

WALRUS PUMP CO., LTD.
Parent Company Only Financial Statements and
Independent Auditor's Report
For the Years Ended 2025 and 2024
(Stock Code: 6982)

Address: No. 83-14, Dapiantou, Sanzhi Dist., New Taipei City

Tel: (02)2636-1123

WALRUS PUMP CO., LTD.

Parent Company Only Financial Statements and Independent Auditor's Report for the
Years Ended 2025 and 2024

Table of Contents

<u>Item</u>	<u>Page/ No./Index</u>
I. Cover Page	1
II. Table of Contents	2~3
III. Independent Auditor's Report	4~8
IV. Parent Company Only Balance Sheet	9~10
V. Parent Company Only Statement of Comprehensive Income	11
VI. Parent Company Only Statement of Changes in Equity	12
VII. Parent Company Only Statement of Cash Flows	13
VIII. Notes to Parent Company Only Financial Statements	14~63
(I) Company History	14
(II) Approval Date and Procedures of the Financial Statements	14
(III) Application of New and Amended Standards and Interpretations	14~15
(IV) Summary Of Significant Accounting Policies	16~25
(V) Significant Accounting Judgments, Estimates and Key Sources of Assumption Uncertainty	25~26
(VI) Details of Significant Accounts	26~51
(VII) Related Party Transactions	52~53

Item	Page/ No./Index
(VIII) Pledged Assets	54
(IX) Significant Contingent Liabilities and Unrecognized Commitments	54
(X) Significant Disaster Losses	54
(XI) Significant Subsequent Events	54
(XII) Others	55~62
(XIII) Additional Disclosures	63
(XIV) Segment Information	63
IX. Details of Significant Accounts	
Cash and cash equivalents	Statement 1
Accounts receivable	Statement 2
Inventories	Statement 3
Change in investment accounted for under the equity method	Statement 4
Statement of changes in right-of-use assets	Statement 5
Short-term borrowings	Statement 6
Accounts payable	Statement 7
Long-term borrowings	Statement 8
Operating cost	Statement 9
Manufacturing expenses	Statement 10
Operating expenses	Statement 11
Summary statement of employee benefits, depreciation, depletion and amortization expenses by function of current period	Statement 12

Independent Auditors' Report

(115) Cai-Shen-Bao-Zi No. 25003802

To the Board of Directors and Shareholders of Walrus Pump Co., Ltd.,

Audit Opinion

We have audited the accompanying parent company only financial statements of Walrus Pump Co., Ltd. (the "Company"), which comprise the parent company only balance sheet as of December 31, 2025 and 2024, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements for January 1 to December 31, 2025 and 2024, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2025 and 2024, and its parent company only financial performance and its parent company only cash flows for January 1 to December 31, 2025 and 2024 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of Audit Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the R.O.C. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants of the R.O.C., and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the Company for the year ended 2025. These matters were addressed in the context of our audit of the parent company only 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 2025 parent company only financial statements of the Company are stated as follows:

Key Audit Matters - Evaluation of allowance for inventory valuation loss

Description

For the description of the accounting policies, accounting estimates, assumptions and accounts of the inventory valuation, please refer to Notes IV (X), V (II) and VI (V) of the financial statements.

The main business of the Company is the manufacturing and sale of pumps. Due to the fierce competition in the pump market, the Group has a higher risk of inventory price declines or obsolete and old pumps. The Company's inventories are measured at the lower of cost and net realizable value. Inventories with a specific inventory age are recognized as obsolescence losses in accordance with the Company's policies.

As the management's subjective judgment and estimation of the allowance for reduction of inventory to market involve a high level of uncertainty, and based on the consideration that the allowance for inventory valuation loss has a significant impact on the financial statements of the Company, we believe that the evaluation of the allowance for reduction of inventory to market is one of the most important matters for the audit of the current year.

Responding Audit Procedures

We summarize the responsive procedures executed for the aforementioned key audit matters as follows:

1. Understanding and evaluating the reasonableness of the policies for the allowance for reduction of inventory to market adopted by the Company.
2. Understanding the process of warehouse storage management of the Company, reviewing the annual inventory count plan and participating in the annual inventory taking, in order to evaluate the effectiveness of the classification and control of obsolete inventories implemented by the Company.
3. Verifying the appropriateness of the inventory aging report system logic adopted by the management for valuation purposes, in order to determine the correct inventory age range of the inventory items in the report.
4. Obtaining the inventory net realizable value evaluation report, verifying the consistency of the report calculation logic, sampling and testing the data sources of the net realizable value, and recalculating the accuracy of the allowance for inventory valuation loss.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for the necessary internal controls as management determines is necessary to enable the preparation of the parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these unconsolidated financial statements, the management is also responsible for assessing the ability of the Company 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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the Audit Committee, are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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. The term "reasonable assurance" refers to a high level of assurance. Nevertheless, the audit performed in accordance with the Generally Accepted Auditing Standards of the R.O.C. cannot guarantee the discovery of a material misstatement in the parent company only financial statements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the R.O.C., we exercise professional judgment and professional skepticism throughout the audit. We also performed the following tasks:

1. Identify and assess risks of material misstatement of the parent company only 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 internal control of the Company.
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 ability of the Company 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 parent company only 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including relevant notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entity of the Company, and express an opinion on the unconsolidated financial statements. We are responsible for the guidance, supervision and execution of the audit on the Group and are responsible for preparing the opinion for the parent company only financial statements.

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 the governance units with statements that we have complied with the relevant independence declaration specified in the Code of Ethics for Professional Accountants of the R.O.C. that may reasonably be thought to impair on our independence, and we have also communicated with the governance units on all relationships and other matters (including relevant protective measures) that may be considered to affect the independence of the auditors.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Company's 2025 parent company only financial statements and are therefore the key audit matters. We describe

these matters in our auditor's 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.

PwC Taiwan

Chin-Chang Chen

CPAs

Fu-Min Liao

Financial Supervisory Commission

Approval Certificate No.:

Jin-Guan-Zheng-Shen-Zi No. 1060025060

Jin-Guan-Zheng-Shen-Zi No. 1090350620

March 5, 2026

WALRUS PUMP CO., LTD.
Parent Company Only Balance Sheet
December 31, 2025 and 2024

Unit: NTD thousands

Assets	Notes	December 31, 2025		December 31, 2024		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	VI (I)	\$ 112,829	4	\$ 209,661	9
1136	Financial assets measured at amortized cost - current	VI (III) and VIII	25,918	1	11,031	-
1150	Notes receivable, net	VI (IV)	45,586	2	51,275	2
1170	Net accounts receivable	VI (IV)	210,073	8	180,949	8
1180	Accounts receivable - related parties, net	VII	9,315	-	7,881	-
1200	Other receivables		660	-	3,710	-
1220	Current income tax assets		11,173	-	-	-
130X	Inventories	VI (V)	370,161	14	393,877	17
1410	Prepayments		13,560	-	12,064	1
1470	Other current assets		95	-	30	-
11XX	Total current assets		<u>799,370</u>	<u>29</u>	<u>870,478</u>	<u>37</u>
Non-current assets						
1550	Investment Accounted for Under Equity Method	VI (VI)	92,180	4	80,044	3
1600	Property, plant and equipment	VI (VII) and VIII	1,583,850	58	1,115,898	47
1755	Right-of-use assets	VI (VIII), VII and VIII	190,541	7	224,420	10
1780	Intangible assets	VI (IX)	9,550	-	7,065	-
1840	Deferred income tax assets	VI (XXV)	8,543	-	7,464	-
1900	Other non-current assets	VI (X) and VIII	54,361	2	65,186	3
15XX	Total non-current assets		<u>1,939,025</u>	<u>71</u>	<u>1,500,077</u>	<u>63</u>
1XXX	Total assets		<u>\$ 2,738,395</u>	<u>100</u>	<u>\$ 2,370,555</u>	<u>100</u>

(Continued on next page)

WALRUS PUMP CO., LTD.
Parent Company Only Balance Sheet
December 31, 2025 and 2024

Unit: NTD thousands

Liabilities and equity		Notes	December 31, 2025		December 31, 2024	
			Amount	%	Amount	%
Current liabilities						
2100	Short-term borrowings	VI (XI) and VIII	\$ 170,000	6	\$ 248,000	11
2120	Financial liabilities measured at fair value through profit or loss - current	VI (II)	745	-	-	-
2130	Contract liabilities - current	VI (XXI)	3,375	-	8,248	-
2150	Notes payable		7,985	-	8,002	-
2170	Accounts payable		165,332	6	204,067	9
2180	Accounts payable - related party	VII	386	-	589	-
2200	Other payables	VI (XII)	114,108	4	176,388	7
2230	Current income tax liabilities		-	-	7,065	-
2250	Provisions for liabilities - current	VI (XVII)	18,503	1	15,294	1
2280	Lease liabilities - current	VII	18,001	1	19,250	1
2300	Other current liabilities		3,802	-	2,787	-
21XX	Total current liabilities		<u>502,237</u>	<u>18</u>	<u>689,690</u>	<u>29</u>
Non-current liabilities						
2530	Corporate bonds payable	VI (XIII)	469,380	17	-	-
2540	Long-term borrowings	VI (XIV) and VIII	722,114	27	563,684	24
2550	Liability reserve - non-current	VI (XVII)	6,652	-	6,742	-
2570	Deferred income tax liabilities	VI (XXV)	2,397	-	683	-
2580	Lease liabilities - non-current	VII	123,991	5	153,644	7
2600	Other non-current liabilities		2,793	-	-	-
25XX	Total non-current liabilities		<u>1,327,327</u>	<u>49</u>	<u>724,753</u>	<u>31</u>
2XXX	Total liabilities		<u>1,829,564</u>	<u>67</u>	<u>1,414,443</u>	<u>60</u>
Equity						
Share capital		VI (XVIII)				
3110	Common share capital		406,491	15	403,491	17
3130	Bond conversion entitlement certificates		256	-	-	-
Capital reserve		VI (XIX)				
3200	Capital reserve		452,280	17	403,603	17
Retained earnings		VI (XX)				
3310	Legal reserve		31,083	1	20,967	1
3350	Unappropriated earnings		30,519	1	123,061	5
Other equity						
3400	Other equity		(11,798)	(1)	4,990	-
3XXX	Total equity		<u>908,831</u>	<u>33</u>	<u>956,112</u>	<u>40</u>
Significant Contingent Liabilities and Unrecognized Commitments		IX				
Significant subsequent events		XI				
3X2X	Total liabilities and equity		<u>\$ 2,738,395</u>	<u>100</u>	<u>\$ 2,370,555</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements. Please refer to them altogether.

Chairman: Huang, Ching-Feng

Managerial Officer: Huang, Ching-Yun

Accounting Officer: Chang, Wen-Chin

WALRUS PUMP CO., LTD.
Parent Company Only Statement of Comprehensive Income
For the Years Ended December 31, 2025 and 2024

Unit: NTD thousands
(Except for earnings per share in NTD)

Item	Notes	2025		2024	
		Amount	%	Amount	%
4000 Operating revenue	VI (XVII) (XXI) and VII	\$ 1,529,717	100	\$ 1,532,852	100
5000 Operating cost	VI (V) (XXIV) and VII	(1,165,560)	(76)	(1,089,442)	(71)
5900 Operating gross profit		<u>364,157</u>	<u>24</u>	<u>443,410</u>	<u>29</u>
Operating expenses	VI (XXIV) and VII				
6100 Selling and marketing expenses		(107,637)	(7)	(99,782)	(6)
6200 Administrative expenses		(165,465)	(11)	(176,601)	(12)
6300 R&D expenses		(74,296)	(5)	(63,580)	(4)
6450 Expected credit impairment loss (gain)	XII (II)	<u>776</u>	<u>-</u>	<u>(220)</u>	<u>-</u>
6000 Total operating expenses		<u>(346,622)</u>	<u>(23)</u>	<u>(340,183)</u>	<u>(22)</u>
6900 Operating profit		<u>17,535</u>	<u>1</u>	<u>103,227</u>	<u>7</u>
Non-operating income and expenses					
7100 Interest income	VI (III)	2,917	-	3,300	-
7010 Other income	VI (XXII)	1,826	-	2,280	-
7020 Other gains and losses	VI (II) (XXIII)	(12,543)	(1)	9,676	1
7050 Finance costs	VI (VIII) and VII	(16,556)	(1)	(8,195)	-
7070 Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	VI (VI)	<u>11,386</u>	<u>1</u>	<u>5,342</u>	<u>-</u>
7000 Total non-operating income and expenses		<u>(12,970)</u>	<u>(1)</u>	<u>12,403</u>	<u>1</u>
7900 Net Income before tax		<u>4,565</u>	<u>-</u>	<u>115,630</u>	<u>8</u>
7950 Income tax expense	VI (XXV)	<u>(2,258)</u>	<u>-</u>	<u>(14,472)</u>	<u>(1)</u>
8200 Net income for the period		<u>\$ 2,307</u>	<u>-</u>	<u>\$ 101,158</u>	<u>7</u>
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
8361 Exchange differences in translation of the financial statements of foreign operations		<u>\$ 750</u>	<u>-</u>	<u>\$ 2,547</u>	<u>-</u>
8300 Other comprehensive profit and loss (net)		<u>\$ 750</u>	<u>-</u>	<u>\$ 2,547</u>	<u>-</u>
8500 Total comprehensive income for the period		<u>\$ 3,057</u>	<u>-</u>	<u>\$ 103,705</u>	<u>7</u>
Basic earnings per share	VI (XXVI)				
9750 Basic earnings per share		<u>\$</u>	<u>0.06</u>	<u>\$</u>	<u>2.85</u>
Diluted earnings per share	VI (XXVI)				
9850 Diluted earnings per share		<u>\$</u>	<u>0.06</u>	<u>\$</u>	<u>2.83</u>

The accompanying notes are an integral part of the parent company only financial statements. Please refer to them altogether.

