of non-distributed dividends allocation each year. Yet, it shall stop when the legal reserve accumulates to 50% of the capital register by the corporate. In addition, as for allocating dividends in forex, China does not have any restrictions in particular. The subsidiaries of the Company shall deduct 10% of the income tax when remitting the Company's dividends.

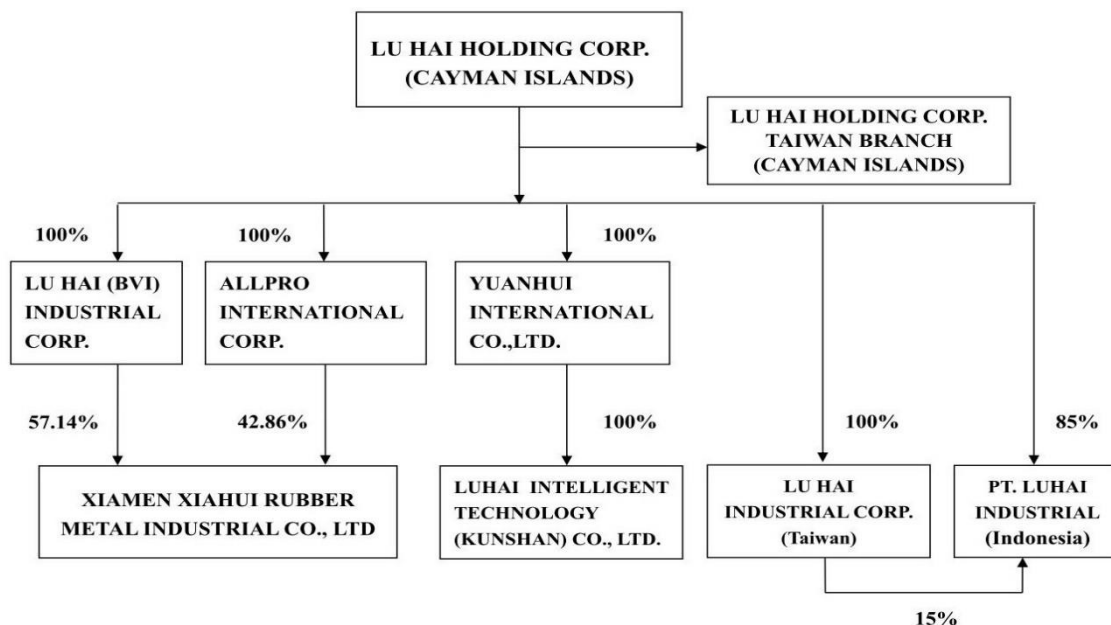
**7.7 Other important matters:** None.

## VIII. Special Recorded Matters

### 8.1 Relevant information of affiliated enterprise

#### 8.1.1 Consolidated business report of affiliated enterprise

##### 8.1.1.1 Organization chart of affiliated enterprise:



Notes: Subsidiaries LUHAI RUBBER METAL INDUSTRIAL (KUNSHAN) CO., LTD. was renamed LUHAI INTELLIGENT TECHNOLOGY (KUNSHAN) CO., LTD. passed by Board of Director on January 20, 2022.

##### 8.1.1.2 Basic information of affiliated enterprises:

Unit: NTD thousand and  
foreign currency in thousand

December 31, 2023

Name of enterprise	Establishment date	Address	Paid-in capital	Main business or production item
LU HAI (BVI) INDUSTRIAL CORP.	1996/11/05	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.	271,954 (USD8,857)	Investment holding
ALLPRO INTERNATIONAL CORP.	2000/07/10	Corner Hutson & Eyre Street, Blake Building, Suite 302, Belize City, Belize.	203,973 (USD6,643)	Investment holding
YUANHUI INTERNATIONAL CO., LTD.	2003/01/31	Level 3, Alexander House, 35 Cybercity, Ebene Mauritius.	199,583 (USD6,500)	Investment holding
XIAMEN XIAHUI RUBBER METAL INDUSTRIAL CO., LTD	1990/05/09	No.118, Guankou South Road, Guankou Town, Jimei District,, Xiamen China.	475,928 (USD15,500)	Production, manufacturing and sales of valve
LUHAI INTELLIGENT TECHNOLOGY (KUNSHAN) CO., LTD.	1997/05/23	No.868 Jimingtang South Road, HuaQiao Town, Kunshan City, Jiangsu Province, P.R.China.	253,132 (USD8,244)	Production and sales of precision processing products



