

Walrus Pump Co., Ltd. and Subsidiaries
Consolidated Financial Statements and
Independent Auditor's Report
For the Years Ended 2025 and 2024
(Stock Code: 6982)

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Walrus Pump Co., Ltd. and Subsidiaries
Consolidated Financial Statements and Independent Auditor's Report for the Years
Ended 2025 and 2024
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WALRUS PUMP CO., LTD.

Affiliated Enterprise Consolidated Financial Statement Declaration

We hereby declare that we have confirmed that the companies to be included in the consolidated financial statements of the affiliates and those to be included in the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) No. 10 are identical; the related information has been disclosed in consolidated financial statements and will hence not be included in consolidated financial statements of the affiliates for the year ended in 2025 (from January 1 to December 31, 2025), in accordance with "Criteria Governing Preparation of Affiliation Reports" and "Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises".

Declared by

Company Name: WALRUS PUMP CO., LTD.

Chairman: Huang, Ching-Feng

March 5, 2026

Independent Auditors' Report

(115) Cai-Shen-Bao-Zi No. 25004358

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

Audit Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for January 1 to December 31, 2025 and 2024 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) as endorsed and put into effect by the Financial Supervisory Commission of the Republic of China.

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. The auditors of the firm, subject to the independence regulations, have maintained independence from the Group in accordance with the Code of Ethics of the R.O.C. and have fulfilled other obligations under that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Group for the year 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year 2025 are stated as follows:

Key Audit Matters - Evaluation of allowance for inventory valuation loss

Description

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

The main business of the Group 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 Group's inventories are measured at the lower value of the cost or 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 Group, 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 Group.
2. Understanding the process of warehouse storage management of the Group, reviewing the annual inventory count plan and participation in the annual inventory taking, to evaluate the effectiveness of the classification and control of obsolete inventories implemented by the Group.
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.

Other Matters – Parent Company Only Financial Statements

Walrus Pump Co., Ltd. (the “Company”) has prepared the parent company only financial statements for the year ended 2025 and 2024, to which we have also issued an independent auditor's report with an unqualified opinion which is provided for reference.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the R.O.C., and for necessary internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. The term “reasonable assurance” refers to a high level of assurance. Nevertheless, the audit performed according to the Generally Accepted Auditing Standards of R.O.C. cannot guarantee the discovery of material misstatement in the consolidated 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 the consolidated 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 the risk of material misstatement of the consolidated financial statements due to fraud or error, design and implement appropriate countermeasures for the risks assessed, and obtain sufficient and appropriate audit evidence in order to serve as the basis for the opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. According to the audit evidence obtained, evaluate appropriateness of the continuous operation accounting basis and whether events or circumstances possibly giving rise to material concerns on the continuous operation ability of the Group have significant uncertainty, and provide conclusion thereto. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. Nevertheless, future events or circumstances may cause the Group to have no ability for continuous operation.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including relevant notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence for the financial information of individual entities of the Group and provide an opinion on the consolidated financial statements. We handle the guidance, supervision and execution of the audit of the Group and are responsible for preparing the opinion on the Group.

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 Group's 2025 consolidated 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. and Subsidiaries
Consolidated 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)	\$ 157,574	6	\$ 253,819	11
1136	Financial assets measured at amortized cost - current	VI (III) and VIII	25,918	1	11,031	-
1150	Notes receivable, net	VI (IV)	54,640	2	53,339	2
1170	Net accounts receivable	VI (IV)	235,728	9	210,550	9
1200	Other receivables		1,277	-	4,248	-
1220	Current income tax assets		11,173	-	-	-
130X	Inventories	VI (V)	399,554	15	412,373	17
1410	Prepayments		13,868	-	12,836	1
1470	Other current assets		249	-	623	-
11XX	Total current assets		<u>899,981</u>	<u>33</u>	<u>958,819</u>	<u>40</u>
Non-current assets						
1600	Property, plant and equipment	VI (VI) and VIII	1,587,283	58	1,119,647	47
1755	Right-of-use assets	VI (VII), VII and VIII	192,706	7	229,812	10
1780	Intangible assets	VI (VIII)	9,570	-	7,105	-
1840	Deferred income tax assets	VI (XXIV)	8,543	-	7,464	-
1900	Other non-current assets	VI (IX) and VIII	55,358	2	66,118	3
15XX	Total non-current assets		<u>1,853,460</u>	<u>67</u>	<u>1,430,146</u>	<u>60</u>
1XXX	Total assets		<u>\$ 2,753,441</u>	<u>100</u>	<u>\$ 2,388,965</u>	<u>100</u>

(Continued on next page)

