

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**TUNG HO STEEL ENTERPRISE CORPORATION AND  
SUBSIDIARIES**

**Consolidated 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 consolidated 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 consolidated financial statements, the Chinese version shall prevail.

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## **Representation Letter**

The entities that are required to be included in the combined financial statements of Tung Ho Steel Enterprise Corporation as of and for the year ended December 31, 2025 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Tung Ho Steel Enterprise Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Tung Ho Steel Enterprise Corporation  
Chairman: Henry Ho  
Date: February 26, 2026



安侯建業聯合會計師事務所

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## Independent Auditors' Report

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

### Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Consolidated Company as of December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing 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 Consolidated Financial Statements section of our report. We are independent of the Consolidated 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 consolidated financial statements as of and for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for the consolidated financial statements are stated as follows:

#### 1. Revenue recognition

Please refer to Note 4(p) “Revenue recognition” and Note 6(u) “Revenue from contracts with customers” in the consolidated financial statements.

Explanation of the key audit matter:

The Consolidated 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(h) “Inventories” and Note 6(f) “Inventories” in the consolidated 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:

- assessing the rationality of accounting policies for inventory valuation ;
- assessing whether the valuation of inventory has been in accordance with the established accounting policies ;
- understanding the sales price used by management and the changes in market price of futures inventory to assess the rationality of the net realizable value of inventories ;
- taking appropriate samples and verifying the relevant internal and external information to confirm the adequacy and reasonableness of the net realized value basis used by management ;
- assessing whether the management’s disclosure of the inventory allowance is acceptable.

### 3. Construction contracts

Please refer to Note 4(p) “Revenue recognition – Construction contracts” Note 5(c) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty on construction contracts”, and Note 6(u) “Revenue from contracts with customers” of the consolidated financial statements.

Explanation of the key audit matter:

Contract accounting is considered to be an audit risk to the Consolidated Company 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, leading to different profit or loss and revenue being reported in the consolidated financial statements.

Our principal audit procedures included:

- reviewing significant contracts and discussing them with the management to obtain a full understanding of specific terms and risks, to assess whether revenue was appropriately recognized ;
- selecting samples from the ongoing constructions to verify the costs between the estimation and the contracts, discussing with the management about the estimates for total contract costs and forecasted costs, including taking into account the historical accuracy of such 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.

### 4. Impairment of property, plant and equipment

Please refer to Note 4(n) “Impairment of non-financial assets”, Note 5(b) “Impairment evaluation of property, plant and equipment”, and Note 6(h) “Property, plant and equipment” of the consolidated financial statements.

Explanation of the key audit matter:

The subsidiary in Vietnam of Tung Ho Steel Enterprise Corporation is facing an assets impairment issue due to the impact of the local market. The subsidiary regularly evaluates whether there is any indication of impairment of non-financial assets such as property, plant and equipment, based on the value in use and industry characteristics to estimate the recoverable amount of property, plant and equipment. The estimation involves numbers of assumptions, including the determination of discount rates and expected growth rates, subject to subjective judgment and uncertainty. Therefore, the assessment of impairment is one of the important evaluation matters in auditing the consolidated financial report of Tung Ho Steel Enterprise Corporation and its subsidiaries.

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 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.

**Other Matter**

The Company has prepared its parent-company-only financial statements as of and for the years ended December 31, 2025 and 2024, on which we have issued an unmodified opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Consolidated 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 Consolidated 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 Consolidated Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated 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 Consolidated 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)  
February 26, 2026

#### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated statement of 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying consolidated 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 consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

Consolidated 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))   | \$ 1,267,035         | 3          | 1,519,082         | 3          | 2100                            | Short-term loans (Note 6(k))   | \$ 6,149,312         | 12         | 8,770,644            | 16         |
| 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                  | -          | 3,855                | -          |
| 1140                       | Current contract assets (Note 6(u))   | 5,983,887            | 12         | 5,492,215         | 10         | 2130                            | Current contract liabilities (including to related parties) (Notes 6(u) and 7) | 3,654,076            | 7          | 3,581,004            | 7          |
| 1150                       | Notes receivable, net (Notes 6(d) and (u))  | 101,051              | -          | 73,381            | -          | 2150                            | Notes payable  | 24,103               | -          | 249,352              | -          |
| 1170                       | Accounts receivable, net (including from related parties) (Notes 6(d), (u) and 7)         | 2,706,246            | 5          | 3,361,617         | 6          | 2170                            | Accounts payable (including to related parties) (Note 7)                       | 2,427,431            | 5          | 2,671,231            | 5          |
| 1200                       | Other receivables (including from related parties) (Notes 6(e) and 7)                     | 39,667               | -          | 32,152            | -          | 2200                            | Other payables (including to related parties) (Notes 6(m) and 7)               | 2,651,269            | 5          | 2,461,096            | 5          |
| 1310                       | Inventories (Note 6(f))   | 16,684,734           | 32         | 19,073,355        | 35         | 2230                            | Current tax liabilities  | 607,910              | 1          | 599,889              | 1          |
| 1410                       | Prepayments   | 327,756              | 1          | 308,987           | 1          | 2250                            | Current provisions (Note 6(p))   | 6,657                | -          | 920                  | -          |
| 1470                       | Other current assets (Note 8)   | 1,245,323            | 2          | 1,138,055         | 2          | 2280                            | Current lease liabilities (Note 6(n))  | 50,850               | -          | 39,209               | -          |
|                            | <b>Total current assets</b>   | <u>28,467,305</u>    | <u>55</u>  | <u>31,108,048</u> | <u>57</u>  | 2322                            | Long-term loans, current portion (Note 6(l))                                   | 80,000               | -          | 304,846              | 1          |
|                            |   |                      |            |                   |            | 2399                            | Other current liabilities, others  | 11,120               | -          | 13,436               | -          |
|                            |   |                      |            |                   |            |                                 | <b>Total current liabilities</b>   | <u>15,662,886</u>    | <u>30</u>  | <u>18,695,482</u>    | <u>35</u>  |
| <b>Non-current assets:</b> |   |                      |            |                   |            | <b>Non-current liabilities:</b> |  |                      |            |                      |            |
| 1517                       | Non-current financial assets at fair value through other comprehensive income (Note 6(c)) | 725,766              | 1          | 619,100           | 1          | 2540                            | Long-term loans (Note 6(l))  | 1,350,000            | 3          | 2,941,324            | 5          |
| 1550                       | Investments accounted for using the equity method (Note 6(g))                             | 1,534,974            | 3          | 1,494,909         | 3          | 2570                            | Deferred tax liabilities (Note 6(r))   | 207,437              | 1          | 174,230              | -          |
| 1600                       | Property, plant and equipment (Note 6(h))   | 18,152,919           | 35         | 18,782,636        | 34         | 2580                            | Non-current lease liabilities (Note 6(n))                                      | 140,349              | -          | 122,965              | -          |
| 1755                       | Right-of-use assets (Note 6(i))   | 307,000              | 1          | 289,112           | 1          | 2640                            | Net defined benefit liability, non-current (Note 6(q))                         | 9,522                | -          | 37,772               | -          |
| 1760                       | Investment property, net (Notes 6(h) and (j))   | 1,977,879            | 4          | 1,974,279         | 4          | 2645                            | Guarantee deposits received (Note 7)   | 7,281                | -          | 9,541                | -          |
| 1780                       | Intangible assets   | 156,779              | -          | 164,019           | -          | 2550                            | Non-current provisions (Note 6(p))   | 157,388              | -          | 137,207              | -          |
| 1840                       | Deferred tax assets (Note 6(r))   | 90,775               | -          | 72,075            | -          |                                 | <b>Total non-current liabilities</b>   | <u>1,871,977</u>     | <u>4</u>   | <u>3,423,039</u>     | <u>5</u>   |
| 1900                       | Other non-current assets (Note 8)   | 47,759               | -          | 49,102            | -          |                                 | <b>Total liabilities</b>   | <u>17,534,863</u>    | <u>34</u>  | <u>22,118,521</u>    | <u>40</u>  |
| 1911                       | Natural resources   | 7,058                | -          | 8,342             | -          | <b>Equity (Note 6(s)):</b>      |  |                      |            |                      |            |
| 1915                       | Prepayments for equipment   | 178,990              | -          | 125,243           | -          | 3100                            | Capital stock  | 7,302,138            | 14         | 7,302,138            | 13         |
| 1920                       | Refundable deposits (Note 8)  | 243,861              | 1          | 193,752           | -          | 3200                            | Capital surplus  | 7,745,045            | 15         | 7,742,308            | 14         |
| 1975                       | Net defined benefit asset, non-current (Note 6(q))  | 106,144              | -          | -                 | -          |                                 | Retained earnings:   |                      |            |                      |            |
|                            | <b>Total non-current assets</b>   | <u>23,529,904</u>    | <u>45</u>  | <u>23,772,569</u> | <u>43</u>  | 3310                            | Legal reserve  | 6,061,645            | 12         | 5,600,943            | 10         |
|                            |   |                      |            |                   |            | 3320                            | Special reserve  | 527,593              | 1          | 614,156              | 1          |
|                            |   |                      |            |                   |            | 3350                            | Unappropriated retained earnings   | 13,113,694           | 25         | 11,636,693           | 22         |
|                            |   |                      |            |                   |            |                                 | Total retained earnings  | <u>19,702,932</u>    | <u>38</u>  | <u>17,851,792</u>    | <u>33</u>  |
|                            |   |                      |            |                   |            | 3400                            | Other equity interest  | (404,143)            | (1)        | (256,750)            | -          |
|                            |   |                      |            |                   |            |                                 | Total equity attributable to owners of the parent                              | 34,345,972           | 66         | 32,639,488           | 60         |
|                            |   |                      |            |                   |            | 36XX                            | Non-controlling interests  | 116,374              | -          | 122,608              | -          |
|                            |   |                      |            |                   |            |                                 | <b>Total equity</b>  | <u>34,462,346</u>    | <u>66</u>  | <u>32,762,096</u>    | <u>60</u>  |
|                            |   |                      |            |                   |            |                                 | <b>Total liabilities and equity</b>  | <u>\$ 51,997,209</u> | <u>100</u> | <u>\$ 54,880,617</u> | <u>100</u> |
|                            | <b>Total assets</b>   | <u>\$ 51,997,209</u> | <u>100</u> | <u>54,880,617</u> | <u>100</u> |                                 |  |                      |            |                      |            |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**For the years ended December 31, 2025 and 2024**  
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