LU HAI INDUSTRIAL CORP.	1983/05/13	No.64, Xingong 5th Rd, Tianzhong, Changhua Taiwan. (Tianzhong Industrial Park)	30,000	Leasing business
PT. LUHAI INDUSTRIAL	2011/11/08	d/a. Jl. Raya Cikande Rangkasbitung Km. 4.5. Desa Junti. Jawilan. Serang, Indonesia	245,640 (USD8,000)	Production, manufacturing and sales of valve

Notes: Converted at the exchange rate of USD1=NTD30.705 on the closing day of financial report.

8.1.1.3 Same shareholder information of those presumed with control and subordinate relationship: None.

8.1.1.4 Information of directors, supervisors and General Manager of each affiliated enterprise:

Name of enterprise	Title	Name or representative	Shareholding	
			Number of shares	Shareholding ratio %
LU HAI (BVI) INDUSTRIAL CORP.	Director	HSU, HO HSU, SHIH	-	-
ALLPRO INTERNATIONAL CORP.	Director	HSU, SHOU WU, CHIN-LU	-	-
YUANHUI INTERNATIONAL CO., LTD.	Director	HSU, CHIN WU, CHING-SHU	-	-
XIAMEN XIAHUI RUBBER METAL INDUSTRIAL CO., LTD.	Chairman	HSU, LIEN-KAI	-	-
	Director	HSU, HSIU-HUA		
	Director	HSU, YA-TING		
	Director	HSU, HUAI-YUN		
	Director	HSU, HAN-YUAN		
	Supervisor	WU, CHING-SHU		
LUHAI INTELLIGENT TECHNOLOGY (KUNSHAN) CO., LTD.	Chairman	HSU, LIEN-KAI	-	-
	Director	WU, CHING-SHU		
	Director	HSU, HSIU-HUA		
	Director	HSU, YA-TING		
	Director	HSU, HUAI-YUN		
	Supervisor	HSU, HAN-YUAN		
LU HAI INDUSTRIAL CORP.	Chairman	British Cayman Islands Merchant LU HAI HOLDING CORP. Representative: HSU, LIEN-KAI	-	-
	Director	British Cayman Islands Merchant LU HAI HOLDING CORP. Representative: HSU, HSIU-HUA		

	Director	British Cayman Islands Merchant LU HAI HOLDING CORP. Representative: HSU, YA-TING		
	Director	British Cayman Islands Merchant LU HAI HOLDING CORP. Representative: HSU, HUAI-YUN		
	Director	British Cayman Islands Merchant LU HAI HOLDING CORP. Representative: HSU, HAN-YUAN		
	Supervisor	British Cayman Islands Merchant LU HAI HOLDING CORP. Representative: WU, CHING-SHU		
PT. LUHAI INDUSTRIAL	Chairman	HSU, HSIU-HUA	-	-
	Director	QIU ZHONG-LIE		
	Director	QIU JING-HUI		
	Supervisor	HSU, LIEN-KAI		
	Supervisor	WU, CHING-SHU		
	Supervisor	HSU, YA-TING		
	Supervisor	HSU, HUAI-YUN		
	Supervisor	HSU, HAN-YUAN		

#### 8.1.1.5 Operation profile of each affiliated enterprise

December 31, 2023

Unit: NTD thousand

Name of enterprise	Capital amount	Total assets	Total liabilities	Net value	Net revenue	Operating income	Net income(loss) (after tax)	Earnings per share (NTD) (after tax)
LU HAI (BVI) INDUSTRIAL CORP.	271,954	1,158,895	11,697	1,147,198	-	(96)	51,863	5.86
ALLPRO INTERNATIONAL CORP.	203,973	869,067	8,773	860,294	-	(130)	38,882	5.85
YUANHUI INTERNATIONAL CO., LTD.	199,583	777,938	-	777,938	-	(141)	101,785	15.66
XIAMEN XIAHUI RUBBER METAL INDUSTRIAL CO., LTD.	475,928	3,075,552	1,036,148	2,039,404	2,195,099	155,355	130,022	-
LUHAI INTELLIGENT TECHNOLOGY (KUNSHAN) CO., LTD.	253,132	959,631	178,048	781,583	54,515	(20,249)	95,874	-
LU HAI INDUSTRIAL CORP.	30,000	157,445	1,830	155,615	2,597	1,300	9,675	3.23
PT. LUHAI INDUSTRIAL	245,640	689,691	100,362	589,329	731,473	84,199	62,024	7.75