Walrus Pump Co., Ltd. and Subsidiaries
Consolidated 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 (X) 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 (XX)	3,375	-	8,248	-
2150	Notes payable		7,985	-	8,002	-
2170	Accounts payable		174,668	7	212,579	9
2200	Other payables	VI (XI)	118,412	4	180,752	8
2230	Current income tax liabilities		-	-	7,065	-
2250	Provisions for liabilities - current	VI (XVI)	18,503	1	15,294	1
2280	Lease liabilities - current	VII	19,463	1	22,679	1
2300	Other current liabilities		4,077	-	2,908	-
21XX	Total current liabilities		<u>517,228</u>	<u>19</u>	<u>705,527</u>	<u>30</u>
Non-current liabilities						
2530	Corporate bonds payable	VI (XII)	469,380	17	-	-
2540	Long-term borrowings	VI (XIII) and VIII	722,114	26	563,684	24
2550	Liability reserve - non-current	VI (XVI)	6,652	-	6,742	-
2570	Deferred income tax liabilities	VI (XXIV)	2,397	-	683	-
2580	Lease liabilities - non-current	VII	123,991	5	155,984	6
2600	Other non-current liabilities		2,848	-	233	-
25XX	Total non-current liabilities		<u>1,327,382</u>	<u>48</u>	<u>727,326</u>	<u>30</u>
2XXX	Total liabilities		<u>1,844,610</u>	<u>67</u>	<u>1,432,853</u>	<u>60</u>
Equity						
Share capital						
3110	Common share capital	VI (XVII)	406,491	15	403,491	17
3130	Bond conversion entitlement certificates		256	-	-	-
Capital reserve						
3200	Capital reserve	VI (XVIII)	452,280	17	403,603	17
Retained earnings						
3310	Legal reserve	VI (XIX)	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						
Significant subsequent events						
3X2X	Total liabilities and equity		<u>\$ 2,753,441</u>	<u>100</u>	<u>\$ 2,388,965</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated 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. and Subsidiaries
Consolidated 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 (XVI) (XX)	\$ 1,617,553	100	\$ 1,612,759	100
5000 Operating cost	VI (V) (XXIII)	(1,226,448)	(76)	(1,149,027)	(71)
5900 Operating gross profit		<u>391,105</u>	<u>24</u>	<u>463,732</u>	<u>29</u>
Operating expenses	VI (XXIII)				
6100 Selling and marketing expenses		(111,626)	(7)	(103,254)	(6)
6200 Administrative expenses		(176,693)	(11)	(187,122)	(12)
6300 R&D expenses		(74,296)	(4)	(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>(361,839)</u>	<u>(22)</u>	<u>(354,176)</u>	<u>(22)</u>
6900 Operating profit		<u>29,266</u>	<u>2</u>	<u>109,556</u>	<u>7</u>
Non-operating income and expenses					
7100 Interest income	VI (III)	2,917	-	3,609	-
7010 Other income	VI (XXI)	2,382	-	2,415	-
7020 Other gains and losses	VI (II) (XXII)	(12,770)	(1)	8,856	1
7050 Finance costs	VI (XVII) and VII	<u>(16,674)</u>	<u>(1)</u>	<u>(8,427)</u>	<u>(1)</u>
7000 Total non-operating income and expenses		<u>(24,145)</u>	<u>(2)</u>	<u>6,453</u>	<u>-</u>
7900 Net Income before tax		<u>5,121</u>	<u>-</u>	<u>116,009</u>	<u>7</u>
7950 Income tax expense	VI (XXIV)	<u>(2,814)</u>	<u>-</u>	<u>(14,851)</u>	<u>(1)</u>
8200 Net income for the period		<u>\$ 2,307</u>	<u>-</u>	<u>\$ 101,158</u>	<u>6</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>6</u>
Net income attributable to:					
8610 Owner of the parent company		<u>\$ 2,307</u>	<u>-</u>	<u>\$ 101,158</u>	<u>6</u>
Total comprehensive income attributable to:					
8710 Owner of the parent company		<u>\$ 3,057</u>	<u>-</u>	<u>\$ 103,705</u>	<u>6</u>
Basic earnings per share	VI (XXV)				
9750 Basic earnings per share		<u>\$ 0.06</u>	<u>\$ 2.85</u>		
Diluted earnings per share	VI (XXV)				
9850 Diluted earnings per share		<u>\$ 0.06</u>	<u>\$ 2.83</u>		

The accompanying notes are an integral part of the consolidated 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. and Subsidiaries
Consolidated Statement of Changes Equity
For the Years Ended December 31, 2025 and 2024

Unit: NTD thousands

		Equity attributable to owners of the parent company										
		Share capital		Capital reserve			Retained earnings		Other 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	Total equity
Notes												
<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 (XIX)											
	Appropriation of legal reserve	-	-	-	-	-	7,320	(7,320)	-	-	-	-
	Cash dividends	-	-	-	-	-	-	(56,559)	-	-	-	(56,559)
	Capital increase in cash VI (XVII)	50,000	-	213,882	-	-	-	-	-	-	-	263,882
	Share-based payments VI (XV)	-	-	8,408	-	-	-	-	-	-	-	8,408
	Balance on December 31	<u>\$ 403,491</u>	<u>\$ -</u>	<u>\$ 403,603</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,967</u>	<u>\$ 123,061</u>	<u>\$ 2,647</u>	<u>\$ 2,343</u>	<u>\$ -</u>	<u>\$ 956,112</u>
<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 (XIX)											
	Appropriation of legal reserve	-	-	-	-	-	10,116	(10,116)	-	-	-	-
	Cash dividends	-	-	-	-	-	-	(84,733)	-	-	-	(84,733)
	Issuance of new restricted employee shares VI (XVII)	3,000	-	-	-	18,210	-	-	-	-	(21,210)	-
	Remuneration cost of new restricted employee shares VI (XV)	-	-	-	-	-	-	-	-	-	3,672	3,672
	Issuance of convertible corporate bonds VI (XII)	-	-	-	29,223	-	-	-	-	-	-	29,223
	Conversion of convertible corporate bonds VI (XII)	-	256	1,424	(180)	-	-	-	-	-	-	1,500
	Balance on December 31	<u>\$ 406,491</u>	<u>\$ 256</u>	<u>\$ 405,027</u>	<u>\$ 29,043</u>	<u>\$ 18,210</u>	<u>\$ 31,083</u>	<u>\$ 30,519</u>	<u>\$ 3,397</u>	<u>\$ 2,343</u>	<u>(\$ 17,538)</u>	<u>\$ 908,831</u>