Chairman: Huang, Ching-Feng

Managerial Officer: Huang, Ching-Yun

Accounting Officer: Chang, Wen-Chin

WALRUS PUMP CO., LTD.
Parent Company Only Statement of Changes in Equity
For the Years Ended December 31, 2025 and 2024

Unit: NTD thousands

Notes	Share capital		Capital reserve			Retained earnings		Other equity			Total equity
	Common share capital	Bond conversion entitlement certificates	Capital surplus - issuance premium	Capital surplus - stock options	Capital surplus - restricted employee shares	Legal reserve	Unappropriated earnings	Exchange differences in translation of the financial statements of foreign operations	Remeasurements of defined benefit plans	Other equity - other	
<u>2024</u>											
Balance on January 1	\$ 353,491	\$ -	\$ 181,313	\$ -	\$ -	\$ 13,647	\$ 85,782	\$ 100	\$ 2,343	\$ -	\$ 636,676
Net income for the period	-	-	-	-	-	-	101,158	-	-	-	101,158
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	2,547	-	-	2,547
Total comprehensive income for the period	-	-	-	-	-	-	101,158	2,547	-	-	103,705
2023 Appropriation and distribution of retained earnings: VI (XX)											
Appropriation of legal reserve	-	-	-	-	-	7,320	(7,320)	-	-	-	-
Cash dividends	-	-	-	-	-	-	(56,559)	-	-	-	(56,559)
Capital increase in cash VI (XVIII)	50,000	-	213,882	-	-	-	-	-	-	-	263,882
Share-based payments VI (XVI)	-	-	8,408	-	-	-	-	-	-	-	8,408
Balance on December 31	\$ 403,491	\$ -	\$ 403,603	\$ -	\$ -	\$ 20,967	\$ 123,061	\$ 2,647	\$ 2,343	\$ -	\$ 956,112
<u>2025</u>											
Balance on January 1	\$ 403,491	\$ -	\$ 403,603	\$ -	\$ -	\$ 20,967	\$ 123,061	\$ 2,647	\$ 2,343	\$ -	\$ 956,112
Net income for the period	-	-	-	-	-	-	2,307	-	-	-	2,307
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	750	-	-	750
Total comprehensive income for the period	-	-	-	-	-	-	2,307	750	-	-	3,057
2024 Appropriation and distribution of retained earnings: VI (XX)											
Appropriation of legal reserve	-	-	-	-	-	10,116	(10,116)	-	-	-	-
Cash dividends	-	-	-	-	-	-	(84,733)	-	-	-	(84,733)
Issuance of new restricted employee shares VI (XVIII)	3,000	-	-	-	18,210	-	-	-	-	(21,210)	-
Remuneration cost of new restricted employee shares VI (XVI)	-	-	-	-	-	-	-	-	-	3,672	3,672
Issuance of convertible corporate bonds VI (XIII)	-	-	-	29,223	-	-	-	-	-	-	29,223
Conversion of convertible corporate bonds VI (XIII)	-	256	1,424	(180)	-	-	-	-	-	-	1,500
Balance on December 31	\$ 406,491	\$ 256	\$ 405,027	\$ 29,043	\$ 18,210	\$ 31,083	\$ 30,519	\$ 3,397	\$ 2,343	(\$ 17,538)	\$ 908,831

The accompanying notes are an integral part of the parent company only financial statements. Please refer to them altogether.

Chairman: Huang, Ching-Feng

Managerial Officer: Huang, Ching-Yun

Accounting Officer: Chang, Wen-Chin

WALRUS PUMP CO., LTD.
Parent Company Only Statement of Cash Flows
For the Years Ended December 31, 2025 and 2024

Unit: NTD thousands

Notes	January 1 to December 31, 2025	January 1 to December 31, 2024
Cash flow from operating activities		
Net income before tax for the current period	\$ 4,565	\$ 115,630
Adjustments		
Adjustments to reconcile profit and loss		
Net loss on financial assets or liabilities at fair value through profit or loss	VI (II) (XXIII) 315	-
Depreciation expense	VI (VII) (VIII) (XXIV) 79,261	67,984
Amortization expenses	VI (IX) (XXIV) 3,289	4,177
Expected credit impairment losses (gains)	XII (II) (776)	220
Interest income	(2,917)	(3,300)
Interest expenses	16,556	8,195
Gains on disposal of property, plant, and equipment	VI (XXIII) (10)	(106)
Share of profit or loss recognized under the equity method	(11,386)	(5,342)
Share-based remuneration payment costs	VI (XXVI) 3,672	8,408
Changes in assets/liabilities relating to operating activities		
Net changes in assets relating to operating activities		
Financial assets and liabilities measured at fair value through profit or loss	(45)	-
Notes receivable, net	5,689	3,010
Net accounts receivable	(28,348)	(14,113)
Accounts receivable - related parties, net	(1,434)	1,961
Other receivables	3,063	(1,603)
Inventories	23,716	(80,697)
Prepayments	(1,496)	(2,809)
Other current assets	(65)	15
Other non-current assets	(424)	8,506
Net changes in liabilities relating to operating activities		
Contract liabilities - current	(4,873)	(473)
Notes payable	(17)	2,895
Accounts payable	(38,735)	86,278
Accounts payable - related party	(203)	272
Other payables	(15,383)	26,329
Provisions for liabilities - current	3,209	7,572
Other current liabilities	1,015	520
Liability reserve - non-current	(90)	(1,310)
Other non-current liabilities	2,793	-
Cash inflow from operating activities	40,941	232,219
Interest paid	(17,145)	(7,873)
Interest received	2,904	3,485
Income tax paid	(19,861)	(8,799)
Net cash inflow from operating activities	6,839	219,032
Cash flow from investing activities		
Decrease (Increase) in financial assets measured at amortized cost	(14,887)	51,074
Acquisition of property, plant and equipment	VI (XXVII) (560,271)	(315,928)
Disposal of property, plant and equipment	10	114
Acquisition of intangible assets	VI (IX) (5,774)	(1,696)
Increase in refundable deposits	(540)	(827)
Net cash outflow from investing activities	(581,462)	(267,263)
Cash flow from financing activities		
Loaning of short-term borrowings	VI (XXVIII) 1,204,574	1,088,291
Repayment of short-term borrowings	(1,282,574)	(1,297,291)
Decrease in lease liabilities	VI (XXVIII) (19,176)	(17,796)
Issuance of convertible corporate bonds	VI (XXVIII) 501,270	-
Loaning of long-term borrowings	VI (XXVIII) 208,430	214,916
Repayment of long-term borrowings	(50,000)	(103,089)
Capital increase in cash	VI (XVIII) -	263,882
Cash dividends paid	VI (XX) (84,733)	(56,559)
Net cash inflow from financing activities	477,791	92,354
Increase (decrease) in cash and cash equivalents	(96,832)	44,123
Balance of cash and cash equivalents at beginning of the current period	209,661	165,538
Balance of cash and cash equivalents at end of the current period	\$ 112,829	\$ 209,661

The accompanying notes are an integral part of the parent company only financial statements. Please refer to them altogether.

Chairman: Huang, Ching-Feng

Managerial Officer: Huang, Ching-Yun

Accounting Officer: Chang, Wen-Chin

WALRUS PUMP CO., LTD.
Notes to Parent Company Only Financial Statements
For the Years Ended 2025 and 2024

Unit: NTD thousands
(unless otherwise specified)

I. Company History

Walrus Pump Co., Ltd. (the “Company”) was established in the Republic of China in April 1978. The main business items of the Company are the design, manufacturing, and trading of pumps, motors, spraying machines, mechanical parts, pneumatic labor-saving pumps, automated machines, and related component parts.

II. Approval Date and Procedures of the Financial Statements

These parent company only financial statements have been approved by the Board of Directors on March 5, 2026 for issuance.

III. Application of New Standards, Amendments and Interpretations

(I) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRSs”) as endorsed and announced by the Financial Supervisory Commission (“FSC”)

The applicable newly promulgated, amended, and revised standards and interpretations of IFRSs endorsed and announced by the FSC in 2025 are as follows:

<u>New, Amended, or Revised Standards and Interpretations</u>	<u>Effective date announced by IASB</u>
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025

The Company has assessed the aforementioned standards and interpretations, and concludes that they do not have significant effect on the Company’s financial position and financial performance.

(II) Effect of not adopting new issuances or amendments to International Financial Reporting Standards (“IFRSs”) endorsed by FSC

The following table summarizes the standards and interpretations for the new releases, amendments, and revisions of the IFRSs applicable in 2026 as approved by the FSC:

<u>New, Amended, or Revised Standards and Interpretations</u>	<u>Effective date announced by IASB</u>
Amendments to IFRS 9 and IFRS 7 “Amendment to Classification and Measurement of Financial Instruments”	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”	January 1, 2026
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendment to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Annual Improvements to IFRSs - Volume 11	January 1, 2026

The Company has assessed the aforementioned standards and interpretations, and concluded that they do not have significant effect on the Company’s financial position and financial performance.

(III) Effects of the IFRSs issued by IASB but not yet endorsed by the FSC

New standards and interpretations of and amendments to the IFRSs issued by IASB but not yet endorsed by the FSC are as follows:

<u>New, Amended, or Revised Standards and Interpretations</u>	<u>Effective date announced by IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Yet to be decided by IASB
IFRS No. 18 “Presentation and Disclosures of Financial Statements”	January 1, 2027 (Note)
IFRS 19 “Subsidiaries not Publicly Responsible for Public Expenditure: Disclosure”	January 1, 2027
Amendments to IAS 21 “Translation to Hyperinflationary Presentation Currency”	January 1, 2027

Note: FSC announced in its newsletter dated September 25, 2025 that the International Financial Reporting Standards 18 (referred to as IFRS18) shall be applied to public companies. In addition, if enterprises have the need to apply IFRS18 early, they may choose to apply IFRS18 requirements early after FSC has approved IFRS18.

Except for the following, the above standards and interpretations have no significant impact to the Company’s financial condition and operating results based on the Company’s assessment:

IFRS No. 18 “Presentation and Disclosures of Financial Statements”

IFRS No. 18 "Presentation and Disclosure in Financial Statements" replaces IAS No. 1 and updates the structure of the comprehensive income statement and adds management performance measurement disclosure, and strengthens the principle of aggregation and segmentation applied to the main financial statements and notes.

IV. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated.

(I) Statement of compliance

The parent company only financial statements were prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”

(II) Basis of preparation

1. The parent company only financial statements have been prepared under the historical cost convention:
2. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred to herein as the “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.

(III) Foreign currency translation

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The parent company only financial statements are presented in “New Taiwan Dollars”, which is the Company’s functional currency.

1. Foreign currency transactions and balance

- (1) Foreign currency derived from transactions is translated into the functional currency using the spot exchange rate prevailing on the measurement date or the trade date, with the resulting exchange difference recognized as gain or loss.
- (2) The balance of monetary assets or liabilities denominated in foreign currency is adjusted by the exchange rate prevailing at the balance sheet date, with the resulting differences recognized as gain or loss.
- (3) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within “other gains and losses”.

2. Translation of foreign operations

The results and financial position of all subsidiaries, whose functional currency is not the presentation currency, are translated into the presentation currency using the following procedures:

- (1) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (2) Income and expenses for each statement of comprehensive income (including comparatives) are translated at the average exchange rates for the period; and
- (3) All resulting exchange differences are recognized in other comprehensive income.

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

1. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
 - (2) Assets held primarily for the purpose of trading.
 - (3) Assets expected to be realized within twelve months following the reporting period.
 - (4) Cash or cash equivalents, excluding those restricted from being exchanged or used to settle liabilities for at least 12 months after the balance sheet date.

Assets that do not meet the above criteria are classified by the Company as non-current assets.

2. Liabilities that meet one of the following criteria are classified as current liabilities:
 - (1) Liabilities that are expected to be settled within the normal operating cycle.
 - (2) Assets held primarily for the purpose of trading.
 - (3) Liabilities expected to be settled within twelve months after the reporting period.
 - (4) Liabilities that are devoid of the right to defer the settlement for at least twelve months after the reporting period.

Liabilities that do not meet the above criteria are classified by the Company as non-current liabilities.

(V) Cash equivalents

Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that fit the said definition and are intended to meet short-term operating cash commitments are classified as cash equivalents.