|      |   | For the years ended December 31, |            |                    |            |
|------|---|----------------------------------|------------|--------------------|------------|
|      |   | 2025                             |            | 2024               |            |
|      |   | Amount                           | %          | Amount             | %          |
| 4000 | <b>Operating revenue (Notes 6(u) and 7)</b>   | \$ 57,855,435                    | 100        | 60,162,997         | 100        |
| 5000 | <b>Operating costs (Notes 6(f), (h), (i), (j), (q) and 7)</b>   | (49,278,447)                     | (85)       | (51,772,427)       | (86)       |
| 5900 | <b>Gross profit from operations</b>   | <u>8,576,988</u>                 | <u>15</u>  | <u>8,390,570</u>   | <u>14</u>  |
| 6000 | <b>Operating expenses:</b>  |                                  |            |                    |            |
| 6100 | Selling expenses (Notes 6(h), (i), (j), (q), (v) and 7)   | (1,141,800)                      | (2)        | (1,131,847)        | (2)        |
| 6200 | Administrative expenses (Notes 6(h), (i), (j), (q), (v) and 7)  | (1,551,342)                      | (3)        | (1,545,055)        | (2)        |
| 6450 | Expected credit impairment losses (Note 6(d))   | (36,908)                         | -          | 8,726              | -          |
| 6500 | <b>Total operating expenses</b>   | <u>(2,730,050)</u>               | <u>(5)</u> | <u>(2,685,628)</u> | <u>(4)</u> |
| 6900 | <b>Net operating income</b>   | <u>5,846,938</u>                 | <u>10</u>  | <u>5,704,942</u>   | <u>10</u>  |
| 7000 | <b>Non-operating income and expenses:</b>   |                                  |            |                    |            |
| 7100 | Interest income (Note 6(w))   | 30,982                           | -          | 33,848             | -          |
| 7010 | Other income (Notes 6(w) and 7)   | 174,701                          | -          | 134,651            | -          |
| 7020 | Other gains and losses (Notes 6(w) and 7)   | (66,085)                         | -          | 98,325             | -          |
| 7050 | Finance costs (Notes 6(n) and (w))  | (238,075)                        | -          | (343,750)          | -          |
| 7060 | Share of profit of associates accounted for using the equity method (Note 6(g))   | 168,972                          | -          | 96,770             | -          |
|      | <b>Total non-operating income and expenses</b>  | <u>70,495</u>                    | <u>-</u>   | <u>19,844</u>      | <u>-</u>   |
| 7900 | <b>Profit before income tax</b>   | 5,917,433                        | 10         | 5,724,786          | 10         |
| 7950 | Less: income tax expenses (Note 6(r))   | 1,159,449                        | 2          | 1,199,072          | 2          |
| 8200 | <b>Profit</b>   | <u>4,757,984</u>                 | <u>8</u>   | <u>4,525,714</u>   | <u>8</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))   | 92,855                           | -          | 126,587            | -          |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income  | 1                                | -          | (13,386)           | -          |
| 8320 | Share of other comprehensive income of associates accounted for using the equity method, components of other comprehensive income that will not be reclassified to profit or loss | 275                              | -          | 217                | -          |
| 8349 | Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6(r))  | 18,570                           | -          | 120                | -          |
|      | <b>Total items that will not be reclassified subsequently to profit or loss</b>   | <u>74,561</u>                    | <u>-</u>   | <u>113,298</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   | (169,798)                        | -          | 62,761             | -          |
| 8399 | Less: income tax related to components of other comprehensive income that may be reclassified to profit or loss   | -                                | -          | -                  | -          |
|      | <b>Total items that may be reclassified subsequently to profit or loss</b>  | <u>(169,798)</u>                 | <u>-</u>   | <u>62,761</u>      | <u>-</u>   |
| 8300 | <b>Other comprehensive income</b>   | <u>(95,237)</u>                  | <u>-</u>   | <u>176,059</u>     | <u>-</u>   |
| 8500 | <b>Total comprehensive income</b>   | <u>\$ 4,662,747</u>              | <u>8</u>   | <u>4,701,773</u>   | <u>8</u>   |
| 8600 | <b>Profit attributable to:</b>  |                                  |            |                    |            |
| 8610 | Owners of the parent  | \$ 4,720,934                     | 8          | 4,479,837          | 8          |
| 8620 | Non-controlling interests   | 37,050                           | -          | 45,877             | -          |
|      |   | <u>\$ 4,757,984</u>              | <u>8</u>   | <u>4,525,714</u>   | <u>8</u>   |
| 8700 | <b>Comprehensive income attributable to:</b>  |                                  |            |                    |            |
| 8710 | Owners of the parent  | \$ 4,626,616                     | 8          | 4,655,548          | 8          |
| 8720 | Non-controlling interests   | 36,131                           | -          | 46,225             | -          |
|      |   | <u>\$ 4,662,747</u>              | <u>8</u>   | <u>4,701,773</u>   | <u>8</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 consolidated financial statements.