Notes: converted according to the exchange rate (USD1=NTD30.705, USD1=RMB7.1104, USD1=IDR15,425) on the closing day of financial report or current average exchange rate (USD1=NTD31.128, USD1=RMB7.0976, USD1=IDR15,206).

- 8.1.2 Consolidated financial statements of affiliated enterprise: foreign companies may be exempted from preparing consolidated financial statement of affiliated enterprise according to the rules of Chapter 5 of preparation guidelines, please refer to page 107 to 180 for consolidated financial statements of the Company.
- 8.1.3 Declaration of consolidated statement of affiliated enterprise: foreign companies may be exempted from preparation.
- 8.1.4 Relationship report: Not applicable.
- 8.2 In the last year and as at the publication date of annual report, execution situation of private placement of negotiable securities: None.**
- 8.3 In the last year and as at the publication date of annual report, subsidiaries' holding or disposal of shares of the Company: None.**
- 8.4 Other necessary supplementary explanations: None.**
- 8.5 In the last year and as at the publication date of annual report, in case of matters having significant impact on the shareholders' equity or security price as prescribed in Subparagraph 2, Paragraph 3, Article 36 of Securities and Exchange Act, it shall also be specified one by one: None.**
- 8.6 Description on significant difference from the shareholders' equity protection regulations of our country:**

The Company has amended Articles of Incorporation according to the important matters of protecting shareholders' equity listed in the "Checklist for Matters of Protecting Shareholders' Equity of Foreign issuers in the Country of Registration" published by Stock Exchange, but since some of important matters of protecting shareholders' equity are not applicable under the laws of Cayman, hence they are not stipulated in Articles of Incorporation, it is hereby explained the difference as follows (Articles of Incorporation is subject to the English version, and the following Chinese contents are for reference only):

Shareholders' equity protection matters	"Company Act" or "Securities and Exchange Act" related laws and decrees	Explanation on companies laws and decrees of Cayman Islands	Provisions of Articles of Incorporation and explanation
Formation and change of company capital			
<p>1. After buying back its own shares, if the company transfer them to employees at the price of lower than average price in actual shares buyback, it shall be agreed by more than two third of attending shareholders with voting rights in the last General Meeting attended by shareholders holding the majority of total outstanding shares, and the following matters shall be listed and explained in the subject of convocation of such General Meeting, and it shall not be proposed as an Extempore Motion:</p> <p>(1) The transfer price fixed, discount rate, calculation basis and rationality.</p> <p>(2) Number of shares transferred, purpose and rationality.</p> <p>(3) Subscribing employee's qualification and number of shares may be subscribed.</p> <p>(4) Matters affecting shareholders' equity:</p> <p>(a) Possible expensing amount and the dilution of earnings per share of the company.</p> <p>(b) Explain the financial burden caused to the company due to transferring shares to employees at the price lower than average price in actual shares buyback.</p> <p>2. The accumulated number of shares passed by previous General Meetings and transferred to employees shall not exceed five percent of the total outstanding shares of the company, and the accumulated number of shares subscribed by one subscribing employee shall not exceed 0.5% of the total outstanding shares of the company.</p>	<p>Article 14 of "Measures Foreign Issuers' Buyback of Listed Negotiable Securities" promulgated by Taiwan Stock Exchange.</p>	<p>1. Companies in Cayman may redeem or buy back shares as treasury shares when conforming to certain conditions (Article 37, Article 37A).</p> <p>2. Companies redeeming or buying back treasury shares according to the provisions of Article 37A may transfer them to anyone at any time.</p>	<p>1. The Company has listed relevant provisions in Article 20 of Articles of Incorporation.</p>