(VI) Financial assets measured at amortized cost

Financial assets at amortized cost are those that meet all of the following criteria:

1. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
2. The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(VII) Accounts and notes receivables

1. Accounts and notes receivable denote that the Company has an unconditional right to the consideration, in the form of receivables or notes, for the goods and services transferred.
2. For short-term notes and accounts receivable that do not bear interest, the Company measured such receivable at initial invoice amount as the effect of discounting is immaterial.

(VIII) Impairment of financial assets

At the end of each reporting period, the Company considers accounts receivable and financial assets at amortized cost, and takes into consideration all reasonable and supporting information (including the forward-looking information). For financial assets of which the credit risk does not significantly increase since initial recognition, the Company recognizes an allowance equal to 12-month expected credit losses; for financial assets of which the credit risk significantly increases since initial recognition, the Company recognizes an allowance equal to the lifetime expected credit loss; for accounts receivable that do not contain significant financial components, the Company recognizes an allowance equal to the lifetime expected credit loss.

(IX) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive cash flows from the financial asset expire.

(X) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs, and related production overheads (allocated based on normal operating capacity), excluding 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.

(XI) Investment accounted for under the equity method - subsidiaries

1. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company 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.
2. Unrealized profit (loss) occurring from transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries are consistent with the policies adopted by the Company.
3. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is

recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize losses proportionate to its ownership.

4. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", profit (loss) of the current period and other comprehensive income in the unconsolidated financial statements shall equal the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the unconsolidated financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(XII) Property, plant and equipment

1. Property, plant, and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. 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 Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized in profit or loss when accrued.
3. Property, plant, and equipment are subsequently measured at cost. Land is not depreciated. Other property, plant, and equipment apply the cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Property, plant, and equipment are depreciated individually if they contain any significant components.
4. The assets' residual values, useful lives, and depreciation methods are reviewed, and adjusted by the Company, if appropriate, at the end of each reporting year. If expectations for the residual values of assets and useful lives differ from previous estimates or the patterns of consumption of the future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in 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:

Houses and buildings	5~55 years
Machinery and equipment	1~14 years
Transportation equipment	1~15 years
Office equipment	1~15 years
Mold equipment	1~5 years
Others	1~20 years

(XIII) Lease transactions of a lessee - right-of-use assets/lease liabilities

1. The Company recognizes right-of-use assets and lease liabilities for all leases at the date when they are available for the Company's use. Low-value assets and short-term leases are recognized as expenses on a straight-line basis over the lease period.
2. The Company measures its lease liability at the commencement date by discounting future lease payments using its incremental borrowing interest rate, and lease payments include fixed payments, less any lease incentives receivable.

Lease payments are measured in subsequent periods using the effective interest rate method and amortized over the lease term. When a change in lease payments occurs not due to contract modification, lease liability will be remeasured, with such remeasurements adjusted to right-of-use assets.

3. Right-of-use assets are recognized at cost at the commencement of the lease. Cost includes:
 - (1) The initial lease liability measured;
 - (2) Lease payments made before or at the inception of the lease;
 - (3) Any initial direct costs incurred;

Right-of-use assets are subsequently measured at cost. Depreciation of right-of-use assets is recognized at the earlier of the end of the useful life and the end of the lease term. When a lease liability is remeasured, the Company adjusts the right-of-use asset for any remeasurements.

(XIV) Intangible assets

1. Computer software

Computer software is measured at the acquisition cost and amortized using the straight-line method over its estimated useful life, which is 1-5 years.

2. Trademark rights (uncertain useful life)

Trademark is recognized at the cost of acquisition. After evaluation, the trademark is expected to generate net cash inflow in the foreseeable future; therefore, it is regarded as a trademark with an uncertain useful life without amortization, and the trademark is tested for impairment annually.

(XV) Impairment of financial assets

1. The Company assesses at each balance sheet date 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 an asset's fair value less costs of disposition or its value in use, whichever is higher. When the circumstances or reasons for recognizing impairment loss

for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

2. For intangible assets with an indefinite useful life, their recoverable amount is estimated periodically. Impairment is recognized when the recoverable amount is lower than the carrying amount.

(XVI) Borrowings

Borrowings refer to long-term and short-term loans borrowed from banks. During the initial recognition, the Company measures according to the fair value with deduction of transaction cost. Subsequently, for any difference between the amount after the deduction of transaction costs and the redemption value, the effective interest method is adopted to recognize the interest expense in the profit or loss according to amortized procedure during the term.

(XVII) Accounts and notes payables

1. Accounts and notes payable are the debt incurred by credit purchases of raw materials, goods, or services and the accounts and notes payable incurred by operating and non-operating activities.
2. For short-term notes and accounts payable that do not bear interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(XVIII) Financial liabilities measured at fair value through profit or loss

1. It refers to financial liabilities repurchased for short-term trading purposes and excludes those designated as hedging instruments according to the hedge accounting that are held for trading.
2. At initial recognition, the Company measures financial assets at fair value plus relevant transaction costs, and subsequently, the Company measures the financial assets at fair value, and its gain or loss is recognized in profit or loss.

(XIX) Convertible bonds payable

The convertible corporate bonds payable issued by the Company are embedded with the conversion right (i.e., the right of the holder to choose the conversion of common shares of the Company, and fixed amount for conversion of fixed quantity of shares) and right of redemption. During the initial issuance, the issuance price is classified into financial assets, financial liabilities or equity according to the issuance criteria, and the handling is as follows:

1. Embedded redemption right: During the initial recognition, its net fair value is used for recognition under the “financial assets or liabilities measured at fair value through profit or loss”. For subsequent balance sheet dates, valuation is made according to the fair value

at that time, and the difference is recognized in the “gain or loss on financial assets (liabilities) at fair value through profit or loss”.

2. Main contracts of corporate bonds: It is measured at fair value during the initial recognition, and the difference from the redemption price is recognized in the discount on bonds payable. Subsequently, the effective interest method is adopted according to the amortization procedure, with amounts recognized in profit or loss during the circulation period, which is also used as the adjustment of the “financial costs”.
3. Embedded conversion right (complying with the definition of equity): During the initial recognition, after the aforementioned “financial assets or liabilities measured at fair value through profit or loss” and “corporate bonds payable” are deducted from the issuance amount, the remaining value is recognized in the “capital surplus - subscription right”, and no further remeasurement is made subsequently.
4. Any transaction costs that can be directly attributed are amortized to the liability and equity component according to the initial carrying amount ratio of the aforementioned components.
5. During holder conversion, the liability components recognized (including “corporate bonds payable” and “financial assets or liabilities measured at fair value through profit or loss”) are handled according to the subsequent measurement method classified, followed by adding the carrying amount of the “capital surplus - subscription right” according to the carrying amount of the liability component to be used as the issuance cost for the conversion of common shares.

(XX) Derecognition of financial liabilities

A financial liability is derecognized by the Company when the obligation specified in the contract is either discharged, canceled or has expired.

(XXI) Provisions for liabilities

Provisions for liabilities (including warranty and sales discounts) are recognized 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. The measurement of provision for liabilities is based on the best estimate of the present value of the expenditure required to settle the obligation at the statement of financial position date. Future operating losses may not be recognized as provisions for liabilities.

(XXII) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of 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.

2. Pension

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 from the plan or a reduction in future contributions to the plan.

3. Separation benefits

Severance benefits refer to benefits provided to employees subject to termination of employment before the normal retirement day or employees deciding to accept benefits offered by the company in exchange for termination of employment. When the Company cannot cancel the offer of severance benefits or recognizes relevant restructuring costs, whichever occurs first, these are recognized as expenses. Benefits not expected to be fully repaid within 12 months after the balance sheet date shall be discounted.

4. Remuneration of employees and directors

Remuneration of employees and directors are recognized as expense and liability when there is a legal or constructive obligation and the amount can be reasonably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(XXIII) Employees share-based payments

1. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions as of each balance sheet date. And ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

2. New restricted employee shares:
 - (1) The fair value of equity instruments granted at the grant date is used as the basis for the recognition of compensation costs over the vesting period.
 - (2) Employees are not required to pay for the new restricted shares acquired; if an employee resigns during the vesting period, the Group will reacquire the shares without compensation and cancel such shares.

(XXIV) Income tax

1. Income tax expense for the period comprises current and deferred tax. Income 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 income tax is recognized in other comprehensive income or equity.
2. The Company calculates current tax based on the tax rate that has been enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. Where appropriate, management also estimate income tax liabilities 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 in the year the shareholders resolve to retain the earnings in a shareholders' meeting of the following year.
3. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not recognized if it arises from initial recognition of goodwill or of an asset or liability in a transaction (excluding a business combination) that, at the time of the transaction, affects neither accounting nor taxable profit (loss), and does not give rise to equal taxable and deductible temporary difference. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred 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 tax asset is realized or the deferred tax liability is settled.
4. 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 can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

(XXV) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are recognized in equity as a deduction from the proceeds.

(XXVI) Dividend distribution

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities. Dividends distributed are recognized as stock dividends to be distributed and are recognized as common stock on the new stock issuance base date.

(XXVII) Revenue recognition

The Company manufactures and sells pump-related products. Revenue refers to the fair value of consideration received or receivable from the sale of products to external customers in the normal business activities, expressed by the net amount of the deductions for business tax, sales returns, quantity discounts and allowances. Revenue is recognized when the goods are delivered to the buyer, the amount of sales can be reliably measured, and the inflow of future economic benefits is likely to occur. When material risk and remuneration related to ownership have been transferred to customers, the Company does not subsequently participate in the management of such goods and does not maintain effective control, and the customer also accepts the goods according to the sales contract, or where there is objective evidence indicating that all of the acceptance terms have been satisfied, then delivery of goods is considered to take place.

(XXVIII) Government grants

Government grants are recognized 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 recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are deducted from the carrying amount of the assets and recognized in profit or loss by reducing depreciation expense over the asset's useful life.

V. Significant Accounting Judgments, Estimates and Key Sources of Assumption Uncertainty

The preparation of these parent company only financial statements requires management to make critical judgments in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. The significant accounting estimates and assumptions made may deviate from the actual outcomes and will be consistently measured and adjusted in accordance with historical experience and for other factors. Such estimates and assumptions may lead to the risk of significant adjustment being made to the carrying amount of the assets and liabilities on the balance

sheet. Significant accounting judgments and the uncertainty in accounting estimates and assumptions are stated below:

(I) Significant Judgments in Applying Accounting Policies

No such situation.

(II) Significant Accounting Estimates and Assumptions

Inventory valuation

Since inventory is measured at the lower of cost and the net realizable value, the Company needs to exercise judgment and make estimates to determine the net realizable value of inventory at the balance sheet date. The Company evaluates the amount of inventory due to normal loss, obsolescence, or lack of marketability on the balance sheet date, and also writes down inventory to net realizable value.

VI. Details of Significant Accounts

(I) Cash and cash equivalents

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Cash on hand	\$ 560	\$ 420
Demand deposits and check deposits	<u>112,269</u>	<u>209,241</u>
	<u>\$ 112,829</u>	<u>\$ 209,661</u>

1. The Company transacts with a variety of financial institutions all with high credit quality to diversify credit risk, so it expects that the probability of counterparty default is remote.
2. The Company has no cash and cash equivalents pledged to others.

(II) Financial assets and liabilities measured at fair value through profit or loss - current

	<u>December 31, 2025</u>
Financial liabilities compulsorily measured at fair value through profit or loss	
Derivatives	
- Convertible bond redemption right	\$ 475
Valuation adjustment	<u>270</u>
	<u>\$ 745</u>

1. No such condition as of December 31, 2024.
2. Details of the financial assets and liabilities measured at fair value through profit or loss recognized under profit or loss are as follows:

	<u>2025</u>
Financial assets and liabilities compulsorily measured at fair value through profit or loss	
Derivatives	
- Forward exchange agreement (FXA)	(\$ 45)
- Convertible bond redemption right	<u>(270)</u>
	<u><u>(\$ 315)</u></u>

- No such condition in 2024.
- The Company did not pledge any financial assets at fair value through profit or loss as collateral.
- Please refer to Notes 12(2) for information relating to credit risk of financial assets measured at fair value through profit or loss.

(III) Financial assets measured at amortized cost - current

<u>Item</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Current items:		
Restricted demand deposit	\$ 7,918	\$ 3,031
Restricted time deposits	-	8,000
Time deposits with original maturities exceeding three months from the date of acquisition	<u>18,000</u>	<u>-</u>
	<u><u>\$ 25,918</u></u>	<u><u>\$ 11,031</u></u>

- Without considering increases in collateral or other credit enhancements held, for the most representative financial assets at amortized cost held by the Company, the maximum exposure to credit risk on December 31, 2025 and 2024 were approximately equivalent to the carrying amount.
- Details of the financial assets measured at amortized cost recognized in profit or loss are as follows:

	<u>2025</u>	<u>2024</u>
Interest income	<u>\$ 926</u>	<u>\$ 676</u>

- Details of the Company's financial assets at amortized cost pledged to others as collateral are provided in Note 8.
- Information relating to credit risk of financial assets at amortized cost is provided in Note 12 (2). The transaction counterparties of the Company for the investment in certificates of

deposit are financial institutions with high credit quality; therefore, it expects that the probability of counterparty default is extremely low.

