

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)  
**TUNG HO STEEL ENTERPRISE CORPORATION**

**Parent Company Only Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2025 and 2024**

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The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

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## Independent Auditors' Report

To the Board of Directors of Tung Ho Steel Enterprise Corporation:

### Opinion

We have audited the financial statements of Tung Ho Steel Enterprise Corporation (“the Company”), which comprise the balance sheet as of December 31, 2025 and 2024, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

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

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements as of and for the year ended December 31, 2025. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for the Company’s financial statements are stated as follows:

#### 1. Revenue recognition

Please refer to Note 4(o) “Revenue recognition” and Note 6(u) “Revenue from contracts with customers” in the parent company only financial statements.

#### Explanation of the key audit matter:

The Company mainly manufactures and sells deformed bars and sections. Revenue recognition is one of the key areas for our audit, and is where on which the report users and receivers pay great concern on. As a result, the test on revenue recognition is one of the key judgmental areas in our audit.

Our principal audit procedures included:

- assessing whether appropriate revenue recognition policies were applied and whether sufficient information was disclosed ;
- testing the manual or systems-based controls on its sales and collection cycle, perform reconciliations between the information from sales systems and the general ledger ;
- reading the sales contracts with significant clients and testing the internal controls related to the shipping process and the revenue recognition procedures ;
- performing fluctuation analysis on the revenue from major customers to determine if there were any significant abnormalities ;
- taking appropriate samples, verifying the relevant internal and external information, and confirming whether the control of goods has already been transferred to the buyer, as well as assessing the appropriateness of the timing and amount of revenue recognition ;
- vouching internal and external information of sales in the selected period before and after the reporting date (the length of the period was determined based on the sales terms) to determine whether sales revenue were recorded in the appropriate period.

2. Valuation of inventories

Please refer to Note 4(g) “Inventories”, and Note 6(f) “Inventories” in the parent company only financial statements.

Explanation of the key audit matter:

Due to the changes in the international trade environment and the impact of price fluctuations on the raw materials and finished products of the steel industry, the risk that the book value of the inventory to be higher than the net realizable value may arise. Therefore, the valuation of inventories is one of the key judgmental areas in our audit.

Our principal audit procedures included:

- understanding the policy for providing inventory write-down allowances and assessing the reasonableness of the methods and assumptions used in determining the allowance ;
- obtaining the detailed calculation schedule for the inventory write-down allowance and verifying its agreement with the accounting records ;
- reperforming the calculation in accordance with the inventory write-down policy and verifying whether the allowance was recognized in compliance with the policy ;
- understanding the selling prices used by management in inventory valuation and performing sample testing of supporting documents to assess the reasonableness of the net realizable value ;
- assessing whether the management’s disclosure of the inventory allowance is acceptable.

3. Investments accounted for using the equity method (construction contracts in subsidiaries)

Please refer to Note 4(i) “Investment in subsidiaries” and Note 6(g) “Investment accounted for using the equity method” of the parent company only financial statements.

Explanation of the key audit matter:

Contract accounting is considered to be an audit risk to the Company's subsidiary as it requires a high degree of estimation and judgment of matters such as the costs of the work required to complete the contract, the stage of completion of the contract, as well as the recognition of onerous contract. Different judgments could lead to different outcomes, which may have an impact on the Company's shares of gain or loss on investments accounted for using the equity method on its financial statements.

Our principal audit procedures included:

- understanding the construction contract terms and conditions and evaluating whether the revenue recognition method was appropriate ;
- sampling of costs incurred to verify supporting documentation, and discussing with the management to understand their estimates of the total contract costs and the costs to be incurred through completion, including an evaluation of the accuracy of management's past estimates ;
- selecting samples from the completed constructions to assess the settlement of revenue by examination of external evidence ;
- obtaining the estimated warranty costs provided to the clients by the subsidiaries and vouching internal and external data to assess whether there are any abnormalities in the provisions estimated by the management ;
- assessing whether the losses recognized for onerous contracts were appropriately reflected in the expected contractual position.

4. Investments accounted for using the equity method (Impairment of property, plant and equipment in subsidiaries)

Please refer to Note 4(i) "Investment in subsidiaries" and Note 6(g) " Investment accounted for using the equity method" of the parent company only financial statements.

Explanation of the key audit matter:

Assets impairment accounting is considered to be an audit risk to the Company's subsidiary as it requires a high degree of estimation and judgment of matters such as determination of discount rates and expected growth rates. Different judgments could lead to different outcomes, which may have an impact on the Company's shares of gain or loss on investments accounted for using the equity method on its financial statements.

Our principal audit procedures included:

- obtaining the future cash flow forecast and the evaluation of the discount rate of the Vietnam subsidiary of the Company ;
- discussing with the management and raising professional skepticism of the significant key judgments used in forecasting future cash flows ;
- understanding whether the reference basis of the discount rate used by the Company's management is consistent, and comparing it with relevant internal and external information, evaluating whether the discount rate used by the management is reasonable. In addition, performing recalculation process on the value in use of the assets calculated by the Company's management.

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

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

In preparing the parent company only financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing the Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment accounted for using the equity method to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period 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.

The engagement partners on the audit resulting in this independent auditors' report are Lee, Tzu-Hui and Jhang, Jhao-Wun.

KPMG

Taipei, Taiwan (Republic of China)

February 26, 2026

#### **Notes to Readers**

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

The independent auditors' audit report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**TUNG HO STEEL ENTERPRISE CORPORATION****Balance Sheets****December 31, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollars)**

Assets		December 31, 2025		December 31, 2024		Liabilities and Equity		December 31, 2025		December 31, 2024	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (Note 6(a))	\$ 485,623	1	435,806	1	2100	Short-term loans (Note 6(k))	\$ 4,590,355	10	6,259,439	13
1110	Current financial assets at fair value through profit or loss (Note 6(b))	111,606	-	109,204	-	2120	Current financial liabilities at fair value through profit or loss (Note 6(b))	158	-	4,052	-
1150	Notes receivable, net (Notes 6(d) and (u))	69,019	-	62,952	-	2130	Current contract liabilities (including to related parties) (Notes 6(u) and 7)	1,295,131	3	1,471,511	3
1170	Accounts receivable, net (including from related parties) (Notes 6(d), (u) and 7)	2,881,315	6	3,179,900	7	2150	Notes payable	23,316	-	239,643	-
1200	Other receivables (Notes 6(e) and 7)	2,065,623	5	1,666,699	4	2170	Accounts payable(including to related parties) (Note 7)	1,365,812	3	1,637,875	3
1310	Inventories (Note 6(f))	14,366,009	31	16,195,910	34	2200	Other payables(including to related parties) (Notes 6(o) and 7)	2,173,391	5	1,921,902	4
1410	Prepayments	218,821	1	198,481	-	2230	Current tax liabilities	462,024	1	298,988	1
1470	Other current assets	135	-	168	-	2250	Current provisions (Note 6(p))	6,653	-	-	-
	<b>Total current assets</b>	<u>20,198,151</u>	<u>44</u>	<u>21,849,120</u>	<u>46</u>	2280	Current lease liabilities (Note 6(m))	31,713	-	21,905	-
	<b>Non-current assets:</b>					2322	Long-term loans, current portion (Note 6(l))	80,000	-	300,000	1
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	725,766	2	619,100	1	2399	Other current liabilities, others	10,668	-	11,579	-
1550	Investments accounted for using the equity method (Notes 6(g) and 7)	9,908,041	22	10,298,646	22		<b>Total current liabilities</b>	<u>10,039,221</u>	<u>22</u>	<u>12,166,894</u>	<u>25</u>
1600	Property, plant and equipment (Notes 6(h) and 7)	12,739,289	28	12,987,018	27		<b>Non-Current liabilities:</b>				
1755	Right-of-use assets (Note 6(i))	144,673	-	105,784	-	2540	Long-term loans (Note 6(l))	1,350,000	3	2,907,000	6
1760	Investment property (Notes 6(h) and (j))	1,977,879	4	1,974,279	4	2570	Deferred tax liabilities (Note 6(r))	207,437	-	174,190	1
1840	Deferred tax assets (Note 6(r))	42,097	-	33,742	-	2580	Non-current lease liabilities (Note 6(m))	116,974	-	87,702	-
1900	Other non-current assets (Note 8)	40,227	-	40,649	-	2640	Net defined benefit liability, non-current (Note 6(q))	-	-	34,625	-
1915	Prepayments for equipment	51,575	-	41,407	-	2645	Guarantee deposits received (Note 7)	7,281	-	9,541	-
1920	Refundable deposits (Note 8)	133,043	-	69,695	-		<b>Total non-current liabilities</b>	<u>1,681,692</u>	<u>3</u>	<u>3,213,058</u>	<u>7</u>
1975	Net defined benefit asset, non-current (Note (q))	106,144	-	-	-		<b>Total liabilities</b>	<u>11,720,913</u>	<u>25</u>	<u>15,379,952</u>	<u>32</u>
	<b>Total non-current assets</b>	<u>25,868,734</u>	<u>56</u>	<u>26,170,320</u>	<u>54</u>		<b>Equity (Note 6(s))</b>				
	<b>Total assets</b>	<u>\$ 46,066,885</u>	<u>100</u>	<u>48,019,440</u>	<u>100</u>	3100	Capital stock	7,302,138	16	7,302,138	15
						3200	Capital surplus	7,745,045	17	7,742,308	16
							Retained earnings:				
						3310	Legal reserve	6,061,645	13	5,600,943	12
						3320	Special reserve	527,593	1	614,156	1
						3350	Unappropriated retained earnings	13,113,694	29	11,636,693	25
							Total retained earnings	19,702,932	43	17,851,792	38
						3400	Other equity interest	(404,143)	(1)	(256,750)	(1)
							<b>Total equity</b>	<u>34,345,972</u>	<u>75</u>	<u>32,639,488</u>	<u>68</u>
							<b>Total liabilities and equity</b>	<u>\$ 46,066,885</u>	<u>100</u>	<u>48,019,440</u>	<u>100</u>

See accompanying notes to the parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**TUNG HO STEEL ENTERPRISE CORPORATION****Statements of Comprehensive Income****For the years ended December 31, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)**

		<b>For the years ended December 31,</b>			
		<b>2025</b>		<b>2024</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue (Notes 6(u) and 7)</b>	\$ 43,343,503	100	45,177,863	100
5000	<b>Operating costs (Notes 6(f), (h), (i), (j), (q), 7 and 12)</b>	<u>37,379,134</u>	<u>86</u>	<u>39,656,363</u>	<u>88</u>
5900	<b>Gross profit from operations</b>	5,964,369	14	5,521,500	12
5910	Less: Unrealized profit (loss) from sales (Note 7)	92,276	-	69,152	-
5920	Add: Realized profit (loss) from sales (Note 7)	<u>69,152</u>	<u>-</u>	<u>74,620</u>	<u>-</u>
5950	<b>Gross profit, net</b>	<u>5,941,245</u>	<u>14</u>	<u>5,526,968</u>	<u>12</u>
6000	<b>Operating expenses:</b>				
6100	Selling expenses (Notes 6(h), (i), (j), (q), (v), 7 and 12)	(872,815)	(2)	(875,375)	(2)
6200	Administrative expenses (Notes 6(h), (i), (j), (q), (v), 7 and 12)	(1,165,408)	(3)	(1,139,499)	(2)
6450	Expected credit impairment loss (Note 6(d))	<u>(38,625)</u>	<u>-</u>	<u>(7,722)</u>	<u>-</u>
6500	<b>Total operating expenses</b>	<u>(2,076,848)</u>	<u>(5)</u>	<u>(2,022,596)</u>	<u>(4)</u>
6900	<b>Operating income</b>	<u>3,864,397</u>	<u>9</u>	<u>3,504,372</u>	<u>8</u>
7000	<b>Non-operating income and expenses:</b>				
7010	Other income (Notes 6(w) and 7)	181,423	-	154,640	-
7100	Interest income (Notes 6(w) and 7)	37,422	-	19,922	-
7020	Other gains and losses, net (Note 6(w))	(70,947)	-	147,846	-
7050	Finance costs, net (Notes 6(m) and (w))	(150,494)	-	(190,896)	-
7060	Share of profit of subsidiaries and associates accounted for using the equity method, net (Note 6(g))	<u>1,665,977</u>	<u>4</u>	<u>1,590,376</u>	<u>4</u>
	<b>Total non-operating income and expenses</b>	<u>1,663,381</u>	<u>4</u>	<u>1,721,888</u>	<u>4</u>
7900	<b>Profit before income tax</b>	5,527,778	13	5,226,260	12
7950	Less: Income tax expenses (Note 6(r))	<u>806,844</u>	<u>2</u>	<u>746,423</u>	<u>2</u>
	<b>Profit</b>	<u>4,720,934</u>	<u>11</u>	<u>4,479,837</u>	<u>10</u>
8300	<b>Other comprehensive income (loss):</b>				
8310	<b>Items that will not be reclassified subsequently to profit or loss:</b>				
8311	Remeasurements of defined benefit plans (Note 6(q))	93,003	1	125,986	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	1	-	(13,440)	-
8330	Share of other comprehensive income of subsidiaries and associates accounted for using the equity method, components of other comprehensive income that will not be reclassified to profit or loss	157	-	745	-
8349	Less : income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6(r))	<u>18,600</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Total items that will not be reclassified subsequently to profit or loss</b>	<u>74,561</u>	<u>1</u>	<u>113,291</u>	<u>-</u>
8360	<b>Items that may be reclassified subsequently to profit or loss:</b>				
8361	Exchange differences on translation of foreign financial statements	(168,879)	-	62,420	-
8399	Less : income tax related to components of other comprehensive income that may be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Total items that may be reclassified subsequently to profit or loss</b>	<u>(168,879)</u>	<u>-</u>	<u>62,420</u>	<u>-</u>
8300	<b>Other comprehensive income</b>	<u>(94,318)</u>	<u>1</u>	<u>175,711</u>	<u>-</u>
8500	<b>Total comprehensive income</b>	<u>\$ 4,626,616</u>	<u>12</u>	<u>4,655,548</u>	<u>10</u>
9750	<b>Basic earnings per share (in dollars) (Note 6(t))</b>	<u>\$ 6.47</u>		<u>6.13</u>	
9850	<b>Diluted earnings per share(in dollars) (Note 6(t))</b>	<u>\$ 6.44</u>		<u>6.12</u>	

See accompanying notes to the parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**TUNG HO STEEL ENTERPRISE CORPORATION****Statements of Changes in Equity****For the years ended December 31, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollars)**

	Retained earnings					Other equity interest				
	Capital stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total	Total equity
<b>Balance at January 1, 2024</b>	\$ 7,302,138	7,739,750	5,127,305	486,844	10,697,520	16,311,669	(625,168)	319,891	(305,277)	31,048,280
Profit for the period	-	-	-	-	4,479,837	4,479,837	-	-	-	4,479,837
Other comprehensive income for the period	-	-	-	-	126,749	126,749	62,420	(13,458)	48,962	175,711
Total comprehensive income for the period	-	-	-	-	4,606,586	4,606,586	62,420	(13,458)	48,962	4,655,548
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	473,638	-	(473,638)	-	-	-	-	-
Special reserve appropriated	-	-	-	127,312	(127,312)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(3,066,898)	(3,066,898)	-	-	-	(3,066,898)
Other changes in capital surplus	-	2,558	-	-	-	-	-	-	-	2,558
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	435	435	-	(435)	(435)	-
<b>Balance at December 31, 2024</b>	<u>7,302,138</u>	<u>7,742,308</u>	<u>5,600,943</u>	<u>614,156</u>	<u>11,636,693</u>	<u>17,851,792</u>	<u>(562,748)</u>	<u>305,998</u>	<u>(256,750)</u>	<u>32,639,488</u>
Profit for the period	-	-	-	-	4,720,934	4,720,934	-	-	-	4,720,934
Other comprehensive income for the period	-	-	-	-	74,654	74,654	(168,879)	(93)	(168,972)	(94,318)
Total comprehensive income for the period	-	-	-	-	4,795,588	4,795,588	(168,879)	(93)	(168,972)	4,626,616
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	460,702	-	(460,702)	-	-	-	-	-
Reversal of special reserve	-	-	-	(86,563)	86,563	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(2,920,855)	(2,920,855)	-	-	-	(2,920,855)
Other changes in capital surplus:										
Changes in equity of associates accounted for using the equity method	-	(250)	-	-	(2,014)	(2,014)	-	-	-	(2,264)
Unclaimed dividends past the statutory period and exercising the disgorgement right	-	2,987	-	-	-	-	-	-	-	2,987
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(21,579)	(21,579)	-	21,579	21,579	-
<b>Balance as of December 31, 2025</b>	<u>\$ 7,302,138</u>	<u>7,745,045</u>	<u>6,061,645</u>	<u>527,593</u>	<u>13,113,694</u>	<u>19,702,932</u>	<u>(731,627)</u>	<u>327,484</u>	<u>(404,143)</u>	<u>34,345,972</u>