Shareholders' equity protection matters	“Company Act” or “Securities and Exchange Act” related laws and decrees	Explanation on companies laws and decrees of Cayman Islands	Provisions of Articles of Incorporation and explanation
General Meeting's convening procedure and resolution method			
<ol style="list-style-type: none"> <li>1. The General Meeting shall be convened at least once a year and convened within six months after the end of every accounting year. The General Meeting is convened by Board of Directors.</li> <li>2. The company's articles of association may stipulate that the General Meeting may be held via video conferencing or other methods announced by the competent authority under the Company Act. However, in the event of a natural disaster, emergency or other force majeure, the competent authority under the Company Act may announce that the company may hold a meeting via video conferencing or other announced methods during a certain period without the need to specify it in the articles of association.</li> <li>3. If a General Meeting is held via video conferencing, shareholders who participate in the meeting via video conferencing shall be deemed to have attended the meeting in person.</li> <li>4. The company shall comply with the relevant conditions, operational procedures, and other matters that should be followed when holding a General Meeting via video conferencing, and shall comply with the relevant regulations of the Securities and Exchange Act.</li> <li>5. A physical General Meeting shall be held within the territory of the Republic of China. If a physical General Meeting is held outside the territory of the Republic of China, the Board of Directors shall pass a resolution or the shareholders shall obtain permission from the competent authority to convene the meeting, and then apply for approval from the Stock Exchange within two days.</li> <li>6. The shareholder holding more than one percent of the total outstanding shares may propose a motion of General Meeting to the Company in writing or electronically. Apart from that</li> </ol>	<ol style="list-style-type: none"> <li>1. Article 170 of Company Act</li> <li>2. Article 172-1 of Company Act</li> <li>3. Paragraph 1 and Paragraph 2, Article 173, Article 173-1 of Company Act</li> <li>4. Article 172 of Company Act, Article 26-1 and Article 43-6 of Securities and Exchange Act</li> </ol>	<ol style="list-style-type: none"> <li>1. Pursuant to Companies Law of Cayman, a General Meeting of every company, other than an exempted company, shall be held at least once in every year. (Article 58).</li> <li>2. Unless otherwise stipulated in Articles of Incorporation, the convening notice of General Meeting shall be served to each shareholder 5 days in advance; 3 shareholders shall be competent to convene a General Meeting; it shall be competent for any person elected by the shareholders present to preside the General Meeting (Article 61).</li> <li>3. Unless otherwise stipulated in Articles of Association, one shareholder being present in person may convene a General Meeting (Article 57).</li> <li>4. Regarding the proposal of minority shareholders, there is no similar provisions in Companies Law of Cayman.</li> </ol>	<ol style="list-style-type: none"> <li>1. Regarding the request of minority shareholders to Board of Directors to convene an extraordinary general meeting, since there is no similar provisions in Companies Law of Cayman and there is no local corresponding competent authority in Cayman Islands; besides, according to the explanation in Item 3, No. 36 of “Q &amp; A for Listing in Taiwan by Foreign Issuers” (the version on January 23, 2013) promulgated by TWSE, “Under the premises of not contravening the laws and decrees of registration place, a foreign enterprise shall stipulate the rights of minority shareholders to request for convening an extraordinary general meeting in Articles of Incorporation, for the part of convening a meeting with the permission of competent authority, it may be deleted.”, Hence Article 42 of Articles of Incorporation of the Company stipulates that shareholders may voluntarily convene an extraordinary general meeting</li> </ol>