(IV) Notes and accounts receivable

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Notes receivable	\$ 45,586	\$ 51,275
Accounts receivable	\$ 211,281	\$ 183,042
Less: Allowance for bad debt	(1,208)	(2,093)
	<u>\$ 210,073</u>	<u>\$ 180,949</u>

1. The aging of accounts receivable is as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Not overdue	\$ 199,333	\$ 180,931
Within 90 days	11,932	2,090
91-180 days	<u>16</u>	<u>21</u>
	<u>\$ 211,281</u>	<u>\$ 183,042</u>

The above aging analysis is based on the number of days past the due date.

2. The balance of notes and accounts receivable as of December 31, 2025 and 2024 all arose from contracts with customers. The balance of notes and accounts receivable from customer contracts on January 1, 2024 was NT\$223,214.
3. The Company did not have notes or accounts receivable pledged as collateral.
4. Without considering increases in collateral or other credit enhancements held, for the most representative accounts and notes receivable of the Company, the maximum exposure to credit risk on December 31, 2025 and 2024 was approximately equivalent to the carrying amount.
5. For credit risk information related to accounts receivable and notes receivable, please refer to Note 12 (2).

(V) Inventories

	December 31, 2025		
	Cost	Allowance for inventory falling price loss	Carrying amount
Raw materials	\$ 136,947	(\$ 11,898)	\$ 125,049
Semi-finished goods and work-in-progress	189,919	(11,332)	178,587
Finished goods and merchandise inventory	68,631	(2,106)	66,525
Total	<u>\$ 395,497</u>	<u>(\$ 25,336)</u>	<u>\$ 370,161</u>

	December 31, 2024		
	Cost	Allowance for inventory falling price loss	Carrying amount
Raw materials	\$ 159,211	(\$ 14,100)	\$ 145,111
Semi-finished goods and work-in-progress	154,415	(8,962)	145,453
Finished goods and merchandise inventory	104,182	(869)	103,313
Total	<u>\$ 417,808</u>	<u>(\$ 23,931)</u>	<u>\$ 393,877</u>

Amount recognized as cost of goods sold in the current period by the Company:

	2025	2024
Cost of inventory sold	\$ 1,152,209	\$ 1,079,777
Estimated loss on warranty	9,424	10,831
Loss on scrapped inventories	3,243	3,155
Inventory valuation loss (reversal gain) (Note)	1,406 (3,124)
Income from sale of scraps and waste materials	(722)	(1,197)
	<u>\$ 1,165,560</u>	<u>\$ 1,089,442</u>

Note: In 2024, because the Company's destocking portion was recognized under inventory write-down loss, the net realizable value of inventory increased, and a decrease in the cost of goods sold was recognized.

(VI) Investment Accounted for Under Equity Method

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Subsidiary:		
Suzhou Walrus Pump Co., Ltd.	\$ <u>92,180</u>	\$ <u>80,044</u>

1. The share of profit or loss of subsidiaries accounted for using the equity method is as follows:

	<u>2025</u>	<u>2024</u>
Subsidiary:		
Suzhou Walrus Pump Co., Ltd.	\$ <u>11,386</u>	\$ <u>5,342</u>

2. Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2025 for more information on the Company's subsidiaries.

	Land	Houses and buildings	Machinery and equipment	Transportation equipment	Office equipment	Mold equipment	Others	Unfinished construction	Total
January 1									
Cost	\$ 64,438	\$ 114,996	\$ 252,862	\$ 31,944	\$ 58,889	\$ 146,679	\$ 66,703	\$ 522,189	\$ 1,258,700
Accumulated depreciation	-	(37,301)	(180,345)	(16,034)	(42,521)	(134,726)	(27,222)	-	(438,149)
	<u>\$ 64,438</u>	<u>\$ 77,695</u>	<u>\$ 72,517</u>	<u>\$ 15,910</u>	<u>\$ 16,368</u>	<u>\$ 11,953</u>	<u>\$ 39,481</u>	<u>\$ 522,189</u>	<u>\$ 820,551</u>
January 1	\$ 64,438	\$ 77,695	\$ 72,517	\$ 5,910	\$ 16,368	\$ 11,953	\$ 39,481	\$ 522,189	\$ 820,551
Increase in current period	-	20,729	18,557	7,281	6,402	5,852	9,303	273,990	342,114
Disposal in the current period	-	-	-	-	(8)	-	-	-	(8)
Reclassification	-	-	-	-	-	-	-	5,280	5,280
Depreciation expense	-	(3,454)	(16,854)	(4,697)	(7,222)	(8,929)	(10,883)	-	(52,039)
December 31	<u>\$ 64,438</u>	<u>\$ 94,970</u>	<u>\$ 74,220</u>	<u>\$ 18,494</u>	<u>\$ 15,540</u>	<u>\$ 8,876</u>	<u>\$ 37,901</u>	<u>\$ 801,459</u>	<u>\$ 1,115,898</u>
December 31									
Cost	\$ 64,438	\$ 135,724	\$ 264,581	\$ 38,423	\$ 64,183	\$ 148,011	\$ 75,192	\$ 801,459	\$ 1,592,011
Accumulated depreciation	-	(40,754)	(190,361)	(19,929)	(48,643)	(139,135)	(37,291)	-	(476,113)
	<u>\$ 64,438</u>	<u>\$ 94,970</u>	<u>\$ 74,220</u>	<u>\$ 18,494</u>	<u>\$ 15,540</u>	<u>\$ 8,876</u>	<u>\$ 37,901</u>	<u>\$ 801,459</u>	<u>\$ 1,115,898</u>

1. Capitalization of borrowing costs of property, plant, and equipment and interest rate range:

	<u>2025</u>	<u>2024</u>
Capitalization amount	\$ 16,292	\$ 16,043
Capitalized interest rate range	2.15%~2.47%	2.15%~2.80%

2. For information on the pledge of property, plant and equipment, please refer to Note 8 for details.

(VIII) Lease transactions - lessee

- The underlying assets of the Company's lease include land, buildings and company vehicles, etc. The lease contract durations are 2 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.
- The lease term of the outdoor advertisement walls rented by the Company does not exceed 12 months, and the subject properties rented by the Group are multifunction office machines.
- The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 160,793	\$ 177,957
Buildings	26,321	41,709
Transportation equipment	<u>3,427</u>	<u>4,754</u>
	<u>\$ 190,541</u>	<u>\$ 224,420</u>

	<u>2025</u>	<u>2024</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land	\$ 519	\$ 318
Buildings	15,388	14,356
Transportation equipment	<u>1,327</u>	<u>1,271</u>
	<u>\$ 17,234</u>	<u>\$ 15,945</u>

4. The Company's right-of-use assets increased by NT\$634 and NT\$18,330 for the years ended 2025 and 2024, respectively.

5. Information on profit and loss accounts relating to lease contracts is as follows:

	<u>2025</u>	<u>2024</u>
<u>Items that affect profit or loss</u>		
Interest expense of lease liabilities	\$ 1,444	\$ 1,499
Expenses attributable to short-term lease contracts	985	1,188
Expenses attributable to low-value assets	<u>368</u>	<u>513</u>
	<u>\$ 2,797</u>	<u>\$ 3,200</u>

6. The Company's total cash used in lease contracts was NT\$21,973 and NT\$20,996 for the years ended 2025 and 2024, respectively.

7. For information on the pledge of right-of-use assets of the Company, please refer to Note 8 for details.

(IX) Intangible assets

	<u>Trademarks</u>	<u>Computer software</u>	<u>Total</u>
January 1, 2025			
Cost	\$ 1,590	\$ 12,877	\$ 14,467
Accumulated amortization	<u>-</u>	<u>(7,402)</u>	<u>(7,402)</u>
	<u>\$ 1,590</u>	<u>\$ 5,475</u>	<u>\$ 7,065</u>
January 1	\$ 1,590	\$ 5,475	\$ 7,065
Addition	-	5,774	5,774
Amortization expenses	<u>-</u>	<u>(3,289)</u>	<u>(3,289)</u>
December 31	<u>\$ 1,590</u>	<u>\$ 7,960</u>	<u>\$ 9,550</u>
December 31, 2025			
Cost	\$ 1,590	\$ 18,651	\$ 20,241
Accumulated amortization	<u>-</u>	<u>(10,691)</u>	<u>(10,691)</u>
	<u>\$ 1,590</u>	<u>\$ 7,960</u>	<u>\$ 9,550</u>

	<u>Trademarks</u>	<u>Computer software</u>	<u>Total</u>
January 1, 2024			
Cost	\$ 1,590	\$ 11,181	\$ 12,771
Accumulated amortization	<u>-</u>	<u>(3,225)</u>	<u>(3,225)</u>
	<u>\$ 1,590</u>	<u>\$ 7,956</u>	<u>\$ 9,546</u>
January 1	\$ 1,590	\$ 7,956	\$ 9,546
Addition	-	1,696	1,696
Amortization expenses	<u>-</u>	<u>(4,177)</u>	<u>(4,177)</u>
December 31	<u>\$ 1,590</u>	<u>\$ 5,475</u>	<u>\$ 7,065</u>
December 31, 2024			
Cost	\$ 1,590	\$ 12,877	\$ 14,467
Accumulated amortization	<u>-</u>	<u>(7,402)</u>	<u>(7,402)</u>
	<u>\$ 1,590</u>	<u>\$ 5,475</u>	<u>\$ 7,065</u>

(X) Other non-current assets

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Prepayment for equipment	\$ 40,542	\$ 52,331
Refundable deposits	9,398	8,858
Others	<u>4,421</u>	<u>3,997</u>
	<u>\$ 54,361</u>	<u>\$ 65,186</u>

For information on the pledge of refundable deposits of the Company, please refer to Note 8 for details.

(XI) Short-term borrowings

<u>Nature of borrowings</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>	<u>Collaterals</u>
Bank loans			
Secured loans	\$ 50,000	\$ 248,000	Note
Credit loans	<u>120,000</u>	<u>-</u>	None
	<u>\$ 170,000</u>	<u>\$ 248,000</u>	
Interest rate interval	2.10%~2.23%	2.11%~2.33%	

Note: For information on endorsement and guarantee provided by related parties, please refer to Note 7, and for the collateral information, please refer to Note 8 for details.

(XII) Other payables

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Salary and bonus payables	\$ 55,486	\$ 55,703
Construction and equipment payable	26,413	73,413
Labor, health and insurances payable	5,800	6,306
Pensions payable	4,368	2,394
Remuneration of employees	344	8,876
Remuneration of directors payable	-	2,536
Others	<u>21,697</u>	<u>27,160</u>
	<u>\$ 114,108</u>	<u>\$ 176,388</u>

(XIII) Corporate bonds payable

	<u>December 31, 2025</u>
First convertible bond offering	\$ 299,400
Less: Discount on bonds payable	<u>(16,922)</u>
Subtotal	<u>282,478</u>
Second convertible corporate bonds	\$ 199,000
Less: Discount on bonds payable	<u>(12,098)</u>
Subtotal	<u>186,902</u>
Total	<u>\$ 469,380</u>

1. Relevant information on the domestic convertible corporate bonds issued by the Company is as follows:

(1) The terms of issuance of the Company's first domestic unsecured convertible corporate bond are as follows:

A. The Company was approved by the competent authority to offer and issue the first domestic unsecured convertible corporate bond at a total issue amount of NT\$300,000, a coupon rate of 0%, and an issue period of three years. The circulation period starts from July 23, 2025 (hereinafter referred to as the "issue date") to July 23, 2028 (hereinafter referred to as the "maturity date"). Unless the bondholders convert the convertible bonds into the Company's ordinary shares in accordance with the issuance and conversion regulations, or the Company recovers them in advance in accordance with the issuance and conversion regulations, or the Company repurchases and cancels them through the securities firm's business premises, the Company shall repay the bond face value in cash in a lump sum within ten business days after maturity of the convertible bonds. These

convertible corporate bonds were listed for trading at Taipei Exchange on July 23, 2025.

- B. From October 24, 2025 (three months after the issue date of these convertible bonds) until the maturity date, bondholders may request the Company to convert the convertible bonds into common shares at any time, except during any book closure period specified by the regulations or laws. The rights and obligations of the converted ordinary shares are the same as those of the originally issued ordinary shares.
 - C. The conversion price of the convertible corporate bonds is determined according to the pricing model stipulated in the conversion terms. In cases where the Company encounters anti-dilution provisions, the conversion price is to be adjusted according to the pricing model stipulated in the conversion regulations. Subsequently, on the base date specified in the regulations, the conversion price is to be re-determined according to the pricing model stipulated in the conversion terms. The conversion price of said bonds is NT\$63.6 per share.
 - D. For the period from the next day (October 24, 2025) of three months after the issuance of convertible bond to the date of forty days (June 13, 2028) before the maturity of the issue period, if the common stock closing price of the Company continues to reach above 30% (inclusive) of the conversion price for thirty business days or the balance of the outstanding convertible bond is lower than 10% of the total original issuance amount, the Company may redeem the bonds from the bondholders in cash at the bond face value, as stipulated in the issuance and conversion regulations.
 - E. According to the issuance and conversion regulations, all convertible bonds recovered (including those bought back from Taipei Exchange), repaid, or converted by the Company will be canceled and shall not be sold or reissued. The conversion rights attached to said bonds will also cease to exist.
- (2) The terms of issuance of the Company's second domestic unsecured convertible corporate bond are as follows:
- A. The Company was approved by the competent authority to offer and issue the second domestic unsecured convertible corporate bond at a total issue amount of NT\$200,000 a coupon rate of 0%, and an issue period of three years. The circulation period starts from August 4, 2025 (hereinafter referred to as the "issue date") to August 4, 2028 (hereinafter referred to as the "maturity date"). Unless the bondholders convert the convertible bonds into the Company's ordinary shares in accordance with the issuance and conversion regulations, or the Company recovers them in advance in accordance with the issuance and conversion regulations, or the Company repurchases and cancels them through the securities

firm's business premises, the Company shall repay the bond face value in cash in a lump sum within ten business days after maturity of the convertible bonds. These convertible corporate bonds were listed for trading at Taipei Exchange on August 4, 2025.