See accompanying notes to the parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**TUNG HO STEEL ENTERPRISE CORPORATION****Statements of Cash Flows****For the years ended December 31, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the years ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 5,527,778	5,226,260
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	978,840	980,400
Amortization expense	9,331	8,336
Expected credit impairment losses	38,625	7,722
Net losses (gains) on financial assets or liabilities at fair value through profit or loss	32,784	(129,259)
Interest expense	150,494	190,896
Interest income	(37,422)	(19,922)
Dividend income	(36,491)	(39,804)
Share of profit of subsidiaries and associates accounted for using the equity method	(1,665,977)	(1,590,376)
Loss (gain) from disposal of property, plant and equipment	66,443	(1,207)
Gains on lease modification	(3)	-
Unrealized profit from sales	92,276	69,152
Realized profit from sales	(69,152)	(74,620)
Unrealized foreign currency exchange gain	(82,246)	(24,777)
Property, plant and equipment transferred to expense	152	-
<b>Total adjustments to reconcile profit or loss</b>	<u>(522,346)</u>	<u>(623,459)</u>
<b>Changes in operating assets and liabilities:</b>		
(Increase) decrease in financial assets mandatorily measured at fair value through profit or loss	(73,780)	108,269
(Increase) decrease in notes receivable	(6,210)	114,080
Decrease in accounts receivable	591,147	845,956
(Increase) decrease in accounts receivable - related parties	(330,913)	87,440
Decrease in other receivable	92,603	12,818
Decrease in inventories	1,823,894	874,122
(Increase) decrease in prepayments	(20,155)	65,237
Decrease (increase) in other current assets	33	(31)
Increase in net defined benefit asset	(13,141)	-
Increase in other operating assets	(8,909)	(4,489)
<b>Total changes in operating assets</b>	<u>2,054,569</u>	<u>2,103,402</u>
(Decrease) increase in contract liabilities	(176,380)	239,418
(Decrease) increase in notes payable	(216,327)	223,611
Decrease in accounts payable	(272,063)	(428,781)
Increase (decrease) in other payables	216,322	(37,184)
Increase in provisions	6,653	-
(Decrease) increase in other current liabilities	(911)	407
Decrease in net defined benefit liability	(34,625)	(46,962)
<b>Total changes in operating liabilities</b>	<u>(477,331)</u>	<u>(49,491)</u>
<b>Net changes in operating assets and liabilities</b>	<u>1,577,238</u>	<u>2,053,911</u>
<b>Total adjustments</b>	<u>1,054,892</u>	<u>1,430,452</u>
Cash inflow generated from operations	6,582,670	6,656,712
Interest received	37,244	19,773
Dividends received	1,933,800	1,580,812
Interest paid	(153,600)	(188,679)
Income taxes paid	(625,504)	(930,690)
<b>Net cash flows from operating activities</b>	<u>7,774,610</u>	<u>7,137,928</u>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(116,090)	(3,858)
Proceeds from disposal of financial assets at fair value through other comprehensive income	317	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	9,108	5,400
Proceeds from disposal of financial assets at fair value through profit or loss	34,700	-
Acquisition of investments accounted for using equity method	(34,836)	-
Proceeds from capital reduction of investments accounted for using equity method	-	275,567
Acquisition of property, plant and equipment	(696,560)	(565,726)
Proceeds from disposal of property, plant and equipment	1,948	674
Increase in refundable deposits	(63,348)	(13,618)
Increase in other receivables	(403,450)	(1,639,500)
Acquisition of investment properties	(8,334)	(56,012)
Increase in prepayments for equipment	(36,620)	(33,144)
<b>Net cash flows used in investing activities</b>	<u>(1,313,165)</u>	<u>(2,030,217)</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term loans	63,479,844	76,115,353
Decrease in short-term loans	(65,148,928)	(80,298,864)
Increase in short-term notes and bills payable	-	1,550,000
Decrease in short-term notes and bills payable	-	(1,550,000)
Proceeds from long-term loans	3,590,000	5,507,000
Repayments of long-term loans	(5,367,000)	(3,300,000)
(Decrease) increase in guarantee deposits received	(2,260)	2,525
Payment of lease liabilities	(36,733)	(33,189)
Cash dividends paid	(2,920,855)	(3,066,898)
Disgorgement rights	89	-
<b>Net cash used in financing activities</b>	<u>(6,405,843)</u>	<u>(5,074,073)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(5,785)</u>	<u>8,602</u>
<b>Net increase in cash and cash equivalents</b>	49,817	42,240
<b>Cash and cash equivalents at beginning of period</b>	435,806	393,566
<b>Cash and cash equivalents at end of period</b>	<u>\$ 485,623</u>	<u>435,806</u>

See accompanying notes to the parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**TUNG HO STEEL ENTERPRISE CORPORATION**

**Notes to the Financial Statements**

**For the years ended December 31, 2025 and 2024**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

Tung Ho Steel Enterprise Corporation (the “Company”) was incorporated in May, 1962, as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is 6F., No. 9, Sec. 1, Chang An E. Rd., Taipei City, Taiwan (R.O.C.). The Company is primarily involved in manufacturing and selling Re-Bar, Section, and Plate.

**(2) Approval date and procedures of the financial statements**

The parent company only financial statements as of and for the years ended December 31, 2025 and 2024 were approved and authorized for issuance by the Board of Directors on February 26, 2026.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the IFRS Accounting Standards endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2025:

- Amendments to IAS21 “Lack of Exchangeability”

- (b) The impact of IFRS Accounting Standards endorsed by the FSC but not yet effective

The Company’s anticipated adoption of the new amendments beginning on January 1, 2026, are expected to have the following impacts:

- (i) Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”

For financial assets with contingent features that are not related directly to a change in basic lending risks or costs (e.g. where the cash flows change depending on whether the borrower meets an ESG target specified in the loan contract), the amendments introduce an additional test to assess the “solely payments of principal and interest on the principal amount outstanding” criterion.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

The Company invested in ESG-linked bonds and may need to change the classification due to the amendments. The Company is continually evaluating the impact of its initial adoption of the amendments on its financial statements.

In addition, these amendments clarify that financial assets and financial liabilities can only be derecognized upon settlement and introduce specific requirements for the derecognition of financial liabilities settled through electronic payment systems. When settling a financial liability (or part of a financial liability) in cash using an electronic payment system, the Company is permitted to deem the financial liability (or part of it) to be discharged before the settlement date only if, and only if, the Company has initiated a payment instruction that results in all of the following: (a) the Company having no practical ability to withdraw, stop or cancel the payment instruction; (b) the Company having no practical ability to access the cash to be used for settlement as a result of the payment instruction; and (c) the settlement risk associated with the electronic payment system being insignificant. The Company shall apply this derecognition exception consistently to all settlements made through the same electronic payment system.

The Company is required to reassess the timing of derecognition of financial assets and financial liabilities and is continually evaluating the impact of its initial adoption of the amendments on its financial statements.

(ii) Other amendments

The following amendments are not expected to have a significant impact on the Company's financial statements.

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Annual Improvements to IFRS Accounting Standards
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

- (c) The impact of IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> <li>● A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities.</li> <li>● Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards.</li> <li>● Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.</li> </ul>	January 1, 2027 note: On September 25, 2025, the FSC issued a press release announcing that Taiwan will adopt IFRS 18 beginning in 2028. Entities that need to adopt the new standard earlier may do with the endorsement of the FSC.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

The Company is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures” and amendments to IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IAS 21 “Translation to a Hyperinflationary Presentation Currency”

**(4) Summary of material accounting policies**

The material accounting policies presented in the accompanying financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent company financial statements

(a) Statement of compliance

These parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations).

(b) Basis of preparation

(i) Basis of measurement

The parent company only financial statements have been prepared on historical cost basis, except for the following material items in the balance sheet:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate on that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for that arising from fair value through other comprehensive income non-monetary securities, which is recognized through other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated into the Company's presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the Company's presentation currency at average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of an investment in an associate of joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

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

The Company classifies the asset as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies the liability as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Term deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost ; Fair value through other comprehensive income (FVOCI) – equity investment ; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is to hold assets to collect contractual cash flows ; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes and trade receivables, other receivable, guarantee deposit paid and other financial assets), trade receivables and debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL :

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when the financial asset is more than one year past due or the debtor is unlikely to pay its credit obligations to the Company in full.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data :

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than 90 days past due ;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability.

2) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

4) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

The cost of inventories shall comprise all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to the location and condition ready for sale or production. The allocation of fixed production overheads to the finished goods and work in process is based on the normal capacity of the production facilities. However, in the case where the practical capacity is larger than the normal capacity, the allocation is based on the practical capacity. Variable production overheads are allocated to each unit of production on the basis of the actual use of the production facilities. Inventories are subsequently measured at the lower of cost or net realizable value. The cost of inventories is based on the monthly weighted-average cost. Net realizable value is the estimated as the selling price in the ordinary course of business at the reporting date, less the estimated costs until completion and selling expenses. If the inventory is reserved for a contract, its net realizable value shall be based on the price of the contract.

(h) Investment in associates

Associates are those entities on which the Company has significant influence, but not control or joint control, over their financial and operating policies.

The Company's investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill resulted from the acquisition less any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Unrealized gains and losses resulting from the transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate. When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

The Company discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Company accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss ( or retained earnings) on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) ( or retained earnings) when the equity method is discontinued. If the Company's ownership interest in an associate is reduced while it continues to apply the equity method, the Company reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method without remeasuring the retained interest.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(i) Investments in subsidiaries

When preparing the parent company only financial statements, the Company accounts for the investee companies on which it possesses control using the equity method. Net income, other comprehensive income, and shareholder's equity in the parent company only financial reports of the Company should be the same with the net income, other comprehensive income, and shareholder's equity attributable to the parent in the consolidated financial reports should be the same.

The Company accounts the changes in equity, under the condition that control is still present, as equity transactions between the proprietors.

(j) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as non-operating revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- 1) Buildings : 3 to 60 years
- 2) Machinery and equipment : 2 to 33 years
- 3) Miscellaneous equipment : 1.25 to 30 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from previous estimates, adjusted it as necessary.

(l) Leases

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery, office equipment and vehicles that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(m) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an individual assets or a CGU is the greater of its fair value less costs of disposal and its value in use. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount, and which should be recognized immediately in profit or loss.

(n) Provisions

Carbon fees

Carbon fees levied in accordance with Taiwan's Climate Change Response Act and Regulations Governing the Collection of Carbon Fees are recognized when the annual greenhouse gas emissions are probably to exceed the threshold, and the amount is estimated based on the proportion of greenhouse gas emissions that have occurred as of the reporting date divided by the total annual greenhouse gas emissions.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(o) Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

(i) Sale of goods

The Company recognizes revenue when control of the products has transferred, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(ii) Rebar Processing Services

The Company provides steel bars processing services and recognizes the related revenue during the financial reporting period. However, if there are any changes occur in normal circumstances, the estimates of revenue and cost of completion will be revised, whose amount will be reflected in profit and loss during the period when the management is informed regarding the matter. Under a fixed-price contract, the customer pays a fixed amount according to the agreed time schedule. When the service exceeds the payment, a contract asset is recognized; when the payment exceeds the service, a contract liability is recognized. The Company's payment collection is based on the level of completion upon issuing an invoice.

The merged company can only request the customer for payment according to the degree of completion, wherein the amount can be collected after the invoice is issued.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss for the period in which services are rendered by employees.

(ii) Defined benefit plans

The Company's net obligation in respect of a defined benefit pension plan is calculated separately by estimating the discounted present value of future benefit that employees have earned in return for their service in the current and prior periods.

An actuarial calculation of pension costs and related liabilities are performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, an asset is recognized but the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Income taxes

Income taxes comprises current tax expense and deferred tax expense. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following :

- (i) the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit (loss) ; or
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future ; or

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized ; such reductions are reversed when the probability of future taxable profits improves.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met :

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities ; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either :
  - 1) the same taxable entity ; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(r) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds.

(s) Operating segments

The Company has disclosed related information of its operating segments in the consolidated financial statements of the Company and its subsidiaries as of December 31, 2025 and 2024, thus no additional information will be disclosed herein.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty**

In preparing these parent company only financial statements, management has made judgments and estimates about the future, including climate-related risks and opportunities, that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Company's risk management and climate-related commitments where appropriate. Revisions to estimates are recognised prospectively in the period of the change and future periods.

The accounting policies related to material judgments that have certain significant impact on the amounts recognized in the financial statements were whether the Company has substantive control over its investees, please refer to the consolidated financial statements for the year ended December 31, 2025.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

The Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value. The Company relies on external third-party information for fair value measurements to ensure that the valuations and its fair value hierarchy classification comply with the requirements of the International Financial Reporting Standards.

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy used in determining the fair value of financial instruments are as follows :

- (a) Level 1 : quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (c) Level 3 : inputs for the assets or liabilities that are not based on observable market data.

For any transfers within the fair value hierarchies, the impact of the transfer is recognized on the reporting date.

Please refer to the notes listed as below for related information on assumptions used in measuring fair value :

- (i) Note 6(j), investment property
- (i) Note 6(x), financial instruments

**(6) Explanation of significant accounts**

- (a) Cash and cash equivalents

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Cash on hand	\$ 295	385
Checking and demand deposits	<u>485,328</u>	<u>435,421</u>
Cash and cash equivalents on the statement of cash flows	<b><u>\$ 485,623</u></b>	<b><u>435,806</u></b>

- (i) Please refer to Note 6(x) for interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.
- (ii) As of December 31, 2025 and 2024, certain term deposits were pledged as collateral of performance guarantee and such term deposits were reclassified to refundable deposits. Please refer to Note 8 for details.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(b) Financial assets and liabilities at fair value through profit or loss

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Financial assets at fair value through profit or loss:		
Derivative instruments not used for hedging		
Foreign exchange forward contracts	\$ 3,590	-
Non-derivative financial assets		
Listed common shares	108,016	109,204
Total	<b>\$ 111,606</b>	<b>109,204</b>
	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Financial liabilities at fair value through profit or loss:		
Held for trading financial liabilities		
Derivative instruments not used for hedging		
Foreign exchange forward contracts	\$ -	4,052
Over-the-counter contract	158	-
Total	<b>\$ 158</b>	<b>4,052</b>

The Company uses derivative financial instruments to hedge the certain foreign exchange risk the Company is exposed to, arising from its operating, financing and investing activities. The following derivative instruments, without the application of hedge accounting, were classified as held-for-trading financial instruments at December 31, 2025 and 2024 :

(i) Forward exchange contracts :

<b>December 31, 2025</b>			
	<b>Nominal amount (in thousands)</b>	<b>Currency</b>	<b>Maturity dates</b>
Forward exchange purchased	USD 17,299	Sell USD/buy TWD	2026.01.02~2026.03.27
<b>December 31, 2024</b>			
	<b>Nominal amount (in thousands)</b>	<b>Currency</b>	<b>Maturity dates</b>
Forward exchange purchased	USD 19,992	Sell USD/buy TWD	2025.01.02~2025.02.27
Forward exchange sold	USD 12,000	Sell USD/buy TWD	2025.01.17~2025.04.15

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(ii) Over-the-counter contract :

The Company signed an over-the-counter derivatives contracts with another company, wherein both parties agreed to settle the price differences, in order to hedge certain price risk from billet. The following derivative instruments, without the application of hedge accounting, were classified as financial assets:

	<b>December 31, 2025</b>		
	<b>Nominal quantity (in tons)</b>	<b>Price exchange (in thousands of USD)</b>	<b>Maturity dates</b>
Billet	<b>10,000</b>	0.454~0.455	2026.03.06~2026.04.08

None of the financial assets were pledged as collateral as of December 31, 2025 and 2024.

(c) Financial assets at fair value through other comprehensive income

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Equity investments at fair value through other comprehensive income :		
Listed common shares	\$ 411,260	432,618
Unlisted common shares	314,506	186,482
<b>Total</b>	<b>\$ 725,766</b>	<b>619,100</b>

- (i) The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term strategic purposes.
- (ii) In 2025, the Company adjusted its investment portfolio and accordingly disposed of an equity instrument designated at fair value through other comprehensive income. The disposal price amounted to NT\$317 thousand, and the cumulative disposal loss of NT\$21,579 thousand was reclassified from other equity to retained earnings.
- (iii) In 2025, the Company participated in both a capital increase and a capital reduction of an equity instrument designated at fair value through other comprehensive income under the Tung Ching Investment. The amounts of the capital increase and capital reduction were NT\$3,590 thousand and NT\$9,108 thousand, respectively. In 2024, the Company had also participated in a capital increase amounting to NT\$3,858 thousand.
- (iv) For market risk, please refer to note 6(x).
- (v) None of the financial assets were pledged.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(d) Notes and accounts receivable

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Notes receivable	\$ 69,322	63,111
Accounts receivable	2,604,935	3,186,272
Accounts receivable-related parties	332,941	2,028
Overdue receivables	47,993	57,673
Less : loss allowance	<u>(104,857)</u>	<u>(66,232)</u>
	<b><u>\$ 2,950,334</u></b>	<b><u>3,242,852</u></b>

The analysis of expected credit loss of the notes and accounts receivable of the Company as of December 31, 2025 and 2024, was as follows :

<b>December 31, 2025</b>			
<b>Credit rating</b>	<b>Gross carrying amount</b>	<b>Weighted-average rate of expected credit loss</b>	<b>Loss allowance for expected credit losses</b>
With low risk	\$ 589,423	-	-
With moderate risk	2,417,775	0.41%~6.11%	56,864
With financial difficulties	<u>47,993</u>	100%	<u>47,993</u>
	<b><u>\$ 3,055,191</u></b>		<b><u>104,857</u></b>
<b>December 31, 2024</b>			
<b>Credit rating</b>	<b>Gross carrying amount</b>	<b>Weighted-average rate of expected credit loss</b>	<b>Loss allowance for expected credit losses</b>
With low risk	\$ 567,954	-	-
With moderate risk	2,693,137	0.68%	18,239
With financial difficulties	<u>47,993</u>	100%	<u>47,993</u>
	<b><u>\$ 3,309,084</u></b>		<b><u>66,232</u></b>

The aging analysis of notes and accounts receivable as of December 31, 2025 and 2024, which were past due but not impaired, were as follows :

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Current	\$ 3,005,728	3,235,310
1 to 60 days past due	610	806
61 to 364 days past due	803	24,963
More than 365 days past due	<u>48,050</u>	<u>48,005</u>
	<b><u>\$ 3,055,191</u></b>	<b><u>3,309,084</u></b>

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

The movement in the allowance for notes and accounts receivable were as follows :

	<b>For the years ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Balance at January 1	\$ 66,232	59,956
Impairment losses recognized	38,625	10,363
Impairment losses reversed	-	(2,641)
Amounts written off	-	(996)
Recovery from the amount written off	-	(450)
Balance at December 31	<b><u>\$ 104,857</u></b>	<b><u>66,232</u></b>

For credit risk, please refer to note 6(x).

(e) Other receivables

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Other receivables from related parties	\$ 9,147	13,518
Other receivables - loans to subsidiaries	2,046,175	1,641,966
Others	10,301	11,215
Less : loss allowance	-	-
	<b><u>\$ 2,065,623</u></b>	<b><u>1,666,699</u></b>

No other receivables were impaired resulted from overdue as of December 31, 2025 and 2024. For credit risk, please refer to note 6(x).