## (English Translation of Consolidated Financial Statements Originally Issued in Chinese)

## TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Changes in Equity

For the years ended December 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollars)

|   | Equity attributable to owners of parent |                 |               |                 |                                  |             | Other equity interest   |          |   | Non-controlling interests | Total equity |             |
|---|---|-----------------|---------------|-----------------|----------------------------------|-------------|---|----------|---|---------------------------|--------------|-------------|
|   | Retained earnings                       |                 |               |                 |                                  | Total       | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income |          | Total equity attributable to owners of the parent |                           |              |             |
|   | Capital stock                           | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings |             | Exchange differences on translation of foreign financial statements                                     | Total    |   |                           |              |             |
| <b>Balance as of 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                | 112,898      | 31,161,178  |
| Profit for the period   | -                                       | -               | -             | -               | 4,479,837                        | 4,479,837   | -   | -        | -   | 4,479,837                 | 45,877       | 4,525,714   |
| Other comprehensive income for the period   | -                                       | -               | -             | -               | 126,749                          | 126,749     | 62,420  | (13,458) | 48,962  | 175,711                   | 348          | 176,059     |
| Total comprehensive income for the period   | -                                       | -               | -             | -               | 4,606,586                        | 4,606,586   | 62,420  | (13,458) | 48,962  | 4,655,548                 | 46,225       | 4,701,773   |
| 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)               | -            | (3,066,898) |
| Other changes in capital surplus  | -                                       | 2,558           | -             | -               | -                                | -           | -   | -        | -   | 2,558                     | -            | 2,558       |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | -                                       | -               | -             | -               | 435                              | 435         | -   | (435)    | (435)   | -                         | -            | -           |
| Cash dividends paid to non-controlling interests by subsidiaries  | -                                       | -               | -             | -               | -                                | -           | -   | -        | -   | -                         | (36,515)     | (36,515)    |
| <b>Balance at December 31, 2024</b>   | 7,302,138                               | 7,742,308       | 5,600,943     | 614,156         | 11,636,693                       | 17,851,792  | (562,748)   | 305,998  | (256,750)   | 32,639,488                | 122,608      | 32,762,096  |
| Profit for the period   | -                                       | -               | -             | -               | 4,720,934                        | 4,720,934   | -   | -        | -   | 4,720,934                 | 37,050       | 4,757,984   |
| Other comprehensive income for the period   | -                                       | -               | -             | -               | 74,654                           | 74,654      | (168,879)   | (93)     | (168,972)   | (94,318)                  | (919)        | (95,237)    |
| Total comprehensive income for the period   | -                                       | -               | -             | -               | 4,795,588                        | 4,795,588   | (168,879)   | (93)     | (168,972)   | 4,626,616                 | 36,131       | 4,662,747   |
| 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)               | -            | (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)                   | -            | (2,264)     |
| Unclaimed dividends past the statutory period   | -                                       | 2,898           | -             | -               | -                                | -           | -   | -        | -   | 2,898                     | -            | 2,898       |
| Exercising the disgorgement right   | -                                       | 89              | -             | -               | -                                | -           | -   | -        | -   | 89                        | -            | 89          |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | -                                       | -               | -             | -               | (21,579)                         | (21,579)    | -   | 21,579   | 21,579  | -                         | -            | -           |
| Cash dividends paid to non-controlling interests by subsidiaries  | -                                       | -               | -             | -               | -                                | -           | -   | -        | -   | -                         | (42,365)     | (42,365)    |
| <b>Balance as of December 31, 2025</b>  | \$ 7,302,138                            | 7,745,045       | 6,061,645     | 527,593         | 13,113,694                       | 19,702,932  | (731,627)   | 327,484  | (404,143)   | 34,345,972                | 116,374      | 34,462,346  |

See accompanying notes to consolidated financial statements.

## (English Translation of Consolidated Financial Statements Originally Issued in Chinese)

## TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

## Consolidated 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>  | \$ 5,917,433                            | 5,724,786        |
| <b>Adjustments:</b>   |   |                  |
| Adjustments to reconcile profit (loss):   |   |                  |
| Depreciation expense  | 1,579,109                               | 1,545,938        |
| Amortization expense  | 56,768                                  | 53,739           |
| Expected credit impairment losses   | 36,908                                  | 8,726            |
| Net losses (gains) on financial assets or liabilities at fair value through profit or loss        | 30,031                                  | (148,036)        |
| Interest expense  | 238,075                                 | 343,750          |
| Interest income   | (30,982)                                | (33,848)         |
| Dividend income   | (36,491)                                | (39,803)         |
| Share of profit of associates accounted for using the equity method                               | (168,972)                               | (96,770)         |
| Loss from disposal of property, plant and equipment   | 65,926                                  | 2,401            |
| Gains on lease modification   | (3)                                     | (2)              |
| Impairment losses on financial assets   | -                                       | 20,563           |
| Unrealized foreign exchange loss (gain)   | 5,654                                   | (8,777)          |
| Property, plant and equipment transferred to expense  | 152                                     | 6,955            |
| Prepayments for equipment transferred to expense  | -                                       | 7,918            |
| <b>Total adjustments to reconcile profit or loss</b>  | <b>1,776,175</b>                        | <b>1,662,754</b> |
| <b>Changes in operating assets and liabilities:</b>   |   |                  |
| (Increase) decrease in financial assets mandatorily measured at fair value through profit or loss | (70,830)                                | 126,445          |
| Increase in contract assets   | (491,672)                               | (1,065,511)      |
| (Increase) decrease in notes receivable   | (27,878)                                | 140,312          |
| Decrease in accounts receivable (including overdue receivable)                                    | 617,435                                 | 822,384          |
| Decrease(increase) in accounts receivable-related parties   | 1,368                                   | (929)            |
| Increase in other receivables-related parties   | (46,312)                                | (18,713)         |
| Decrease in inventories   | 2,382,615                               | 819,900          |
| (Increase) decrease in prepayments  | (18,128)                                | 7,821            |
| (Increase) decrease in other current assets   | (14,990)                                | 142,728          |
| Increase in net defined benefit assets  | (13,141)                                | -                |
| Increase in other operating assets  | (8,909)                                 | (4,489)          |
| <b>Total changes in operating assets</b>  | <b>2,309,558</b>                        | <b>969,948</b>   |
| Increase in contract liabilities  | 73,072                                  | 589,336          |
| (Decrease) increase in notes payable  | (225,249)                               | 231,545          |
| Decrease in accounts payable  | (243,800)                               | (314,281)        |
| Increase(decrease) in other payables  | 197,813                                 | (9,633)          |
| Increase in provisions  | 25,918                                  | 16,184           |
| (Decrease)increase in other current liabilities   | (2,316)                                 | 444              |
| Decrease in net defined benefit liability   | (28,398)                                | (46,826)         |
| <b>Total changes in operating liabilities</b>   | <b>(202,960)</b>                        | <b>466,769</b>   |
| <b>Total net changes in operating assets and liabilities</b>                                      | <b>2,106,598</b>                        | <b>1,436,717</b> |
| <b>Total adjustments</b>  | <b>3,882,773</b>                        | <b>3,099,471</b> |

See accompanying notes to consolidated financial statements.

## (English Translation of Consolidated Financial Statements Originally Issued in Chinese)

## TUNG HO STEEL ENTERPRISE CORPORATION SUBSIDIARIES

## Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollars)

|  | For the years ended December 31, |                    |
|--|----------------------------------|--------------------|
|  | 2025                             | 2024               |
| Cash inflow generated from operations  | \$ 9,800,206                     | 8,824,257          |
| Interest received  | 31,010                           | 33,356             |
| Dividends received   | 199,580                          | 160,684            |
| Interest paid  | (247,404)                        | (346,783)          |
| Income taxes paid  | (1,141,255)                      | (1,291,763)        |
| <b>Net cash flows from operating activities</b>  | <b>8,642,137</b>                 | <b>7,379,751</b>   |
| <b>Cash flows from (used in) 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                              | 2,318              |
| Proceeds from capital reduction of financial assets at fair value through other comprehensive income | 9,108                            | 5,400              |
| Proceeds from disposal of financial assets designated at fair value through profit or loss           | 34,700                           | -                  |
| Proceeds from collection of receivables from subsidiary divestiture                                  | 4,292                            | 196,039            |
| Acquisition of property, plant and equipment   | (1,075,263)                      | (946,306)          |
| Proceeds from disposal of property, plant and equipment  | 4,332                            | 2,568              |
| (Increase) decrease in refundable deposits   | (101,787)                        | 54,908             |
| Acquisition of investment property   | (8,334)                          | (56,012)           |
| Increase in other financial assets   | (40,600)                         | (95,464)           |
| Increase in prepayments for equipment  | (124,116)                        | (106,499)          |
| <b>Net cash flows used in investing activities</b>   | <b>(1,413,441)</b>               | <b>(946,906)</b>   |
| <b>Cash flows from (used in) financing activities:</b>   |                                  |                    |
| Increase in short-term loans   | 79,588,062                       | 87,285,464         |
| Decrease in short-term loans   | (82,076,728)                     | (92,498,344)       |
| 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                        | 5,807,000          |
| Repayments of long-term loans  | (5,406,170)                      | (4,200,110)        |
| (Decrease) increase in guarantee deposits received   | (2,260)                          | 2,525              |
| Payment of lease liabilities   | (55,261)                         | (50,863)           |
| Cash dividends paid  | (2,920,855)                      | (3,066,898)        |
| Disgorgement right   | 89                               | -                  |
| Change in non-controlling interests  | (42,365)                         | (36,167)           |
| <b>Net cash flows used in financing activities</b>   | <b>(7,325,488)</b>               | <b>(6,757,393)</b> |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>                                  | <b>(155,255)</b>                 | <b>110,963</b>     |
| <b>Net decrease in cash and cash equivalents</b>   | <b>(252,047)</b>                 | <b>(213,585)</b>   |
| <b>Cash and cash equivalents at beginning of period</b>  | <b>1,519,082</b>                 | <b>1,732,667</b>   |
| <b>Cash and cash equivalents at end of period</b>  | <b>\$ 1,267,035</b>              | <b>1,519,082</b>   |

See accompanying notes to consolidated financial statements.