- B. From November 5, 2025 (three months after the issue date of these convertible bonds) until the maturity date, bondholders may request the Company to convert the convertible bonds into common shares at any time, except during any book closure period specified by the regulations or laws. The rights and obligations of the converted ordinary shares are the same as those of the originally issued ordinary shares.
 - C. The conversion price of the convertible corporate bonds is determined according to the pricing model stipulated in the conversion terms. In cases where the Company encounters anti-dilution provisions, the conversion price is to be adjusted according to the pricing model stipulated in the conversion regulations. Subsequently, on the base date specified in the regulations, the conversion price is to be re-determined according to the pricing model stipulated in the conversion terms. The conversion price of said bonds is NT\$61.8 per share.
 - D. For the period from the next day (November 5, 2025) of three months after the issuance of convertible bond to the date of forty days (June 25, 2028) before the maturity of the issue period, if the common stock closing price of the Company continues to reach above 30% (inclusive) of the conversion price for thirty business days or the balance of the outstanding convertible bond is lower than 10% of the total original issuance amount, the Company may redeem the bonds from the bondholders in cash at the bond face value, as stipulated in the issuance and conversion regulations.
 - E. According to the issuance and conversion regulations, all convertible bonds recovered (including those bought back from Taipei Exchange), repaid, or converted by the Company will be canceled and shall not be sold or reissued. The conversion rights attached to said bonds will also cease to exist.
- (3) As of December 31, 2025, the face value of the Company's first and second domestic unsecured convertible corporate bonds totaled NT\$600 and NT\$1,000, respectively, and have been converted into 9 and 16 thousand shares, respectively. There were no unsecured convertible bonds issued as of December 31, 2024.
- (4) As of December 31, 2025, there was no adjustment to the conversion price of the Company's first domestic unsecured convertible corporate bond and second domestic unsecured convertible corporate bond. There were no unsecured convertible bonds issued as of December 31, 2024.

- (5) As of December 31, 2025, the Company had not repurchased its first or second domestic unsecured convertible corporate bonds from Taipei Exchange. There were no unsecured convertible bonds issued as of December 31, 2024.
2. During the issuance of the first domestic unsecured convertible bonds of the Company, according to the regulations of IAS 32, the conversion right of an equity nature is separated from the liability component, which is recognized under the “Capital surplus - subscription right” at an amount of NT\$16,681. In addition, the embedded redemption right is accounted for separately because it is not closely related to the economic characteristics and risks of the debt instruments of the main contract in accordance with IFRS 9, and is booked at a net amount as "financial liabilities measured at fair value through profit or loss". The effective interest rate of the debt instruments of the main contract after separation is 2.27%.

During the issuance of the second domestic unsecured convertible corporate bonds of the Company, according to the regulations of IAS 32, the conversion right of equity nature is separated from the liability component, which is recognized under the “Capital surplus - subscription right” at an amount of NT\$12,542. In addition, the embedded redemption right is accounted for separately because it is not closely related to the economic characteristics and risks of the debt instruments of the main contract in accordance with IFRS 9, and is booked at a net amount as "financial liabilities measured at fair value through profit or loss". The effective interest rate of the debt instruments of the main contract after separation is 2.42%.

(XIV) Long-term borrowings

<u>Nature of borrowings</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>	<u>Collaterals</u>
Long-term bank loans			
Secured loans	\$ 722,114	\$ 496,684	Note
Credit loans	-	67,000	None
	<u>\$ 722,114</u>	<u>\$ 563,684</u>	
Interest rate interval	2.47%	2.15%	

Note: For information on endorsement and guarantee provided by related parties, please refer to Note 7. Except for the indirect guarantee of the SME credit guarantee fund, please refer to Note 8 for information on other collaterals.

The Company signed a syndicated loan contract with the syndicated bank group consisting of First Commercial Bank and other banks in December 2025. The contract period is 5 years, and the main contract terms are as follows:

- (1) The medium-term (secured) loan of the credit line of Item A is NT\$900,000, and the loan period is 5 years from the date of the first drawdown, and it cannot be drawn on a revolving basis.
- (2) Limit of credit line of Item B: NT\$300,000, which is divided as follows:
 - a. Credit line of Item B-1 refers to a medium-term loan with a credit limit of NT\$300,000. The loan period is 5 years from the first drawdown date, and it may be drawn down in discrete times and may be drawn in a revolving basis.
 - b. Credit line of Item B-2 refers to a commercial paper guarantee with a credit limit of NT\$150,000. The loan period is 5 years from the first drawdown date, and it may be drawn down in discrete times and may be drawn in a revolving basis.
- (3) The Company's main commitments are as follows:
 - a. The Company shall provide six parcels of land located in Xinyuan Section, Luchu District, Kaohsiung City, along with the factory buildings under construction, auxiliary facilities on the land, and thirty-one units of machinery and equipment as the collateral for Items A and B of the loans.
 - b. The Company's interim and annual consolidated financial statements must maintain the following limits on financial ratios: current ratio (current assets divided by current liabilities) shall not be less than 100%; financial liabilities ratio (total financial liabilities divided by total equity) shall not be higher than 250%; interest coverage ratio (net income before tax + interest expenses + depreciation + amortization) shall not be lower than 200%; and the tangible net worth (total equity - intangible assets) shall not be lower than NT\$500 million.

The above financial ratios and amounts were calculated based on the consolidated financial statements of the Company as of December 31, 2025 and 2024, audited by the CPAs, and did not violate the provisions of the syndicated loan contract.
- (4) As of December 31, 2025, the aforementioned amount of the loan drawn was NT\$722,114.

(XV) Pension

1. Since July 1, 2005, the Company has established the pension regulations applicable to Taiwanese nationals in accordance with the "Labor Pension Act". Under the New Plan, the Company contributes monthly an amount not less than 6% of the employees' monthly salaries and wages for deposit into employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in a lump sum upon termination of employment.
2. The pension costs of the Company recognized according to the aforementioned pension regulations for the years ended 2025 and 2024 were NT\$15,552 and NT\$13,276, respectively.

(XVI) Share-based payments

1. The Company's share-based payment arrangements for 2025 and 2024 were as follows:

<u>Type of arrangements</u>	<u>Grant date</u>	<u>Quantity granted (thousand shares)</u>	<u>Contract period</u>	<u>Vesting conditions</u>
New restricted employee shares program (Note 2 and Note 3)	2025.9.1	155	5 years	Note 1
New restricted employee shares program (Note 2 and Note 3)	2025.9.1	145	3 years	Note 1
The portion of common shares issuance reserved for employee subscription	2024.12.17	750	NA	Immediate vesting

Note 1: Employees who remain employed after being granted new restricted employee shares may be eligible to receive shares in discrete times when the Company has achieved the operational performance goals.

Note 2: For the new restricted employee shares issued by the Company, before the vesting conditions are met, other than inheritance, employees shall not sell, pledge, transfer, setup gift to others, or otherwise dispose of such new restricted employee shares. When the employees do not meet the vesting conditions, the Company shall have the right to reacquire such new restricted employee shares that do not meet the vesting conditions without compensation and cancel them.

Note 3: The share-based payment arrangement applies to full-time employees of the Company who have been employed before the date the new restricted employee shares are granted.

The said share-based payment arrangements are settled with equity.

2. Details of the aforementioned share-based payment arrangements are as follows:

	<u>2025</u>	<u>2024</u>
	<u>Quantity</u>	<u>Quantity</u>
	<u>(thousand shares)</u>	<u>(thousand shares)</u>
Outstanding stock options at the beginning of the period on January 1	-	-
Stock options granted in the current period	300	750
Stock options exercised in the current period	-	(750)
Exercisable stock options at the end of the period on December 31	<u>300</u>	<u>-</u>

2. The par value per share of the new restricted employee shares issued by the Company is NT\$10, and the issue price per share is NT\$0 (i.e., without compensation), with the closing price of NT\$70.7 on the grant date set for fair value measurement.
3. The share-based payment transaction granted by the Company uses the Black-Scholes option pricing model to evaluate the fair value of stock options, and relevant information is as follows:

Type of arrangements	Grant date	Equity value (NT\$)	Exercise price (NT\$)	Expected volatility	Expected duration	Risk-free interest rate	Fair value per unit (NT\$)
The portion of common shares issuance reserved for employee subscription	2024.12.17	62.21	51.00	14.14%	0.02	1.29%	11.21

4. Expenses incurred by share-based payment transactions are as follows:

	2025	2024
Equity settlement	\$ <u>3,672</u>	\$ <u>8,408</u>

(XVII) Provisions for liabilities

	2025		
	Warranty	Sales allowance	Total
January 1	\$ 13,388	\$ 8,648	\$ 22,036
Newly added provision for liabilities in the current period	9,424	9,484	18,908
Provisions for liabilities used in the current period	(7,141)	(8,648)	(15,789)
December 31	\$ <u>15,671</u>	\$ <u>9,484</u>	\$ <u>25,155</u>
	2024		
	Warranty	Sales allowance	Total
January 1	\$ 9,202	\$ 6,572	\$ 15,774
Newly added provision for liabilities in the current period	10,831	8,648	19,479
Provisions for liabilities used in the current period	(6,645)	(6,572)	(13,217)
December 31	\$ <u>13,388</u>	\$ <u>8,648</u>	\$ <u>22,036</u>

(XVIII) Share capital

1. As of December 31, 2025, the Company's authorized capital was NT\$800,000 thousand, divided into 80,000 thousand shares, and the paid-in capital was NT\$406,491 thousand, at a par value of NT\$10 per share. All proceeds for share subscription were collected in full.
2. Adjustments in the number of the Company's outstanding ordinary shares (in thousand shares) are as follows:

	2025	2024
January 1	40,349	35,349
Issuance of new restricted employee shares	300	-
Capital increase in cash	-	5,000
December 31	<u>40,649</u>	<u>40,349</u>

3. On May 27, 2025, the shareholders' meeting approved the issuance of 300 thousand new restricted employee shares. Except that these shares are subject to transfer restrictions before employees satisfy the vesting conditions, these shares shall have the same rights as issued common shares. The issue record date was September 1, 2025, and the registration of the change was completed on September 11, 2025.
4. The Board of Directors' meeting of the Company held on November 8, 2024 resolved to issue 5,000 thousand common shares for a cash capital increase along with the Company's OTC listing procedures. The capital increase record date was December 17, 2024, at a par value of NT\$10 per share. In a competitive bidding, the highest bidder has the priority to win the bid. Each successful bidder must subscribe at their winning bid price, and the weighted average price of all bids is NT\$53.64 per share. The public subscription price is NT\$51 per share, and the registration of the change has been completed.

(XIX) Capital reserve

Under the Company Act, capital surplus arising from shares issued at premium or from donation may be used for offsetting deficit. Furthermore, if the Company has no accumulated losses, capital surplus may be used for issuing new shares or distributing cash in proportion to shareholders' original shareholding percentage. The Company may use capital surplus to offset loss only when the amount of reserves is insufficient to offset the loss.