(f) Inventories

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Finished goods (including consigned goods)	\$ 2,780,512	3,290,108
Work in process (including goods in transit and consigned goods)	3,386,255	3,196,218
Raw materials (including goods in transit)	6,593,399	7,909,872
Material supplies (including goods in transit and consigned goods)	1,605,843	1,799,712
Inventories, net	<b><u>\$ 14,366,009</u></b>	<b><u>16,195,910</u></b>

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. Any changes of competitors' reactions and market condition would impact the estimation which is based on the current market condition and past experience. The management of the Company makes such evaluation on every reporting date.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

## (i) Collateral

None of the inventory was pledged as collateral as of December 31, 2025 and 2024, respectively.

## (ii) Operating costs

For the years ended December 31, 2025 and 2024, cost of sales and services provided recognized was as follows :

	<b>For the years ended</b>	
	<b>December 31,</b>	
	<b>2025</b>	<b>2024</b>
Cost of goods sold	\$ 37,351,602	39,637,874
Cost of services	27,315	26,621
Unallocated production overheads — capacity variance	93,341	100,359
Revenue from sale of materials and scrap	<u>(93,124)</u>	<u>(108,491)</u>
Total	<b><u>\$ 37,379,134</u></b>	<b><u>39,656,363</u></b>

## (g) Investments accounted for using the equity method

(i) A summary of the Company's financial information for investments accounted for using the equity method at the reporting date is as follows :

	<b>December 31,</b>	<b>December 31,</b>
	<b>2025</b>	<b>2024</b>
Subsidiaries		
Tung Yuan International Corp.	\$ 637,200	650,499
Tung Kang Steel Structure Corp.	4,105,582	4,349,898
Goldham Development Ltd.	20,109	13,545
Katec Creative Resources Corp.	713,595	711,687
Tung Kang Wind Power Corp.	740,655	700,048
Tung Ho Steel Vietnam Corp., Ltd.	<u>2,519,007</u>	<u>2,737,040</u>
Subtotal	<u>8,736,148</u>	<u>9,162,717</u>
Associates		
Katec Research & Development Corp.	98,850	94,247
Taiwan Steel Union Co., Ltd.	1,001,017	996,381
Tung Sugar Energy Service Co., Ltd.	<u>72,026</u>	<u>45,301</u>
Subtotal	<u>1,171,893</u>	<u>1,135,929</u>
Total	<b><u>\$ 9,908,041</u></b>	<b><u>10,298,646</u></b>

## (ii) Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2025.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

- (iii) The Company's financial information for investments accounted for using the equity method that are individually insignificant was as follows :

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Carrying amount of individually insignificant associates' equity	\$ <b>1,171,893</b>	<b>1,135,929</b>
	<b>For the years ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Attributable to the Company :		
Net income from continuing operations	\$ 166,205	200,209
Other comprehensive income	275	217
Comprehensive income	\$ <b>166,480</b>	<b>200,426</b>

- (iv) Cash dividends paid by the Company's associates were recognized as deductions of investment accounted for using the equity method. The details were as follows :

	<b>For the years ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Tung Kang Steel Structure Corp.	\$ 1,608,971	1,407,849
Katec Research & Development Corp.	14,116	14,116
Taiwan Steel Union Co., Ltd.	148,974	106,765
Katec Creative Resources Corp.	85,948	12,278
Tung Kang Wind Power Corp.	39,300	-
Total	\$ <b>1,897,309</b>	<b>1,541,008</b>

- (v) On July 3, 2025, the board of directors of Tung Sugar Energy resolved to conduct a capital increase in the amount of NT\$60,000 thousand, with October 3, 2025 designated as the capital increase base date. The Company subscribed to NT\$34,836 thousand, which was not subscribed in proportion to its original ownership percentage. As a result, its equity interest increased from 36% to 42.3%, resulting in a change in equity. Accordingly, capital surplus and retained earnings were reduced by NT\$250 thousand and NT\$2,014 thousand, respectively.
- (vi) On March 18, 2024, the Board of Directors of Goldham Development Ltd. resolved to carry out a cash capital reduction of USD 8,726 thousand (NTD 275,567 thousand). As of December 31, 2024, the Company has received the capital reduction amount and has recognized it as a deduction from investments accounted for using the equity method.
- (vii) Collateral

None of the investments accounted for using the equity method were pledged for collateral as of December 31, 2025 and 2024.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(h) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2025 and 2024, were as follows :

	<u>Land</u>	<u>Land improvements</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Miscellaneous equipment</u>	<u>Other assets</u>	<u>Construction in progress</u>	<u>Total</u>
<b>Cost or deemed cost:</b>								
Balance as of January 1, 2025	\$ 5,094,374	29,828	6,944,024	24,764,174	343,947	326,465	228,898	37,731,710
Additions	-	12,258	70,829	525,306	42,756	2,904	83,677	737,730
Reclassification in (out)	-	-	166,203	29,579	6,380	-	(176,047)	26,115
Disposals	-	-	(66,318)	(114,405)	(7,802)	-	-	(188,525)
Balance as of December 31, 2025	<u>\$ 5,094,374</u>	<u>42,086</u>	<u>7,114,738</u>	<u>25,204,654</u>	<u>385,281</u>	<u>329,369</u>	<u>136,528</u>	<u>38,307,030</u>
Balance as of January 1, 2024	\$ 5,098,344	27,241	6,909,477	24,391,149	338,396	315,351	130,455	37,210,413
Additions	-	2,587	21,185	373,832	16,597	7,144	155,093	576,438
Reclassification in (out)	(3,970)	-	13,700	57,493	-	3,970	(56,650)	14,543
Disposals	-	-	(338)	(58,300)	(11,046)	-	-	(69,684)
Balance as of December 31, 2024	<u>\$ 5,094,374</u>	<u>29,828</u>	<u>6,944,024</u>	<u>24,764,174</u>	<u>343,947</u>	<u>326,465</u>	<u>228,898</u>	<u>37,731,710</u>
<b>Accumulated depreciation:</b>								
Balance as of January 1, 2025	\$ -	5,272	3,886,189	20,590,034	263,197	-	-	24,744,692
Depreciation for the period	-	3,376	143,703	765,168	24,930	-	-	937,177
Disposals	-	-	(9,514)	(96,814)	(7,800)	-	-	(114,128)
Balance as of December 31, 2025	<u>\$ -</u>	<u>8,648</u>	<u>4,020,378</u>	<u>21,258,388</u>	<u>280,327</u>	<u>-</u>	<u>-</u>	<u>25,567,741</u>
Balance as of January 1, 2024	\$ -	2,548	3,742,741	19,879,710	246,603	-	-	23,871,602
Depreciation for the period	-	2,724	143,786	768,394	27,640	-	-	942,544
Disposals	-	-	(338)	(58,070)	(11,046)	-	-	(69,454)
Balance as of December 31, 2024	<u>\$ -</u>	<u>5,272</u>	<u>3,886,189</u>	<u>20,590,034</u>	<u>263,197</u>	<u>-</u>	<u>-</u>	<u>24,744,692</u>
<b>Carrying value</b>								
Balance as of December 31, 2025	<u>\$ 5,094,374</u>	<u>33,438</u>	<u>3,094,360</u>	<u>3,946,266</u>	<u>104,954</u>	<u>329,369</u>	<u>136,528</u>	<u>12,739,289</u>
Balance as of December 31, 2024	<u>\$ 5,094,374</u>	<u>24,556</u>	<u>3,057,835</u>	<u>4,174,140</u>	<u>80,750</u>	<u>326,465</u>	<u>228,898</u>	<u>12,987,018</u>

(i) Land borrowed name registration and trust registration

Several agricultural lands of the Company were temporarily registered under other individuals' names due to the restrictions imposed on Agricultural Development Act article 33. In order to preserve the rights and obligations of both parties and its ownership of the land, the Company changed the registration procedures for some of its agricultural lands to trust registration method, except for certain parcels of land, which are still being registered under other individuals' names due to specific reasons. All relevant registration procedures had been completed as of December 31, 2023, with details as follows:

<u>Accounts</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Property, plant and equipment	\$ 329,369	326,465
Investment property	71,952	553,564
	<u>\$ 401,321</u>	<u>880,029</u>

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
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(ii) Work in Progress – Plant and equipment

For the year ended December 31, 2025 and 2024, the capitalized interest incurred by the Company during the construction of plant and equipment amounted to \$5,054 thousand and \$3,734 thousand, respectively. The capitalization rates ranged applied were 1.77%~1.82% and 1.61% ~1.74%, respectively.

(iii) The assessment of the useful life and the residual value

Property, plant and equipment is depreciated using the straight-line method. The Company periodically evaluates the useful life and the residual value of property, plant, and equipment; if there is any significant change in relevant estimates, adjustments will be made in the period the change occurs and in the future periods.

(iv) Collateral

None of the property, plant and equipment was pledged for collateral as of December 31, 2025 and 2024.

(i) Right-of-use assets

The Company leases assets including land, buildings and structures, machinery equipment, transportation equipment, and office equipment. Information about leases for which the Company as a lessee was presented below :

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Total</u>
Cost :						
Balance at January 1, 2025	\$ 161,435	41,075	2,941	19,344	2,678	227,473
Additions	4,058	67,856	1,386	550	2,083	75,933
Disposal	(1,935)	(45,890)	(2,942)	(135)	(2,456)	(53,358)
Balance at December 31, 2025	<u>\$ 163,558</u>	<u>63,041</u>	<u>1,385</u>	<u>19,759</u>	<u>2,305</u>	<u>250,048</u>
Balance at January 1, 2024	\$ 155,670	41,075	2,941	17,010	2,678	219,374
Additions	5,765	4,372	-	4,289	-	14,426
Disposal	-	(4,372)	-	(1,955)	-	(6,327)
Balance at December 31, 2024	<u>\$ 161,435</u>	<u>41,075</u>	<u>2,941</u>	<u>19,344</u>	<u>2,678</u>	<u>227,473</u>
Accumulated depreciation :						
Balance at January 1, 2025	\$ 68,779	39,021	2,669	8,778	2,442	121,689
Depreciation for the period	14,921	16,325	419	4,893	371	36,929
Disposal	(1,935)	(45,890)	(2,942)	(135)	(2,341)	(53,243)
Balance at December 31, 2025	<u>\$ 81,765</u>	<u>9,456</u>	<u>146</u>	<u>13,536</u>	<u>472</u>	<u>105,375</u>
Balance at January 1, 2024	\$ 53,966	30,806	2,166	6,026	2,039	95,003
Depreciation for the period	14,813	12,587	503	4,707	403	33,013
Disposal	-	(4,372)	-	(1,955)	-	(6,327)
Balance at December 31, 2024	<u>\$ 68,779</u>	<u>39,021</u>	<u>2,669</u>	<u>8,778</u>	<u>2,442</u>	<u>121,689</u>
Carrying amount :						
Balance at December 31, 2025	<u>\$ 81,793</u>	<u>53,585</u>	<u>1,239</u>	<u>6,223</u>	<u>1,833</u>	<u>144,673</u>
Balance at December 31, 2024	<u>\$ 92,656</u>	<u>2,054</u>	<u>272</u>	<u>10,566</u>	<u>236</u>	<u>105,784</u>

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
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(j) Investment property

	<u>Land and improvements</u>	<u>Buildings and structures</u>	<u>Total</u>
<b>Cost or deemed cost :</b>			
Balance as of January 1, 2025	\$ 1,924,255	269,585	2,193,840
Additions	<u>6,188</u>	<u>2,146</u>	<u>8,334</u>
Balance as of December 31, 2025	<u><u>\$ 1,930,443</u></u>	<u><u>271,731</u></u>	<u><u>2,202,174</u></u>
Balance as of January 1, 2024	\$ 1,868,243	269,585	2,137,828
Additions	<u>56,012</u>	<u>-</u>	<u>56,012</u>
Balance as of December 31, 2024	<u><u>\$ 1,924,255</u></u>	<u><u>269,585</u></u>	<u><u>2,193,840</u></u>
<b>Accumulated depreciation :</b>			
Balance as of January 1, 2025	\$ -	219,561	219,561
Depreciation for the period	<u>-</u>	<u>4,734</u>	<u>4,734</u>
Balance as of December 31, 2025	<u><u>\$ -</u></u>	<u><u>224,295</u></u>	<u><u>224,295</u></u>
Balance as of January 1, 2024	\$ -	214,718	214,718
Depreciation for the period	<u>-</u>	<u>4,843</u>	<u>4,843</u>
Balance as of December 31, 2024	<u><u>\$ -</u></u>	<u><u>219,561</u></u>	<u><u>219,561</u></u>
<b>Carrying amounts :</b>			
Balance as of December 31, 2025	<u><u>\$ 1,930,443</u></u>	<u><u>47,436</u></u>	<u><u>1,977,879</u></u>
Balance as of December 31, 2024	<u><u>\$ 1,924,255</u></u>	<u><u>50,024</u></u>	<u><u>1,974,279</u></u>
<b>Fair value :</b>			
Balance as of December 31, 2025			<u><u>\$ 9,478,288</u></u>
Balance as of December 31, 2024			<u><u>\$ 8,509,561</u></u>

- (i) Investment property includes the investment in Kuo Kong Section, Houlong town, Miaoli County, and several construction sites and factories leased to others; leased objects mentioned above are the factory in Chienchen District of Kaohsiung, the factory in Bade City of Taoyuan, the building in Taichung, and the office in Taipei.
- (ii) The investment in Kuo Kong Section, Houlong Town, Miaoli County is within the general industrial zone. The Consolidated Company has installed established five wind turbine sets to improve the efficiency of the use of the land. Currently, the purpose of usage and owning the land is to obtain the capital appreciation in the future. As of December 31, 2025 and 2024, the carrying amounts were \$974,120 thousand for both years.
- (iii) The fair value of investment property is in reference to the appraisal report, done by independent professionals (with certificated qualification and recent experience in appraisals of items that are within the same area or of similar items). The valuation technique used is classified as the third hierarchy of input value.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

- (iv) Please refer to Note 6(h) for relevant information on investment property acquired under the ownership of others.
- (v) None of the investment property was for pledged for collateral as of December 31, 2025 and 2024.

(k) Short-term loans

The details of the Company's short-term loans were as follows :

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Unsecured bank loans	\$ 4,590,000	6,242,000
Letters of credit loans	355	17,439
Total	<u>\$ 4,590,355</u>	<u>6,259,439</u>
Unused credit lines	<u>\$ 18,772,304</u>	<u>19,059,418</u>
Range of interest rates	<u>1.73%~4.49%</u>	<u>1.71%~5.56%</u>

(l) Long-term loans

The details of the Company's long-term loans were as follows :

<b>December 31, 2025</b>				
	<b>Currency</b>	<b>Interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Unsecured bank loans	TWD	1.77% ~ 1.80%	2026.03.01~2030.06.12	\$ 1,430,000
Less: current portion				(80,000)
Total				<u>\$ 1,350,000</u>
Unused credit lines				<u>\$ 3,040,000</u>
<b>December 31, 2024</b>				
	<b>Currency</b>	<b>Interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Unsecured bank loans	TWD	1.79%~1.93%	2025.06.12~2026.09.27	\$ 3,207,000
Less: current portion				(300,000)
Total				<u>\$ 2,907,000</u>
Unused credit lines				<u>\$ 1,833,000</u>

(m) Lease liabilities

The details of the Company's lease liabilities were as follows :

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Current	<u>\$ 31,713</u>	<u>21,905</u>
Non-current	<u>\$ 116,974</u>	<u>87,702</u>

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

The amounts recognized in profit or loss were as follows :

	<b>For the years ended</b>	
	<b>December 31,</b>	
	<b>2025</b>	<b>2024</b>
Interest on lease liabilities	<u>\$ 2,344</u>	<u>1,706</u>
Expenses relating to short-term leases	<u>\$ 5,869</u>	<u>6,217</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 2,895</u>	<u>2,755</u>

The amounts recognized in the statement of cash flows was as follows:

	<b>For the years ended</b>	
	<b>December 31,</b>	
	<b>2025</b>	<b>2024</b>
Total cash outflow for leases	<u>\$ 47,841</u>	<u>43,867</u>

(i) Real estate leases

The Company leases land and buildings for its office space and storage locations in 2025 and 2024. The leases for office space and storage locations typically run for a period of 2 to 3 years. Some lessee include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Certain leases contain extension or cancellation options exercisable by the Company. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Company and not by the lessors. In which lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

(ii) Other leases

The Company leases machinery equipment and vehicles, with lease terms of two to five years. In some cases, the Company has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

The Company also leases IT equipment with contract terms of one to three years. These leases are short-term or leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(n) Operating lease

The Company leases out its investment property. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to Note 6(j) sets out information about the operating leases of investment property.

As of December 31, 2025 and 2024, a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows :

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Less than one year	\$ 54,365	60,574
One to two years	45,817	49,015
Two to three years	45,817	47,540
Three to four years	45,757	47,608
Four to five years	45,696	47,548
More than five years	<u>67,189</u>	<u>114,902</u>
Total undiscounted lease payments	<u>\$ 304,641</u>	<u>367,187</u>

The operating lease revenues for the years ended December 31, 2025 and 2024 were \$59,901 and \$57,726 thousand.

(o) Other payables

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Accrued payroll, year-end bonuses, provisionally estimated bonuses, remuneration of directors and supervisors, and employee benefits	\$ 752,323	690,803
Utilities payable(including to related parties)	322,928	387,836
Freight payable	228,087	191,821
Sales bonuses payable	386,378	244,830
Waste disposal payable (including to related parties)	73,197	73,121
Equipment payable(including to related parties)	76,067	34,897
Repair and maintenance payable	114,439	98,182
Tax payable	83,605	71,758
Other operating and manufacturing overhead payables(including to related parties)	<u>136,367</u>	<u>128,654</u>
	<u>\$ 2,173,391</u>	<u>1,921,902</u>

The above payables are planned to be paid within one year. Please refer to Note 6(x) for the interest rate risk and sensitivity analysis of the aforementioned financial assets and liabilities.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(p) Provision

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Carbon fees	<b>\$ 6,653</b>	<b>-</b>

In accordance with the Climate Change Response Act, the Ministry of Environment of the Republic of China (Taiwan) promulgated the Regulations Governing the Collection of Carbon Fees and relevant supporting measures in 2024. Starting from January 2025, carbon fees will be levied on greenhouse gas (GHG) emissions from specific entities. Under these regulations, entities that submit a self-initiated GHG reduction plan, obtain approval, and achieve the specified annual reduction targets may be eligible for a preferential carbon fee rate. If the entity qualifies as a high-carbon-leakage entity, its emissions may be calculated based on the adjustment factor. Otherwise, the carbon fee will be levied on the actual emissions of the year according to the standard rate.

