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Stock Code : 2115



LU HAI HOLDING CORP.

2024 Annual General Shareholders' Meeting Meeting Handbook 【 Translation 】

Time: 10:00 am, Wednesday, June 19, 2024

**Place: Conference Room, 1F, No.64, Shing-Kong 5th Rd., Tianzhong
Township, Changhua County 520, Taiwan (R.O.C.)**

Convening Method: Physical shareholders meeting

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LU HAI HOLDING CORP.

2024 Annual General Shareholders' Meeting Procedure

- I. Opening Address
- II. Chairman Address
- III. Reports Items
- IV. Items for Ratification
- V. Items for Discussion
- VI. Election Item
- VII. Extempore Motion
- VIII. Adjournment

LU HAI HOLDING CORP.

2024 Annual General Shareholders' Meeting Agenda

Time: 10:00 am, Wednesday, June 19, 2024

Place: Conference Room on 1F, No.64, Shing-kong 5th Rd, Tianzhong Town, Chang-hua County

Convening Method: Physical shareholders meeting

Method:

Agenda:

- I. Opening Address (report the attending number of shares)
- II. Chairman Address
- III. Reports Items
 1. 2023 Business Report
 2. Audit Committee's review report on the 2023 financial statements
 3. Report on employees' and directors' compensation in 2023
- IV. Items for Ratification
 1. Ratification of the 2023 business report and financial statements
 2. Ratification of 2023 earnings distribution
- V. Items for Discussion
 1. The Company plans to convert capital reserves into capital and issue new shares
 2. Amendments to the "Procedures for Election of Directors" of the Company
- VI. Election Item
 1. Election of the 7th Directors
- VII. Extempore Motion
- VIII. Adjournment

Reports Items

Item 1: 2023 Business Report

Explanation: Please refer to Attachment 1 for the 2023 business report of the Company.

Item 2: Audit Committee's review report on the 2023 financial statements.

Explanation: Please refer to Attachment 2 for the Audit Committee's Review Report

Item 3: Report on employees' and directors' compensation in 2023

Explanation: 1. It is planned to issue NTD2,808,835 as Director's compensation and NTD 2,808,835 as employee's compensation according to the provisions of Articles of Incorporation.
2. All employee's compensation will be issued in cash.

Items for Ratification

(Proposed by the Board of Directors)

Item 1: Ratification of the 2023 business report and Financial statements

Explanation: 1. 2023 financial statements of the Company have been audited by accountants SHAO, CHAO-PIN and HUANG, CHIEN-CHEN from Crowe (TW) CPAs, and audit report has been issued, and it has been submitted together with the business report to Audit Committee and has been audited.
2. Please refer to Attachment 1 and Attachment 3 for the 2023 business report, accountant's audit report and financial statements of the Company.

Resolution:

(Proposed by the Board of Directors)

Item 2: Ratification of 2023 earnings distribution

Explanation: 1. The net profit after tax of the Company in 2023 is NTD175,027,630, 10% of them, namely NTD17,502,763, is allocated as statutory surplus reserve according to the Articles of Incorporation, and NTD5,019,894 is allocated as special surplus reserve pursuant to law, and plus "Beginning undistributed earnings", namely NTD1,112,761,177, then total earnings available for distribution is NTD1,265,266,150; it is proposed to distribute cash dividend to shareholders at NTD1.00 per share this time, total distribution of dividends to shareholders is NTD99,403,013. The distribution of cash dividend to shareholders this time is calculated up to one New Taiwan Dollar (digits after the decimal point to be ignored), the fractional amount less than one New Taiwan Dollar is listed into other income of the company.
2. Regarding the distribution of cash dividend to shareholders, after it is proposed and passed in General Meeting, Chairman is authorized to determine the record date of allotment of dividend, payment date and other relevant matters.

3. In case of the Company's cash capital increase, shares buyback, transfer or cancellation of treasury share, transfer of convertible corporate bonds or exercise of employee's stock warrant etc., and thereby affects the amount of outstanding shares of the Company, and causes changes in dividend payout ratio, hence it is planned to authorize the Chairman to make adjustment.
4. Please refer to Attachment 4 for 2023 Earnings Distribution Table.

Resolution:

Items for Discussion

(Proposed by the Board of Directors)

Item 1: The Company plans to convert capital reserves into capital and issue new shares