The accompanying notes are an integral part of the consolidated 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. and Subsidiaries
Consolidated 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
<u>Cash flow from operating activities</u>		
Net income before tax for the current period	\$ 5,121	\$ 116,009
Adjustments		
Adjustments to reconcile profit and loss		
Net loss on financial assets or liabilities at fair value through profit or loss	VI (II) (XXII) 315	-
Depreciation expense	VI (VI) (VII) (XXIII) 82,781	71,963
Amortization expenses	VI (VIII) (XXIII) 3,308	4,197
Interest income	(2,917)	(3,609)
Interest expenses	16,674	8,427
Loss (gain) on disposal of property, plant and equipment	VI (XXII) 52	(106)
Expected credit impairment losses (gains)	XII (II) (776)	220
Share-based remuneration payment costs	VI (XV) 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	(1,301)	946
Net accounts receivable	(24,402)	(25,796)
Other receivables	2,984	(1,603)
Inventories	12,819	(78,789)
Prepayments	(1,032)	(3,228)
Other current assets	374	105
Other non-current assets	(489)	8,800
Net changes in liabilities relating to operating activities		
Contract liabilities - current	(4,873)	(473)
Notes payable	(17)	2,895
Accounts payable	(37,911)	89,233
Other payables	(14,752)	27,547
Provisions for liabilities - current	3,209	7,572
Other current liabilities	1,169	604
Liability reserve - non-current	(90)	(1,310)
Other non-current liabilities	2,615	-
Cash inflow from operating activities	46,488	232,012
Interest received	2,904	3,794
Interest paid	(17,262)	(8,105)
Income tax paid	(20,417)	(9,179)
Net cash inflow from operating activities	11,713	218,522
<u>Cash flow from investing activities</u>		
Decrease (Increase) in financial assets measured at amortized cost	(14,887)	51,074
Acquisition of property, plant and equipment	VI (XXVI) (560,460)	(315,928)
Disposal of property, plant and equipment	69	114
Acquisition of intangible assets	VI (VIII) (5,774)	(1,696)
Increase in refundable deposits	(540)	(827)
Net cash outflow from investing activities	(581,592)	(267,263)
<u>Cash flow from financing activities</u>		
Loaning of short-term borrowings	VI (XXVII) 1,204,574	1,088,291
Repayment of short-term borrowings	VI (XXVII) (1,282,574)	(1,297,291)
Decrease in lease liabilities	VI (XXVII) (23,349)	(20,104)
Issuance of convertible corporate bonds	VI (XXVII) 501,270	-
Loaning of long-term borrowings	VI (XXVII) 208,430	214,916
Repayment of long-term borrowings	VI (XXVII) (50,000)	(103,089)
Capital increase in cash	VI (XVII) -	263,882
Cash dividends paid	VI (XIX) (84,733)	(56,559)
Net cash inflow from financing activities	473,618	90,046
Exchange rate effects	16	2,256
Increase (decrease) in cash and cash equivalents	(96,245)	43,561
Balance of cash and cash equivalents at beginning of the current period	253,819	210,258
Balance of cash and cash equivalents at end of the current period	\$ 157,574	\$ 253,819

The accompanying notes are an integral part of the consolidated financial statements; please refer to them altogether.

Chairman: Huang, Ching-Feng

Managerial Officer: Amy Huang

Accounting Officer: Chang, Wen-Chin

Walrus Pump Co., Ltd. and Subsidiaries
Notes to Consolidated 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 and its subsidiaries (the “Group”) 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

The accompanying consolidated financial statements have been approved and authorized for issuance by the Board of Directors on March 5, 2026.

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 Group has assessed that the aforementioned standards and interpretations have no material impact on its 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:

New, Amended, or Revised Standards and Interpretations	Effective date announced by IASB
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 Group has assessed that the aforementioned standards and interpretations have no material impact on its 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:

New, Amended, or Revised Standards and Interpretations	Effective date announced by IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	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 Group has assessed the aforementioned standards and interpretations, and concluded that they do not have significant effects on the Group’s financial position and financial performance:

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 consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated.

(I) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (referred to as the “Regulations”) and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively referred to as the “IFRSs”) endorsed and announced by the FSC.

(II) Basis of preparation

1. The consolidated financial statements have been prepared under the historical cost convention.
2. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(III) Basis of consolidation

1. Principles for preparation of consolidated financial statements
 - (1) All subsidiaries are included in the entities for the preparation of the Group's consolidated financial statements. Subsidiaries refer to all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries in the financial statements begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (2) Inter-company transactions, balances, and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

2. Subsidiaries included in the consolidated financial statements:

Investor name	Subsidiary name	Nature of business	Shareholding percentage		Explanation
			December 31, 2025	December 31, 2024	
The Company	SUZHOU WALRUS PUMP CO., LTD. (Suzhou Walrus)	Manufacture and sale of water pump	100%	100%	-

3. Subsidiaries not included in the consolidated financial statements: None.

4. Adjustments for subsidiaries with different accounting periods: None.

5. Significant restrictions: None.

6. Subsidiaries that have non-controlling interests that are material to the Group: None.

(IV) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in "New Taiwan Dollars", which is the Group'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 entities within the Group, 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.

(V) 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 unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

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 as non-current liabilities by the Group.

(VI) 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.

(VII) 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.

(VIII) Accounts and notes receivables

1. Accounts and notes receivable entitle the Group to a legal right to receive consideration in exchange for transferred goods or rendered services.
2. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(IX) Impairment of financial assets

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

(X) Derecognition of financial assets

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

(XI) 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.

(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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance 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 Group, 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. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. Low-value assets and short-term leases are recognized as expenses on a straight-line basis over the lease period.
2. The Group measures its lease liability at 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 Group assesses at the end of the reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the recoverable amount is lower than the asset's carrying 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. Borrowings are initially recognized at the fair value less any transaction costs, and subsequently at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the borrowing period using the effective interest rate method.

(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. The Group measures short-term accounts and notes payable that do not bear interest at initial invoice amount since the 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 Group measures financial assets at fair value plus relevant transaction costs, and subsequently, the Group 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 Group are embedded with the conversion right (i.e., the right of the holder to choose the conversion of common shares of the Group, and fixed amount for conversion of fixed quantity of shares), put options and call options. 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 Group when the obligation specified in the contract is either discharged, canceled or expires.

(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

Separation benefits refer to benefits provided to employees upon termination of employment before the normal retirement day or employees deciding to accept benefits offered by the Group in exchange for termination of employment. When the Group 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 remuneration of directors and supervisors

Remuneration of employees, and remuneration of directors and supervisors are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligations and those amounts can be reliably 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 current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. 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 consolidated balance sheets. However, the deferred tax is not recognized for if it arises from initial recognition of goodwill or of an asset or liability in a transaction (excluding a corporate merger) that, at the time of the transaction, affects neither accounting nor taxable profit (loss), and no equivalent taxable and deductible temporary difference arises. 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 Group 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 Group manufactures and sells pump-related products. Revenue refers to the fair value of the 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 all the material risks and compensations related to the ownership are transferred to the customers, the Group ceases to participate in the management of the products and ceases to maintain effective control while customers accept the product according to the sales contract, or when there is an objective evidence indicating that all acceptance terms have been satisfied.