The Company is subject to the domestic carbon fee regulations and, as of the reporting date, the management has resolved to submit a self-initiated reduction plan to the competent authority. The plan was submitted in March 2025 and was subsequently approved in February 2026, after which the Company applied to the competent authority for recognition as a high-carbon-leakage risk industry. Based on internal and external information available, including the ongoing greenhouse gas emissions inventory and the monitoring of reduction progress, the Company assessed that it is highly probable that the plan will be approved and that the annual designated reduction target will be met, thereby qualifying for the preferential rate.

Accordingly, for the year 2025, the Company recognized a provision for carbon fee liabilities in the amount of \$6,653 thousand, which was calculated using the preferential rate of NT\$50 per metric ton of CO<sub>2</sub> equivalent and applying the applicable emission adjustment factor. If the plan is subsequently not approved or it is assessed that the reduction target is unlikely to be achieved, the related amount will be remeasured using the standard rate of NT\$300 per metric ton of CO<sub>2</sub> equivalent, which may result in an adjustment to the provision. The liability is expected to be settled in cash in May 2026 by the delivery of cash to the Government.

(q) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value were as follows :

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Present value of the defined benefit obligations	\$ 1,246,120	1,350,335
Fair value of plan assets	(1,352,264)	(1,315,710)
Net defined benefit (assets) liabilities	<b>\$ (106,144)</b>	<b>34,625</b>

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

1) Composition of the plan assets

The Company makes contributions to the retirement fund in accordance with the Labor Standards Act, and such funds are administered by the Bureau of Labor Funds under the Ministry of Labor (the “Bureau”). In accordance with the Regulations for the Management and Utilization of the Labor Retirement Fund, the fund is managed collectively, and its annual minimum return shall not be lower than the interest rate of a two-year time deposit offered by local banks.

As of December 31, 2025, the Company’s Bank of Taiwan labor pension reserve account balance amounted to \$1,352,264 thousand. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Changes in the present value of the defined benefit obligations

Changes in the present value of the Company’s defined benefit obligations were as follows :

	<b>For the years ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Defined benefit obligations at January 1	\$ 1,350,335	1,430,284
Service cost and interest expense for the period	25,820	21,183
Remeasurements of the net defined benefit liabilities (assets)		
– Experience adjustments	(9,282)	(8,248)
– Actuarial gains (losses) arising from changes in financial assumptions	7,957	(3,180)
Benefits paid	(128,710)	(89,704)
Defined benefit obligations at December 31	<b><u>\$ 1,246,120</u></b>	<b><u>1,350,335</u></b>

3) Changes in the fair value of the plan assets

Changes in the Company’s fair value of the plan assets were as follows :

	<b>For the years ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Fair value of plan assets at January 1	\$ 1,315,710	1,222,711
Interest income	20,825	12,516
Remeasurements of the net defined benefit liabilities (assets):		
Return on plan assets (excluding interests for the period)	91,678	114,558
Contributions from employer	52,756	55,629
Benefits paid	(128,705)	(89,704)
Fair value of plan assets at December 31	<b><u>\$ 1,352,264</u></b>	<b><u>1,315,710</u></b>

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows :

	<b>For the years ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Service costs for the period	\$ 4,890	6,880
Net interest expense of net defined benefit liabilities	105	1,787
	<b>\$ 4,995</b>	<b>8,667</b>
	<b>For the years ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Operating costs	\$ 4,490	6,934
Selling expenses	201	307
Administrative expenses	304	1,426
	<b>\$ 4,995</b>	<b>8,667</b>

5) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows :

	<b>For the years ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Discount rate	1.30 %	1.55 %
Future salary increase rate	2.50 %	2.50 %

The expected contribution to be made by the Company to the defined benefit plan for the one-year period after the reporting date is \$52,756 thousand.

The weighted average duration of the defined benefits plan is 4.4 years.

6) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows :

	<b>Effects on the Company's defined benefit obligations</b>	
	<b>Increase by 0.25%</b>	<b>Decrease by 0.25%</b>
December 31, 2025		
Discount rate	\$ (7,957)	8,132
	<b>Effects on the Company's defined benefit obligations</b>	
	<b>Increase by 1%</b>	<b>Decrease by 1%</b>
Future salary increase rate	32,884	(30,772)

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
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	<b>Effects on the Company's defined benefit obligations</b>	
	<b>Increase by 0.25%</b>	<b>Decrease by 0.25%</b>
	December 31, 2024	
Discount rate	\$ (9,946)	10,184
	<b>Effects on the Company's defined benefit obligations</b>	
	<b>Increase by 1%</b>	<b>Decrease by 1%</b>
	Future salary increase rate	41,410

The above sensitivity analysis is based on changes in a single assumption while holding all other assumptions constant. In practice, changes in several assumptions may be interrelated. The method used in the sensitivity analysis is consistent with that applied in determining the net defined benefit liability recognized on the balance sheet.

There was no changes in the methods and assumptions used in the preparation of the sensitivity analysis for 2025 and 2024.

(ii) Defined contribution plan

The Company allocates 6% of each employee's monthly wages to the labor pension personal accounts at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company does not bear any additional legal or constructive obligations other than the allocation of a fixed amount to the Bureau of the Labor Insurance.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$66,404 thousand and \$63,026 thousand for the years ended December 31, 2025 and 2024, respectively.

(r) Income taxes

(i) The details of income tax expense for the years ended December 31, 2025 and 2024, were as follows :

	<b>For the years ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Current tax expense		
Current the period	\$ 820,494	766,513
Adjustment for prior periods	(19,942)	(35,405)
	800,552	731,108
Deferred tax expense		
Origination and reversal of temporary differences	6,292	15,315
Income tax expense for continuing operations	\$ 806,844	746,423

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
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The reconciliation of income tax expense and income before income tax for the years ended December 31, 2025 and 2024, were as follows :

	<b>For the years ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Profit before income tax	<b>\$ 5,527,778</b>	<b>5,226,260</b>
Income tax using the Company's domestic tax rate	\$ 1,105,556	1,045,252
5% undistributed earnings	63,700	60,123
Permanent difference	(391,584)	(379,779)
Changes of unrecognized temporary difference	53,614	66,118
Current investment tax credits used	(4,500)	(9,886)
Difference between administrative remedy and assessment by the tax authority	(20,729)	(32,877)
Under (over)-estimation from prior periods	<u>787</u>	<u>(2,528)</u>
Total	<b>\$ 806,844</b>	<b>746,423</b>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

There was no unrecognized deferred tax liability as of December 31, 2025 and 2024.

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items :

	<b>December 31,</b>	<b>December 31,</b>
	<b>2025</b>	<b>2024</b>
Tax effect of deductible temporary differences	\$ 24,707	24,707
Temporary differences related to investments in subsidiaries	<u>868,651</u>	<u>815,037</u>
	<b>\$ 893,358</b>	<b>839,744</b>

The Company has no intention to dispose of or reduce its investments in subsidiaries; therefore, no deferred tax assets have been recognized for the related temporary differences.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

3) Recognized deferred tax assets and liabilities

Changes in the deferred tax assets and liabilities for the years ended December 31, 2025 and 2024, were as follows :

	<u>Reserve for land appreciation tax</u>	<u>Unrealized exchange gain</u>	<u>Others</u>	<u>Total</u>
Deferred tax liabilities :				
Balance as of January 1, 2025	\$ 167,174	4,955	2,061	174,190
Recognized in profit	-	11,494	3,153	14,647
Recognized in other comprehensive income	-	-	18,600	18,600
Balance as of December 31, 2025	<u>\$ 167,174</u>	<u>16,449</u>	<u>23,814</u>	<u>207,437</u>
Balance as of January 1, 2024	\$ 167,174	172	2,082	169,428
Recognized in profit or loss	-	4,783	(21)	4,762
Balance as of December 31, 2024	<u>\$ 167,174</u>	<u>4,955</u>	<u>2,061</u>	<u>174,190</u>

  

	<u>Defined benefit plans</u>	<u>Unrealized loss on financial assets and liabilities</u>	<u>Reversal of difference on difference between financial and tax reports arising from deferred gain on foreign exchange forward contracts</u>	<u>Others</u>	<u>Total</u>
Deferred tax assets :					
Balance as of January 1, 2025	\$ 1,808	810	9,293	21,831	33,742
Recognized in profit or loss	(1,808)	(779)	(1,901)	12,843	8,355
Balance as of December 31, 2025	<u>\$ -</u>	<u>31</u>	<u>7,392</u>	<u>34,674</u>	<u>42,097</u>
Balance as of January 1, 2024	\$ 1,808	12,092	11,147	19,248	44,295
Recognized in profit or loss	-	(11,282)	(1,854)	2,583	(10,553)
Balance as of December 31, 2024	<u>\$ 1,808</u>	<u>810</u>	<u>9,293</u>	<u>21,831</u>	<u>33,742</u>

(iii) Assessment of tax.

The Company's income tax returns have been examined by the ROC tax authorities through 2023.

(iv) Global minimum top-up tax

As the local statutory tax rate applicable to the Company's subsidiary operating in Vietnam is 10%, and Vietnam's Pillar Two Model Rules became effective on January 1, 2024, the Company recognized no current income tax impact for the year ending 2025 due to tax losses.

(s) Capital and other equity

(i) Capital stock

As of December 31, 2025 and 2024, the Company's government-registered total authorized capital amounted to \$15,000,000 thousand, with par value per share of \$10 (dollars), and total issued ordinary shares amounted to 730,214 thousand shares, respectively. All issued shares were paid up upon issuance.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

On September 22, 1994, the Company issued 6,000 thousand Global Depositary Receipts (GDRs), in the Multilateral Trading Facility (MTF) market of the Luxembourg Stock Exchange (LSE), one GDRs represents 10 ordinary shares. The details of total issued shares and outstanding shares were as follows :

(in shares)	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Total issued shares	<u><u>66,187,923</u></u>	<u><u>66,187,923</u></u>
Outstanding shares	<u><u>4,919,192</u></u>	<u><u>4,919,192</u></u>

(ii) Capital surplus

The balances of capital surplus as of December 31, 2025 and 2024, were as follows :

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Additional paid-in capital	\$ 2,289,734	2,289,734
Conversion of bonds	5,014,194	5,014,194
Treasury stock transactions	59,036	59,036
Difference between the acquisition cost and the carrying amount of subsidiaries shares	21,511	21,511
Changes in equity of associates accounted for using the equity method	190,246	190,496
Others	<u>170,324</u>	<u>167,337</u>
	<u><u>\$ 7,745,045</u></u>	<u><u>7,742,308</u></u>

According to the Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

Based on the Company's articles of incorporation, the Company's annual earnings should first be used to provide for income tax and to cover accumulated deficits, before being set aside 10% as a legal reserve, or if necessary, a special reserve. The remainder, along with accumulated earnings, are distributed in cash under the authorized resolution by the Board of Directors attended by two-thirds of the directors and more than half of the attended directors agree, and then report to the board of shareholders. However, if they are distributed not only in cash, then they should be distributed as dividends and earnings distribution under the stockholders' resolution.

The Company is at a stable and mature stage, so the dividend plan is that the percentages of cash dividends and stock dividends shall not be less than 80% and more than 20%, respectively, of the total distribution.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

1) Legal reserve

According to the Company Act, the Company is required to allocate ten percent of the post-tax net profit as legal reserve, until it equals to the total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

By choosing to apply exemptions granted under IFRSs 1 First-time Adoption of IFRSs during the Company's first-time adoption of the IFRSs as approved by the FSC, unrealized revaluation gains recognized under shareholders' equity and cumulative translation adjustments (gains) shall be reclassified as investment property at the adoption date. According to regulations, retained earnings would be increased by \$333,057 thousand, by recognizing the fair value on the adoption date as deemed cost. The increase in retained earnings occurring before the adoption date due to the first-time adoption of the IFRSs amounted to \$149,309 thousand. In accordance with Ruling by the FSC, an increase in retained earnings due to the first time adoption of the IFRSs shall be reclassified as a special earnings reserve during earnings distribution, and when the relevant asset were used, disposed of, reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately. The carrying amount of special earnings reserve amounted to \$149,309 thousand on December 31, 2025.

In accordance with Ruling by the FSC, a portion of current-period earnings and unappropriated prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current period reduction of special earnings reserve resulting from the first time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of unappropriated prior period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

To promote climate change adaptation and mitigation, actively manage carbon risks, reduce operational impacts, the Company stipulates "Appropriation and use of special reserve in response to climate change adaptation and mitigation", and in accordance with the method sets aside a special reserve. This reserve is used for climate change adaptation and mitigation projects or plans, such as energy-saving equipment or upgrading equipment energy efficiency updates, research and development of energysaving technologies, and low-carbon product development technology. The Company passed the stockholders' resolution to set aside "special reserve for climate change adaptation and mitigation" amounting to \$38,036 thousand on May 20, 2025. As of December 31, 2025, the balance of the special surplus reserve was \$270,843 thousand.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

3) Earnings distribution

The amounts of cash dividends on the 2024 and 2023 earnings distribution had been approved during the Company's Board of Directors on February 25, 2025 and February 26, 2024, respectively. The relevant dividend distributions to shareholders were as follows :

	<u>2024</u>		<u>2023</u>	
	<u>Amount per share (in dollars)</u>	<u>Total amount</u>	<u>Amount per share (in dollars)</u>	<u>Total amount</u>
Cash dividends distributed to ordinary shareholders	\$ 4.00	<u>2,920,855</u>	4.20	<u>3,066,898</u>

The above distribution approved by the shareholders' meeting is consistent with that approved by the Board of Directors. Related information can be found through the Market Observation Post System website.

On February 26, 2026, the Company's Board of Directors resolved to appropriate the 2025 earnings. The relevant divided distributions to shareholders was as follows:

	<u>2025</u>	
	<u>Amount per share (in dollars)</u>	<u>Total amount</u>
Cash dividend distributed to ordinary shareholders	\$ 4.30	<u>3,139,919</u>

4) Other equity (net of tax)

	<u>Exchange differences on translation of foreign financial statements</u>	<u>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</u>	<u>Total</u>
Balance as of January 1, 2025	\$ (562,748)	305,998	(256,750)
Exchange differences on translation :			
The Company	(179,767)	-	(179,767)
Subsidiaries	10,888	-	10,888
Unrealized gains (losses) from financial assets at fair value through other comprehensive income :			
The Company	-	1	1
Associates	-	(94)	(94)
Disposal of investments in equity instruments measured at fair value through other comprehensive income :			
The Company	-	21,579	21,579
Balance as of December 31, 2025	<u>\$ (731,627)</u>	<u>327,484</u>	<u>(404,143)</u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

	<b>Exchange differences on translation of foreign financial statements</b>	<b>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</b>	<b>Total</b>
Balance as of January 1, 2024	\$ (625,168)	319,891	(305,277)
Exchange differences on translation of foreign operations :			
The Company	34,415	-	34,415
Subsidiaries	28,005	-	28,005
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income :			
The Company	-	(13,440)	(13,440)
Associates and subsidiaries	-	(18)	(18)
Disposal of investments in equity instruments measured at fair value through other comprehensive income :			
Subsidiaries	-	(435)	(435)
Balance as of December 31, 2024	<u>\$ (562,748)</u>	<u>305,998</u>	<u>(256,750)</u>

(t) Earnings per share

(i) Basic earnings per share

The basic earnings per share for the years ended December 31, 2025 and 2024, were calculated on the basis of profit attributable to ordinary shareholders, which were \$4,720,934 thousand and \$4,479,837 thousand, respectively, and the weighted-average number of outstanding ordinary shares, which were 730,214 thousand and 730,214 thousand, respectively. The calculations were as follows :

1) Profit attributable to ordinary shareholders of the Company

	<b>For the years ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Profit attributable to the ordinary shareholders	<u>\$ 4,720,934</u>	<u>4,479,837</u>

2) Weighted-average number of ordinary shares (in thousands of shares)

	<b>For the years ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Number of outstanding shares	<u>730,214</u>	<u>730,214</u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(ii) Diluted earnings per share

The diluted earnings per share for the years ended December 31, 2025 and 2024, were calculated on the basis of profit attributable to ordinary shareholders, which were \$4,720,934 thousand and \$4,479,837 thousand, respectively, and the weighted-average number of outstanding ordinary shares after adjustments for the effect of any potentially dilutive ordinary shares, which were 732,775 thousand and 732,478 thousand, respectively. The calculations were as follows :

1) Profit attributable to ordinary shareholders of the Company (diluted) :

	<u>For the years ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
Profit attributable to the ordinary shareholders of the Company (basic)	\$ 4,720,934	4,479,837
Profit attributable to the ordinary shareholders of the Company (diluted)	<u>\$ 4,720,934</u>	<u>4,479,837</u>

2) Weighted-average number of ordinary shares (diluted) (in thousands of shares)

	<u>For the years ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
Weighted-average number of outstanding ordinary shares (basic)	730,214	730,214
Effects of employee stock bonus	2,561	2,264
Weighted-average number of outstanding ordinary shares (diluted)	<u>732,775</u>	<u>732,478</u>

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>For the year ended December 31, 2025</u>		
	<u>Sale of goods</u>	<u>Rendering of services</u>	<u>Total</u>
Primary geographical markets:			
Taiwan	\$ 41,889,493	30,775	41,920,268
The Americas	210,948	-	210,948
Asia	34,777	-	34,777
Others	1,177,510	-	1,177,510
	<u>\$ 43,312,728</u>	<u>30,775</u>	<u>43,343,503</u>
Main products/services lines:			
Re-bar	\$ 27,158,346	-	27,158,346
Section	16,154,382	-	16,154,382
Rendering of services	-	30,775	30,775
	<u>\$ 43,312,728</u>	<u>30,775</u>	<u>43,343,503</u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

	<b>For the year ended December 31, 2024</b>		
	<b>Sale of goods</b>	<b>Rendering of services</b>	<b>Total</b>
Primary geographical markets:			
Taiwan	\$ 43,258,535	29,340	43,287,875
The Americas	71,459	-	71,459
Asia	54,694	-	54,694
Others	1,763,835	-	1,763,835
	<b>\$ 45,148,523</b>	<b>29,340</b>	<b>45,177,863</b>
Main products/services lines:			
Re-Bar	\$ 28,846,037	-	28,846,037
Section	16,288,648	-	16,288,648
Billet	4,626	-	4,626
Rendering of services	-	29,340	29,340
Others	9,212	-	9,212
	<b>\$ 45,148,523</b>	<b>29,340</b>	<b>45,177,863</b>

## (ii) Contract balances

	<b>December 31, 2025</b>	<b>December 31, 2024</b>	<b>January 1, 2024</b>
Notes receivable	\$ 69,322	63,111	177,191
Accounts receivable	2,937,876	3,188,300	4,128,825
Overdue receivables	47,993	57,673	49,439
Less: allowance for impairment	(104,857)	(66,232)	(59,956)
Total	<b>\$ 2,950,334</b>	<b>3,242,852</b>	<b>4,295,499</b>
	<b>December 31, 2025</b>	<b>December 31, 2024</b>	<b>January 1, 2024</b>
Contract liabilities – advance receipts	<b>\$ 1,295,131</b>	<b>1,471,511</b>	<b>1,232,093</b>

The amount of revenue recognized for the years ended December 31, 2025 and 2024 that were included in the contract liability balance at the beginning of the period were \$1,471,511 thousand and \$1,232,093 thousand, respectively.