**(English Translation of Consolidated Financial Statements Originally Issued in Chinese)**

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated 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 and its subsidiaries (the “Consolidated Company”) are primarily involved in manufacturing and selling Re-Bar, Section, and Plate.

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

The consolidated financial statements 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 Consolidated Company has initially adopted the following new amendments, which do not have a significant impact on its consolidated 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 Consolidated 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 AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Consolidated Company invested in ESG-linked bonds and may need to change the classification due to the amendments. The Consolidated Company is continually evaluating the impact of its initial adoption of the amendments on its consolidated 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 Consolidated 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 Consolidated Company has initiated a payment instruction that results in all of the following: (a) the Consolidated Company having no practical ability to withdraw, stop or cancel the payment instruction; (b) the Consolidated 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 Consolidated Company shall apply this derecognition exception consistently to all settlements made through the same electronic payment system.

The Consolidated 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 consolidated financial statements.

(ii) Other amendments

The following amendments are not expected to have a significant impact on the Consolidated 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 AND SUBSIDIARIES**  
**Notes to the Consolidated 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 Consolidated 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<br>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 AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

The Consolidated 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 consolidated 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 policies**

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

(a) Statement of compliance

These consolidated 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” ) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial instruments measured 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 defined benefit obligation.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Functional and presentation currency

Each entity within the Consolidated Company uses the currency of the primary economic environment in which it operates as its functional currency. The consolidated financial statements are presented in New Taiwan Dollars (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparing consolidated financial statements

The Consolidated Company comprise of the Company and the entities over which it possessed control (its subsidiaries). When the Company is exposed to variable rewards and the right to such rewards of an entity, the Company possesses control over such entities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Balances, transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in the preparation of the consolidated financial statements. Attributable comprehensive income to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The financial statements of the subsidiaries have been adjusted so that they align with the accounting policies of the Consolidated Company.

Changes in the Consolidated Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Adjustments or differences between purchase consideration and fair value of non-controlling interest are recognized as equity attributable to the owners of the Company.

(ii) List of subsidiaries in the consolidated financial statements :

| Investor                             | The name of subsidiaries                   | Business activity   | Percentage of ownership |                   | Note |
|--------------------------------------|--|---|-------------------------|-------------------|------|
|                                      |  |   | December 31, 2025       | December 31, 2024 |      |
| The Company                          | Tung Yuan International Corp.              | Investment activities   | 100.00 %                | 100.00 %          |      |
| The Company                          | Tung Kang Steel Structure Corp.            | Steel structure engineering construction  | 97.48 %                 | 97.48 %           |      |
| The Company                          | Goldham Development Ltd.                   | Investment activities   | 100.00 %                | 100.00 %          |      |
| The Company                          | Katec Creative Resources Corporation       | Waste recycling   | 99.02 %                 | 99.02 %           |      |
| The Company                          | Tung Kang Wind Power Corp.                 | Development, generation, transmission, distribution, and sale of Wind Power Electricity | 100.00 %                | 100.00 %          |      |
| The Company                          | Tung Ho Steel Vietnam Corp., Ltd. (THSVC)  | Steel industry  | 100.00 %                | 100.00 %          |      |
| Tung Yuan International Corp.        | 3 Oceans International Inc.                | Investment activities   | 66.51 %                 | 66.51 %           |      |
| Tung Yuan International Corp.        | Duc Hoa International J.S.C.(Duc Hoa)      | Quicklime manufacturing   | 96.00 %                 | 96.00 %           |      |
| Tung Kang Steel Structure Corp.      | Tung Kang Engineering & Construction Corp. | Civil engineering   | 100.00 %                | 100.00 %          |      |
| Katec Creative Resources Corporation | Duc Hoa                                    | Quicklime manufacturing   | 2.71 %                  | 2.71 %            |      |
| THSVC                                | Duc Hoa                                    | Quicklime manufacturing   | 1.29 %                  | 1.29 %            |      |

(iii)List of subsidiaries which are not included in the consolidated financial statements: None.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Consolidated Company entities 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 at 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 an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in 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 presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the 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 Consolidated 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 Consolidated 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.

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

The Consolidated 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;

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or 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 Consolidated 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 Consolidated 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.
- (f) Cash and cash equivalents

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

- (g) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Consolidated 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.

- (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 Consolidated 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.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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 under 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 Consolidated 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 Consolidated Company's right to receive payment is established.

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

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
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The Consolidated Company measures loss allowances at an amount equal to lifetime expected credit loss (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 accounts receivable and contract assets are 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 Consolidated 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 Consolidated Company's historical experience and informed credit assessment as well as forwardlooking information.

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

The Consolidated 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 Consolidated Company in full.

The Consolidated 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'.

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 Consolidated 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 Consolidated Company in accordance with the contract and the cash flows that the Consolidated Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
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At each reporting date, the Consolidated Company assesses whether the credit of financial assets carried at amortized cost are impaired. The credit of a financial asset is 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 the credit of a financial assets is impaired includes the following observable information :

- 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.

The gross carrying amount of a financial asset is written off when the Consolidated Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Consolidated 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 Consolidated 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 Consolidated Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Company are classified as financial liabilities in accordance with the substance of the contractual arrangements and the definitions of a financial liability.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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 Consolidated Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Consolidated 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.

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 Consolidated 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.

(h) 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.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Investment in associates

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

The Consolidated 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 Consolidated 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 Consolidated Company, from the date on which significant influence commences until the date on which significant influence ceases. The Consolidated 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 Consolidated Company and an associate are recognized only to the extent of unrelated Consolidated Company's interests in the associate. When the Consolidated 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 Consolidated Company has incurred legal or constructive obligations or made payments on behalf of the associate.

The Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Company's ownership interest in an associate is reduced while it continues to apply the equity method, the Consolidated 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 Consolidated Company continues to apply the equity method without remeasuring the retained interest.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
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When the Consolidated 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 Consolidated Company's proportionate interest in the net assets of the associate. The Consolidated 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 Consolidated 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

(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.

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 Consolidated Company.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(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 and adjusted if appropriate.

(l) Leases

(i) Identifying a lease

At inception of a contract, the Consolidated 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.

(ii) As a lessee

The Consolidated 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 Consolidated Company's incremental borrowing rate. Generally, the Consolidated Company uses its incremental borrowing rate as the discount rate.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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 Consolidated Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment on whether it will exercise a purchase; or
- there is a change of its assessment on whether it will exercise a purchase, 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.

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

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

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) As a lessor

When the Consolidated 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 Consolidated 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 Consolidated Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(m) Natural resource

Natural resource is the mining right acquired for a specific area and the necessary cost incurred to acquire the mining right, including developing costs. It is measured at costs less accumulated amortization and accumulated impairment. Natural resource is amortized after the mining license is acquired by production life (20 years) using the straight-line method, with the amortized amount recognized through profit or loss.

Salvage value, amortization period, and amortization method should be inspected at least at every fiscal year-end. If any changes occur, changes should be recognized as changes in accounting estimate.