- Explanation:
1. In order to increase the Company's capital scale, it is planned to allocate NT\$49,701,500 from the capital reserve generated by the stock premium issuance and convert it into capital increase to issue 4,970,150 new shares, with the par value being set at NT\$10 per share.
 2. For the issuance of new shares in this capital increase, based on the number of shares held by shareholders recorded in the shareholder register on the base date of ex-rights and capital increase, 49.99999346 new shares will be distributed free of charge for every 1,000 shares, totaling 4,970,150 shares. The rights and obligations of these new shares are the same as those of the original shares.
 3. This capital increase must be approved by the regular shareholders' meeting, and the Board of Directors shall be authorized to set the base date for the allotment and other related matters. If the Company's amount of outstanding shares is affected due to cash capital increase, share buyback, transfer or cancellation of treasury shares, conversion of convertible corporate bonds or exercise of employee warrants etc., and thereby affects the amount of outstanding shares of the Company, and causes changes in shares allotment ratio, hence it is planned to authorize the Chairman to make adjustment. For the distribution of fractional share less than one share, within five days after book closure day, shareholders shall voluntarily make up to one share for registration, and the insufficient part thereof shall be calculated into one New Taiwan Dollar (digits after the decimal point to be ignored) according to cash in denomination; for the fractional share less than one share thereof, the Chairman is authorized to consult with the specific person for subscription according to denomination. For shareholders who participate in the "book transfer allotment of stocks", if there is an odd amount of less than one share, it will be converted into the processing fee of the book transfer.
 4. When relevant matters of this capital increase case must be changed due to the changes in laws and decrees or the instruction of competent authority, it is planned to authorize the Chairman for handling.

Resolution:

(Proposed by the Board of Directors)

Item 2: Amendments to the “Procedures for Election of Directors” of the Company

Explanation: 1. In accordance with practical operations, the Company adopts a candidate nomination system for all directors and plans to revise its "Rules for Election of Directors."
2. Please refer to Attachment 5 of Chinese version of the handbook for the Comparison Table on Amendments to the “Rules for Election of Directors”.

Resolution:

Election Item

(Proposed by the Board of Directors)

Item 1: Election of the 7th Directors

Explanation: 1. As the 6th Term of the Board of Directors is scheduled to expire on July 14, 2024, the Company proposes to re-elect the 7th Term of the Board of Directors in 2024 Shareholders’ Meeting. Based on the Article 80 of “Articles of Incorporation” of the company, 9 to 13 directors can be set up, of which nine directors (including 3 independent directors) are elected.
2. The term of newly-elected board of directors begins on June 19, 2024 and ends on June 18, 2027, with a tenure of three years.
3. The Company’s “Articles of Incorporation” proclaim that the election adopts a candidate nomination system for directors, and shareholders should vote them from the list.
4. The list of directors (including independent directors) is screened with approval by the Board of Directors on May 7, 2024, and the candidate list together with relevant information are as follows:

Title	Name	Education	Main Experience	Current Position	Shares Held
Director	WU, CHIN-LU	Dah-Chin Commercial & Industrial Vocation High School	Chairman of LU HAI HOLDING CORP. Chairman of LU HAI INDUSTRIAL CORP. Director of PT. LUHAI INDUSTRIAL General Manager of LU HAI HOLDING CORP. Director of LUHAI RUBBER METAL (KUNSHAN) CO., LTD. Director of XIAMEN XIAHUI RUBBER METAL IND. CO., LTD. Director of LU HAI INDUSTRIAL CORP.	Director of LU HAI HOLDING CORP	573,973
Director	PATTERN FINANCIAL MANAGEMENT S.A. Representative: WU, CHING-SHU	Master degree of Management, National Chung Hsing University	Director of XIAMEN XIAHUI RUBBER METAL IND. CO., LTD. Director of LU HAI INDUSTRIAL CORP.	Supervisor of XIAMEN XIAHUI RUBBER METAL IND. CO., LTD. Supervisor of LU HAI INDUSTRIAL CORP. Supervisor of PT. LUHAI INDUSTRIAL Director of LU HAI HOLDING CORP Director of LUHAI INTELLIGENT TECHNOLOGY (KUNSHAN) CO., LTD.	3,928,753