(XX) Retained Earnings/Subsequent Events

1. According to the Articles of Incorporation of the Group, when there are surplus earnings after final accounts of a fiscal year, taxes shall be paid according to the law and accumulated losses shall be covered first, following which 10% of the surplus earnings shall be set aside as the legal reserve; however, when the legal reserve has reached the paid-in capital of the Group, it may be exempted from such appropriation. For the remaining balance, after special reserve is set aside or reversed according to the laws or regulations, if there is still remaining amount, such remaining amount and the undistributed surplus earnings of the previous year shall be combined altogether for submission to the Board of Directors to establish a proposal on distribution of surplus earnings, which shall also be submitted to the shareholders' meeting for resolution on the distribution of shareholders' bonuses or reservation thereof.
2. Except when used to make up the Group's previous deficits or appropriate shares or cash to shareholders in proportion to their shareholding percentage, the legal reserve shall not be used. However, the amount of legal reserves used to appropriate new shares or cash shall be limited to the portion exceeding 25% of the paid-in capital.
3. The Group's 2023 earnings distribution proposal was approved by the shareholders' meeting on June 3, 2024, as follows:

	2023	
	Amount	Dividends per share (NT\$)
Legal reserve	\$ 7,320	
Cash dividends	<u>56,559</u>	\$ 1.6
	<u>\$ 63,879</u>	

4. The Group's 2024 earnings distribution proposal was approved by the shareholders' meeting on May 27, 2025, as follows:

	2024	
	Amount	Dividends per share (NT\$)
Legal reserve	\$ 10,116	
Cash dividends	<u>84,733</u>	\$ 2.1
	<u>\$ 94,849</u>	

5. Subsequent events

On March 5, 2026, the Board of Directors of the Group approved the 2025 earnings distribution proposal and capital surplus cash distribution proposal as follows:

	2025	
	Amount	Dividends per share (NT\$)
Legal reserve	\$ 231	
Cash dividends	<u>24,389</u>	\$ 0.6
	<u>\$ 24,620</u>	

	2025	
	Amount	Cash distribution per share (NT\$)
Cash distribution from capital surplus	<u>\$ 40,649</u>	\$ 1

(XXI) Operating revenue

	2025	2024
Revenue from contracts with customers	<u>\$ 1,529,717</u>	<u>\$ 1,532,852</u>

1. Revenue from contracts with customers can be classified into the following geographical areas:

	Sales area			Total
	Taiwan	China	Other regions	
<u>2025</u> Revenue from contracts with customers	<u>\$ 1,107,352</u>	<u>\$ 54,846</u>	<u>\$ 367,519</u>	<u>\$ 1,529,717</u>

	Sales area			Total
	Taiwan	China	Other regions	
<u>2024</u> Revenue from contracts with customers	<u>\$ 1,086,466</u>	<u>\$ 41,302</u>	<u>\$ 405,084</u>	<u>\$ 1,532,852</u>

2. The Company has recognized the following contract liabilities related to sales revenue:

	December 31, 2025	December 31, 2024	January 1, 2024
Contract liabilities - current	<u>\$ 3,375</u>	<u>\$ 8,248</u>	<u>\$ 8,721</u>

3. The Company's contract liabilities recognized as current revenue at the beginning of 2025 and 2024 were NT\$8,215 and NT\$8,720, respectively.

(XXII) Other income

	<u>2025</u>	<u>2024</u>
Income from government grants	\$ 1,609	\$ 517
Other income	<u>217</u>	<u>1,763</u>
	<u>\$ 1,826</u>	<u>\$ 2,280</u>

(XXIII) Othr gains and losses

	<u>2025</u>	<u>2024</u>
Gains on disposal of property, plant, and equipment	\$ 10	\$ 106
Net loss on financial assets or liabilities at fair value through profit and loss	(315)	-
Net foreign exchange gains (losses)	(12,070)	9,577
Compensation loss	-	-
Other losses	<u>(168)</u>	<u>(7)</u>
	<u>(\$ 12,543)</u>	<u>\$ 9,676</u>

(XXIV) Additional information on nature of expense/subsequent events

	<u>2025</u>		
	<u>Attributable to operating cost</u>	<u>Attributable to operating expense</u>	<u>Total</u>
Employee benefits expense			
Salary expense	\$ 139,730	\$ 155,110	\$ 294,840
Share-based payments	-	3,672	3,672
Labor and health insurance expense	16,774	17,148	33,922
Pension expense	7,387	8,165	15,552
Remuneration of directors	-	4,560	4,560
Other personnel expenses	<u>10,480</u>	<u>12,464</u>	<u>22,944</u>
	<u>\$ 174,371</u>	<u>\$ 201,119</u>	<u>\$ 375,490</u>
Depreciation expense	<u>\$ 43,980</u>	<u>\$ 35,281</u>	<u>\$ 79,261</u>
Amortization expenses	<u>\$ 93</u>	<u>\$ 3,196</u>	<u>\$ 3,289</u>

	2024		
	Attributable to operating cost	Attributable to operating expense	Total
Employee benefits expense			
Salary expense	\$ 121,399	\$ 155,094	\$ 276,493
Share-based payments	-	8,408	8,408
Labor and health insurance expense	13,518	14,563	28,081
Pension expense	6,091	7,185	13,276
Remuneration of directors	-	7,541	7,541
Other personnel expenses	<u>8,614</u>	<u>10,443</u>	<u>19,057</u>
	<u>\$ 149,622</u>	<u>\$ 203,234</u>	<u>\$ 352,856</u>
Depreciation expense	<u>\$ 38,329</u>	<u>\$ 29,655</u>	<u>\$ 67,984</u>
Amortization expenses	<u>\$ 137</u>	<u>\$ 4,040</u>	<u>\$ 4,177</u>

Note: For the current year and last year, the number of employees were 501 and 448 people respectively, including 5 non-employee directors for both years.

1. According to the Articles of Incorporation of the Company amended by the shareholders' meeting in 2025, if the Company makes a profit in a fiscal year, it shall appropriate 3%~10% as the employee remuneration, of which at least 2% shall be appropriated to entry-level employees, and no more than 2% as director remuneration. If the Company still has accumulated losses, it shall first reserve funds to offset the losses, and then appropriate the remunerations of employees and directors in accordance with the proportions mentioned above.
2. The Company's estimated amounts of remuneration of employees and directors for 2025 and 2024 are as follows:

	2025	2024
Remuneration of employees	\$ 344	\$ 8,876
Remuneration of directors	-	2,536
	<u>\$ 344</u>	<u>\$ 11,412</u>

The aforementioned amounts are recognized as salary expense. On March 5, 2026, the actual amounts of remuneration of employees and directors resolved by the Board of Directors were NT\$344 and NT\$0, respectively, and the remuneration of employees is to be paid in cash.

The difference between the employee remuneration of NT\$8,876 and director remuneration of NT\$2,536 approved by the Board of Directors for 2024 and the amounts

recognized in the 2024 financial statements is NT\$0. Remuneration of employees and directors has been distributed in cash.

Relevant information of the remuneration of employees and directors of the Company as resolved by the Board of Directors is available at the Market Observation Post System (MOPS) website for inquiries.

(XXV) Income tax

1. Income tax expense

	<u>2025</u>	<u>2024</u>
Current income tax:		
Tax attributable to taxable income of the period	\$ 279	\$ 15,436
Underestimation (overestimation) of income tax for the previous year	<u>1,344</u>	<u>(2,051)</u>
Total current income tax	<u>1,623</u>	<u>13,385</u>
Deferred income tax:		
Deferred income tax on temporary differences originated and reversed	<u>635</u>	<u>1,087</u>
Income tax expense	<u>\$ 2,258</u>	<u>\$ 14,472</u>

2. Reconciliation between income tax expense and accounting profit

	<u>2025</u>	<u>2024</u>
Income tax of net profit before tax calculated at the statutory rate	\$ 913	\$ 23,126
Expenses to be eliminated according to tax law	1	2
Income exempted from taxation under the tax laws	-	(1,091)
Realizability evaluation change of deferred income tax assets	-	10
Underestimation (overestimation) of income tax for the previous year	1,344	(2,051)
Income tax effects of investment tax credit	-	(6,999)
Cash recovered from settlement account plus revenue	<u>-</u>	<u>1,475</u>
Income tax expense	<u>\$ 2,258</u>	<u>\$ 14,472</u>

3. Amounts of deferred income tax assets and liabilities as a result of temporary differences are as follows:

	2025		
	January 1	Recognized in profit or loss	December 31
- Deferred tax income assets:			
Temporary differences:			
Inventory falling price loss	\$ 4,786	\$ 281	\$ 5,067
Unrealized foreign exchange loss	1	341	342
Unrealized warranty cost	<u>2,677</u>	<u>457</u>	<u>3,134</u>
Subtotal	<u>7,464</u>	<u>1,079</u>	<u>8,543</u>
- Deferred income tax liabilities:			
Unrealized foreign exchange gain	(\$ 683)	\$ 26	(\$ 657)
Investment gain under equity method (Note)	<u>-</u>	<u>(1,740)</u>	<u>(1,740)</u>
Subtotal	<u>(683)</u>	<u>(1,714)</u>	<u>(2,397)</u>
Total	<u>\$ 6,781</u>	<u>(\$ 635)</u>	<u>\$ 6,146</u>

	2024		
	January 1	Recognized in profit or loss	December 31
- Deferred tax income assets:			
Temporary differences:			
Inventory falling price loss	\$ 5,411	(\$ 625)	\$ 4,786
Unrealized foreign exchange loss	608	(607)	1
Unrealized warranty cost	536	2,141	2,677
Unrealized sales allowance	<u>1,315</u>	<u>(1,315)</u>	<u>-</u>
Subtotal	<u>7,870</u>	<u>(406)</u>	<u>7,464</u>
- Deferred income tax liabilities:			
Unrealized foreign exchange gain	(\$ 2)	(\$ 681)	(\$ 683)
Total	<u>\$ 7,868</u>	<u>(\$ 1,087)</u>	<u>\$ 6,781</u>

Note: The existing loss of the subsidiary Suzhou Warlus has been offset by the net income for the current period, resulting in its reclassification as undistributed earnings as of December 31, 2025.

4. The Company's profit-seeking income tax has been approved by the taxation authority through 2023.

(XXVI) Earnings per share

	2025		
	After-tax amount	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Profit attributable to shareholders of common shares of the parent	\$ 2,307	40,349	\$ <u>0.06</u>
<u>Diluted earnings per share</u>			
Dilutive effects of the potential common shares			
Remuneration of employees	-	22	
New restricted employee shares	-	<u>12</u>	
Effects of profit attributable to shareholders of common shares of the parent plus potential common shares	<u>\$ 2,307</u>	<u>40,383</u>	<u>\$ 0.06</u>

	2024		
	After-tax amount	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Profit attributable to shareholders of common shares of the parent	\$ 101,158	35,555	\$ <u>2.85</u>
<u>Diluted earnings per share</u>			
Dilutive effects of the potential common shares			
Remuneration of employees	-	<u>127</u>	
Effects of profit attributable to shareholders of common shares of the parent plus potential common shares	<u>\$ 101,158</u>	<u>35,682</u>	<u>\$ 2.83</u>

The 2025 convertible corporate bonds have an anti-dilutive effect and are not included in the calculation of diluted earnings per share.

(XXVII) Additional Information on cash flows

Investing activities with partial cash payments:

	<u>2025</u>	<u>2024</u>
Acquisition of property, plant, and equipment	\$ 525,060	\$ 342,114
Add: Prepayments for business facilities at end of the period	40,542	52,331
Construction and equipment payable at the beginning of the period	73,413	29,261
Less: Construction and equipment payable at the end of the period	(26,413)	(73,413)
Prepayments for business facilities at the beginning of the period	<u>(52,331)</u>	<u>(34,365)</u>
Cash paid in the current period	<u>\$ 560,271</u>	<u>\$ 315,928</u>

(XXVIII) Changes in liabilities arising from financing activities

	<u>2025</u>				
	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Lease liabilities</u>	<u>Corporate bonds payable</u>	<u>Total liabilities from financing activities</u>
January 1	\$ 248,000	\$ 563,684	\$ 172,894	\$ -	\$ 984,578
Changes in cash flow from financing activities	(78,000)	158,430	(19,176)	501,270	562,524
Other non-monetary changes	-	-	<u>(11,726)</u>	<u>(31,890)</u>	<u>(43,616)</u>
December 31	<u>\$ 170,000</u>	<u>\$ 722,114</u>	<u>\$ 141,992</u>	<u>\$ 469,380</u>	<u>\$ 1,503,486</u>

	<u>2024</u>				
	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Lease liabilities</u>		<u>Total liabilities from financing activities</u>
January 1	\$ 457,000	\$ 451,857	\$ 172,360		\$ 1,081,217
Changes in cash flow from financing activities	(209,000)	111,827	(17,796)		(114,969)
Other non-monetary changes	-	-	18,330		18,330
December 31	<u>\$ 248,000</u>	<u>\$ 563,684</u>	<u>\$ 172,894</u>		<u>\$ 984,578</u>

VII. Related Party Transactions

(I) Names and relationship with related parties

<u>Company name</u>	<u>Relationship with the Company</u>
Huang, Ching-Feng	Chairman of the Company
Huang, Ching-Yun	General Manager of the Company
Suzhou Walrus Pump Co., Ltd. (Suzhou Walrus)	Subsidiaries
You Chang Investment Co., Ltd. (You Chang Investment)	Director of the Company

(II) Significant transactions with related parties

1. Operating revenue

	<u>2025</u>	<u>2024</u>
Sale of goods:		
Suzhou Walrus	\$ <u>32,947</u>	\$ <u>25,949</u>

The transaction price of product sales has no material difference from the payment collection terms and non-related parties.

2. Purchase

	<u>2025</u>	<u>2024</u>
Purchase of goods:		
Suzhou Walrus	\$ <u>1,951</u>	\$ <u>1,431</u>

The merchandise is purchased from related parties under general commercial terms and conditions.

3. Receivables from related parties

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Accounts receivable:		
Suzhou Walrus	\$ <u>9,315</u>	\$ <u>7,881</u>

Accounts receivable from related parties are mainly from sales transactions, and accounts receivable have no pledge and bear no interest.