(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

When preparing this consolidated financial statement, management has exercised their professional judgment to determine the accounting policies to be applied, and made accounting estimates and assumptions based on reasonable expectation as to how future events will unfold under the circumstances that exist on the balance sheets date. 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 costs and the net realizable value, the Group needs to exercise judgment and estimates to determine the net realizable value of inventory at the balance sheet date. The Group evaluates the amount of the inventory due to normal loss, obsolete or without market sales value on the balance sheet date, and also offsets the inventory cost to the 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	\$ 660	\$ 431
Demand deposits and check deposits	140,728	239,058
Time deposits	<u>16,186</u>	<u>14,330</u>
	<u>\$ 157,574</u>	<u>\$ 253,819</u>

1. Since the Group corresponds with multiple financial institutions with good credit quality to diversify credit risks, the risk of default is expected to be low.
2. The Group did not pledge any cash and cash equivalents as collateral

(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>(\$ 315)</u>

3. No such condition in 2024.
4. The Group did not pledge any financial assets at fair value through profit or loss as collateral.
5. 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>
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	18,000	-
	<u>\$ 25,918</u>	<u>\$ 11,031</u>

1. Under the condition where the increase of collateral or other credits held was not considered, for the most representative financial assets at amortized cost held by the Group, the maximum exposure amount of credit risk on December 31, 2025 and 2024 were approximately equivalent to the carrying value.
2. 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	\$ 926	\$ 676

3. Details of the Group's financial assets at amortized cost pledged to others as collateral are provided in Note 8.
4. Information relating to credit risk of financial assets at amortized cost is provided in Note 12 (2). The transaction counterparties of the Group for the investment of certificates of deposits 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	\$ 54,640	\$ 53,339
Accounts receivable	\$ 237,092	\$ 212,800
Less: Allowance for bad debt	(1,364)	(2,250)
	<u>\$ 235,728</u>	<u>\$ 210,550</u>

1. The aging of accounts receivable is as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Not overdue	\$ 223,214	\$ 208,678
Overdue within 90 days	13,862	4,101
Overdue more than 91 days	<u>16</u>	<u>21</u>
	<u>\$ 237,092</u>	<u>\$ 212,800</u>

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

- 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\$241,284.
- The Group did not have notes or accounts receivable pledged as collateral.
- Under the condition where the increase of collateral or other credits held was not considered, for the most representative accounts and notes receivable of the Group, the maximum exposure amount of credit risk on December 31, 2025 and 2024 was approximately equivalent to the carrying value.
- For credit risk information related to accounts receivable and notes receivable, please refer to Note 12 (2).

(V) Inventories

	<u>December 31, 2025</u>		
	<u>Cost</u>	<u>Allowance for inventory falling price loss</u>	<u>Carrying amount</u>
Raw materials	\$ 153,228	(\$ 12,446)	\$ 140,782
Semi-finished goods and work- in-progress	198,434	(12,514)	185,920
Finished goods and merchandise inventory	<u>75,492</u>	<u>(2,640)</u>	<u>72,852</u>
Total	<u>\$ 427,154</u>	<u>(\$ 27,600)</u>	<u>\$ 399,554</u>

	December 31, 2024		
	Cost	Allowance for inventory falling price loss	Carrying amount
Raw materials	\$ 167,520	(\$ 14,722)	\$ 152,798
Semi-finished goods and work-in-progress	161,977	(10,097)	151,880
Finished goods and merchandise inventory	<u>109,054</u>	<u>(1,359)</u>	<u>107,695</u>
Total	<u>\$ 438,551</u>	<u>(\$ 26,178)</u>	<u>\$ 412,373</u>

The amount recognized as cost of goods sold in the current period by the Group:

	2025	2024
Cost of inventory sold	\$ 1,213,081	\$ 1,139,861
Estimated loss on warranty	9,424	10,831
Loss on scrapped inventories	3,243	3,155
Inventory valuation loss (reversal gain) (Note)	1,422	(3,623)
Income from sale of scraps and waste materials	<u>(722)</u>	<u>(1,197)</u>
	<u>\$ 1,226,448</u>	<u>\$ 1,149,027</u>

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

(VI) Property, plant and equipment

	2025								
	Land	Houses and buildings	Machinery and equipment	Transportation equipment	Office equipment	Mold equipment	Others	Unfinished construction	Total
January 1									
Cost	\$ 64,438	\$ 135,724	\$ 280,836	\$ 41,101	\$ 65,251	\$ 148,011	\$ 76,625	\$ 801,459	\$ 1,613,445
Accumulated depreciation	-	(40,754)	(203,866)	(22,343)	(49,438)	(139,135)	(38,262)	-	(493,798)
	<u>\$ 64,438</u>	<u>\$ 94,970</u>	<u>\$ 76,970</u>	<u>\$ 18,758</u>	<u>\$ 15,813</u>	<u>\$ 8,876</u>	<u>\$ 38,363</u>	<u>\$ 801,459</u>	<u>\$ 1,119,647</u>
January 1	\$ 64,438	\$ 94,970	\$ 76,970	\$ 18,758	\$ 15,813	\$ 8,876	\$ 38,363	\$ 801,459	\$ 1,119,647
Increase in current period	-	182,208	196,352	9,657	35,525	10,050	6,257	85,200	525,249
Disposal in the current period	-	-	(116)	-	(5)	-	-	-	(121)
Transfer	-	840,151	13,437	-	-	-	1,622	(855,210)	-
Reclassification	-	-	-	-	-	-	-	4,919	4,919
Depreciation expense	-	(4,873)	(22,949)	(5,710)	(8,070)	(7,125)	(13,689)	-	(62,416)
Net exchange differences	-	-	9	1	-	-	(5)	-	5
December 31	<u>\$ 64,438</u>	<u>\$ 1,112,456</u>	<u>\$ 263,703</u>	<u>\$ 22,706</u>	<u>\$ 43,263</u>	<u>\$ 11,801</u>	<u>\$ 32,548</u>	<u>\$ 36,368</u>	<u>\$ 1,587,283</u>
December 31									
Cost	\$ 64,438	\$ 1,158,083	\$ 482,502	\$ 50,636	\$ 96,738	\$ 152,591	\$ 82,657	\$ 36,368	\$ 2,124,013
Accumulated depreciation	-	(45,627)	(218,799)	(27,930)	(53,475)	(140,790)	(50,109)	-	(536,730)
	<u>\$ 64,438</u>	<u>\$ 1,112,456</u>	<u>\$ 263,703</u>	<u>\$ 22,706</u>	<u>\$ 43,263</u>	<u>\$ 11,801</u>	<u>\$ 32,548</u>	<u>\$ 36,368</u>	<u>\$ 1,587,283</u>