Shareholders' equity protection matters	"Company Act" or "Securities and Exchange Act" related laws and decrees	Explanation on companies laws and decrees of Cayman Islands	Provisions of Articles of Incorporation and explanation
<p>the motion is not resolved in Shareholder's Meeting, or the shareholding of the shareholder proposing a motion is less than one percent, or the motion is not proposed during the acceptance period, or the words of a motion exceed 300 words or there is more than one motion, it will not be listed in the motion. Board of Directors shall list it as a motion. If a shareholder's proposal is urging the company to promote public interests or fulfill its social responsibilities, Board of directors may still list it as a motion.</p> <p>7. The shareholder who holds over three percent of outstanding shares for over one year consecutively may note the proposed matters and reason in writing, and ask Board of Directors to convene an extraordinary general meeting. Within fifteen days after proposing the request, when the Board of Directors fails to issue a convening notice, such shareholder may voluntarily convene the meeting with the permission of competent authority.</p> <p>8. Shareholders continuously holding 50% or more of the total number of outstanding shares of a company for a period of three months or a longer time may voluntarily convene a special shareholders' meeting. The calculation of above said holding period and number of shareholding in the preceding sentence shall be based on the Register of Members as of the first date of the book closed period.</p> <p>9. The following matters shall be stated in the notice of general meetings, with a summary of the material content to be discussed, and shall not be brought up as an Extempore Motion, and the summary of above said matters may be put on the website(s) designated by the competent authorities or the Company, and address of such website(s) shall be indicated clearly in the notice:</p> <p>(1) Election or dismissal of directors or supervisors;</p>		<p>5. Regarding the request of minority shareholders to Board of Directors to convene an extraordinary general meeting, there is no similar provisions in Companies Law of Cayman.</p> <p>6. Regarding the matters shall be listed in the subject of convocation of a General Meeting, there is no similar provisions in Companies Law of Cayman.</p> <p>7. According to the Companies Law of Cayman, there are currently no similar provisions regarding holding shareholder meetings via video conference.</p>	<p>pursuant to Applicable Public Company Rules.</p> <p>2. The Company has included relevant provisions in Article 39 to Article 43, Article 47, and Article 49 of Articles of Incorporation.</p> <p>3. The Stock Exchange amended the checklist for shareholder's equity on November 30, 2018 to add that shareholders may propose a motion electronically, and a shareholder may propose to urge the company to promote public interests or fulfill its social responsibilities, shareholders continuously holding 50% or more of the total number of outstanding shares of a company for a period of three months or a longer time may voluntarily convene a shareholders' meeting, and specific motion shall be put on the website(s) designated by competent authorities, and address of such website(s) shall be indicated clearly in the notice etc., Article 42 and 47</p>

Shareholders' equity protection matters	"Company Act" or "Securities and Exchange Act" related laws and decrees	Explanation on companies laws and decrees of Cayman Islands	Provisions of Articles of Incorporation and explanation
<ul style="list-style-type: none"> <li>(2) Alteration to Articles of Incorporation;</li> <li>(3) Capital reduction; and</li> <li>(4) Application for the approval of ceasing its status as a public company; and</li> <li>(5) Dissolution, merger, shares swap or spun-off of the company;</li> <li>(6) Entry into, amendment to, or termination of any contract for lease of its business in whole, or the delegation of management, or regular joint operation with others;</li> <li>(7) The transfer of the whole or any material part of its business or assets;</li> <li>(8) Taking over another's whole business or assets, which will have a material effect on the business operation of the company;</li> <li>(9) Issuing equity-type securities by private placement.</li> <li>(10) Ratification of director's engagement in non-competition action;</li> <li>(11) Distribution of the whole or part of the dividends or bonus in the form of new shares;</li> <li>(12) Distribution of statutory surplus reserve or the capital reserve obtained from share premium or receiving bestowal in the form of new shares or cash to existing shareholders.</li> </ul>			<p>are amended accordingly, Article 42-1 is added.</p> <p>4. The company has amended its articles of association to include provisions for video conference meetings under Article 43(a), as well as adding new provisions under Article 43(b) and (c).</p>
<ul style="list-style-type: none"> <li>1. When convening a General Meeting, the company shall list the electronic voting as one of the channels for exercising voting right.</li> <li>2. If the company convenes the General Meeting outside the territory of the Republic of China, shareholders in such meeting may exercise the voting right in writing or electronically.</li> <li>3. When the company exercises the voting right in writing or electronically; the exercising method thereof shall be specified in the convening notice of General Meeting. Shareholders exercising voting right in writing or</li> </ul>	<ul style="list-style-type: none"> <li>1. Article 177-1 of Company Act</li> <li>2. Article 177-2 of Company Act</li> </ul>	Regarding the adoption of voting in writing or electronically in General Meeting, there is no similar provisions in Companies Law of Cayman.	The Company has included relevant provisions in Article 62, Article 63, and Article 69 of Articles of Incorporation.