4. Amounts payable to related parties

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Accounts payable:		
Suzhou Walrus	\$ <u>386</u>	\$ <u>589</u>

Accounts payable to related parties are mainly from purchase transactions, and accounts payable bear no interest.

5. Transactions with other related parties

	<u>2025</u>	<u>2024</u>
Sales expense		
Suzhou Walrus	\$ <u>53</u>	\$ <u>41</u>

6. Lease transactions - lessee

(1) The Company leases buildings from You Chang Investment. The lease term is from January 1, 2021 to December 31, 2027, and the rent is paid before the 5th day of each month.

(2) Balance of right-of-use assets at the end of the period

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
You Chang Investment	\$ <u>22,628</u>	\$ <u>33,941</u>

(3) Lease liabilities

A. Balance at the end of the period:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
You Chang Investment	\$ <u>23,585</u>	\$ <u>35,084</u>

B. Interest expenses

	<u>2025</u>	<u>2024</u>
You Chang Investment	\$ <u>501</u>	\$ <u>693</u>

7. Status of endorsements and guarantees provided by related parties

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Huang, Ching-Feng and Huang, Chin-Yun	\$ <u>892,114</u>	\$ <u>811,684</u>

(III) Information on Remuneration to Key Management

	<u>2025</u>	<u>2024</u>
Short-term employee benefits	\$ 62,007	\$ 54,039
Post-retirement benefits	2,812	2,332
Other long-term employee benefits	2,552	2,629
Share-based payments	-	3,464
	<u>\$ 67,371</u>	<u>\$ 62,464</u>

VIII. Pledged Assets

The Company's assets pledged as collateral are as follows:

Asset item	Carrying value December 31, 2025	Carrying value December 31, 2024	Purpose of collateral
Financial assets measured at amortized cost - current	\$ 7,918	\$ 11,031	Collaterals for short-term borrowings
Land	64,438	64,438	Collaterals for long-term and short-term borrowings
Houses and buildings	1,112,456	94,970	Collaterals for long-term and short-term borrowings
Machinery and equipment	154,744	-	Collaterals for long-term loan borrowings
Other equipment	26,013	-	Collaterals for long-term loan borrowings
Unfinished construction	36,368	597,899	Collaterals for long-term loan borrowings
Right-of-use assets	182,972	211,766	Collaterals for long-term and short-term borrowings
Refundable deposits (recognized as other non-current assets)	9,398	8,858	Performance guarantee
	<u>\$ 1,594,307</u>	<u>\$ 988,962</u>	

IX. Significant Contingent Liabilities and Unrecognized Commitments

Capital expenditures committed but not yet incurred

	December 31, 2025	December 31, 2024
Property, plant and equipment	<u>\$ 147,022</u>	<u>\$ 268,950</u>

X. Significant Disaster Losses

No such situation.

XI. Significant Subsequent Events

Please refer to Notes 6(20) and (24) for the 2025 earnings distribution proposal and the proposed distribution of remuneration of employees and directors.

XII. Others

(I) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return share capital to shareholders, or issue new shares, in order to reduce the debt.

(II) Financial Instruments

1. Type of financial instrument

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
<u>Financial assets</u>		
Financial assets measured at amortized cost		
Cash and cash equivalents	\$ 112,829	\$ 209,661
Financial assets measured at amortized cost - current	25,918	11,031
Notes receivable	45,586	51,275
Accounts receivable (including related party)	219,388	188,830
Other receivables	660	3,710
Refundable deposits (recognized as other non-current assets)	<u>9,398</u>	<u>8,858</u>
	<u>\$ 413,779</u>	<u>\$ 473,365</u>
	<u>December 31, 2025</u>	<u>December 31, 2024</u>
<u>Financial liabilities</u>		
Financial liabilities compulsorily measured at fair value through profit or loss	\$ 745	\$ -
Financial liabilities measured at amortized cost		
Short-term borrowings	170,000	248,000
Notes payable	7,985	8,002
Accounts payable (including related party)	165,718	204,656
Other accounts payable (including related party)	114,108	176,388
Long-term borrowings (including the current portion)	<u>722,114</u>	<u>563,684</u>
	<u>\$ 1,180,670</u>	<u>\$ 1,200,730</u>
Lease liabilities	<u>\$ 141,992</u>	<u>\$ 172,894</u>

2. Risk management policy

- (1) The Company's daily operations are affected by various financial risks, including market risk (including exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk. The Company's risk management policy focuses on the unpredictable market events in order to minimize their potentially adverse impact on the Company's financial position and financial performance.
- (2) The risk management of the Company is executed by the financial unit according to the policies approved by the board of directors. The financial unit of the Company cooperates closely with all operating units of the Company to identify, assess, and hedge financial risks. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity.

3. Nature and degree of significant financial risks

(1) Market risk

Foreign exchange risk

- A. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries denominated in various functional currencies, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.
- B. The Company's businesses involve some non-functional currencies (functional currency of the Company is NT\$), such that it can be affected by exchange rate fluctuations. The information on assets and liabilities denominated in foreign currencies whose values are materially affected by the exchange rate fluctuations is as follows:

	December 31, 2025		
	Foreign currency (in thousands)	Exchange rate	Carrying amount (NT\$)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NT\$	\$ 1,926	31.43	\$ 60,534

	December 31, 2024		
	Foreign currency (in thousands)	Exchange rate	Carrying amount (NT\$)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NT\$	\$ 3,558	32.79	\$ 116,649

C. The total exchange gain or loss (including realized and unrealized) arising from significant foreign exchange variation on the monetary items held by the Company for the years ended 2025 and 2024, amounted to a profit or loss of (NT\$12,070) and NT\$9,577, respectively.

D. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	2025		
	Sensitivity analysis		
	Change percentage	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NT\$	1%	\$ 605	\$ -

	2024		
	Sensitivity analysis		
	Change percentage	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NT\$	1%	\$ 117	\$ -

(2) Credit risk

- A. The Company's credit risk refers to the risk of financial loss to the Company arising from default by clients or transaction counterparties of financial instruments on their contractual obligations. Such risk is mainly due to the counterparties being unable to repay the accounts payable according to the payment terms.
- B. The Company establishes credit risk management policies from the company's perspective. According to the internally specified credit extension policy, before the internal department and each new customer of the company establishes the terms for payment and goods delivery, it is necessary to perform management and credit risk analysis. Internal risk control is achieved by evaluating a client's credit quality against the client's financial position, credit records, and other factors. The limit on individual risk is set by the Board of Directors by referring to internal or external ratings. The status of utilization of credit lines is regularly monitored.
- C. According to the credit risk management procedure, the Company deems it a breach of contract when the counterparty is in financial difficulty or has a bounced check.
- D. The Company manages the credit risk of bank deposits and other financial instruments in accordance with the Company policy. Only banks and financial institutions with investment grade credit ratings are accepted as counterparties.
- E. The Company adopts IFRS 9 to provide the following preliminary assumptions, in order to use it as the basis for determining whether the credit risk of a financial instrument has increased significantly or whether a breach has occurred since the original recognition:

If the contract payments are past due over 90 days based on the terms, it is deemed that there has been a significant increase in credit risk on that instrument since initial recognition.
- F. The Company classifies accounts receivable due from clients by the characteristics of client ratings and client type, and adopts the simplified approach that measures expected credit losses based on the provision matrix.
- G. Based on the forward-looking considerations, the Company adjusts the expected credit loss rate that was established based on historical or present information, so as to estimate the provision matrices, as of December 31, 2025 and 2024, of the loss allowance for the accounts receivable as follows:

	<u>Not overdue</u>	<u>Overdue 90 days</u>	<u>Overdue more than 91 days</u>	<u>Total</u>
<u>December 31, 2025</u>				
Expected loss ratio	0.03%	0.12%-86.72%	100%	
Total carrying amount	\$ 199,333	\$ 11,932	\$ 16	\$ 211,281
Allowance for loss	(60)	(1,132)	(16)	(1,208)
<u>December 31, 2024</u>				
Expected loss ratio	1.00%	5.36%-42.08%	100%	
Total carrying amount	\$ 180,931	\$ 2,090	\$ 21	\$ 183,042
Allowance for loss	(1,809)	(263)	(21)	(2,093)

H. The accounts receivable allowance for loss change table under the simplified approach of the Company is as follows:

	<u>2025</u>	<u>2024</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
January 1	\$ 2,093	\$ 1,873
(Reversal gain) Impairment loss recognized	(776)	220
Unrecoverable and written off amount	(109)	-
December 31	<u>\$ 1,208</u>	<u>\$ 2,093</u>

I. As there is no significant expected credit loss, the Company has not estimated the notes receivable loss allowance.

(3) Liquidity risk

A. The cash flow forecast is prepared by the Company's financial unit. The Company's financial unit monitors rolling forecasts of the Company's liquidity requirements to ensure that it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times, in order to prevent the Company from breaching relevant borrowing limits or terms.

B. The undrawn loan credit by the Company is as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Due in one year	\$ 943,000	\$ 485,000
Due in more than one year	<u>527,886</u>	<u>538,316</u>
	<u>\$ 1,470,886</u>	<u>\$ 1,023,316</u>

C. Except for those listed in the table below, the Company's non-derivative financial liabilities are all due in one year. The amounts of cash flows of the notes payable, accounts payable (including related party), and other payables (including related party) due in one year for December 31, 2025 and 2024, are consistent with the balances of each item on the balance sheet.

December 31, 2025	<u>Within 1 year</u>	<u>More than 1 year</u>	<u>Total</u>
<u>Non-derivative financial liabilities:</u>			
Short-term borrowings	\$ 170,422	\$ -	\$ 170,422
Lease liabilities	\$ 20,828	\$ 171,308	\$ 192,136
Long-term borrowings	\$ 17,922	\$ 791,678	\$ 809,600
Corporate bonds payable	\$ -	\$ 498,400	\$ 498,400
December 31, 2024	<u>Within 1 year</u>	<u>More than 1 year</u>	<u>Total</u>
<u>Non-derivative financial liabilities:</u>			
Short-term borrowings	\$ 248,800	\$ -	\$ 248,800
Lease liabilities	\$ 22,598	\$ 201,051	\$ 223,649
Long-term borrowings	\$ 12,790	\$ 618,253	\$ 631,043

(III) Fair value information

1. Below are the definitions assigned to each level of valuation technique used to measure the fair value of financial and non-financial assets:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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: Unobservable inputs for the asset or liability.

2. Financial instruments not measured at fair values

(1) Except for those listed in the table below, the carrying amounts of cash and cash equivalents, financial assets measured at amortized cost - current, notes receivable, accounts receivable, other receivables, security deposits paid, short-term borrowings,

notes payable, accounts payable, other payables, long-term borrowings and lease liabilities are reasonable approximations of their fair values.

	December 31, 2025			
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Corporate bonds payable	\$ 469,380	\$ -	\$ -	\$ 473,640

No such condition as of December 31, 2024.

(2) The techniques and assumptions used to estimate fair value are stated as follows:

The corporate bonds payable are evaluated using the binary tree convertible bond valuation model.

3. The following is the analysis regarding the Company's classification of the financial instruments measured at fair value based on the nature, characteristics and risks of the assets as well as the levels of fair value:

(1) The Company classifies its assets and liabilities by their function; stated as follows:

December 31, 2025	Level 1	Level 2	Level 3	Total
Liabilities				
<u>Recurring fair value</u>				
Financial liabilities compulsorily measured at fair value through profit or loss				
Embedded option in convertible corporate bonds (Note)	\$ -	\$ -	\$ 745	\$ 745

Note: For the value of the redemption right and put option for the convertible corporate bonds issued by the Company, please refer to Note VI (XIII)

(2) The techniques and assumptions used by the Company to measure fair value are stated as follows:

The fair value of financial instruments without an active market is obtained using valuation techniques. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date (such as the reference yield curve of TPEX).

4. There was no transfer between Levels 1 and 2 for January 1 to December 31, 2025 and 2024.

5. The following table shows the change of Level 3 for 2025.

	2025
	<u>Derivatives</u>
January 1	\$ -
Issuance in current period	475
Gains or losses recognized in profit or loss	
Non-operating income and expenses recognized	<u>270</u>
December 31	<u>\$ 745</u>

No such condition in 2024.

6. The significant non-observable input value quantified information and significant non-observable input value change sensitivity analysis for the valuation model used in relation to the Level 3 fair value measurements are as follows:

	December 31, 2025 Fair value	Valuation technique	Significant unobservable inputs	Interval (weighted average)	Relationship between input and fair value
Derivatives:					
Options embedded in convertible corporate bonds	NT\$ 745	Binary tree convertible bond valuation model	Stock price volatility	43.30%	The higher the volatility, the higher the fair value

7. The Company carefully assesses and selects the valuation model and valuation parameters used; however, when different valuation model or valuation parameters are used, they may lead to different valuation results. If valuation parameters change, financial assets and financial liabilities classified as Level 3 will have effects on the profit/loss or other comprehensive income, stated as follows:

			December 31, 2025			
			Recognized in profit or loss		Recognized in other comprehensive income	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial liabilities						
Derivatives:						
Options embedded in convertible corporate bonds	Volatility	±5%	\$169	(\$ 199)	\$ -	\$ -

XIII. Additional Disclosures

(I) Information on Significant Transactions

1. Loans to others: None.
2. Endorsements/guarantees for others: None.
3. Significant securities held (excluding investment in subsidiaries, associates, and joint venture equity): None.
4. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
5. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
6. Significant intercompany transactions: None.