	2024								
	Land	Houses and buildings	Machinery and equipment	Transportation equipment	Office equipment	Mold equipment	Others	Unfinished construction	Total
January 1									
Cost	\$ 64,438	\$ 114,996	\$ 268,569	\$ 34,532	\$ 59,922	\$ 146,679	\$ 68,086	\$ 522,189	\$ 1,279,411
Accumulated depreciation	-	(37,301)	(193,215)	(18,059)	(43,241)	(134,726)	(27,957)	-	(454,499)
	<u>\$ 64,438</u>	<u>\$ 77,695</u>	<u>\$ 75,354</u>	<u>\$ 16,473</u>	<u>\$ 16,681</u>	<u>\$ 11,953</u>	<u>\$ 40,129</u>	<u>\$ 522,189</u>	<u>\$ 824,912</u>
January 1	\$ 64,438	\$ 77,695	\$ 75,354	\$ 16,473	\$ 16,681	\$ 11,953	\$ 40,129	\$ 522,189	\$ 824,912
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)	(17,038)	(5,016)	(7,271)	(8,929)	(11,092)	-	(52,800)
Net exchange differences	-	-	97	20	9	-	23	-	149
December 31	<u>\$ 64,438</u>	<u>\$ 94,970</u>	<u>\$ 76,970</u>	<u>\$ 18,758</u>	<u>\$ 15,813</u>	<u>\$ 8,876</u>	<u>\$ 38,363</u>	<u>\$ 801,459</u>	<u>\$ 1,119,647</u>
December 31									
Cost	\$ 64,438	\$ 135,724	\$ 280,836	\$ 41,101	\$ 65,251	\$ 148,011	\$ 76,625	\$ 801,459	\$ 1,613,445
Accumulated depreciation	-	(40,754)	(203,866)	(22,343)	(49,438)	(139,135)	(38,262)	-	(493,798)
	<u>\$ 64,438</u>	<u>\$ 94,970</u>	<u>\$ 76,970</u>	<u>\$ 18,758</u>	<u>\$ 15,813</u>	<u>\$ 8,876</u>	<u>\$ 38,363</u>	<u>\$ 801,459</u>	<u>\$ 1,119,647</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 of the Group, please refer to Note 8 for details.

(VII) Lease transactions - lessee

- The underlying assets of the Group's lease include land, buildings, and company vehicles, etc. The lease contract durations are from 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 and employee dormitory rented by the Group does not exceed 12 months, and the underlying assets 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 value</u>	<u>Carrying value</u>
Land	\$ 160,793	\$ 177,957
Buildings	28,486	47,101
Transportation equipment	<u>3,427</u>	<u>4,754</u>
	<u>\$ 192,706</u>	<u>\$ 229,812</u>

	<u>2025</u>	<u>2024</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land	\$ 519	\$ 318
Buildings	18,519	17,574
Transportation equipment	<u>1,327</u>	<u>1,271</u>
	<u>\$ 20,365</u>	<u>\$ 19,163</u>

- The Group's right-of-use asset 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:

	2025	2024
<u>Items that affect profit or loss</u>		
Interest expense of lease liabilities	\$ 1,561	\$ 1,731
Expenses attributable to short-term lease contracts	985	1,188
Expenses attributable to low-value assets	<u>368</u>	<u>513</u>
	<u>\$ 2,914</u>	<u>\$ 3,432</u>

6. The Group's total cash used in lease contracts was NT\$26,263 and NT\$23,536 for the years ended 2025 and 2024, respectively.

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

(VIII) Intangible assets

	Trademarks	Computer software	Total
January 1, 2025			
Cost	\$ 1,590	\$ 12,956	\$ 14,546
Accumulated amortization	<u>-</u>	<u>(7,441)</u>	<u>(7,441)</u>
	<u>\$ 1,590</u>	<u>\$ 5,515</u>	<u>\$ 7,105</u>
January 1			
Cost	\$ 1,590	\$ 5,515	\$ 7,105
Addition	-	5,774	5,774
Amortization expenses	-	(3,308)	(3,308)
Net exchange differences	<u>-</u>	<u>(1)</u>	<u>(1)</u>
December 31	<u>\$ 1,590</u>	<u>\$ 7,980</u>	<u>\$ 9,570</u>
December 31, 2025			
Cost	\$ 1,590	\$ 18,731	\$ 20,321
Accumulated amortization	<u>-</u>	<u>(10,751)</u>	<u>(10,751)</u>
	<u>\$ 1,590</u>	<u>\$ 7,980</u>	<u>\$ 9,570</u>

	<u>Trademarks</u>	<u>Computer software</u>	<u>Total</u>
January 1, 2024			
Cost	\$ 1,590	\$ 11,257	\$ 12,847
Accumulated amortization	<u>-</u>	<u>(3,244)</u>	<u>(3,244)</u>
	<u>\$ 1,590</u>	<u>\$ 8,013</u>	<u>\$ 9,603</u>
January 1			
Cost	\$ 1,590	\$ 8,013	\$ 9,603
Addition	-	1,696	1,696
Amortization expenses	-	(4,197)	(4,197)
Net exchange differences	<u>-</u>	<u>3</u>	<u>3</u>
December 31	<u>\$ 1,590</u>	<u>\$ 5,515</u>	<u>\$ 7,105</u>
December 31, 2024			
Cost	\$ 1,590	\$ 12,956	\$ 14,546
Accumulated amortization	<u>-</u>	<u>(7,441)</u>	<u>(7,441)</u>
	<u>\$ 1,590</u>	<u>\$ 5,515</u>	<u>\$ 7,105</u>

(IX) 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>5,418</u>	<u>4,929</u>
	<u>\$ 55,358</u>	<u>\$ 66,118</u>

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

(X) 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.