Shareholders' equity protection matters	“Company Act” or “Securities and Exchange Act” related laws and decrees	Explanation on companies laws and decrees of Cayman Islands	Provisions of Articles of Incorporation and explanation
<p>electronically shall be deemed as attending General Meeting in person. But it shall be deemed as waiver regarding the amendment to Extempore Motions and original proposals of such General Meeting.</p> <p>4. If a shareholder exercises the voting right in writing or electronically, the declaration of intention thereof shall be served to the company two days before convening General Meeting, in case of repeated declarations of intention, the one served first shall prevail. Except for announcing the cancellation of previous declaration of intention.</p> <p>5. After a shareholder has exercised voting right in writing or electronically, if intends to attend the General Meeting in person, two days before convening General Meeting, such shareholder shall cancel the preceding declaration of intention on exercising voting right in the same way as exercising voting right, otherwise the voting right exercised in writing or electronically shall prevail.</p> <p>6. If a shareholder exercises voting right in writing or electronically and entrusts a proxy through a proxy statement to attend the General Meeting, the voting right exercised by the entrusted attending proxy shall prevail.</p>			
<p>1. Upon every General Meeting, a shareholder may issue the proxy statement printed by the company to specify the scope of authorization, so as to entrust the proxy to attend the General Meeting.</p> <p>2. Except for the trust enterprise of the Republic of China or the stock affairs agency approved by competent authority in charge of securities of the Republic of China, when one person is entrusted by more than two shareholders, the proxy vote thereof shall not exceed three percent of the voting rights of total outstanding</p>	<p>1. Article 177 of Company Act</p> <p>2. Article 177-2 of Company Act</p>	<p>1. Pursuant to Subparagraph a, Paragraph 1, Article 60 of Companies Law of Cayman, the calculation of resolution threshold of General Meeting, if the company allows the proxy entrusted by a shareholder to attend the General Meeting, the</p>	<p>The Company has included relevant provisions in Article 43, Article 67(b), Article 68, Article 70 and Article 71 of Articles of Incorporation.</p>



Shareholders' equity protection matters	“Company Act” or “Securities and Exchange Act” related laws and decrees	Explanation on companies laws and decrees of Cayman Islands	Provisions of Articles of Incorporation and explanation
<p>shares, and the exceeding voting rights will not be calculated.</p> <p>3. A shareholder is limited to issue one proxy statement to entrust one agent, and the proxy statement shall be served to the company five days before convening General Meeting, in case of repeated proxy statement, the one served first shall prevail. Except for announcing the cancellation of previous appointment.</p> <p>4. After the proxy statement has been served to the company, if a shareholder intends to attend the General Meeting in person or exercise its voting right in writing or electronically, such shareholder shall serve written notice on canceling the proxy statement to the company two days before convening the General Meeting; otherwise the voting right exercised by the entrusted attending proxy shall prevail.</p> <p>5. When convening a General Meeting outside the territory of the Republic of China, the company shall entrust professional stock affairs agency in the territory of the Republic of China to handle the shareholders' voting affairs.</p>		<p>entrusted attendance shall be calculated into the number of voting rights.</p> <p>2. There are no specific provisions on the use of proxy statement in Companies Law of Cayman. The company may adopt the provisions in Attached Table A, and explicitly stipulates relevant regulations on use of proxy statement in General Meeting in the Articles of Incorporation (Article 22; Article 59 and Article 60 of Attached Table A).</p> <p>3. Regarding the restriction on proxy vote, there is no similar provisions in Companies Law of Cayman.</p> <p>4. Regarding the entrustment of stock affairs agency to handle overseas voting affairs, there is no similar provisions in Companies Law of Cayman.</p>	
The following proposals involving in major shareholders'	1. Article 185 of Company	1. The Special Resolution	1. The Company has