For details on accounts receivable and allowance for impairment, please refer to note 6(d).

The major changes in the balance of the contract assets and contract liabilities is the difference between the timing in the performance obligation to be satisfied and the payment to be received.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(v) Employee compensation and remuneration of directors

In accordance with the amended Articles of Incorporation approved in the shareholders' meeting held on May 20, 2025, if the Company has profit for the year, no less than 2.5% of the profit shall be allocated as employee compensation (including entry-level employees), and no more than 2% shall be allocated as remuneration of directors. However, if the Company has accumulated deficits, the profit shall be reserved in advance to offset the deficits.

For the years ended December 31, 2025 and 2024, the Company's estimated employee compensation amounted to \$144,706 thousand and \$136,813 thousand, respectively, and the remuneration of directors amounted to \$115,765 thousand and \$109,450 thousand, respectively. The estimated amounts mentioned above were calculated based on the net income before tax, excluding the compensation to employees and the remuneration of directors of each period, multiplied by the percentage of compensation to employees and the remuneration of directors as specified in the Company's articles. These compensation and remuneration were expensed under operating expenses for the years ended December 31, 2025 and 2024. Related information is available at the Market Observation Post System website. The amounts, as stated in the financial statements for the years ended December 31, 2025 and 2024, are identical to those of the actual distributions.

(w) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	<b>For the years ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Interest income from bank deposits	\$ 4,603	4,304
Other interest income	32,819	15,618
Total Interest income	<b>\$ 37,422</b>	<b>19,922</b>

(ii) Other income

	<b>For the years ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Rental income	\$ 81,574	76,302
Dividend income	36,491	39,804
Remuneration income of directors and supervisors	51,378	34,099
Scrap income	11,980	4,435
Total other income	<b>\$ 181,423</b>	<b>154,640</b>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

## (iii) Other gains and losses

	<b>For the years ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
(Losses) gains on disposal of property, plant, and equipment	\$ (66,443)	1,207
Foreign exchange loss	(4,294)	(17,500)
Gains (losses) on financial assets/liabilities at fair value through profit or loss	(32,784)	129,259
Compensation income	7,663	-
Government grants	6,005	10,198
Gain on lease modification	3	-
Others	18,903	24,682
Other gains and losses(net)	<b>\$ (70,947)</b>	<b>147,846</b>

## (iv) Finance costs

	<b>For the years ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Interest Expense		
Bank loans	\$ 153,204	190,554
Interest on domestic commercial papers	-	2,370
Lease liabilities	2,344	1,706
Less: interest capitalization	(5,054)	(3,734)
Finance costs(net)	<b>\$ 150,494</b>	<b>190,896</b>

## (x) Financial instruments

## (i) Credit risk

## 1) Credit risk exposure

The carrying amount of financial assets excluding cash and cash equivalents represents the Company's maximum credit exposure. As of December 31, 2025 and 2024, the maximum exposure to credit risk amounted to \$5,986,732 thousand and \$5,707,550 thousand, respectively.

## 2) Concentration of credit risk

Credit risk, which is mainly generated from operating activities, is the risk that counterparties default. The Company only deals with counterparties that are reputable. Therefore, it is not expected to generate any material credit risk. Moreover, the Company has numerous clients and does not make any concentrative transactions with any single client. Therefore, there is no concentration of credit risk for account receivables.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
<b>December 31, 2025</b>							
Non-derivative financial liabilities							
Unsecured bank loans	\$ 6,020,355	6,073,670	4,652,148	52,411	1,164,520	204,591	-
Current financial liabilities at fair value through profit or loss	158	158	158	-	-	-	-
Lease liabilities	148,687	156,779	17,429	16,420	29,563	53,540	39,827
Accounts and notes payable	1,389,128	1,389,128	1,389,128	-	-	-	-
Other payables	2,173,391	2,173,391	2,173,391	-	-	-	-
Guarantee deposits received	7,281	7,281	6,920	361	-	-	-
	<u>\$ 9,739,000</u>	<u>9,800,407</u>	<u>8,239,174</u>	<u>69,192</u>	<u>1,194,083</u>	<u>258,131</u>	<u>39,827</u>
<b>December 31, 2024</b>							
Non-derivative financial liabilities							
Unsecured bank loans	\$ 9,466,439	9,565,014	6,105,351	531,373	2,928,290	-	-
Current financial liabilities at fair value through profit or loss	4,052	4,052	4,052	-	-	-	-
Lease liabilities	109,607	116,676	12,956	10,350	18,987	28,367	46,016
Accounts and notes payable	1,877,518	1,877,518	1,877,518	-	-	-	-
Other payables	1,921,902	1,921,902	1,921,902	-	-	-	-
Guarantee deposits received	9,541	9,541	9,541	-	-	-	-
	<u>\$ 13,389,059</u>	<u>13,494,703</u>	<u>9,931,320</u>	<u>541,723</u>	<u>2,947,277</u>	<u>28,367</u>	<u>46,016</u>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Exchange rate risk

1) Exposure to exchange rate risk

The Company's financial assets and liabilities exposed to significant exchange rate risk were as follows:

	December 31, 2025			December 31, 2024		
	Foreign currency	Exchange rate (in dollars)	TWD	Foreign currency	Exchange rate (in dollars)	TWD
<b>Financial assets</b>						
<u>Monetary items</u>						
USD	\$ 70,679	31.43	2,221,441	60,574	32.79	1,986,221
<b>Financial liabilities</b>						
<u>Monetary items</u>						
USD	165	31.43	5,186	648	32.79	21,248

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

2) Sensitivity analysis

The Company's exposure to exchange rate risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, loans and accounts receivable, which were denominated in different foreign currencies. The overall effects to net income after tax for the years ended December 31, 2025 and 2024, assuming the TWD appreciate or depreciate by 1% against the USD, while other factors remain constant, as of December 31, 2025 and 2024, were as follows :

	<b>Effect of appreciation on profit after tax</b>	<b>Effect of depreciation on profit after tax</b>
December 31, 2025		
USD	\$ <u>17,730</u>	<u>(17,730)</u>
	<b>Effect of appreciation on profit after tax</b>	<b>Effect of depreciation on profit after tax</b>
December 31, 2024		
USD	\$ <u>15,720</u>	<u>(15,720)</u>

3) Exchange gains and losses on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2025 and 2024, foreign exchange loss (including realized and unrealized portions) amounted to \$4,294 thousand and \$17,500 thousand, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the liabilities bearing variable interest rates are outstanding for the whole year. A 1% increase in interest rate is assessed by management to be a reasonably possible interest rate change.

If the interest rate had increased by 1%, the Company's net profit after tax will decrease by \$48,163 thousand and \$75,732 thousand for the years ended December 31, 2025 and 2024 respectively, assuming all other variable factors remaining constant.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(v) Other market price risk

For the years ended December 31, 2025 and 2024, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below :

<b>Securities price at the reporting date</b>	<b>For the years ended December 31,</b>			
	<b>2025</b>		<b>2024</b>	
	<b>Other comprehensive income after tax</b>	<b>Profit after tax</b>	<b>Other comprehensive income after tax</b>	<b>Profit after tax</b>
Increasing 1%	\$ <u>4,113</u>	<u>1,080</u>	<u>4,326</u>	<u>1,092</u>
Decreasing 1%	\$ <u>(4,113)</u>	<u>(1,080)</u>	<u>(4,326)</u>	<u>(1,092)</u>

(vi) Fair value of financial instruments

1) Types and fair value of financial instruments

The fair value of the Company's financial assets and liabilities at fair value through profit or loss, financial instruments used for hedging, and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required :

	<b>December 31, 2025</b>				
	<b>Carrying amount</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets at fair value through profit or loss</b>					
Derivative financial assets — forward foreign exchange contracts	\$ 3,590	-	3,590	-	3,590
Non-derivative financial asset — stocks listed on domestic markets	<u>108,016</u>	<u>108,016</u>	-	-	<u>108,016</u>
Subtotal	<u>111,606</u>	<u>108,016</u>	<u>3,590</u>	-	<u>111,606</u>
<b>Financial assets at fair value through other comprehensive income</b>					
Domestic listed stocks	411,260	411,260	-	-	411,260
Unquoted equity instruments measured at fair value	<u>314,506</u>	-	-	<u>314,506</u>	<u>314,506</u>
Subtotal	<u>725,766</u>	<u>411,260</u>	-	<u>314,506</u>	<u>725,766</u>
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	485,623	-	-	-	-
Notes and accounts receivable	2,950,334	-	-	-	-
Other receivables	2,065,623	-	-	-	-
Refundable deposits	<u>133,403</u>	-	-	-	-
Subtotal	<u>5,634,983</u>	-	-	-	-
<b>Total</b>	<b>\$ <u>6,472,355</u></b>	<b><u>519,276</u></b>	<b><u>3,590</u></b>	<b><u>314,506</u></b>	<b><u>837,372</u></b>

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

		December 31, 2025				
		Carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss						
	Derivative financial liabilities – over thr counter contracts	\$ 158	-	-	-	-
Financial liabilities measured at amortized cost						
	Short-term loans	4,590,355	-	-	-	-
	Long-term loans (including current portion)	1,430,000	-	-	-	-
	Notes and accounts payable	1,389,128	-	-	-	-
	Other payables	2,173,391	-	-	-	-
	Lease liabilities	148,687	-	-	-	-
	Guarantee deposits received	7,281	-	-	-	-
	Subtotal	9,738,842	-	-	-	-
Total		<u>\$ 9,739,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2024				
		Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss						
	Non-derivative financial assets – stocks listed on domestic markets	\$ 109,204	109,204	-	-	109,204
Financial assets at fair value through other comprehensive income						
	Domestic listed stocks	432,618	432,618	-	-	432,618
	Unquoted equity instruments measured at fair value	186,482	-	-	186,482	186,482
	Subtotal	619,100	432,618	-	186,482	619,100
Financial assets measured at amortized cost						
	Cash and cash equivalents	435,806	-	-	-	-
	Notes and accounts receivable	3,242,852	-	-	-	-
	Other receivables	1,666,699	-	-	-	-
	Refundable deposits and pledged deposits	69,695	-	-	-	-
	Subtotal	5,415,052	-	-	-	-
Total		<u>\$ 6,143,356</u>	<u>541,822</u>	<u>-</u>	<u>186,482</u>	<u>728,304</u>
Financial liabilities at fair value through profit or loss						
	Derivative financial liabilities – foreign exchange forward contracts	\$ 4,052	-	4,052	-	4,052
Financial liabilities measured at amortized cost						
	Short-term loans	6,259,439	-	-	-	-
	Long-term loans (including current portion)	3,207,000	-	-	-	-
	Notes and accounts payable	1,877,518	-	-	-	-
	Other payables	1,921,902	-	-	-	-
	Lease liabilities	109,607	-	-	-	-
	Guarantee deposits received	9,541	-	-	-	-
	Subtotal	13,385,007	-	-	-	-
Total		<u>\$ 13,389,059</u>	<u>-</u>	<u>4,052</u>	<u>-</u>	<u>4,052</u>

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

2) Technique for fair value evaluation of financial instruments measured at fair value

a) Non- derivative financial instruments

If a financial instrument is quoted in an active market, the quoted price is its fair value. Announced prices at major exchanges and market prices of popular government bonds at the Taipei Exchange are bases of fair value for listed equity instruments and other debt investments with an active market.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency. If this condition is not met, the market is not active. Generally, if bid-ask spreads are very wide, the spread is increasing, or the transaction volume is low, the market is not active.

Fair value of the Company's financial instruments that have an active market is displayed by category and attributed as follows :

- Listed stocks are financial assets and liabilities with standard transaction terms and conditions, and are traded on an active market. The fair value of such items is determined in reference to the quoted market price.

Except for the abovementioned financial instruments with an active market price, the fair value of other financial instruments is measured using the valuation techniques. The fair value obtained through valuation techniques can be used as a reference to the current fair value, discounted cash flow, or other valuation techniques for other financial instruments with substantially similar properties and conditions. Fair value calculated using the valuation models and the available market information on the balance sheet date are also accepted by the market.

The fair value and the attributes of a financial instrument without an active market held by the Company is listed as follows :

- Equity instruments without an open quoted price: The fair value is estimated using either the market comparable company approach or the asset-based approach. Under the market comparable company approach, the main assumptions are based on the estimated EBITDA of the investee and the earnings multiple derived from the market quotations of comparable listed companies. The estimated value has been adjusted for the discount due to the lack of market liquidity of the equity securities. Under the asset-based approach, fair value is measured based on the net asset value assessed by an independent institution.

b) Derivative financial instruments

Such items are valued using the valuation models which are widely accepted by the market. Foreign exchange forward contracts normally are valued using the current forward exchange rates. Over-the-counter contracts are valued based on the PLATTS Billet CFR Southeast Asia price as of the contract date.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

3) Transfers between Level 1 and Level 2

There were no transfers in either direction for the years ended December 31, 2025 and 2024.

4) Reconciliation of Level 3 fair values

	<b>Fair value through other comprehensive income</b> <hr/> <b>Unquoted equity instruments</b> <hr/>
January 1, 2025	\$ 186,482
Purchased	116,090
Capital reduction and return of shares	(9,108)
Disposals	(317)
Total gains recognized in other comprehensive income	<u>21,359</u>
December 31, 2025	<u><b>\$ 314,506</b></u>
January 1, 2024	\$ 197,146
Purchased	3,858
Capital reduction and return of shares	(5,400)
Total losses recognized in other comprehensive income	<u>(9,122)</u>
December 31, 2024	<u><b>\$ 186,482</b></u>

For the years ended December 31, 2025 and 2024, total gains or losses included in “unrealized gains (losses) on financial assets at fair value through other comprehensive income” were as follows:

	<b>For the years ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Total gains (losses) recognized in other comprehensive income (Note)	<b>\$ 29,613</b>	<b>(9,122)</b>

Note: Total gains recognized in other comprehensive income presented in unrealized gains and losses from financial assets at fair value through other comprehensive income.

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company’s financial instruments that use Level 3 inputs to measure fair value include “financial assets measured at fair value through other comprehensive income – equity investments”.

Multiple unobservable inputs exist with the fair value of the Company’s investments in equity instruments. Since the significant unobservable inputs are independent of each other, no interrelationship exists.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

Quantified information of significant unobservable inputs was as follows :

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income – investments in equity instrument without an active market	Comparable Public Company method	·Multiplier of P/E ratio (1.08~1.66 and 0.95~2.69 as of December 31, 2025 and 2024) ·Discount for lack of marketability (24.72%~28.07% and 21.16%~35.84% as of December 31, 2025 and 2024)	·The higher the multiplier, the higher the fair value ·The higher the discount for lack of marketability, the lower the fair value
	Asset method	·Net Asset Value ·Discount for lack of marketability (9.00%~28.91% and 8.74%~29.20% as of December 31, 2025 and 2024)	·The higher the net assets, the higher the fair value ·The higher the discount for lack of marketability, the lower the fair value

6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The measurement of fair value by the Company is considerably reasonable. However, if a different valuation model or assumption is adopted, the result can differ. For fair value measurements in Level 3, changes in the assumptions would have the following effects:

	<u>Input</u>	<u>Changes in assumptions</u>	<u>Changes in fair value reflected in other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
<b>December 31, 2025</b>				
Financial assets at fair value through other comprehensive income				
Equity instrument without an active market	Liquidity discount 9.00%~28.91%	5%	19,706	(19,706)
<b>December 31, 2024</b>				
Financial assets at fair value through other comprehensive income				
Equity instrument without an active market	Liquidity discount 8.74%~35.84%	5%	11,370	(11,370)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(y) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments :

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying financial statements.

(ii) Structure of risk management

The Company's risk management policies are established to identify and analyze the exposure risks, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and Company's activities. The Company, through its training and management standards and procedures, aims to develop a discipline and constructive control environment in which all employees understand their roles and obligations.

The audit committee of the Company oversees how the management monitors compliance with the Company's risk management policies and procedures. It also reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company audit committee is assisted in its oversight role by internal audit. The internal audit sector of the Company reviews the risk management controls and procedures on a scheduled and non-scheduled basis, and reports the results to the audit committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.