(XI) Other payables

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Salary and bonus payables	\$ 59,689	\$ 59,332
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>21,798</u>	<u>27,895</u>
	<u>\$ 118,412</u>	<u>\$ 180,752</u>

(XII) 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\$300,000,000, 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 case where the Group encounters the situation of anti-dilution terms and conditions, the conversion price is to be adjusted according to the pricing model stipulated in the conversion regulations. Subsequently, on the base date stipulated 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 case where the Group encounters the situation of anti-dilution terms and conditions, the conversion price is to be adjusted according to the pricing model stipulated in the conversion regulations. Subsequently, on the base date stipulated 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 thousand and 16 thousand common 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.
3. During the issuance of the first domestic unsecured convertible bonds of the Group, according to the regulations of IAS 32, the conversion right of equity nature is separated from the liability component, which is recognized in 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 Group, according to the regulations of IAS 32, the conversion right of equity nature is separated from the liability component, which is recognized in 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%.

(XIII) 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 on 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.

(XIV) Pension

1. Since July 1, 2005, the Group has established the pension regulations applicable to Taiwanese nationals in accordance with the "Labor Pension Act". Under the New Plan, the Group contributes an amount of not less than 6% of the employees' monthly salaries and wages for depositing in the 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 subsidiaries in China included in the consolidated financial statements are subject to the pension plan system stipulated by the People's Republic of China (PRC) government. Under the regulations of the PRC government, a certain percentage of the total salary of the local employees is contributed to a pension fund on a monthly basis. The government manages and arranges the pension fund for each employee. Except for the monthly contributions, the Group has no further obligations.
3. The pension costs of the Group recognized according to the aforementioned pension regulations for the years ended 2025 and 2024 were NT\$16,996 and NT\$14,744 respectively.

(XV) Share-based payments

1. The Group'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 the new restricted employee shares may be eligible to receive shares in discrete times when the Group has achieved the operational performance goals.

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

Note 3: The share-based payment arrangement applies to full-time official employees of the Group 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>
	Quantity (thousand shares)	Quantity (thousand shares)
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>

- The par value per share of the new restricted employee shares issued by the Group 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 the fair value measurement.
- The share-based payment transaction granted by the Group adopts the Black-Scholes option pricing model to estimate 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:

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

(XVI) Provisions for liabilities

	<u>2025</u>		
	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>

(XVII) Share capital

1. As of December 31, 2025, the Company's authorized capital was NT\$800,000, divided into 80,000 thousand shares, and the paid-in capital was NT\$406,491, 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.

(XVIII) 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 Group has no accumulated losses, capital surplus may be used for issuing new shares or distributing cash in proportion to shareholders' original shareholding percentage. The Group may use capital surplus to offset loss only when the amount of reserves is insufficient to offset the loss.

(XIX) 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	56,559	\$ 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

(XX) Operating revenue

	2025	2024
Revenue from contracts with customers	<u>\$ 1,617,553</u>	<u>\$ 1,612,759</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>\$ 142,682</u>	<u>\$ 367,519</u>	<u>\$1,617,553</u>

<u>2024</u>	Sales area			Total
	Taiwan	China	Other regions	
Revenue from contracts with customers	<u>\$1,086,466</u>	<u>\$ 121,209</u>	<u>\$ 405,084</u>	<u>\$1,612,759</u>

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

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

(XXI) Other income

	2025	2024
Income from government grants	\$ 1,609	\$ 517
Other income	773	1,898
	<u>\$ 2,382</u>	<u>\$ 2,415</u>

(XXII) Other gains and losses

	2025	2024
Gain (loss) on disposal of property, plant and equipment	(\$ 52)	\$ 106
Net gain on financial assets and liabilities at fair value through profit or loss	(315)	-
Net foreign exchange gains (losses)	(12,133)	9,757
Other losses	(270)	(1,007)
	<u>(\$ 12,770)</u>	<u>\$ 8,856</u>

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

	2025		
	Attributable to operating cost	Attributable to operating expense	Total
Employee benefits expense			
Salary expense	\$ 146,436	\$ 162,227	\$ 308,663
Share-based payments	-	3,672	3,672
Labor and health insurance expense	16,774	17,148	33,922
Pension expense	8,310	8,686	16,996
Remuneration of directors	-	4,560	4,560
Other personnel expenses	<u>11,464</u>	<u>14,161</u>	<u>25,625</u>
	<u>\$ 182,984</u>	<u>\$ 210,454</u>	<u>\$ 393,438</u>
Depreciation expense	<u>\$ 46,717</u>	<u>\$ 36,064</u>	<u>\$ 82,781</u>
Amortization expenses	<u>\$ 93</u>	<u>\$ 3,215</u>	<u>\$ 3,308</u>
	2024		
	Attributable to operating cost	Attributable to operating expense	Total
Employee benefits expense			
Salary expense	\$ 127,820	\$ 169,468	\$ 297,288
Labor and health insurance expense	13,518	14,563	28,081
Pension expense	7,019	7,725	14,744
Remuneration of directors	-	7,541	7,541
Other personnel expenses	<u>9,582</u>	<u>12,115</u>	<u>21,697</u>
	<u>\$ 157,939</u>	<u>\$ 211,412</u>	<u>\$ 369,351</u>
Depreciation expense	<u>\$ 41,887</u>	<u>\$ 30,076</u>	<u>\$ 71,963</u>
Amortization expenses	<u>\$ 137</u>	<u>\$ 4,060</u>	<u>\$ 4,197</u>

1. According to the Articles of Incorporation of the Group amended by the shareholders' meeting in 2025, if the Group 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 Group still has accumulated losses, it shall first reserve funds to offset the losses, and then appropriate the remuneration of employees and directors in accordance with the proportions mentioned above.

2. The Group's estimated amounts of remuneration of employees and directors for 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Remuneration of employees	\$ 344	\$ 8,876
Remuneration of directors	<u>-</u>	<u>2,536</u>
	<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 \$0. Remuneration of employees and directors has been distributed in cash.