Shareholders' equity protection matters	“Company Act” or “Securities and Exchange Act” related laws and decrees	Explanation on companies laws and decrees of Cayman Islands	Provisions of Articles of Incorporation and explanation
<p>equity shall be agreed by the majority of attending shareholders with voting right in a General Meeting attended by shareholders representing more than two thirds of the total outstanding shares. If the total shares of attending shareholders do not meet the quota as prescribed in preceding paragraph, it shall be agreed by more than two thirds of attending shareholders with voting rights in a General Meeting attended by shareholders representing the majority of total outstanding shares:</p> <ol style="list-style-type: none"> <li>1. The company enters into, changes, or terminates any contract for lease of business in whole, or the delegation of management or the regular joint operation with others; transfers the whole or major part of business or property, or is transferred of the whole business or property from other person, and thereby causes significant impact on business operation.</li> <li>2. Amendment to Articles of Incorporation.</li> <li>3. If the amendment to Articles of Incorporation damages the rights of special shareholders, it shall be otherwise resolved by Special General Meeting.</li> <li>4. Distribution of the whole or part of the dividend or bonus in the form of new shares.</li> <li>5. Resolution on dissolution, merger or spun-off.</li> <li>6. Share Exchange</li> </ol>	<p>Act</p> <ol style="list-style-type: none"> <li>2. Article 209 of Company Act</li> <li>3. Article 227 of Company Act</li> <li>4. Article 277 of Company Act</li> <li>5. Paragraph 1, Article 240 of Company Act</li> <li>6. Article 316 of Company Act</li> <li>7. Article 43-6 of Securities and Exchange Act</li> <li>8. Article 29 of Business Mergers And Acquisitions Act</li> </ol>	<p>explicitly stipulated in Article 60 of Companies Law of Cayman means</p> <p>(1) the resolution has been passed by a majority of at least two thirds of attending shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Higher percentage of voting in special resolution than that in Companies Law of Cayman may be voluntarily stipulated in Articles of Incorporation according to the importance of matters; or</p> <p>(2) if it is explicitly stipulated in Articles of Incorporation that a special resolution may be made with the consent of all shareholders with voting right by written signature.</p> <p>2. According to the</p>	<p>included relevant provisions in Article 34, Article 64, Article 65, Article 65-1, Article 66 and Article 123 of Articles of Incorporation.</p> <p>2. Explanation on the stipulation of voting percentage for relevant proposals in a General Meeting: except for subject to the ordinary resolution and supermajority resolution stipulated in Company Act of the Republic of China, if special resolution is required pursuant to the Companies Law of Cayman, Articles of Incorporation of the Company is also subject to the special resolution defined in Article 60 of Companies Law of Cayman. This is different from the matters shall be handled by a supermajority resolution (including alteration of articles, dissolution, merger and acquisition etc.) as listed in the “Checklist for Matters</p>

Shareholders' equity protection matters	“Company Act” or “Securities and Exchange Act” related laws and decrees	Explanation on companies laws and decrees of Cayman Islands	Provisions of Articles of Incorporation and explanation
		<p>provisions of Companies Law of Cayman, the following matters shall be handled by a special resolution: (1) Change of company name (Article 31); (2) Alteration of Memorandum of Incorporation (Article 10); (3) Alteration of Articles of Incorporation (Article 24); (4) Reduction of share capital (Article 14); (5) Voluntarily dissolution by a special resolution not due to the company's incapable of repaying mature debts (Article 116(c)); (6) Merger and acquisition according to the provisions of Companies Law of Cayman (Article 233).</p>	<p>of Protecting Shareholders' Equity of Foreign issuers in the Country of Registration” promulgated by TWSE. Since such difference is due to the provisions of Companies Law of Cayman, Articles of Incorporation of the Company has explicitly stipulated the matters shall be handled by a Supermajority Resolution as listed in the aforesaid checklist for matters of protecting shareholders' equity and the statutory matters shall be handle by a special resolution as stipulated in Companies Law of Cayman respectively, and it has not caused significant impact on the shareholders' equity in our country.</p> <p>3. Subparagraph b, Paragraph 1, Article 64 of Articles of Association explicitly stipulates that if the change of Articles of Association damages the rights of special shareholders, it shall be resolved by Special</p>