(n) Impairment of non-financial assets

The Consolidated Company assesses whether impairment has occurred on its non-financial assets other than inventories, contract assets, and deferred tax assets at every reporting date, and estimates the recoverable amounts of assets with indication of impairment. If it is not able to estimate the recoverable amounts of the individual assets, the Company estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

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 assets or CGU is the greater of its fair value less costs of disposal and its value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized immediately in profit or loss.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(o) Provisions

A provision is recognized if, as a result of a past event, the Consolidated Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Warranties

A provision for warranties is recognized based on the estimated expenditures that may incur during the warranty period of the contracted projects. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Provisions are reversed when actual expenditures incur. If the expenditures exceed the balance of the provisions, they are recognized as expenses for the period.

(ii) Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Consolidated Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Consolidated Company recognizes any impairment loss on the assets associated with that contract.

(iii) 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.

(p) Revenue recognition

Revenue is measured based on the consideration to which the Consolidated Company expects to be entitled in exchange for transferring goods or services to a customer. The Consolidated 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 Consolidated Company's main types of revenue are explained below :

(i) Sale of goods

The Consolidated 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 Consolidated Company has objective evidence that all criteria for acceptance have been satisfied.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Construction contracts

The Consolidated Company engages in construction contracts. Because its customer controls the asset as it is constructed, the Consolidated Company recognizes revenue over time on the basis of the construction costs incurred to date as a proportion of the total estimated costs of the contract. The customer pays the fixed amount based on a payment schedule. If the Consolidated Company has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

If the Consolidated Company cannot reasonably measure its progress towards the completion of a construction contract, the Consolidated Company shall recognize revenue only to the extent of the costs expected to be recovered.

A provision for onerous contracts is recognized when the Consolidated Company expects the unavoidable costs of performing the obligations under a construction contract exceed the economic benefits expected to be received under the contract.

Estimates of revenues, costs, or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The Consolidated Company recognizes provisions for its warranty for the agreed specifications of the construction contracts.

(iii) Re-Bar Processing Services

The Consolidated Company provides Re-Bar processing services, and the related income is recognized during the financial reporting period of the provision of labor services.

If the situation changes, under a fixed price contract, the customer pays a fixed amount according to the agreed schedule. A contract liability is recognized when the payment exceeds the service rendered.

The Consolidated 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.

(iv) Rendering of services

The Consolidated Company is engaged in the collection and disposal services of electric arc furnace dusts (EAF dusts). The revenue is recognized when the services are completed. The total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The Consolidated Company does not expect significant differences in the timing of revenue recognition for these services.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(v) Financing components

The Consolidated Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Consolidated Company does not adjust any of the transaction prices for the time value of money.

(q) Contract costs

(i) Incremental costs of obtaining a contract

The Consolidated Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Consolidated Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Consolidated Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Consolidated Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

(ii) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of other standards (for example, IAS 2 “Inventories”, IAS 16 “Property, Plant and Equipment” or IAS 38 “Intangible Assets”), the Consolidated Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Consolidated Company can specifically identify;
- the costs generate or enhance resources of the Consolidated Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Consolidated Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Consolidated Company recognizes these costs as expenses when incurred.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as expense for the period in which services are rendered by employees.

(ii) Defined benefit plans

The Consolidated 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 Consolidated Company, an asset is recognized but the recognized asset is limited to the total of 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.

Remeasurement of the net defined benefit liability, comprising 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 Consolidated 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 Consolidated 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 Consolidated 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.

(s) 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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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 Consolidated Company 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.

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.

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 Consolidated 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.

(t) Earnings per share

The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding after adjustments for the effects of all potentially dilutive ordinary shares, including convertible bonds.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(u) Operating segments

An operating segment is a component of the Consolidated Company that engages in business activities from which it may incur revenues and incur expenses. Operating results of the operating segment are regularly reviewed by the Consolidated Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

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

In preparing these consolidated 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 Consolidated 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.

(a) Judgment of whether the Consolidated Company has substantive control over its investees

The Consolidated Company holds 46.19% and 35% of the outstanding voting shares of its associates, Katec R&D Corp. and Fujian Sino-Japan Metal Corp., respectively, and is the single largest shareholder of both investees. Although the remaining shares are not concentrated within specific shareholders, the Consolidated Company still cannot obtain more than half of their directors and the voting rights at their shareholders' meeting. Therefore, it is determined that the Consolidated Company has significant influence but not control over both associates.

(b) Impairment evaluation of property, plant and equipment

In the process of evaluating impairment, the Consolidated Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups considering of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years.

(c) Revenue recognition of construction contracts

Contract revenue are recognized by reference to the stage of completion of each contract. The stage of completion of a contract is measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Estimated total contract costs of contracted items are assessed and determined by the management based on the nature of activities, expected sub-contracting charges, construction periods, processes, methods, etc., for each construction contract. Changes in these estimates might affect the calculation of the percentage of completion and related profits from construction contracts.

The Consolidated Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value. The Consolidated 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.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Consolidated 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. prices) or indirectly (i.e. derived from prices).
- (c) Level 3 : inputs for the assets or liability that are not based on observable market data.

For any transfers between 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
- (ii) Note 6(x), Financial instruments

**(6) Explanation of significant accounts**

- (a) Cash and cash equivalents

|  | <b>December 31,<br/>2025</b> | <b>December 31,<br/>2024</b> |
|--|------------------------------|------------------------------|
| Cash on hand   | \$ 2,841                     | 2,646                        |
| Checking and demand deposits                             | 844,266                      | 911,082                      |
| Term deposits  | 419,928                      | 385,771                      |
| Repurchase agreement                                     | -                            | 219,583                      |
| Cash and cash equivalents in the statement of cash flows | <b><u>\$ 1,267,035</u></b>   | <b><u>1,519,082</u></b>      |

- (i) Please refer to Note 6(x) for interest rate risk and sensitivity analysis of the financial assets and liabilities of the Consolidated 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 and other current or non-current assets. Please refer to Note 8 for details.

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

|  | <b>December 31,<br/>2025</b> | <b>December 31,<br/>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><u>\$ 111,606</u></b>     | <b><u>109,204</u></b>        |

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|   | <b>December 31,<br/>2025</b> | <b>December 31,<br/>2024</b> |
|---|------------------------------|------------------------------|
| Financial liabilities at fair value through profit or loss: |                              |                              |
| Derivative instruments not used for hedging                 |                              |                              |
| Foreign exchange forward contracts                          | \$ -                         | 3,855                        |
| Over-the-counter contract                                   | 158                          | -                            |
| Total   | <b>\$ 158</b>                | <b>3,855</b>                 |

The Consolidated Company holds derivative financial instruments to hedge certain foreign exchange and price risk exposures 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 assets and liabilities.

(i) Foreign exchange forward contracts

| <b>December 31, 2025</b>   |  |                  |                       |
|----------------------------|--|------------------|-----------------------|
|                            | <b>Nominal amount<br/>(in thousands)</b> | <b>Currency</b>  | <b>Maturity dates</b> |
| Forward exchange purchased | USD <u>17,299</u>                        | Buy USD/Sell NTD | 2026.01.02~2026.03.27 |
| <b>December 31, 2024</b>   |  |                  |                       |
|                            | <b>Nominal amount<br/>(in thousands)</b> | <b>Currency</b>  | <b>Maturity dates</b> |
| Forward exchange purchased | USD <u>21,292</u>                        | Buy USD/Sell NTD | 2025.01.02~2025.02.27 |
| Forward exchange sold      | USD <u>12,000</u>                        | Sell USD/Buy NTD | 2025.01.17~2025.04.15 |

(ii) Over-the-counter contract:

The Consolidated 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<br/>(in tons)</b> | <b>Price exchange<br/>(in thousands of USD)</b> | <b>Maturity dates</b> |
| Billet                   | <u>10,000</u>                         | \$0.454~0.455                                   | 2026.03.06~2026.04.08 |

None of the financial assets at fair value through profit or loss was pledged as collateral as of December 31, 2025 and 2024, respectively.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

- (i) The Consolidated 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 Consolidated Company intends to hold for long-term for strategic purposes.
- (ii) In 2025, the Consolidated 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 Consolidated 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 Consolidated Company had also participated in a capital increase amount to NT\$3,858 thousand.
- (iv) For market risk, please refer to Note 6(x).
- (v) None of the financial assets were pledged.