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

(XXIV) Income tax

1. Income tax expense

	<u>2025</u>	<u>2024</u>
Current income tax:		
Tax attributable to taxable income of the period	\$ 865	\$ 15,815
Underestimation (overestimation) of income tax for the previous year	<u>1,314</u>	<u>(2,051)</u>
Total current income tax	<u>2,179</u>	<u>13,764</u>
Deferred income tax:		
Deferred income tax on temporary differences originated and reversed	<u>635</u>	<u>1,087</u>
Income tax expense	<u>\$ 2,814</u>	<u>\$ 14,851</u>

2. Reconciliation between income tax expense and accounting profit

	2025	2024
Income tax of net profit before tax calculated at the statutory rate	\$ 1,499	\$ 23,505
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 liabilities	-	10
Underestimation (overestimation) of income tax for the previous year	1,314	(2,051)
Income tax effects of investment tax credit	-	(6,999)
Cash recovered from settlement account plus revenue	-	1,475
Income tax expense	<u>\$ 2,814</u>	<u>\$ 14,851</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	(\$ <u>2</u>)	(\$ <u>681</u>)	(\$ <u>683</u>)
Total	<u>\$ 7,868</u>	<u>(\$ 1,087)</u>	<u>\$ 6,781</u>

Note: The existing loss of the subsidiary Suzhou Walrus has been offset by the net income for the current period, and it has been recognized in undistributed earnings on December 31, 2025.

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

(XXV) 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>-</u>	<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	-	127	
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.

(XXVI) Additional Information on cash flows

Investing activities with partial cash payments:

	2025	2024
Acquisition of property, plant, and equipment	\$ 525,249	\$ 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>\$ 560,460</u>	<u>\$ 315,928</u>

(XXVII) Changes in liabilities arising from financing activities

	2025				Total liabilities from financing activities
	Short-term borrowings	Long-term borrowings	Lease liabilities	Corporate bonds payable	
January 1	\$ 248,000	\$ 563,684	\$ 178,663	\$ -	\$ 990,347
Changes in cash flow from financing activities	(78,000)	158,430	(23,349)	501,270	558,351
Other non-monetary changes	-	-	(11,726)	(31,890)	(43,616)
Net exchange differences	-	-	(134)	-	(134)
December 31	<u>\$ 170,000</u>	<u>\$ 722,114</u>	<u>\$ 143,454</u>	<u>\$ 469,380</u>	<u>\$ 1,504,948</u>

	2024				Total liabilities from financing activities
	Short-term borrowings	Long-term borrowings	Lease liabilities		
January 1	\$ 457,000	\$ 451,857	\$ 180,177		\$ 1,089,034
Changes in cash flow from financing activities	(209,000)	111,827	(20,104)		(117,277)
Other non-monetary changes	-	-	18,330		18,330
Net exchange differences	-	-	260		260
December 31	<u>\$ 248,000</u>	<u>\$ 563,684</u>	<u>\$ 178,663</u>		<u>\$ 990,347</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
You Chang Investment Co., Ltd. (You Chang Investment)	Director of the Company

(II) Significant transactions with related parties

1. Lease transactions - lessee

- (1) The Group 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	\$ 22,628	\$ 33,941

(3) Lease liabilities

A. Balance at the end of the period:

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

B. Interest expenses

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

2. 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	\$ 892,114	\$ 811,684

(III) Information on Remuneration to Key Management

	<u>2025</u>	<u>2024</u>
Short-term employee benefits	\$ 63,002	\$ 55,050
Post-retirement benefits	2,866	2,373
Other long-term employee benefits	2,560	2,634
Share-based payments	-	3,464
	<u>\$ 68,428</u>	<u>\$ 63,521</u>

VIII. Pledged Assets

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

Asset item	Carrying value		Purpose of collateral
	December 31, 2025	December 31, 2024	
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(19) and (23) for the 2025 earnings distribution proposal and the proposed distribution of remuneration of employees and directors.

XII. Others

(I) Capital management

The purpose of the Group's capital management is to ensure its continued operation as a going concern while maintaining an optimal capital structure, in order to lower the cost of capital, and to provide returns to shareholders. In order to maintain or adjust the capital structure, the Group 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	\$ 157,574	\$ 253,819
Financial assets measured at amortized cost - current	25,918	11,031
Notes receivable	54,640	53,339
Accounts receivable	235,728	210,550
Other receivables	1,277	4,248
Refundable deposits (recognized as other non-current assets)	9,398	8,858
	<u>\$ 484,535</u>	<u>\$ 541,845</u>
	<u>December 31, 2025</u>	<u>December 31, 2024</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	174,668	212,579
Other payables	118,412	180,752
Long-term borrowings	722,114	563,684
	<u>\$ 1,193,924</u>	<u>\$ 1,213,017</u>
Lease liabilities	<u>\$ 143,454</u>	<u>\$ 178,663</u>

2. Risk management policy

- (1) The Group's daily operations are affected by various financial risks, e.g. market risk (including exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk. The Group's risk management policy focuses on unpredictable market events in order to minimize their potentially adverse impacts on the Group's financial position and financial performance.
- (2) The risk management of the Group is executed by the financial unit according to the policies approved by the Board of Directors. The financial unit of the Group cooperates with all operating units of the Group closely in order to be responsible for the identification, assessment and hedging of 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 Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.
- B. The Group's businesses involve some non-functional currency operations (the Group's functional currency: NT\$; subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be 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
RMB : NT\$	16,471	4.50	74,120
USD : RMB	176	7.03	5,532

					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		
	RMB : NT\$		16,762	4.48		75,094		

C. The total exchange gain or loss (including realized and unrealized) arising from significant foreign exchange variation on the monetary items held by the Group for the years ended 2025 and 2024, amounted to profit or loss of (NT\$12,133) and NT\$9,757, 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	\$	-		
	RMB : NT\$	1%		741		-		
	USD : RMB	1%		55		-		

					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%	\$	1,166	\$	-		
	RMB : NT\$	1%		751		-		

(2) Credit risk

- A. The Group's credit risk refers to the risk of financial loss to the Group arising from default by the clients or transaction counterparties of financial instruments on the contract obligations. Such risk is mainly due to the counterparties being unable to repay the accounts payable according to the payment terms.
- B. The Group establishes management of credit risk from the company's perspective. According to the internally specified credit extension policy, before the internal department and each new customer of the Group 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 Group deems it a breach of contract when the counterparty is under the condition of financial difficulties or bounced check.
- D. The Group 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 Group adopts IFRS 9 to provide the following preliminary assumption, 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 Group 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 preparation matrix.
- G. Based on the forward-looking consideration, the Group adjusts the expected credit loss rate that was established based on historical or present information, so as to estimate the preparation matrices, as of December 31, 2025 and 2024, of the loss allowance for the accounts receivable as follows:

<u>December 31, 2025</u>	<u>Not overdue</u>	<u>Overdue within 90 days</u>	<u>Overdue more than 91 days</u>	<u>Total</u>
Expected loss ratio	0.03%	0.12%~86.72%	100%	
Total carrying amount	\$ 223,214	\$ 13,862	\$ 16	\$ 237,092
Allowance for loss	(67)	(1,281)	(16)	(1,364)

<u>December 31, 2024</u>	<u>Not overdue</u>	<u>Overdue within 90 days</u>	<u>Overdue more than 91 days</u>	<u>Total</u>
Expected loss ratio	0.50%~1.00%	2.62%~42.08%	100.00%	
Total carrying amount	\$ 208,678	\$ 4,101	\$ 21	\$ 212,800
Allowance for loss	(1,888)	(341)	(21)	(2,250)

H. Changes in the loss allowances provided for accounts receivable using the simplified approach are as follows:

	<u>2025</u>	<u>2024</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
January 1	\$ 2,250	\$ 2,025
(Reversal gain) Impairment loss recognized	(776)	220
Unrecoverable and written off amount	(109)	-
Exchange rate effects	<u>(1)</u>	<u>5</u>
December 31	<u>\$ 1,364</u>	<u>\$ 2,250</u>

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

(2) 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 loan credit not yet drawn by the Group 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 Group's non-derivative financial liabilities are all due in one year. The amount of cash flows of the notes payable, accounts payable, and other payables 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	\$ <u>170,422</u>	\$ <u>-</u>	\$ <u>170,422</u>
Lease liabilities	\$ <u>24,086</u>	\$ <u>171,308</u>	\$ <u>195,394</u>
Long-term borrowings	\$ <u>17,922</u>	\$ <u>791,678</u>	\$ <u>809,600</u>
Corporate bonds payable	\$ <u>-</u>	\$ <u>498,400</u>	\$ <u>498,400</u>
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	\$ <u>248,800</u>	\$ <u>-</u>	\$ <u>248,800</u>
Lease liabilities	\$ <u>26,149</u>	\$ <u>203,409</u>	\$ <u>229,558</u>
Long-term borrowings	\$ <u>12,790</u>	\$ <u>618,253</u>	\$ <u>631,043</u>

(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. Financial and non-financial assets measured at fair value are classified by the Group according to the nature, characteristic, risk, and fair value level of the assets, and relevant information is stated as follows:

(1) The Group 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 Group, please refer to Note

VI (XII)

(2) The techniques and assumptions used by the Group 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	\$ 745	Binary tree convertible bond valuation model	Stock price volatility	43.30%	The higher the volatility, the higher the fair value

7. The Group elects to adopt valuation models and valuation parameters under prudential consideration. Nonetheless, this does not preclude the differences arising from adoption of different valuation models or parameters. 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			
			Input	Change	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

(I) General Information

The Group management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Group's business segments are mainly divided into the home business segment, industrial business segment, Greater China region, and international business segment.

(II) Information on segment profit or loss, assets and liabilities

The information on segments required for reporting is provided to the key operating decision maker as follows. In addition, the Group does not provide the key operating decision maker with total asset amounts and total liability amounts for operating decisions.

	Taiwan			Greater China region	International business segment	Total
	Home business segment	Industrial business segment	Others			
<u>2025</u>						
Segment income	<u>\$ 881,916</u>	<u>\$ 225,436</u>	<u>\$ -</u>	<u>\$ 142,682</u>	<u>\$ 367,519</u>	<u>\$ 1,617,553</u>
Segment profit or loss	<u>\$ 50,572</u>	<u>(\$ 11,383)</u>	<u>(\$ 15,430)</u>	<u>\$ 11,139</u>	<u>(\$ 5,632)</u>	<u>\$ 29,266</u>
Interest income and other income						5,299
Other gains and losses						(12,770)
Finance costs						(16,674)
Net Income before tax						5,121
Income tax expense						(2,814)
Net income after tax						<u>\$ 2,307</u>
	Taiwan				International business segment	Total
	Home business segment	Industrial business segment	Others	Greater China region		
<u>2024</u>						
Segment income	<u>\$ 907,681</u>	<u>\$ 178,785</u>	<u>\$ -</u>	<u>\$ 121,209</u>	<u>\$ 405,084</u>	<u>\$ 1,612,759</u>
Segment profit or loss	<u>\$ 97,039</u>	<u>(\$ 39,381)</u>	<u>(\$ 8,384)</u>	<u>\$ 4,804</u>	<u>\$ 55,478</u>	<u>\$ 109,556</u>
Interest income and other income						6,024
Other gains and losses						8,856
Finance costs						(8,427)
Net Income before tax						116,009
Income tax expense						(14,851)
Net income after tax						<u>\$ 101,158</u>

(III) Reconciliation of segment profit or loss

Sales between segments are conducted in accordance with the fair-trade principle. The revenue from external parties and segment profit or loss reported to the main operation decision maker are measured in a manner consistent with the income indicated in the income statement.

(IV) Information on product and labor types

Revenue from external customers is mainly from household and industrial products, and the breakdown of each revenue item is as follows:

	2025	2024
Home products	\$ 1,140,557	\$ 1,194,039
Industrial products	409,275	356,917
Parts and others	67,721	61,803
	<u>\$ 1,617,553</u>	<u>\$ 1,612,759</u>

(V) Information by region

Please refer to Note 6(20) for details on regional revenue. The Group's non-current assets are as follows:

	2025	2024
	Non-current assets	Non-current assets
Taiwan	\$ 1,828,904	\$ 1,403,709
China	6,615	10,115
	<u>\$ 1,835,519</u>	<u>\$ 1,413,824</u>

Note: Non-current assets described here include property, plant and equipment, right-of-use assets, intangible assets, and other non-current assets. Deferred income tax assets and security deposits paid are excluded.

(VI) Information on major customers

The Group's sales to a single external customer in 2025 and 2024 did not exceed 10% of the consolidated operating revenue.

Walrus Pump Co., Ltd. and Subsidiaries
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 (USD 2,500 thousand)	(1)	\$ 40,859 (USD 1,300 thousand)	\$ -	\$ -	\$ 40,859 (USD 1,300 thousand)	\$ 11,386	100%	\$ 11,386	\$ 92,180	\$ -	

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 (USD 1,300 thousand)	\$ 78,575 (USD 2,500 thousand)	\$ 545,299

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.