Title	Name	Education	Main Experience	Current Position	Shares Held
Director	LARGE RISE HOLDING LIMITED Representative: HSU, HAO-YUN	Pusin Junior High School	Consultant of XIAMEN XIAHUI RUBBER METAL IND. CO., LTD. General Manager of XIAMEN XIAHUI RUBBER METAL IND. CO., LTD. VP of PT. LUHAI INDUSTRIAL	Consultant of XIAMEN XIAHUI RUBBER METAL IND. CO., LTD.	3,928,753
Director	HSU, YA-TING	Department of Finance, National Taichung University of Science and Technology	VP of XIAMEN XIAHUI RUBBER METAL IND. CO., LTD. VP of LU HAI HOLDING CORP. Section Manager of YOKE Industrial Corp.	General Manager of XIAMEN XIAHUI RUBBER METAL IND. CO., LTD. Director of LU HAI HOLDING CORP Director of LU HAI INDUSTRIAL CORP. Director of XIAMEN XIAHUI RUBBER METAL IND. CO., LTD. Director of LUHAI INTELLIGENT TECHNOLOGY (KUNSHAN) CO., LTD. Supervisor of PT. LUHAI INDUSTRIAL	827,187
Director	HSU, HUAI-YUN	Master degree of Management, TungHai University	General Manager of Yun-Yi International Ltd.	Project VP of LU HAI HOLDING CORP Director of LU HAI HOLDING CORP Director of LU HAI INDUSTRIAL CORP. Director of XIAMEN XIAHUI RUBBER METAL IND. CO., LTD. Director of LUHAI INTELLIGENT TECHNOLOGY (KUNSHAN) CO., LTD. Supervisor of PT. LUHAI INDUSTRIAL	56,563
Director	HSU, HAN-YUAN	Civil Engineering Department, Nanya Institute of Technology	General Manager of XIAMEN XIAHUI RUBBER METAL IND. CO., LTD. Assistant VP of LU HAI HOLDING CORP. Business Manager of Yuan-Hong Metal Co., Ltd.	VP of XIAHUI General Manager Room Director of LU HAI HOLDING CORP Director of LU HAI INDUSTRIAL CORP. Director of XIAMEN XIAHUI RUBBER METAL IND. CO., LTD. Supervisor of LUHAI INTELLIGENT TECHNOLOGY (KUNSHAN) CO., LTD. Supervisor of PT. LUHAI INDUSTRIAL	2,312,146
Independent Director	YEN, MEI-YING	Master degree of Accounting, National Taiwan University	Director of PONY Leather Corporation Assistant Manager of Finance Department, LU HAI INDUSTRIAL CORP. Manager of Administration Department, PONY Leather Corporation Manager of Finance Department & Spokesman, PONY Leather Corporation Assistant Manager of Deloitte Accounting Firm	Assistant VP of GM Room and Head of Administration Department, PONY Leather Corporation	0
Independent Director	YEH, ZHI-MING	PHD, University of Chinese Academy of Sciences (Management Science and Engineering)	Director of CVC Technologies, Inc. Director of WellTech Energy Inc. VP/General Manager, CVC Technologies, Inc. General Manager, Jinbi Technology Co., Ltd. General Manager, HongYi Industrial Co., Ltd.	Independent Director of Cayman Engley Industrial Co., Ltd. CEO & General Manager of S&S Healthcare Holding Ltd. Representative Director of SoarMed CO., LTD. Director of S&S Healthcare Holding Ltd.	0

Title	Name	Education	Main Experience	Current Position	Shares Held
				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.	
Independent Director	WANG, SHIH MING	Master degree of Accounting, National Taiwan University	Certified Public Accountant at Dayar CPA Firm and Shanghai Taixin Dayar CPAs Co., Ltd. CEO Executive Assistant at Xiamen Tongtai Bamboo and Wood Products Co., Ltd. Auditor, Director of Audit, and Audit manager at KPMG Taiwan Assistant Manager of the Service Department at Deloitte Taiwan Adjunct Lecturer at DAYEH University Accounting Department	Accountant of EVERWELL & CO., CPAs. Accountant of Shanghai Chenghui Certified Public Accountants Co., Ltd.	0

5. According to Article 5 of “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”, the reasons behind nomination of independent directors for three consecutive terms were described below:

As a candidate for the Company’s 7th term of independent directors, Ms. YEN, MEI-YING has profound experience in finance and accounting and is also a certified accountant who can provide professional opinion on operational management. Even though she has been the Company’s independent director for more than three sessions, she has been significantly helpful on the corporate governance and the gender diversity of the directors. Therefore, Ms. YEN, MEI-YING is still nominated as the candidate of independent director this time.

6. Please vote.

Resolution:

Extempore Motion

Adjournment

LU HAI HOLDING CORP.

2023 Business Report

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

Item \ Year		2023	2022
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.

Chairman:
HSU, LIEN-KAI

General Manager:
HSU, HSIU-HUA

Accounting Officer:
CHANG, SHENG-HUNG

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 unqualified 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 the Audit Committee:

YEH, CHIH-MING

March 12, 2024



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Independent Auditors' Report

To the Board of Directors and Shareholders of
LUHAI HOLDING CORPORATION

Opinion

We have audited the consolidated financial statements of Luhai Holding Corp. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 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)

		December 31, 2023		December 31, 2022	
	NOTES	Amount	%	Amount	%
ASSETS					
CURRENT ASSETS					
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		2,274,356	48	2,364,466	48
NONCURRENT ASSETS					
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		2,456,560	52	2,501,528	52
TOTAL ASSETS		\$ 4,730,916	100	\$ 4,865,994	100
LIABILITIES AND EQUITIES					
CURRENT LIABILITIES					
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		925,644	20	858,446	18
NONCURRENT LIABILITIES					
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		777,907	16	970,245	20
Total liabilities		1,703,551	36	1,828,691	38
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT					
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		3,027,365	64	3,037,303	62
Total equity		3,027,365	64	3,037,303	62
TOTAL LIABILITIES AND EQUITIES		\$ 4,730,916	100	\$ 4,865,994	100

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

(Concluded)

LUHAI HOLDING CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR YEARS ENDED DECEMBER 31, 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 ATTRIBUTTABLE TO:					
Shareholders of the parnet		\$ 175,028	7	\$ 226,861	7
TOTAL COMPREHENSIVE INCOME ATTRIBUTTABLE 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 - NTS2.00 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 - NTS1.30 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)

LU HAI HOLDING CORP.
Earnings Distribution Table
2023

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 NTD99,403,013 in cash dividends to shareholders this time.

Chairman:
HSU, LIEN-KAI

General Manager:
HSU, HSIU-HUA

Accounting Officer:
CHANG, SHENG-HUNG