(d) Notes and accounts receivable

|                                     | <u>December 31,</u><br><u>2025</u> | <u>December 31,</u><br><u>2024</u> |
|-------------------------------------|------------------------------------|------------------------------------|
| Notes receivable                    | \$ 101,446                         | 73,568                             |
| Accounts receivable                 | 2,768,974                          | 3,376,597                          |
| Accounts receivable-related parties | 338                                | 1,706                              |
| Overdue receivables                 | 47,993                             | 57,673                             |
| Less: loss allowance                | <u>(111,454)</u>                   | <u>(74,546)</u>                    |
|                                     | <u>\$ 2,807,297</u>                | <u>3,434,998</u>                   |

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Consolidated Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision of the Domestic Steel Segment and Steel Structure Department were determined as follows:

|                             | <b>December 31, 2025</b>     |                                   |                                 |
|-----------------------------|------------------------------|-----------------------------------|---------------------------------|
|                             | <b>Gross carrying amount</b> | <b>Weighted-average loss rate</b> | <b>Loss allowance provision</b> |
| With low risk               | \$ 315,176                   | 0%~0.30%                          | 6,571                           |
| With moderate risk          | 2,411,037                    | 0.32%~6.11%                       | 56,865                          |
| With financial difficulties | 47,993                       | 100%                              | 47,993                          |
|                             | <b><u>\$ 2,774,206</u></b>   |                                   | <b><u>111,429</u></b>           |
|                             | <b>December 31, 2024</b>     |                                   |                                 |
|                             | <b>Gross carrying amount</b> | <b>Weighted-average loss rate</b> | <b>Loss allowance provision</b> |
| With low risk               | \$ 641,498                   | 0%~0.30%                          | 6,415                           |
| With moderate risk          | 2,688,840                    | 0.68%~0.80%                       | 20,113                          |
| With financial difficulties | 47,993                       | 100%                              | 47,993                          |
|                             | <b><u>\$ 3,378,331</u></b>   |                                   | <b><u>74,521</u></b>            |

The aging analysis of Domestic Steel Department and Steel Structure Department were determined as follows:

|                             | <b>December 31, 2025</b>   | <b>December 31, 2024</b> |
|-----------------------------|----------------------------|--------------------------|
| Current                     | \$ 2,716,539               | 3,304,539                |
| 1 to 60 days past due       | 8,814                      | 824                      |
| 61 to 364 days past due     | 803                        | 24,963                   |
| More than 365 days past due | 48,050                     | 48,005                   |
|                             | <b><u>\$ 2,774,206</u></b> | <b><u>3,378,331</u></b>  |

The loss allowance provision of notes and accounts receivable from Foreign Departments and Other Departments were determined as follows:

|         | <b>December 31, 2025</b>     |                                   |                                 |
|---------|------------------------------|-----------------------------------|---------------------------------|
|         | <b>Gross carrying amount</b> | <b>Weighted-average loss rate</b> | <b>Loss allowance provision</b> |
| Current | <b><u>\$ 144,545</u></b>     | 0%~0.014%                         | <b><u>25</u></b>                |
|         | <b>December 31, 2024</b>     |                                   |                                 |
|         | <b>Gross carrying amount</b> | <b>Weighted-average loss rate</b> | <b>Loss allowance provision</b> |
| Current | <b><u>\$ 131,213</u></b>     | 0%~0.019%                         | <b><u>25</u></b>                |

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

|                                      | <b>For the years ended</b> |               |
|--------------------------------------|----------------------------|---------------|
|                                      | <b>December 31,</b>        |               |
|                                      | <b>2025</b>                | <b>2024</b>   |
| Balance at January 1                 | \$ 74,546                  | 67,273        |
| Impairment losses recognized         | 36,908                     | 11,367        |
| Amounts written off                  | -                          | (1,003)       |
| Impairment losses reversed           | -                          | (2,641)       |
| Recovery from the amount written off | -                          | (450)         |
| Balance at December 31               | <u>\$ 111,454</u>          | <u>74,546</u> |

For credit risk, please refer to Note 6(w).

(e) Other receivables

|   | <b>December 31,</b> | <b>December 31,</b> |
|---|---------------------|---------------------|
|   | <b>2025</b>         | <b>2024</b>         |
| Receivables from disposal of subsidiary | \$ -                | 20,794              |
| Tax refund receivable                   | 4,969               | 3,630               |
| Other receivables-related parties       | -                   | 1                   |
| Others                                  | 34,698              | 28,521              |
| Less: loss allowance                    | -                   | (20,794)            |
|   | <u>\$ 39,667</u>    | <u>32,152</u>       |

Receivable from disposal of subsidiary was provided for as loss allowance due to the inspection of the tax compensation and stamp duty from the State Taxation Administration in China as of December 31, 2025 and 2024, in the amounts of \$20,794 thousand (CNY4,644 thousand). The Company recovered the amount of \$4,292 thousand (CNY1,000 thousand), which was reclassified from loss allowance to other gains and losses in December 2025. The remaining balance of CNY 3,644 thousand was determined to be uncollectible and thus remained recognized as a loss allowance. Please refer to note6(x).

(f) Inventories

|  | <b>December 31,</b>  | <b>December 31,</b> |
|--|----------------------|---------------------|
|  | <b>2025</b>          | <b>2024</b>         |
| Finished goods (including consigned goods)                       | \$ 2,944,531         | 3,618,814           |
| Work in process (including consigned goods and goods in transit) | 3,556,602            | 3,772,977           |
| Raw materials (including goods in transit)                       | 7,951,137            | 9,146,739           |
| Material (including consigned goods and goods in transit)        | <u>2,232,464</u>     | <u>2,534,825</u>    |
| Inventories, net   | <u>\$ 16,684,734</u> | <u>19,073,355</u>   |

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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 Consolidated Company makes such evaluation on every reporting date.

(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 recognized was as follows:

|  | <b>For the years ended<br/>December 31,</b> |                   |
|--|---|-------------------|
|  | <b>2025</b>                                 | <b>2024</b>       |
| Cost of goods sold                                   | \$ 39,603,466                               | 42,943,878        |
| Gain from recovery of inventory market price         | (14,183)                                    | (1,563)           |
| Unallocated production overheads — capacity variance | 181,606                                     | 187,442           |
| Revenue from sales of materials and scrap            | (199,975)                                   | (230,538)         |
| Total  | <b>\$ 39,570,914</b>                        | <b>42,899,219</b> |

For the years ended December 31, 2025 and 2024, the inventory experienced a reversal of the previously recognized impairment losses due to an increase in the net realizable value. This increase was primarily attributed to the rising prices of international raw materials such as iron ore, coking coal, and steel scrap, which resulted in higher market selling prices for the inventory.

The Consolidated Company's processing costs recognized for providing services for the years ended December 31, 2025 and 2024, consisted of the following:

|                  | <b>For the years ended<br/>December 31,</b> |                |
|------------------|---|----------------|
|                  | <b>2025</b>                                 | <b>2024</b>    |
| Processing costs | <b>\$ 606,086</b>                           | <b>415,158</b> |

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(g) Investments accounted for using the equity method

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

|  | <b>December 31,<br/>2025</b>                | <b>December 31,<br/>2024</b> |
|--|---|------------------------------|
| Carrying amount of individually insignificant associates' equity | \$ <b>1,534,974</b>                         | <b>1,494,909</b>             |
|  | <b>For the years ended<br/>December 31,</b> |                              |
|  | <b>2025</b>                                 | <b>2024</b>                  |
| Attributable to the Consolidated Company:                        |   |                              |
| Net income from continuing operations                            | \$ 168,972                                  | 96,770                       |
| Other comprehensive income                                       | 16,478                                      | 217                          |
| Total  | <b>\$ 185,450</b>                           | <b>96,987</b>                |

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

|                                    | <b>For the years ended<br/>December 31,</b> |                |
|------------------------------------|---|----------------|
|                                    | <b>2025</b>                                 | <b>2024</b>    |
| Katec Research & Development Corp. | \$ 14,116                                   | 14,116         |
| Taiwan Steel Union Co., Ltd.       | 148,974                                     | 106,765        |
| Total                              | <b>\$ 163,090</b>                           | <b>120,881</b> |

- (iii) 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 Consolidated 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.