Shareholders' equity protection matters	"Company Act" or "Securities and Exchange Act" related laws and decrees	Explanation on companies laws and decrees of Cayman Islands	Provisions of Articles of Incorporation and explanation
			General Meeting. 4. Cooperate to amend Article 65 of Articles of Association, and add the application of stock conversion.
If the first listed company become delisting due to ceasing to exist after merger, broadly transfer, conversion of stock or spun-off, and the continuous existing, transferred, existing or newly incorporated company is not a listed (OTC) company, it shall be handled with the consent of shareholders holding more than two thirds of the total outstanding shares of the first listed company.	Article 18, Article 27, Article 28, Article 29 and Article 35 of Business Mergers and Acquisitions Act.	There is no similar provisions in Companies Law of Cayman.	The Company has listed relevant provisions in Article 65-1 of Articles of Incorporation.
<p>1. If any of the following matters are resolved at a shareholders' meeting, dissenting shareholders shall have the right to request the company to purchase their shares:</p> <p>(1) Splitting, merging, acquisition, or conversion of shares of the company.</p> <p>(2) The company enters into, amends, or terminates a contract regarding the lease of all or a substantial part of its business, entrustment of operation, or joint operation with another person, or the company transfers all or a substantial part of its business or assets, which has a significant impact on the company's operations.</p> <p>2. Shareholders requesting the purchase of their shares shall submit a written request to the company within twenty days from the date of the shareholders' meeting resolution, stating the requested purchase price. If an agreement on the purchase price is reached between the shareholder and the company, the company shall pay the purchase price within ninety days from the date of the</p>	<p>1. Article 317 and Article 186 of Company Act.</p> <p>2. Article 12 of Business Mergers and Acquisitions Act.</p>	The provisions of Article 238 of the Companies Law of Cayman are similar to the regulations in Taiwan.	In accordance with the amendment to Article 77 and the addition of Article 79(c) in the articles of association.

Shareholders' equity protection matters	“Company Act” or “Securities and Exchange Act” related laws and decrees	Explanation on companies laws and decrees of Cayman Islands	Provisions of Articles of Incorporation and explanation
<p>shareholders' meeting resolution. If no agreement is reached, the company shall pay the purchase price to the shareholder who did not reach an agreement within ninety days from the date of the resolution, based on the fair price as determined by the company. Failure of the company to make payment shall be deemed as acceptance of the shareholder's requested purchase price.</p> <p>3. Shareholders voting against or abstained from voting at the shareholders' meeting may request the company to purchase all of their shares in accordance with the reasons set forth in paragraph 1, subparagraph 1. If no agreement on the purchase price is reached between the shareholder and the company within sixty days from the date of the shareholders' meeting resolution, the company shall, within thirty days after the expiration of this period, apply to the Taiwan Taipei District Court as the court of first instance to determine the price, with all shareholders who did not reach an agreement being the opposite party.</p> <p>4. The shares of shareholders who have waived their voting rights as mentioned in the preceding paragraph shall not be counted as the voting rights of the shareholders present at the shareholders' meeting.</p>			
Authority and responsibility of the director			
<p>1. Where all directors of a company are re-elected prior to the expiration of the term of office of existing directors, and in the absence of a resolution that existing directors will not be discharged until the expiry of their present term of office, all existing directors shall be deemed discharged in advance.</p> <p>2. The aforesaid re-election shall be attended by shareholders who represent more than one-half of the total number of issued and outstanding shares.</p>	Article 199-1 of Company Act.	Companies Law of Cayman does not implement the supervisor system, and there are no similar provisions.	The Company has listed relevant provisions in Paragraph b, Article 89 of Articles of Incorporation.

Shareholders' equity protection matters	"Company Act" or "Securities and Exchange Act" related laws and decrees	Explanation on companies laws and decrees of Cayman Islands	Provisions of Articles of Incorporation and explanation
<ol style="list-style-type: none"> <li>1. During the term of office, when the share transfer of a director (excluding independent director) or supervisor of the company exceeds one second of the company shares held at the time of appointment, such director or supervisor will certainly be relieved from duty.</li> <li>2. After the appointment, if the director (excluding independent director) or supervisor of the company transfers over one second of the company shares held at the time of appointment before assumption of duty, or transfers over one second of the shareholding within the period of cessation of share transfer before convening the shareholders' meeting, such appointment will lose its effect.</li> </ol>	<ol style="list-style-type: none"> <li>1. Article 197 of Company Act.</li> <li>2. Article 227 of Company Act.</li> <li>3. Article 14-2 of Securities and Exchange Act.</li> </ol>	There is no similar provisions in Companies Law of Cayman.	The Company has listed relevant provisions in Paragraph 3 and Paragraph 4, Article 109 of Articles of Incorporation.

LU HAI HOLDING CORP.

Chairman HSU, LIEN-KAI