1) Accounts receivable and other receivables

To maintain the credit quality of receivables, a credit risk management policy has been established. Under this policy, each customer is analyzed individually regarding customer's financial situation, external and internal credit rating, historical trading record, and current economic condition which may affect customer's payment ability. In addition, some methods are adopted to reduce the credit risk for specific customers, such as prepayment and insurance of accounts receivable.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Endorsements and guarantees

The parties whom the Company endorses and guarantees are its subsidiaries and affiliated companies; the items that the Company endorses and guarantees are mostly financing and import duties commodity tax. Because the affiliated companies are financially sound and operate stably, the Company has never suffered from losses due to endorsements and guarantees.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Company's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient current funds, such as cash and cash equivalent, securities with high liquidity, and sufficient credit line from banks, to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation. Therefore, the Company believes the liquidity risk is low.

The Company not only analyzes its debt structure and deadline periodically to maintain sufficient capital, but also consults with financial institutions to maintain its credit lines, thereby, mitigating liquidity risk. The Company obtains its credit lines from certain financial institutions, of which the unused credit lines amounted to \$21,812,304 thousand as of December 31, 2025. The borrowings that had been used within the credit lines were listed separately in short-term and long-term loans.

(v) Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Exchange rate risk

Exchange rate risks are the risks generated from the fluctuation of fair value or the future cash flows of the financial instruments. The Company's exchange rate risks arise from transactions such as sales, purchases and loans that are not recognized at the Company's functional currency.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

Steel bars and sections are the two main products of the Company. The overall export sales accounted for approximately 3% of total revenue. Sales of steel bars mainly go to domestic clients and are recognized in New Taiwan dollar. The ratio of domestic sales to external sales for sections was about 92 to 8 for the year ended December 31, 2025. The external sales were about \$1,340,000 thousand for the year ended December 31, 2025, which was 3% of the total revenue. Because the functional currency for import and export sales are all recognized in United States dollar (“USD”), sales revenue in USD and payments in USD can offset each other. The Company uses foreign exchange forward contracts to avoid the risk of exchange rate fluctuation, recognizing the fluctuation of the fair value of the derivatives in profit or loss and takes the following steps to avoid exchange risk :

Collect relevant information about the daily fluctuation in exchange rate in order to know its trend. Decide whether to convert one currency into another specific currency at a proper time or retain foreign currency borrowings.

On dispatching foreign funds, the creditor’s rights and debts in foreign currency offset each other through regular external sales and imports, causing the effect of natural hedge.

Consult with foreign exchange departments of banks about hedging strategies and decide the foreign position that depends on the actual need of capital and the fluctuation of the exchange rate.

2) Interest rate risk

Interest rate risks are the risks that arise due to fluctuations in fair value or future cash flows of financial instruments because of changes in interest rate.

The Company will obtain a more beneficial capital according to the compatibility of corresponding banks and the actual interest rate trends. The ratio of net interest revenue to the net operating revenue is not material; therefore, interest rate fluctuation does not cause any significant impact on the Company. Besides, the Company maintains a close relationship with certain corresponding banks and is well informed of any changes in the market in order to obtain a much more beneficial borrowing rate. The Company continues to observe changes of interest rate on the market and issues convertible bonds to raise capital at proper time, and to fix and reduce interest cost for the Company. Material capital expenditure will be evaluated with prudence and will be compared to different fund-raising instruments in order to raise capital with the least cost.

(z) Capital management

Although business operated by the Company has reached the stage of maturity, a sufficient amount of capital is still required to support the operation of investee companies, construction and expand its production facilities and equipment. The Company’s policy is to maintain adequate financial resources and operating plan to meet future operating capital, capital expenditure, research and development expenditure, loans reimbursement, and dividend distribution.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

The Company uses the debt-to-capital ratio to manage capital. The debt-to-capital ratio is calculated by dividing the net liabilities by the total capital. Net liabilities derive from deducting cash and cash equivalents from total liabilities. Total capital is the total component of equity (ie, equity, additional paid-in capital, retained earnings and other equity) plus net liabilities.

The Company reviews the ratio of debt-to-capital periodically to improve stockholders' value. The debt-to-capital ratios as of December 31, 2025 and 2024, were as follows :

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Total liabilities	\$ 11,720,913	15,379,952
Less : cash and cash equivalents	<u>(485,623)</u>	<u>(435,806)</u>
Net liabilities	11,235,290	14,944,146
Total equity	<u>34,345,972</u>	<u>32,639,488</u>
Total capital	<b><u>\$ 45,581,262</u></b>	<b><u>47,583,634</u></b>
Debt-to-capital ratio	<b><u>24.65 %</u></b>	<b><u>31.41 %</u></b>

As of December 31, 2025, there were no changes in the Company's approach to capital management during the period.

(aa) The investing and financing activities of non-cash transactions

The cash flow of non-cash investing and financing transactions for the years ended December 31, 2025 and 2024, were as follows :

	<b>For the years ended December 31, 2025</b>	<b>2024</b>
Reclassification of prepayment of land and equipment to property, plant and equipment	<b><u>\$ 26,452</u></b>	<b><u>14,543</u></b>
Changes in unrealized gains or losses on financial instruments	<b><u>\$ 1</u></b>	<b><u>(13,440)</u></b>
Foreign exchange differences arising from foreign operations	<b><u>\$ (168,879)</u></b>	<b><u>62,420</u></b>
Increase in property, plant and equipment	\$ 737,730	576,438
Add: payable for equipment as of January 1	34,897	24,185
Less: payable for equipment as of December 31	<u>(76,067)</u>	<u>(34,897)</u>
Cash paid	<b><u>\$ 696,560</u></b>	<b><u>565,726</u></b>

Reconciliation of liabilities arising from financing activities were as follows:

	<b>Cash flows</b>			<b>Non-cash changes</b>	<b>December 31, 2025</b>
	<b>January 1, 2025</b>	<b>Acquisition</b>	<b>Repayment</b>	<b>Other</b>	
Short-term loans	\$ 6,259,439	63,479,844	(65,148,928)	-	4,590,355
Long-term loans	3,207,000	3,590,000	(5,367,000)	-	1,430,000
Deposits received	9,541	-	(2,260)	-	7,281
Lease liabilities	<u>109,607</u>	-	<u>(36,733)</u>	<u>75,813</u>	<u>148,687</u>
Total liabilities from financing activities	<b><u>\$ 9,585,587</u></b>	<b><u>67,069,844</u></b>	<b><u>(70,554,921)</u></b>	<b><u>75,813</u></b>	<b><u>6,176,323</u></b>

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

	<u>January 1, 2024</u>	<u>Cash flows</u>		<u>Non-cash changes</u>	<u>December 31, 2024</u>
		<u>Acquisition</u>	<u>Repayment</u>	<u>Other</u>	
Short-term loans	\$ 10,442,950	76,115,353	(80,298,864)	-	6,259,439
Long-term loans	1,000,000	5,507,000	(3,300,000)	-	3,207,000
Short-term notes and bills payable	-	1,550,000	(1,550,000)	-	-
Deposits received	7,016	2,525	-	-	9,541
Lease liabilities	128,370	-	(33,189)	14,426	109,607
Total liabilities from financing activities	<u>\$ 11,578,336</u>	<u>83,174,878</u>	<u>(85,182,053)</u>	<u>14,426</u>	<u>9,585,587</u>

**(7) Related-party transactions**

(a) Names and relationship with related parties

<u>Name of related party</u>	<u>Relationship with the Company</u>
Tung Yuan International Corp.	A subsidiary
Tung Kang Steel Structure Corp.	A subsidiary
Goldham Development Ltd.	A subsidiary
Katec Creative Resources Corp.	A subsidiary
Tung Kang Wind Power Corp.	A subsidiary
Tung Ho Steel Vietnam Corp., Ltd. ("THSVC")	A subsidiary
3 Oceans International Inc.	A subsidiary
Tung Kang Engineering and Construction Corp.	A subsidiary
Duc Hoa International Joint Stock Company	A subsidiary
Tung Sugar Energy Service Co., Ltd.	An associate
Katec R & D Corp.	An associate
Taiwan Steel Union Co., Ltd.	An associate
Fujian Sino-Japan Metal Corp.	An associate
Shen Yuan Investment Co., Ltd.	Same chairman with the Company
Far East Steel Enterprise Corp.	Same chairman with the Company
Eternity Corp.	Same chairman with the Company
Tung Ho Steel Foundation ("THSF")	The entity's principal is the spouse of the chairman of the Company
Hop Tsuen Investment Co., Ltd	Same chairman with the Company
Anyao Investment Co., Ltd	Same chairman with the Company
Tung Jing Investment Corp.	The Company is the corporate director of the entity
Directors, general manager and vice general manager	

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(b) Significant related-party transactions

(i) Sales to related parties

Significant sales to related parties and the balance of outstanding accounts receivable were as follows :

Relationship	Sales		Account Receivable		Current Contract liabilities	
	For the years ended		December 31, 2025	December 31, 2025	December 31, 2025	December 31, 2025
	December 31,					
2025	2024					
Subsidiaries	\$ 3,682,618	2,590,117	332,941	2,028	-	84,637
Associates	4	-	-	-	-	-
	<u>\$ 3,682,622</u>	<u>2,590,117</u>	<u>332,941</u>	<u>2,028</u>	<u>-</u>	<u>84,637</u>

The selling price and credit terms for sales to related parties are not significantly different from those of the other customers.

(ii) Purchases from related parties

The amounts of significant purchases by the Company from related parties and the balance of outstanding accounts payable were as follows:

Relationship	Purchases		Accounts payable	
	For the years ended		December 31, 2025	December 31, 2024
	December 31,			
2025	2024			
Subsidiaries	\$ 4,935,101	4,927,636	23,205	10,328
Other related parties	3,130	294	660	294
	<u>\$ 4,938,231</u>	<u>4,927,930</u>	<u>23,865</u>	<u>10,622</u>

The terms of purchase transactions and the payment terms with related parties were not significantly different from those with other vendors.

(iii) The Company's participation in related parties' capital surplus and capital reductions is as follows:

The Company	Financial Statement Account	Transaction Shares		Transaction Items	Transaction Items	For the year ended December 31, 2025	For the year ended December 31, 2024
		(in thousands)					
	Investments accounted for using equity method	3,483,600	Capital surplus	Tung Sugar Energy Service Co., Ltd.		34,836	-
	Investments accounted for using equity method	8,726,000	Capital reduction	Goldham Development Ltd.		-	275,567
	Financial assets at fair value through other comprehensive income	-	Capital surplus	Tung Jing Investment Corp.		3,590	9,180
	Financial assets at fair value through other comprehensive income	-	Capital reduction	Tung Jing Investment Corp.		3,858	-

(iv) On December 5, 2025, Goldham Development Ltd. resolved at its board meeting to proceed with deregistration procedures and to close its bank accounts, wherein the funds of RMB4,204 thousand (NT\$18,667 thousand) and USD38 thousand (NT\$1,205 thousand), recorded under other advance receipts, had been repatriated to the parent company. The relevant deregistration procedures have yet to be completed as of the reporting date.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

- (v) Significant unrealized (realized) profits from downstream sales for the years ended December 31, 2025 and 2024, were as follows :

	<b>For the years ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Downstream unrealized profit from sales	\$ (92,276)	(69,152)
Downstream realized profit from sales	69,152	74,620
	<b>\$ (23,124)</b>	<b>5,468</b>

As of December 31, 2025 and 2024, the balances of unrealized profits from downstream sale transactions were \$92,276 thousand and \$69,152 thousand, respectively, and were recognized as a reduction to investment accounted for using the equity method.

- (vi) Property transactions

- 1) In 2021, the Company signed contracts "New Construction Project of Donghe Taoyuan Processing Center" and "Taoyuan City factory dormitory construction project", "New construction of iron and steel industry research and development center", with Tung Kang Engineering and Construction Corp., the total price of the contracts was \$389,497 thousand. As of December 31, 2025, these projects had not been completed. The relevant details are as follows:

<b>Relationship</b>	<b>Property, plant and equipment</b>		<b>Construction in progress</b>		<b>Other payables</b>	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
	Subsidiaries	\$ 122,268	-	17,716	114,343	17,799

- 2) In December 2025, the Company purchased equipment from Eternity Corp. The transaction was recognized as property, plant and equipment of NT\$1,082 thousand and other payables of NT\$1,136 thousand as of December 31, 2025.
- 3) In July 2025, the Company sold a piece of equipment to Tung Company for a total consideration of NT\$1,300 thousand. As of December 31, 2025, the related proceeds had been fully collected.

- (vii) Guarantees and endorsement

The details regarding balances of financing endorsement were as follows :

Expressed in thousands

	<b>December 31, 2025</b>					
	<b>Highest balance for current period</b>		<b>Ending amount (Note)</b>		<b>Actual usage amount</b>	
Subsidiaries	USD\$	480,000	USD	337,000	USD	45,981
Associates	USD\$	43,925	USD	43,925	USD	24,066

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

	<b>December 31, 2024</b>					
	<b>Highest balance for current period</b>		<b>Ending amount (Note)</b>		<b>Actual usage amount</b>	
Subsidiaries	USD\$	503,000	USD	348,000	USD	83,417
Subsidiaries	CNY\$	50,000	CNY	-	CNY	-

Note : The credit limit approved by the Board of Directors

(viii) Loans to related parties

The details of loans to related parties (listed as other receivables) were as follows :

<b>Relationship</b>	<b>Actual usage amount</b>	
	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Subsidiary – Tung Ho Steel Vietnam Corp., Ltd.	<u>\$ 2,042,950</u>	<u>1,639,500</u>

The Company financing to related parties was interest based on the average interest rate 105% of the Company's short-term loans from financial institutions in the year of appropriation, and all of unsecured loan. After assessment, no impairment loss is required.

Financing transactions with related parties were as follows :

<b>Relationship</b>	<b>For the year ended December 31, 2025</b>		<b>December 31, 2025</b>
	<b>Interest income</b>	<b>Interest rate</b>	<b>Interest receivable</b>
Subsidiary – Tung Ho Steel Vietnam Corp., Ltd.	<u>\$ 32,137</u>	1.8585%~1.9110%	<u>3,225</u>

  

<b>Relationship</b>	<b>For the year ended December 31, 2024</b>		<b>December 31, 2024</b>
	<b>Interest income</b>	<b>Interest rate</b>	<b>Interest receivable</b>
Subsidiary – Tung Ho Steel Vietnam Corp., Ltd.	<u>\$ 15,175</u>	1.785%~1.89%	<u>2,466</u>

(ix) Others

<b>Relationship</b>	<b>Rental income</b>		<b>Miscellaneous revenue</b>		<b>Sales of scrap (Reduced operating costs)</b>	
	<b>For the years ended December 31,</b>		<b>For the years ended December 31,</b>		<b>For the years ended December 31,</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
Subsidiaries	\$ 26,421	22,448	9,871	9,253	27,657	11,802
Associates	3,269	3,269	-	660	-	-
Other related parties	2,941	4,740	-	-	-	-
	<u>\$ 32,631</u>	<u>30,457</u>	<u>9,871</u>	<u>9,913</u>	<u>27,657</u>	<u>11,802</u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

<b>Relationship</b>	<b>Other operating expenses</b>		<b>Donations</b>		<b>Manufacturing expenses</b>	
	<b>For the years ended</b>		<b>For the years ended</b>		<b>For the years ended</b>	
	<b>December 31,</b>		<b>December 31,</b>		<b>December 31,</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
Subsidiaries	\$ -	12,867	-	-	259,226	179,692
Associates	1,312	2,671	-	-	23,256	26,088
Other related parties	96	-	6,334	5,624	1,071	-
	<b>\$ 1,408</b>	<b>15,538</b>	<b>6,334</b>	<b>5,624</b>	<b>283,553</b>	<b>205,780</b>

<b>Relationship</b>	<b>Other receivables</b>		<b>Other payables</b>	
	<b>December 31,</b>	<b>December 31,</b>	<b>December 31,</b>	<b>December 31,</b>
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
Subsidiaries	\$ 9,147	13,517	21,240	28,332
Associates	-	-	133	286
Other related parties	-	1	2,361	-
	<b>\$ 9,147</b>	<b>13,518</b>	<b>23,734</b>	<b>28,618</b>

<b>Relationship</b>	<b>Deposits received</b>	
	<b>December 31,</b>	<b>December 31,</b>
	<b>2025</b>	<b>2024</b>
Associates	\$ 304	304

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<b>For the years ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Short-term employee benefits	\$ 40,798	50,429
Post-employment benefits	1,425	1,830
	<b>\$ 42,223</b>	<b>52,259</b>

For the years ended December 31, 2025 and 2024, the Company provided two vehicles with aggregate cost of NT\$7,640 thousand for the key management personnel.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

**(8) Pledged assets**

The details of the Company's pledged assets were as follows :

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Non-current refundable deposits	Performance guarantee	\$ <u>87,039</u>	<u>24,599</u>

**(9) Significant commitments and contingencies**

(a) Unrecognized contractual commitments

- (i) The guarantees were mainly for securing loans and gave rise to potential off-balance-sheet credit risk, which represents the risk of loss incurred by the default of counterparties or by the devaluation of collateral provided by the counterparties. The Company did not ask counterparties for collateral as secure guarantees. The amounts of the Company's guarantees were as following:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Guarantees securities amounts	\$ <u>1,380,563</u>	<u>11,410,920</u>

- (ii) The amounts of guaranteed notes issued by the Company were as follows :

<u>Nature</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Bank credit limit	\$ 4,847,360	11,480,920
Leases	-	200
Guaranteed payment for purchases of raw materials	<u>90,600</u>	<u>90,600</u>
	\$ <u>4,937,960</u>	<u>11,571,720</u>

- (iii) The amount of unused outstanding letters of credit was as follows :

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Unused outstanding letters of credit	\$ <u>423,341</u>	<u>648,643</u>

**(10) Losses Due to Major Disasters: None**

**(11) Subsequent Events: None**

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

**(12) Other**

A summary of employee benefits, depreciation, and amortization, by function, was as follows:

	For the year ended December 31, 2025			For the year ended December 31, 2024		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	1,682,457	738,924	2,421,381	1,633,716	717,350	2,351,066
Labor and health insurance	151,503	45,294	196,797	144,334	44,614	188,948
Pension expenses	55,994	15,405	71,399	57,307	14,386	71,693
Remuneration of directors	-	115,765	115,765	-	109,450	109,450
Other personnel expenses	59,713	14,060	73,773	51,361	12,146	63,507
Depreciation expenses	894,983	83,857	978,840	903,690	76,710	980,400
Amortization expenses	7,553	1,778	9,331	8,242	94	8,336

For the years ended December 31, 2025 and 2024, the Company's additional information of number of employees and employee benefit expenses were as follows :

	For the years ended December 31,	
	2025	2024
Number of employees	<u>2,152</u>	<u>2,131</u>
Number of directors who were not employees	<u>9</u>	<u>9</u>
The average employee benefit	<u>\$ 1,289</u>	<u>1,261</u>
The average salaries and wages	<u>\$ 1,130</u>	<u>1,108</u>
Adjustment of average employee salary expenses	<u>1.99 %</u>	<u>0.91 %</u>
Remuneration of the supervisors	<u>\$ -</u>	<u>-</u>

The company's remuneration policy for its employees (including directors, managers and employees) were as follows:

The Company provides rational and competitive remuneration to attract, hold and inspire talented people for long term development and achieving its business objectives. In addition to fixed payment, the Company also takes the position held, responsibilities assumed, contribution and personal working performance of an individual into consideration for bonus distribution. Also, the Company upholds the principle of profit sharing to formulate the remuneration policy.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(a) Employees remuneration policy :

Standard of remuneration payment is based on the Company's salary structure standard for each position. It also refers to the salary market and the state of operation, which involved the individual's responsibility, learning and working experience, professional skill, job tenure and personal working performance.