- (iv) Collateral

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

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(h) Property, plant and equipment

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

|  | <u>Land</u>         | <u>Land improvements</u> | <u>Building 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                          | \$ 5,545,585        | 29,828                   | 10,044,757                     | 31,352,949                     | 482,111                        | 391,402             | 278,097                         | 48,124,729        |
| Additions  | -                   | 12,258                   | 73,554                         | 728,288                        | 39,210                         | 2,904               | 223,635                         | 1,079,849         |
| Reclassification in (out)                              | -                   | -                        | 198,517                        | 92,386                         | 17,230                         | -                   | (239,927)                       | 68,206            |
| Disposals  | -                   | -                        | (78,147)                       | (181,543)                      | (13,230)                       | -                   | -                               | (272,920)         |
| Effects of exchange rates and others                   | -                   | -                        | (101,758)                      | (216,215)                      | (4,797)                        | -                   | (1,203)                         | (323,973)         |
| Balance as of December 31, 2025                        | <u>\$ 5,545,585</u> | <u>42,086</u>            | <u>10,136,923</u>              | <u>31,775,865</u>              | <u>520,524</u>                 | <u>394,306</u>      | <u>260,602</u>                  | <u>48,675,891</u> |
| Balance as of January 1, 2024                          | \$ 5,549,555        | 27,241                   | 9,948,920                      | 30,179,089                     | 470,089                        | 380,288             | 393,765                         | 46,948,947        |
| Additions  | -                   | 2,587                    | 26,865                         | 656,508                        | 24,147                         | 7,144               | 457,169                         | 1,174,420         |
| Reclassification in (out)                              | (3,970)             | -                        | 16,457                         | 574,891                        | -                              | 3,970               | (573,071)                       | 18,277            |
| Disposals  | -                   | -                        | (5,061)                        | (111,233)                      | (12,642)                       | -                   | -                               | (128,936)         |
| Effects of exchange rates and others                   | -                   | -                        | 57,576                         | 53,694                         | 517                            | -                   | 234                             | 112,021           |
| Balance as of December 31, 2024                        | <u>\$ 5,545,585</u> | <u>29,828</u>            | <u>10,044,757</u>              | <u>31,352,949</u>              | <u>482,111</u>                 | <u>391,402</u>      | <u>278,097</u>                  | <u>48,124,729</u> |
| <b>Accumulated depreciation and impairment losses:</b> |                     |                          |                                |                                |                                |                     |                                 |                   |
| Balance as of January 1, 2025                          | \$ -                | 5,272                    | 4,999,121                      | 23,987,610                     | 350,090                        | -                   | -                               | 29,342,093        |
| Depreciation for the period                            | -                   | 3,376                    | 260,340                        | 1,213,778                      | 37,796                         | -                   | -                               | 1,515,290         |
| Disposals  | -                   | -                        | (20,341)                       | (163,086)                      | (13,229)                       | -                   | -                               | (196,656)         |
| Effects of exchange rates and others                   | -                   | -                        | (27,646)                       | (107,279)                      | (2,830)                        | -                   | -                               | (137,755)         |
| Balance as of December 31, 2025                        | <u>\$ -</u>         | <u>8,648</u>             | <u>5,211,474</u>               | <u>24,931,023</u>              | <u>371,827</u>                 | <u>-</u>            | <u>-</u>                        | <u>30,522,972</u> |
| Balance as of January 1, 2024                          | \$ -                | 2,548                    | 4,707,599                      | 22,863,712                     | 322,843                        | -                   | -                               | 27,896,702        |
| Depreciation for the period                            | -                   | 2,724                    | 270,146                        | 1,173,670                      | 39,671                         | -                   | -                               | 1,486,211         |
| Disposals  | -                   | -                        | (4,827)                        | (105,736)                      | (12,642)                       | -                   | -                               | (123,205)         |
| Effects of exchange rates and others                   | -                   | -                        | 26,203                         | 55,964                         | 218                            | -                   | -                               | 82,385            |
| Balance as of December 31, 2024                        | <u>\$ -</u>         | <u>5,272</u>             | <u>4,999,121</u>               | <u>23,987,610</u>              | <u>350,090</u>                 | <u>-</u>            | <u>-</u>                        | <u>29,342,093</u> |
| <b>Carrying value</b>                                  |                     |                          |                                |                                |                                |                     |                                 |                   |
| Balance as of December 31, 2025                        | <u>\$ 5,545,585</u> | <u>33,438</u>            | <u>4,925,449</u>               | <u>6,844,842</u>               | <u>148,697</u>                 | <u>394,306</u>      | <u>260,602</u>                  | <u>18,152,919</u> |
| Balance as of December 31, 2024                        | <u>\$ 5,545,585</u> | <u>24,556</u>            | <u>5,045,636</u>               | <u>7,365,339</u>               | <u>132,021</u>                 | <u>391,402</u>      | <u>278,097</u>                  | <u>18,782,636</u> |

(i) Land borrowed name registration and trust registration

Several agricultural lands of the Consolidated 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 Consolidated 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 | \$ 394,306               | 391,402                  |
| Investment property           | 71,952                   | 553,564                  |
|                               | <u>\$ 466,258</u>        | <u>944,966</u>           |

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Impairment

For the years ended December 31, 2025 and 2024, the Consolidated Company performed an assessment on the property, plant and equipment that indicated impairment. The recoverable amount was calculated using the value in use. For the years ended December 31, 2025 and 2024, the carrying value was higher than the value in use. The Consolidated Company recorded an impairment loss which amounted to \$6,635 thousand and \$7,242 thousand respectively.

(iii) Work in Progress – Plant and equipment

For the years ended December 31, 2025 and 2024, the capitalized interest incurred by the Consolidated 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.

(iv) 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.

(v) Collateral

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

(i) Right-of-use assets

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

|                              | <u>Land</u>       | <u>Building<br/>and<br/>structures</u> | <u>Machinery<br/>and<br/>equipment</u> | <u>Transportation<br/>equipment</u> | <u>Office<br/>equipment</u> | <u>Total</u>   |
|------------------------------|-------------------|--|--|-------------------------------------|-----------------------------|----------------|
| <b>Cost:</b>                 |                   |  |  |                                     |                             |                |
| Balance at January 1, 2025   | \$ 322,681        | 55,904                                 | 89,086                                 | 33,589                              | 7,179                       | 508,439        |
| Additions                    | 4,057             | 67,856                                 | 1,386                                  | 11,136                              | 2,083                       | 86,518         |
| Disposal                     | (1,935)           | (45,890)                               | (2,942)                                | (3,231)                             | (2,456)                     | (56,454)       |
| Effect of exchange rates     | (8,831)           | (665)                                  | (4,793)                                | -                                   | -                           | (14,289)       |
| Balance at December 31, 2025 | <u>\$ 315,972</u> | <u>77,205</u>                          | <u>82,737</u>                          | <u>41,494</u>                       | <u>6,806</u>                | <u>524,214</u> |
| Balance at January 1, 2024   | \$ 315,654        | 50,075                                 | 88,402                                 | 31,207                              | 5,607                       | 490,945        |
| Additions                    | 5,765             | 16,378                                 | -                                      | 4,877                               | 2,105                       | 29,125         |
| Disposal                     | -                 | (10,575)                               | -                                      | (2,495)                             | (533)                       | (13,603)       |
| Effect of exchange rates     | 1,262             | 26                                     | 684                                    | -                                   | -                           | 1,972          |
| Balance at December 31, 2024 | <u>\$ 322,681</u> | <u>55,904</u>                          | <u>89,086</u>                          | <u>33,589</u>                       | <u>7,179</u>                | <u>508,439</u> |