(II) Information on investees

Name and location of investees (excluding those in China): None.

(III) Information on investment in China

1. Basic information: Please refer to Table 1 for details.
2. Significant transactions, either directly or indirectly through a third area, with investees in the Mainland Area: None.

XIV. Segment Information

In accordance with Article 22 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, parent company only financial statements may be exempted from preparing operating segment information specified by IFRS 8.

WALRUS PUMP CO., LTD.
Information on Investments in China - Basic Information
January 1 to December 31, 2025

Table 1

Unit: NTD thousands
(unless otherwise specified)

Name of investee in China	Main business item	Paid-in capital	Investment method (Note 1)	Accumulated outward remittance for investment from Taiwan at beginning of the current period	Outward remittance or repatriation of investment amount at beginning of the current period		Accumulated outward remittance for investment from Taiwan at end of the current period	Current profit/loss of investee	Shareholding percentage of direct or indirect investment of the Company	Current Investment profit/loss recognized (Note 2)	Carrying amount at end of the period	Accumulated repatriation of investment income as of end of current period	Note
					Outward remittance	Repatriation							
Suzhou Walrus	Manufacture and sale of water pump	\$78,575	(1)	\$40,859	\$-	\$-	\$40,859	\$11,386	100%	\$11,386	\$92,180	\$-	
		(USD 2,500 thousand)		(USD 1,300 thousand)			(USD 1,300 thousand)						
Company name	Accumulated outward remittance for investment in China region at end of the period	Investment amount approved by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA										
Suzhou Walrus	\$40,859	\$78,575	\$545,299										
	(USD 1,300 thousand)	(USD 2,500 thousand)											

Note 1: The investment types are classified into three types as follows:

- (1) Direct investment in China
- (2) Indirect investment in China through a company in a third region (please indicate the investing company in the third region)
- (3) Other methods

Note 2: Investment in profit or loss in accordance with reports audited by the CPAs from the parent company.

Note 3: The relevant figures in this table are expressed in NTD. If foreign currencies are involved, they are converted at the USD to NTD exchange rate of 31.43 on the balance sheet date.

WALRUS PUMP CO., LTD.
Cash and cash equivalents
December 31, 2025

Statement 1

Unit: NTD thousands

Item	Summary	Amount
Cash on hand		\$ 560
Checking deposits		3,572
Demand deposits		
- NT\$		94,782
- Foreign currency	(USD 238,000, exchange rate 31.43)	7,480
	(RMB 1,245,000, exchange rate 4.5)	5,603
	(EUR 20,000, exchange rate 36.9)	738
	Other currencies	94
		\$ 112,829

WALRUS PUMP CO., LTD.
Accounts receivable
December 31, 2025

Statement 2

Unit: NTD thousands

<u>Customer name</u>	<u>Amount</u>	<u>Note</u>
Non-related party:		
Customer A	\$ 23,371	
Others	<u>187,910</u>	The amount of each secondary customer does not exceed 5% of the account balance.
	211,281	
Less: Allowance for bad debt	(<u>1,208</u>)	
	<u>\$ 210,073</u>	

WALRUS PUMP CO., LTD.
Inventories
December 31, 2025

Statement 3

Unit: NTD thousands

Item	Amount		Note
	Cost	Net realizable value	
Raw materials	\$ 136,947	\$ 136,570	Based on the net realizable value
Semi-finished goods and work-in-progress	189,919	185,071	"
Finished goods and merchandise inventory	<u>68,631</u>	83,671	"
	395,497		
Less: Allowance for price decline and slow-moving inventories	(<u>25,336</u>)		
	<u>\$ 370,161</u>		

WALRUS PUMP CO., LTD.
Change in investment accounted for under the equity method
January 1 to December 31, 2025

Statement 4

Unit: NTD thousands

Name	Balance at the beginning of the period		Increase in the current period		Decrease in the current period		Exchange differences on translation of foreign operations	Balance at the end of the period			Market value or net equity value		Guarantee or pledge status	Note
	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount (Note)	Number of shares (in thousands)	Amount (Note)		Number of shares (in thousands)	Shareholding ratio	Amount	Unit price	Total		
Suzhou Walrus	-	\$ 80,044	-	\$ 11,386	-	\$ -	\$ 750	-	100%	\$ 92,180	-	\$ 92,180	None	

Note: The increase in the current period is due to the Company's share of profit or loss of subsidiaries recognized under the equity method of NT\$11,386.

WALRUS PUMP CO., LTD.
Statement of changes in right-of-use assets
January 1 to December 31, 2025

Statement 5

Unit: NTD thousands

Item	Balance at the beginning of the period	Increase (decrease) in the current period	Depreciation expense	Reclassification	Balance at the end of the period	Note
Land	\$ 177,957	(\$ 11,726)	(\$ 519)	(\$ 4,919)	\$ 160,793	
Buildings	41,709	-	(15,388)	-	26,321	
Transportation equipment	4,754	-	(1,327)	-	3,427	
	<u>\$ 224,420</u>	<u>(\$ 11,726)</u>	<u>(\$ 17,234)</u>	<u>(\$ 4,919)</u>	<u>\$ 190,541</u>	

WALRUS PUMP CO., LTD.
Short-term borrowings
December 31, 2025

Statement 6

Unit: NTD thousands

<u>Creditor</u>	<u>Amount</u>	<u>Contract period</u>	<u>Interest rate interval</u>	<u>Pledge or guarantee</u>
First Commercial Bank	\$ 50,000	Due in one year	Note	Guarantee
Export-Import Bank of the Republic of China	50,000	"	"	
Bank Sinopac	50,000	"	"	
Shin Kong Bank	<u>20,000</u>	"	"	
	<u>\$ 170,000</u>			

Note: Interest rates range from 2.10% to 2.23%.

WALRUS PUMP CO., LTD.
Accounts payable
December 31, 2025

Statement 7

Unit: NTD thousands

<u>Company name</u>	<u>Amount</u>	<u>Note</u>
Non-related party:		
Company A	\$ 10,506	
Company B	9,834	
Company C	9,036	
Company D	8,844	
Others	<u>127,112</u>	The amount from each individual supplier does not exceed 5% of the account balance.
	<u>\$ 165,332</u>	

WALRUS PUMP CO., LTD.
Long-term borrowings
December 31, 2025

Statement 8

Unit: NTD thousands

Creditor	Amount	Contract period	Interest rate	Pledge or guarantee
First Commercial Bank	\$ 722,114	December 2025 ~ December 2030	Note	Guarantee
Less: Portion with maturity due in one year	-			
	\$ 722,114			

Note: All interest rates are 2.47%.

WALRUS PUMP CO., LTD.
Operating cost
January 1 to December 31, 2025

Statement 9

Unit: NTD thousands

Item	Summary	Amount	Note
Own product sales cost			
Raw materials at beginning of the period		159,211	
Add: Purchase in the current period (net)		771,898	
Others		7,994	
Less: Raw materials at end of the period		(136,947)	
Loss on scrapped inventory		(1,693)	
Raw material consumption		800,463	
Direct labor		86,499	
Processing costs		95,789	
Manufacturing expenses		<u>187,379</u>	
Manufacturing costs		1,170,130	
Add: Work-in-process and semi-products at beginning of the period		154,415	
Semi-goods purchased		5,082	
Less: Work-in-process and semi-products at end of the period		(189,919)	
Loss on scrapped inventory		(1,527)	
Others		<u>(15,686)</u>	
Cost of finished goods		1,122,495	
Add: Finished goods at beginning of the period		104,182	
Less: Finished goods at end of the period		(68,631)	
Loss on scrapped inventory		(23)	
Others		<u>(7,034)</u>	
Cost of production and sales		1,150,989	
Add: Loss on scrapped inventories		3,243	
Estimated loss on warranty		9,424	
Inventory falling price loss		1,406	
Others		1,220	
Less: Income from sale of scraps and waste materials		<u>(722)</u>	
Cost of goods sold		<u>\$ 1,165,560</u>	

WALRUS PUMP CO., LTD.
Manufacturing expenses
January 1 to December 31, 2025

Statement 10

Unit: NTD thousands

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Salary expense	\$ 53,231	
Depreciation expense	43,980	
Labor and health insurance expense	16,774	
Water, electricity and gas expense	14,810	
Meal expense	9,766	
Others	<u>48,818</u>	The amount of each item does not exceed 5% of the account balance
	<u>\$ 187,379</u>	

WALRUS PUMP CO., LTD.
Operating expenses
January 1 to December 31, 2025

Statement 11

Unit: NTD thousands

<u>Item</u>	<u>Selling and marketing expenses</u>	<u>Administrative expenses</u>	<u>R&D expenses</u>	<u>Amount</u>
Salary expense (Note)	\$ 49,568	\$ 68,929	\$ 41,173	\$ 159,670
Share-based payments	-	3,672	-	3,672
Depreciation expense	6,178	22,941	6,162	35,281
Insurance expense	6,228	9,242	4,431	19,901
Advertisement expense	18,186	517	-	18,703
Others	<u>27,477</u>	<u>60,164</u>	<u>22,530</u>	<u>110,171</u>
	<u>\$ 107,637</u>	<u>\$ 165,465</u>	<u>\$ 74,296</u>	<u>\$ 347,398</u>

Note: Salary expense includes directors' remuneration.

WALRUS PUMP CO., LTD.

Summary statement of employee benefits, depreciation, depletion and amortization expenses by function of current period
For the Years Ended 2025 and 2024

Statement 12

Unit: NTD thousands

	2025			2024		
	Attributable to operating cost	Attributable to operating expense	Total	Attributable to operating cost	Attributable to operating expense	Total
Employee benefits expense						
Salary expense	\$ 139,730	\$ 155,110	\$ 294,840	\$ 121,399	\$ 155,094	\$ 276,493
Share-based payments	-	3,672	3,672	-	8,408	8,408
Labor and health insurance expense	16,774	17,148	33,922	13,518	14,563	28,081
Pension expense	7,387	8,165	15,552	6,091	7,185	13,276
Remuneration of directors	-	4,560	4,560	-	7,541	7,541
Other personnel expenses	10,480	12,464	22,944	8,614	10,443	19,057
	<u>\$ 174,371</u>	<u>\$ 201,119</u>	<u>\$ 375,490</u>	<u>\$ 149,622</u>	<u>\$ 203,234</u>	<u>\$ 352,856</u>
Depreciation expense	<u>\$ 43,980</u>	<u>\$ 35,281</u>	<u>\$ 79,261</u>	<u>\$ 38,329</u>	<u>\$ 29,655</u>	<u>\$ 67,984</u>
Amortization expenses	<u>\$ 93</u>	<u>\$ 3,196</u>	<u>\$ 3,289</u>	<u>\$ 137</u>	<u>\$ 4,040</u>	<u>\$ 4,177</u>

Note:

1. For the current year and last year, the number of employees was 501 and 448 people, respectively, including 5 non-employee directors for both years.
2. (1) The average employee benefit expense of the current year was NT\$748 thousand.
The average employee benefit expense of last year was NT\$779 thousand.
- (2) The average employee salary expense of the current year was NT\$594 thousand.
The average employee salary expense of last year was NT\$624 thousand.

WALRUS PUMP CO., LTD.

Summary statement of employee benefits, depreciation, depletion and amortization expenses by function of current period (continued)

For the Years Ended 2025 and 2024

Statement 12

Unit: NTD thousands

- (3) The change in average employee salary expenses was 4.8%.
- (4) The remuneration policy for directors, managerial officers and employees of the Company is as follows:
- a. Salary calibration: The Company conducts an annual market salary survey to monitor salary levels for similar positions within the same industry, in order to ensure the competitiveness of the salaries provided.
 - b. Rewards and disciplinary system: The Company has established “Employee Rewards and Disciplinary Action Management Regulations” to provide commendation, minor merit and major merit for outstanding work performance, project achievements and special contributions. Annual performance appraisals incorporate these results into a weighted calculation that impacts the year-end bonus base.
 - c. Salary allowance: The salary structure is established to provide professional allowances, and salary allowance is given to employees who acquire relevant and necessary licenses.
 - d. Employee bonuses: Bonuses are distributed based on the Company's net operating income for the year, and all-employee sharing system is adopted.
 - e. Employee stock option: The Company has designed the employee stock option system. In addition, with improvement of the Company's operating performance, the Company's stock price is driven to increase, allowing employees to share the Company's business outcomes while simulating employees' performance, thereby achieving the objective of talent retention.
 - f. Creative proposals: For proposals of product creative ideas, form/chart optimization, process modification and improvement, bonuses are granted for approved proposals.
 - g. Other benefit systems: Holiday/festival bonus, year-end bonus, birthday gift money, various gift money and condolences, employee dormitory, regular health examination, and leave benefits superior to legal requirements (happy hour leave, event leave, paid typhoon leave), etc.

Note: Since the Company has established the Audit Committee in accordance with the law in 2023, the remuneration of supervisors is not applicable.