(b) Managers remuneration policy :

Managers remuneration payment depends on the entire market positioning, result of industry investigation, and degree of goals achieving and contribution. The Salary and Remuneration Committee will regularly evaluate the payment with rationality.

(c) Directors remuneration policy :

(i) Based on the Company's articles, the total allocation for directors' remuneration should not exceed 2% of the Company's earnings for the year and should be distributed by performance evaluation of each director.

(ii) Salary and Remuneration Committee proposes that the Company pays a monthly fixed amount for directors' remuneration by referring to the payment level of other listed companies in the same industry and the responsibility of each director. Thereafter, the above proposal will be evaluated and approved by the board of directors.

(iii) Besides the monthly fixed remuneration for directors, an allowance for their attendance will also be provided based on the actual frequency of their participation in the board meeting.

(iv) If the directors also served as other functional members in the committee, they are entitled for an additional monthly fixed payment based on the actual frequency of their participation in the Board meeting.

(d) Independent Director remuneration policy

(i) Independent directors get a monthly fixed payment. In addition, an allowance for their attendance will also be provided based on the actual frequency of their participation in the Committee meeting. However, they cannot participate in the distribution of earnings.

(ii) The fixed payment mentioned above is based on the degree of the participation and contribution of an individual in the Company's operation and refers to the payment situation of other listed companies in the same industry. It is submitted to the remuneration committee for discussion, then proposed in the Board of Directors for evaluation and approval.

(iii) If the independent directors also served as other functional members in the committee, they are entitled for an additional monthly fixed payment based on the actual frequency of their participation in the Committee meeting.

(Continued)

## TUNG HO STEEL ENTERPRISE CORPORATION

### Notes to Financial Statements

#### (13) Other disclosures

##### (a) Information on significant transactions

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2025:

##### (i) Loans to other parties:

(In thousands of NTD/USD)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance (Note 3)	Actual usage amount during the period (Note 4)	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Loss Allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	Tung Ho Steel Vietnam Corp., Ltd.	Other receivables	Yes	2,985,850 (USD 95,000)	2,514,400 (USD 80,000)	2,042,950 (USD 65,000)	1.8585%~1.9110%	2	-	Operating capital	-		-	3,434,597	6,869,194

Note 1: Financing to an individual party should not exceed 10% of the net equity on its latest financial statements. The maximum amount allowed for financing should not exceed 20% of the net equity on its latest financial statements.

Note 2: Reasons for short-term financing were as follows:

- (1) Those with business contact please fill in 1.
- (2) Those necessary for short-term fund circulation please fill in 2.

Note 3: The valid quota of financing to other parties as of December 31, 2025.

Note 4: The actual amount of loan within the financing quota.

##### (ii) Guarantees and endorsements for other parties:

(In thousands of NTD/USD)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date (Note 7)	Actual usage amount during the period (Note 8)	Property pledged for guarantees and endorsements (amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 1)										
0	The Company (Note 2, 3, 6)	Tung Ho Steel Vietnam Corp., Ltd.	2	17,172,986	15,086,400 (USD 480,000)	10,591,910 (USD 337,000)	1,445,183 (USD 45,981)	-	30.84 %	17,172,986	Y	N	N
0	The Company (Note 2, 3, 6)	Fujian Sino-Japan Metal Corp.	6	17,172,986	1,380,563 (USD 43,925)	1,380,563 (USD 43,925)	756,394 (USD 24,066)	-	4.02 %	17,172,986	N	N	Y
1	Tung Yuan International Corp. (Note 4, 5)	Fujian Sino-Japan Metal Corp.	6	318,600 (USD 10,137)	165,008 (USD 5,250)	165,008 (USD 5,250)	165,008 (USD 5,250)	-	25.90 %	637,200 (USD 20,274)	N	N	Y

Note 1: The Company may provide guarantees or endorsements for its receiving parties under the following conditions:

1. The Company has business with the receiving parties.
2. The Company holds directly more than 50% of the ordinary stock of the subsidiaries.
3. The Company and its subsidiaries hold more than 50% of the investee.
4. The Company holds, directly or indirectly, through its subsidiaries, more than 50% of the investee.
5. The Company is required to make guarantees or endorsements for the construction project based on the contract.
6. The stockholders of the Company may provide guarantees or endorsements for the investee in proportion to their stockholding percentage.
7. The companies in the same industry provide, among themselves, joint and several securities for a performance guarantee on sales contracts for pre- construction homes pursuant to the Consumer Protection Act for each other.

Note 2: Guarantees and endorsements for an individual company should not exceed 50% of the net equity of the latest financial statements.

Note 3: The total amount of guarantees and endorsements should not exceed 50% of the net equity of the latest financial statements.

Note 4: Guarantees and endorsements for an individual company should not exceed 50% of the total amount of guarantees and endorsements.

Note 5: The total amount of guarantees and endorsements should not exceed the Company's net worth on its latest financial statements. The amount limited for the current period is USD20,274 thousand.

Note 6: Guarantees and endorsements for an individual company should not exceed 50% of the Company's net worth on its latest financial statements. Moreover, according to the Company's policy, the total amount of guarantees and endorsements made by the Company and subsidiaries should not exceed 50% of the Company's latest financial statement (limit for the current period: \$17,172,986 thousand); the total amount of guarantees and endorsements on an individual company should not exceed 50% of the Company's net worth of its latest financial statements (limit for the current period: \$17,172,986 thousand.)

Note 7: The amount approved by the Board of Directors.

Note 8: The actual amount used by the endorsed and guaranteed companies within their limited amount of guarantees and endorsements.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to Financial Statements**

(iii) Information regarding securities held at the reporting date (subsidiaries, associates and joint ventures not included):

(In thousands of NTD)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Stock—Zenitron Corporation	-	(a)	2,892,000	108,016	1.22 %	108,016	None
The Company	Stock—Shiao Kang Warehousing Corp.	One of its directors	(b)	1,788,045	15,127	19.87 %	15,127	None
The Company	Stock—Overseas Investment & Development Corp.	-	(b)	1,000,000	15,380	1.11 %	15,380	None
The Company	Stock—PoweWorld Fund, Inc.	One of its directors	(b)	304,760	7,293	5.68 %	7,293	None
The Company	Stock—Universal Venture Fund, Inc.	One of its directors	(b)	390,778	8,578	4.76 %	8,578	None
The Company	Stock—Tung Jing Investment Corp.	One of its directors	(b)	-	37,724	9.11 %	37,724	None
The Company	Stock—Taiwan Aerospace Corp.	-	(b)	1,621,441	67,825	1.20 %	67,825	None
The Company	Stock—Universal Venture Capital Investment Corp.	-	(b)	2,800,000	29,736	2.33 %	29,736	None
The Company	Stock—IBT	-	(b)	1,312,993	7,129	4.17 %	7,129	None
The Company	Stock—Taiwan Smart Electricity & Energy Co., Ltd.	One of its directors	(b)	11,250,000	125,714	7.14 %	125,714	None
The Company	Stock—Chien Shing Harbour Service Co., Ltd	One of its directors	(b)	8,203,800	357,686	8.90 %	357,686	None
The Company	Stock—Taiwan High Speed Rail Corporation	-	(b)	1,913,376	53,574	0.03 %	53,574	None

The account titles were as follows:

(a) Financial assets at fair value through profit or loss — current

(b) Financial assets at fair value through other comprehensive income — non-current

(iv) Information regarding related-party purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the Company's capital stock:

(In thousands of NTD)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/(Sale)	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Tung Kang Steel Structure Corp.	Subsidiary	(Sale)	(3,663,020)	(8.45)%	60 days end of month	-	-	327,038	11.08%	
The Company	Tung Kang Steel Structure Corp.	Subsidiary	Purchase	134,853	0.49%	OA10/30 days end of month	-	-	(18,562)	(1.34)%	
The Company	THSVC	Subsidiary	Purchase	4,611,273	16.71%	Payment within 30 days from signing the contract	-	-	-	-%	
The Company	Duc Hoa International J.S.C.	Subsidiary	Purchase	184,040	0.67%	10 days after B/L	-	-	(4,641)	(0.33)%	
Tung Kang Wind Power Corp.	The Company	Parent Company	(Sale)	(259,226)	(99.71)%	60 days end of month	-	-	21,240	95.16%	
Tung Kang Steel Structure Corp.	The Company	Parent Company	Purchase	3,663,020	55.71%	60 days end of month	-	-	(327,038)	(31.87)%	
Tung Kang Steel Structure Corp.	The Company	Parent Company	(Sale)	(134,853)	(0.95)%	OA10/30 days end of month	-	-	18,562	35.92%	
THSVC	The Company	Parent Company	(Sale)	(4,611,273)	(63.29)%	Payment within 30 days from signing the contract	-	-	-	-%	
Duc Hoa International J.S.C.	The Company	Parent Company	(Sale)	(184,040)	(76.54)%	10 days after B/L	-	-	4,641	48.01%	

(v) Information regarding receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the Company's capital stock:

(In thousands of NTD)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Action taken		
The Company	THSVC	Subsidiary	2,046,175(Other receivables—related parties)	-	-	-	631,825	-
The Company	Tung Kang Steel Structure Corp.	Subsidiary	327,038(Accounts receivable—related parties)	22.40	-	-	-	-

Note : The transactions have already been written off in the consolidated financial statements.

(Continued)

## TUNG HO STEEL ENTERPRISE CORPORATION

### Notes to Financial Statements

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2025 (excluding information on investees in Mainland China) :

(In thousands of NTD/VND/USD)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2025			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2025	December 31, 2024	Shares	Percentage of ownership	Carrying value			
The Company	Tung Yuan International Corp.	British Virgin Islands	Investment activities	854,362 (USD27,183)	854,362 (USD27,183)	82	100.00 %	637,200	2,771	2,771	Subsidiary
The Company	Tung Kang Steel Structure Corp.	Taiwan	Metal structure and building component construction.	1,775,138	1,775,138	201,121,339	97.48 %	4,105,582	1,421,112	1,387,779	Subsidiary
The Company	Katec R&D Corp.	Taiwan	Waste recycling	35,352	35,352	5,646,398	46.19 %	98,850	40,726	18,812	Associate
The Company	Goldham Development Ltd.	British Virgin Islands	Investment activities	40,042 (USD1,274)	40,042 (USD1,274)	1,274,000	100.00 %	20,109	7,069	7,069	Subsidiary
The Company	Taiwan Steel Union Co., Ltd.	Taiwan	Waste disposal	113,291	113,291	24,829,009	22.31 %	1,001,017	686,753	153,241	Associate
The Company	Katec Creative Resources Corporation	Taiwan	Waste recycling	914,478	914,478	61,391,933	99.02 %	713,595	88,846	87,974	Subsidiary
The Company	Tung Kang Wind Power Corp.	Taiwan	Development, production, transmission and distribution of wind power generation	655,000	655,000	65,500,000	100.00 %	740,655	79,874	79,907	Subsidiary
The Company	Tung Ho Steel Vietnam Corp., Ltd.	Vietnam	Steel industry	6,407,467	6,407,467	-	100.00 %	2,519,007	(65,729)	(65,729)	Subsidiary
The Company	Tung Sugar Energy Service Co., Ltd.	Taiwan	Fertilizer producing and self-used equipment of renewable electric power	88,836	54,000	8,883,600	42.30 %	72,026	(15,561)	(5,847)	Associate
Tung Yuan International Corp.	3 Oceans International Inc.	Samoa	Investment activities	47,459 (USD1,510)	47,459 (USD1,510)	572,000	66.51 %	11,213	1,096	729	Subsidiary
Tung Yuan International Corp.	Duc Hoa International J.S.C.	Vietnam	Quicklime manufacturing	118,460 (USD3,769)	118,460 (USD3,769)	8,154,419	96.00 %	124,190	(5,389)	(5,173)	Subsidiary
Tung Kang Steel Structure Corp.	Tung Kang Engineering & Construction Corp.	Taiwan	Civil engineering	359,340	359,340	25,000,000	100.00 %	289,303	8,900	8,900	Subsidiary
Katec Creative Resources Corporation	Duc Hoa International J.S.C.	Vietnam	Quicklime manufacturing	3,823	3,823	230,335	2.71 %	4,311	(5,389)	(146)	Subsidiary
Tung Ho Steel Vietnam Corp., Ltd.	Duc Hoa International J.S.C.	Vietnam	Quicklime manufacturing	1,300 (VND 1,094,467)	1,300 (VND1,094,467)	109,446	1.29 %	1,532	(5,389)	(70)	Subsidiary

1 USD= 31.43NTD

1 VND= 0.001188NTD

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In thousands of NTD/USD)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2025	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2025	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 3)	Book value (Note 2)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Fujian Sino-Japan Metal Corp.	Tin-coated plate	1,634,360 (USD 52,000)	( 2 )	577,275 (USD 18,367)	-	-	577,275 (USD 18,367)	7,903	35.00%	2,765	363,081	-

Note 1: List of the method of investment

- (1) Direct investment
- (2) Indirect investment
- (3) Others

Note 2: On December 31, 2025, 1 USD= 31.43 NTD.

Note 3: For the year ended December 31, 2025, 1 USD= 31.18 NTD.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to Financial Statements**

(ii) Limitation on investment in Mainland China:

(In thousands of NTD/USD)		
Accumulated Investment in Mainland China as of December 31, 2025	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment (Note 1)
577,275 (USD18,367)	577,275 (USD18,367)	20,607,583

Note1: 60% of net equity.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

**(14) Segment information**

Please refer to the consolidated financial statements for the year ended December 31, 2025.



**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS-CURRENT**

**December 31, 2025**

**(Expressed in thousands of New Taiwan Dollars/USD)**

<u>Name of financial instruments— current</u>	<u>Description</u>	<u>Number of shares or unit</u>	<u>Book value</u>	<u>Total amount/ Nominal amount</u>	<u>Interest rate %</u>	<u>Acquisition costs</u>	<u>Fair value</u>	
							<u>Unit price</u>	<u>Amount</u>
Financial assets held for trading:								
Stock:								
Zenitron	Publicly List	2,892,000	\$ 10	28,920	-	69,685	37.35	108,016
Foreign exchange forward contracts				USD 17,299		-		3,590
Total						<u>\$ 69,685</u>		<u>111,606</u>

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF NOTES RECEIVABLE**

**December 31, 2025**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
Non-related parties:		
Chinglin Construction	Payment for goods	\$ 22,464
Saint Koon Construction	"	20,133
Weishen Construction	"	8,382
Kungsing Construction	"	5,022
Shanhut Construction	"	3,505
Others (Note)	"	<u>9,816</u>
Total notes receivable		69,322
Less: Loss allowance		<u>(303)</u>
Total		<u><u>\$ 69,019</u></u>

Note: Consisting of individual accounts with less than 5% of the total amount.

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF ACCOUNTS RECEIVABLE**

**December 31, 2025**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
Related parties:		
Tung Kang Steel Struction	Payment for goods	\$ 327,038
Tung Kang Engineering and Construction	"	<u>5,903</u>
Subtotal		<u>332,941</u>
Non-related parties:		
TASA Construction	Payment for goods	137,801
Li Jin Engineering	"	114,594
Others (Note)	"	<u>2,352,540</u>
Subtotal		<u>2,604,935</u>
Total accounts receivable		2,937,876
Less: Loss allowance		<u>(56,561)</u>
Total		<u><u>\$ 2,881,315</u></u>

Note: Consisting of individual accounts with less than 5% of the total amount.

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF OTHER RECEIVABLES**

**December 31, 2025**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Items</b>	<b>Amount</b>
Receivables from loans to subsidiaries (including interest receivable)	\$ 2,046,175
Revenue of disposing colcothar and metal shavings	5,485
Revenue of selling scrap iron and material supplies (related parties included)	7,390
Revenue of technical service (related parties included)	848
Rent receivable(related parties included)	2,546
Others (related parties included)	3,179
Total	<b>\$ 2,065,623</b>

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF INVENTORIES**

**December 31, 2025**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Items</b>	<b>Description</b>	<b>Amount</b>		<b>Notes</b>
		<b>Cost</b>	<b>Market price</b>	
Finished goods	Deformed bars	\$ 2,079,001	2,345,189	Note 1
	Sections	427,643	564,623	"
	Universal plates	168,139	239,189	"
	Outbound product	<u>105,729</u>	<u>105,729</u>	"
	Subtotal	<u>2,780,512</u>	<u>3,254,730</u>	
Work in process	Billets	1,869,610	2,192,416	Note 2
	Beam blank	1,351,166	1,674,437	"
	Bloom	165,479	284,725	"
	Subtotal	<u>3,386,255</u>	<u>4,151,578</u>	
Raw materials	Scrap iron	5,925,972	9,245,487	Note 2
	In transit raw materials	<u>667,427</u>	<u>667,427</u>	"
	Subtotal	<u>6,593,399</u>	<u>9,912,914</u>	
Material supplies	Electrode rods	86,409	85,872	Note 2
	Silicon iron	35,050	35,214	"
	Manganese iron	13,899	14,575	"
	Silicon manganese	131,415	134,474	"
	Vanadium iron	64,643	67,898	"
	Roller	25,613	25,640	"
	Roller ring	43,328	43,849	"
	Intransit material supplies	37,130	37,130	"
	Other material	<u>1,168,356</u>	<u>1,169,785</u>	"
	Subtotal	<u>1,605,843</u>	<u>1,614,437</u>	
Inventories, net	<u>\$ 14,366,009</u>	<u>18,933,659</u>		

Note 1: Price of the contract.

Note 2: The estimated selling price less the estimated costs of completion and the cost to sell.

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF PREPAYMENTS**

**December 31, 2025**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Prepaid expenses	Prepaid supplies expenses	\$ 105,802
	Insurance premium and rent expenses	17,786
	Prepaid heavy oil and maintenance expenses	21,904
	Others	<u>8,507</u>
	Subtotal	153,999
Prepayments for goods		63,842
Other prepayments		<u>980</u>
Total		<u><u>\$ 218,821</u></u>

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**DETAILS OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**  
**For the year ended December 31, 2025**  
**(Expressed in thousands of New Taiwan Dollars)**

Name of company	Balance as of January 1, 2025		Increase and reclassification		Decrease and reclassification		Investment income recognized under the equity method (loss)	Balance as December 31, 2025			Net value or market price	Pledged or collateralized
	Share	Amount	Share	Amount	Share	Amount		Share	Share-holding percentage	Amount		
Subsidiaries:												
Tung Yuan International Corp.	82	\$ 650,499	-	-	-	16,070 (Note 1)	2,771	82	100.00 %	637,200	637,200	None
Tung Kang Steel Structure Corp.	201,121,339	4,349,898	-	-	-	1,632,095 (Note 2,4)	1,387,779	201,121,339	97.48 %	4,105,582	4,239,658	"
Goldham Development Ltd.	1,274,000	13,545	-	-	-	505 (Note 1)	7,069	1,274,000	100.00 %	20,109	20,109	"
Katec Creative Resources Corp.	61,391,933	711,687	-	-	-	86,066 (Note 3,4)	87,974	61,391,933	99.02 %	713,595	713,595	"
Tung Kang Wind Power Corp.	65,500,000	700,048	-	-	-	39,300 (Note 4)	79,907	65,500,000	100.00 %	740,655	740,198	"
Tung Ho Steel Vietnam Corp., Ltd.	-	2,737,040	-	-	-	152,304 (Note 1)	(65,729)	-	100.00 %	2,519,007	2,519,007	"
Subtotal		9,162,717		-		1,926,340	1,499,771			8,736,148		
Associates:												
Katec R&D Corp.	5,646,398	94,247	-	-	-	14,209 (Notes 4,5)	18,812	5,646,398	46.19 %	98,850	98,850	"
Taiwan Steel Union Co., Ltd.	24,829,009	996,381	-	369 (Note 3)	-	148,974 (Note 4)	153,241	24,829,009	22.31 %	1,001,017	1,001,017	"
Tung Sugar Energy Service Corp.	5,400,000	45,301	3,483,600	34,836 (Note 6)	-	2,264 (Note 7)	(5,847)	8,883,600	42.30 %	72,026	72,026	"
Subtotal		1,135,929		35,205		165,447	166,206			1,171,893		
Total		\$ 10,298,646		35,205		2,091,787	1,665,977			9,908,041		

Note 1: Adjustments of exchange difference on translation of foreign operations.

Note 2: Resulting from downstream unrealized sales profit.

Note 3: From other comprehensive income on defined benefit plans of associates.

Note 4: Proceeds from cash dividends.

Note 5: Adjustment of "evaluation of equity instrument at fair value through other comprehensive income" due to changes in fair value.

Note 6: Capital increase during the period.

Note 7: Adjustments to capital surplus and retained earnings arising from not subscribing for shares in proportion to ownership.

## TUNG HO STEEL ENTERPRISE CORPORATION

## DETAILS OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – NON-CURRENT

For the year ended December 31, 2025

(Expressed in thousands of New Taiwan Dollars)

Name of company	Balance as of January 1, 2025		Increase and reclassification		Increase and reclassification		Gains and losses on Valuation	Balance as December 31, 2025		Pledged or collateralized
	Share	Amount	Share	Amount	Share	Amount		Share	Amount	
Fair value through other comprehensive income – non current:										
Non-public company										
Hsiao Kang Warehousing Corp.	1,788,045	\$ 16,517	-	-	-	-	(1,390)	1,788,045	15,127	None
Hexawave Photonic System, Inc.	2,564,023	8,571	-	-	2,564,023	317 (Note 3)	(8,254)	-	-	"
Taiwan Aerospace Corp.	1,621,441	52,323	-	-	-	-	15,502	1,621,441	67,825	"
Overseas Investment & Development Corp.	1,000,000	9,993	-	-	-	-	5,387	1,000,000	15,380	"
Power World Fund, Inc.	304,760	9,211	-	-	-	-	(1,918)	304,760	7,293	"
Universal Venture Fund, Inc.	390,778	11,333	-	-	-	-	(2,755)	390,778	8,578	"
IBT II Venture Capital Co.	1,312,993	8,706	-	-	-	-	(1,577)	1,312,993	7,129	"
Tung Jing Investment Corp.	-	41,651	-	3,590 (Note 2)	-	9,108 (Note 1)	1,591	-	37,724	"
Universal Venture Capital Investment Corp.	2,800,000	28,177	-	-	-	-	1,559	2,800,000	29,736	"
Taiwan Smart Electricity & Energy Co., Ltd.	-	-	11,250,000	112,500	-	-	13,214	11,250,000	125,714	"
Subtotal		186,482		116,090		9,425	21,359		314,506	
Listed company										
Public listed stocks – Taiwan High Speed Rail Corporation	1,913,376	53,192	-	-	-	-	382	1,913,376	53,574	"
Public listed stocks – Chien Shing Harbour Service Co., Ltd.	8,203,800	379,426	-	-	-	-	(21,740)	8,203,800	357,686	"
Subtotal		432,618		-		-	(21,358)		411,260	
Total		\$ 619,100		116,090		9,425	1		725,766	

Note 1 : Capital reduction and return of shares.

Note 2 : Capital increase during the period.

Note 3 : Disposal

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF REFUNDABLE DEPOSITS**

**December 31, 2025**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Refundable deposits	Lease deposits	\$ 91,393
	Golf card deposits	41,500
	Performance guarantees	<u>150</u>
Total		<u><u>\$ 133,043</u></u>

Please refer to Note 6(h) for details of property, plant and equipment.

Please refer to Note 6(j) for details of investment property.

**TUNG HO STEEL ENTERPRISE CORPORATION****DETAILS OF OVERDUE RECEIVABLES****December 31, 2025****(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
BEST-STEEL	\$ 47,993
Less: Allowance for bad debt expense	<u>(47,993)</u>
Total	<u>\$ -</u>

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF SHORT-TERM LOANS**

**December 31, 2025**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Bank</b>	<b>Description</b>	<b>Balance as of December 31, 2025</b>	<b>Duration</b>	<b>Interest rate</b>	<b>Amount</b>	<b>Pledge or collateralized</b>
Bank of Taiwan	Unsecured loans	\$ 590,000	October 22, 2025 ~ June 24, 2026	1.78%	700,000	None
First Commercial Bank	"	650,000	December 18, 2025 ~ January 23, 2026	1.78%	1,000,000	"
Cathay United Bank	"	180,000	December 23, 2025 ~ January 30, 2026	1.78%	900,000	"
Taipei Fubon Bank	"	200,000	December 18, 2025 ~ January 19, 2026	1.78%	1,600,000	"
O Bank	"	200,000	December 31, 2025 ~ January 14, 2026	1.73%	200,000	"
Hua Nan Commercial Bank	"	1,000,000	Septmber 22, 2025 ~ January 8, 2026	1.75%	1,000,000	"
Yuanta Bank	"	1,570,000	October 14, 2025 ~ March 20, 2026	1.78%	2,700,000	"
The Shanghai Commercial & Savings Bank	"	<u>200,000</u>	December 11, 2025 ~ April 10, 2026	1.76%	200,000	"
Subtotal		<u>4,590,000</u>				
Bank of Taiwan	Letter of credit	<u>355</u>	December 24, 2025 ~ June 22, 2026	4.49%	870,000	"
<b>Total</b>		<b><u>\$ 4,590,355</u></b>				

Note: The effective period of the financing contract is two to three years. However, the banks will evaluate the terms of the contract periodically through credit checking every year.

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF NOTES PAYABLE**

**December 31, 2025**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Objects</u>	<u>Description</u>	<u>Amount</u>
Non-related parties:		
Long Chang Transportation	Operating expenses	\$ 11,480
Formosa Plastics Yilan	Operating expenses	4,212
Labor insurance	Bureau of the Labor Insurance	3,626
National health insurance	National Health Insurance Administration	2,925
Others (Note)	Operating expenses	<u>1,073</u>
Total		<u><u>\$ 23,316</u></u>

Note: Consisting of individual accounts with less than 5% of the total amount

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF ACCOUNTS PAYABLE**

**December 31, 2025**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Objects</u>	<u>Description</u>	<u>Amount</u>
Related parties:		
Tung Kang Steel Structure Corp.	Payment for goods	\$ 18,562
Duc Hoa International J.S.C.	"	4,642
Katec Creative Resources	"	1
Eternity Corp.	"	<u>660</u>
Subtotal		<u>23,865</u>
Non-related parties:		
Heng Yu Steel Enterprise Co., Ltd.	Payment for goods	141,014
Hung Ruen Co., Ltd.	"	26,938
Shinyi Enterprice Co., Ltd	"	25,977
Others (Note)	"	<u>1,148,018</u>
Subtotal		<u>1,341,947</u>
Total		<u><u>\$ 1,365,812</u></u>

Note: Consisting of individual accounts of less than 5% of the total amount  
Please refer to Note 6(o) for details of other payables.

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF CURRENT CONTRACT**

**LIABILITIES**

**December 31, 2025**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Non-related parties:		
Haiguang Enterprise	Payment for goods	\$ 87,986
Others (Note)	"	<u>1,207,145</u>
Total contract liabilities		<u><u>\$ 1,295,131</u></u>

Note: Consisting of individual accounts of less than 5% of the total amount

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF LONG-TERM LOANS**

**December 31, 2025**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Bank</b>	<b>Duration</b>	<b>Nature</b>	<b>Interest rate</b>	<b>Amount</b>		<b>Pledged or Collateralized</b>
				<b>Current portion</b>	<b>Long-term loans</b>	
Mega Bank	December 17, 2025 ~ September 27, 2027 Principal repaid at maturity	Repayment of loan and improvement of financial structure	1.78%~1.80%	\$ -	\$ 570,000	None
Mizuho Bank	October 13, 2025 ~ April 19, 2027 Principal repaid at maturity	Repayment of loan and improvement of financial structure	1.78%	-	500,000	"
O-Bank	June 12, 2023 ~ June 12, 2030 Interest-first, principal amortized	Repayment of loan and improvement of financial structure	1.77%	<u>80,000</u>	<u>280,000</u>	"
				<b><u>\$ 80,000</u></b>	<b><u>1,350,000</u></b>	

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF GUARANTEE DEPOSITS**

**December 31, 2025**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
Related parties:		
Katec Research and Development	Rental deposits	\$ <u>304</u>
Non-related parties:		
Chang Jieh Logistics Corp.	Rental deposits	6,300
Others (Note)	Rental deposits and performance guarantee	<u>677</u>
Subtotal		<u>6,977</u>
Total		<u>\$ <u>7,281</u></u>

Note: Consisting of individual accounts with less than 5% of the total amount.

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF OPERATING REVENUE**

**For the year ended December 31, 2025**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Re-bar	1,353,493 tons	\$ 27,205,758
H-beams	496,278 tons	12,424,458
Universal plate	101,983 tons	3,126,950
I-beams	1,480 tons	45,396
Channel beams	34,597 tons	803,673
Others	- tons	<u>30,775</u>
Total operating revenue		43,637,010
Less: Sales returns		(304)
Sales allowances		<u>(293,203)</u>
Net operating revenue		<u><u>\$ 43,343,503</u></u>

## TUNG HO STEEL ENTERPRISE CORPORATION

## DETAILS OF OPERATING COSTS

For the year ended December 31, 2025

(Expressed in thousands of New Taiwan Dollars)

Items	Amount	
	Subtotal	Total
Manufacturing:		
(a) Direct raw materials		
Beginning balance of raw materials	\$ 7,909,871	
Self-manufactured transferred in	51,891,755	
Purchases of raw materials	18,188,933	
Sale of raw materials	(7,444)	
Reclassification to manufacturing overhead	(566)	
Reclassified administrative Expenses	(23)	
Reclassified construction in progress and equipment	(3,243)	
Reclassification to other expenses	(31)	
Transfer to material supplies	(544)	
Transfer to work in process	(98)	
R&D scrap transferred in	4,077	
Roller scrap transferred in	10,102	
Ending balance of raw materials	(6,593,399)	
Cost of direct raw materials consumed		71,399,390
(b) Indirect raw materials		
Beginning balance of raw materials	1,786,281	
Purchases of indirect raw materials	3,868,403	
Sale of material supplies	(10,693)	
Reclassification to manufacturing overhead	(1,331,463)	
Reclassification to deferred expenses and prepaid expenses	(274,408)	
Reclassification to construction in progress and equipment	(89,837)	
Transfer to finished goods	(1,333)	
Transfer from material supplies	544	
Reclassification to consigned goods	1,942	
Ending balance of raw materials	(1,594,638)	
Cost of indirect materials consumed		2,354,798
(c) Direct labor, net		1,178,575
(d) Manufacturing overhead, net		8,437,069
Manufacturing cost		83,369,832
(e) Cost of by-products		(979,491)
(f) Cost of finished goods (work in process)		82,390,341
Beginning balance of work in process	3,196,218	
Purchases of work in process	5,141,228	
Work in process transferred to raw materials	(33,109,184)	
Reclassification to other expense	28,546	
Ending balance of work in process	(3,386,255)	
Subtotal		(28,129,447)
(g) Cost of finished goods		
Beginning balance of finished goods	3,147,021	
Finished goods transferred to raw materials	(17,803,080)	
Material supplies transferred to finished goods	1,333	
Raw materials transferred to finished goods	98	
Consigned goods transferred to finished goods	17,414	
Finished goods transferred to construction in progress and prepayment of equipment	(20,192)	
Consigned goods transferred to finished goods	2,568,932	
Transfer to consigned goods	(2,531,574)	
Ending balance of finished goods	(2,674,783)	
Reclassification to donation expenses	(303)	
Reclassification to other expenses	(616)	
Reclassification to deferred expenses	(4,674)	
Subtotal		(17,300,424)
Cost of work in process and finished goods		36,960,470
(h) Cost of by-products		
Beginning balance of by-products	-	
By-products manufactured	979,491	
By-product transferred to raw materials	(979,491)	
Ending balance of by-products	-	
Cost of by-products		-
(i) Cost of consigned goods		
Beginning balance of consigned goods	156,518	
Raw materials transferred in	(1,942)	
Finished goods transferred in	2,531,574	
Transfer to finished goods	(2,568,932)	
Reclassification to other expense	(284)	
Ending balance of consigned goods	(116,934)	
Cost of goods sold—manufacturing		
Selling:		
Beginning inventory	-	
Purchases	391,132	
Ending inventory	-	
Cost of goods sold—selling		391,132
Work in process		27,315
Adjustment for capacity variance		93,341
Revenue from sale of raw materials and scrap		(93,124)
Operating costs		<u>\$ 37,379,134</u>

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF MANUFACTURING EXPENSES**

**For the year ended December 31, 2025**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Amount</u>
Indirect labor	\$ 503,882
Utilities expense	4,019,282
Depreciation	894,983
Amortization	7,553
Repair and maintenance	995,246
Labor insurance	151,503
Meal expenses	59,713
Pension	55,994
Fuel expenses	965,708
Cleaning expense	253,007
Professional service fee	216,818
Others	<u>313,380</u>
Total	<u><u>\$ 8,437,069</u></u>

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF OPERATING EXPENSES**

**For the year ended December 31, 2025**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Selling expenses</u>	<u>Administrative expenses</u>	<u>Total</u>
Salaries	\$ 79,240	659,684	738,924
Directors' remuneration	-	115,765	115,765
Freight expense	687,635	75	687,710
Advertisement	23,468	1,735	25,203
Depreciation	1,919	81,938	83,857
Amortizations	-	1,778	1,778
Meal expense	1,963	12,097	14,060
Labor pension	3,259	12,146	15,405
Export expense	26,486	-	26,486
Labor and National health insurance	6,274	39,020	45,294
Others	<u>42,571</u>	<u>241,170</u>	<u>283,741</u>
<b>Total</b>	<b>\$ <u>872,815</u></b>	<b><u>1,165,408</u></b>	<b><u>2,038,223</u></b>

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**DETAILS OF NON-OPERATING INCOME AND EXPENSES**

**For the year ended December 31, 2025**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Net loss on financial assets at fair value through profit or loss	\$ (32,626)
Net loss on financial liabilities at fair value through profit or loss	(158)
Net loss on foreign exchange	(4,294)
Technical service revenue	9,871
Government Grant	6,005
Foreign worker board and lodging income	4,456
Net loss on disposal of property, plant, and equipment	(66,443)
Gain on lease modification	3
Net Income (Loss) from Compensation	7,663
Others	<u>4,576</u>
Total	<u>\$ (70,947)</u>