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|                                  | <u>Land</u>       | <u>Building<br/>and<br/>structures</u> | <u>Machinery<br/>and<br/>equipment</u> | <u>Transportation<br/>equipment</u> | <u>Office<br/>equipment</u> | <u>Total</u>   |
|----------------------------------|-------------------|--|--|-------------------------------------|-----------------------------|----------------|
| <b>Accumulated depreciation:</b> |                   |  |  |                                     |                             |                |
| Balance at January 1, 2025       | \$ 94,907         | 41,864                                 | 62,308                                 | 16,591                              | 3,657                       | 219,327        |
| Depreciation for the period      | 19,114            | 19,158                                 | 9,805                                  | 9,870                               | 1,138                       | 59,085         |
| Disposal                         | (1,935)           | (45,890)                               | (2,942)                                | (3,231)                             | (2,341)                     | (56,339)       |
| Effect of exchange rates         | (1,422)           | (118)                                  | (3,319)                                | -                                   | -                           | (4,859)        |
| Balance at December 31, 2025     | <u>\$ 110,664</u> | <u>15,014</u>                          | <u>65,852</u>                          | <u>23,230</u>                       | <u>2,454</u>                | <u>217,214</u> |
| Balance at January 1, 2024       | \$ 75,495         | 36,920                                 | 51,470                                 | 10,558                              | 2,973                       | 177,416        |
| Depreciation for the period      | 19,260            | 15,456                                 | 10,482                                 | 8,528                               | 1,158                       | 54,884         |
| Disposal                         | -                 | (10,575)                               | -                                      | (2,495)                             | (474)                       | (13,544)       |
| Effect of exchange rates         | 152               | 63                                     | 356                                    | -                                   | -                           | 571            |
| Balance at December 31, 2024     | <u>\$ 94,907</u>  | <u>41,864</u>                          | <u>62,308</u>                          | <u>16,591</u>                       | <u>3,657</u>                | <u>219,327</u> |
| <b>Carrying amount:</b>          |                   |  |  |                                     |                             |                |
| Balance at December 31, 2025     | <u>\$ 205,308</u> | <u>62,191</u>                          | <u>16,885</u>                          | <u>18,264</u>                       | <u>4,352</u>                | <u>307,000</u> |
| Balance at December 31, 2024     | <u>\$ 227,774</u> | <u>14,040</u>                          | <u>26,778</u>                          | <u>16,998</u>                       | <u>3,522</u>                | <u>289,112</u> |

## (j) Investment property

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

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (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 Cianjhen 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 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.
- (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 as collateral as of December 31, 2025 and 2024.
- (k) Short-term loans
- (i) The details of the Consolidated Company's short-term loans were as follows:

|   | <b>December 31,<br/>2025</b> | <b>December 31,<br/>2024</b> |
|---|------------------------------|------------------------------|
| Letters of credit loans                                 | \$ 355                       | 17,439                       |
| Unsecured bank loans                                    | 6,148,957                    | 8,753,205                    |
|   | <b>\$ 6,149,312</b>          | <b>8,770,644</b>             |
| Unused credit lines (including notes and bills payable) | <b>\$ 34,418,425</b>         | <b>33,425,615</b>            |
| Range of interest rates                                 | <b>1.73%~5.20%</b>           | <b>1.71%~5.56%</b>           |

- (l) Long-term loans
- (i) The details of the Consolidated 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<br>~2030.06.12 | \$ 1,430,000        |
| Less : current portion |                          |                      |                           | (80,000)            |
| Total                  |                          |                      |                           | <b>\$ 1,350,000</b> |
| Unused credit lines    |                          |                      |                           | <b>\$ 3,200,000</b> |

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

| <b>December 31, 2024</b>   |                 |                              |                              |
|--|-----------------|------------------------------|------------------------------|
|  | <b>Currency</b> | <b>Interest rate</b>         | <b>Maturity</b>              |
| Unsecured bank loans   | TWD             | 1.79%~2.11%                  | 2025.06.12<br>~2026.11.10    |
| Less : current portion   |                 |                              | (304,846)                    |
| Total  |                 |                              | <u>\$ 2,941,324</u>          |
| Unused credit lines  |                 |                              | <u>\$ 2,681,209</u>          |
| <br>(m) Other payables   |                 |                              |                              |
|  |                 | <b>December 31,<br/>2025</b> | <b>December 31,<br/>2024</b> |
| Accrued payroll, year-end bonuses, provisionally estimated bonuses, remuneration of directors and supervisors, and employee benefits |                 | \$ 961,474                   | 911,229                      |
| Freight payable  |                 | 254,240                      | 194,189                      |
| Utilities payable  |                 | 327,508                      | 392,684                      |
| Sales bonuses payable  |                 | 386,378                      | 244,830                      |
| Waste disposal payable (including to related parties)  |                 | 76,271                       | 73,121                       |
| Taxes payable  |                 | 85,959                       | 95,002                       |
| Repair and maintenance payable   |                 | 115,289                      | 98,182                       |
| Equipment payable  |                 | 256,885                      | 252,299                      |
| Other operating and manufacturing overhead payable(including to related parties)   |                 | <u>187,265</u>               | <u>199,560</u>               |
|  |                 | <u>\$ 2,651,269</u>          | <u>2,461,096</u>             |

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

(n) Lease liabilities

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

|             | <b>December 31,<br/>2025</b> | <b>December 31,<br/>2024</b> |
|-------------|------------------------------|------------------------------|
| Current     | <u>\$ 50,850</u>             | <u>39,209</u>                |
| Non-current | <u>\$ 140,349</u>            | <u>122,965</u>               |

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The amounts recognized in profit or loss were as follows:

|  | <b>For the years ended</b> |               |
|--|----------------------------|---------------|
|  | <b>December 31,</b>        |               |
|  | <u>2025</u>                | <u>2024</u>   |
| Interest on lease liabilities  | <u>\$ 3,414</u>            | <u>3,088</u>  |
| Variable lease payments not included in the measurement of lease liabilities                     | <u>\$ 299</u>              | <u>255</u>    |
| Income from sub-leasing right-of-use assets  | <u>\$ 447</u>              | <u>450</u>    |
| Expenses relating to short-term leases   | <u>\$ 27,368</u>           | <u>28,388</u> |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | <u>\$ 7,714</u>            | <u>4,708</u>  |

The amounts recognized in the statement of cash flows by the Consolidated Company were as follows:

|                               | <b>For the years ended</b> |               |
|-------------------------------|----------------------------|---------------|
|                               | <b>December 31,</b>        |               |
|                               | <u>2025</u>                | <u>2024</u>   |
| Total cash outflow for leases | <u>\$ 93,609</u>           | <u>86,852</u> |

(i) Real estate leases

The Consolidated Company leases land and buildings for its office space and storage locations. The leases for office space and storage locations typically run for a period of 2 to 3 years ; and for land in Vietnam is 50 years. Some leases 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 Consolidated 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 Consolidated 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 Consolidated Company leases machinery equipment and transportation equipment, with lease terms of 2 to 5 years. In some cases, the Consolidated 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 Consolidated Company also leases transportation, machinery and IT equipment with contract terms of 1 to 3 years. These leases are short-term or leases of low-value items. The Consolidated Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(o) Operating lease

The Consolidated Company leases out its investment property. The Consolidated 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:

|                     | <b>December 31,<br/>2025</b> | <b>December 31,<br/>2024</b> |
|---------------------|------------------------------|------------------------------|
| Less than one year  | \$ 51,630                    | 57,410                       |
| One to two years    | 43,461                       | 46,757                       |
| Two to three years  | 43,412                       | 45,282                       |
| Three to four years | 43,352                       | 45,300                       |
| Four to five years  | 43,291                       | 45,239                       |
| Over five years     | 58,600                       | 103,779                      |
|                     | <b><u>\$ 283,746</u></b>     | <b><u>343,767</u></b>        |

The operating lease revenues for the December 31, 2025 and 2024, were \$51,414 thousand and \$48,821 thousand.

(p) Provision

|                                   | <b>December 31,<br/>2025</b> | <b>December 31,<br/>2024</b> |
|-----------------------------------|------------------------------|------------------------------|
| Carbon fees                       | \$ 6,653                     | -                            |
| Warranty provisions – current     | 4                            | 920                          |
| Warranty provisions – non-current | 157,388                      | 137,207                      |
|                                   | <b><u>\$ 164,045</u></b>     | <b><u>138,127</u></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.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Company recognized a provision for carbon fee liabilities in the amount of NT\$6,653 thousand, 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 designated 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 through payment to the Government.

(q) Employee benefits

(i) Defined benefit plan

Reconciliation between the present value of the Company's defined benefit obligation and the fair value of the plan assets were as follows :

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

Reconciliation between the present value of the subsidiaries's defined benefit obligation and the fair value of plan assets were as follows :

|   | <b>December 31,<br/>2025</b> | <b>December 31,<br/>2024</b> |
|---|------------------------------|------------------------------|
| Present value of defined benefit obligation | \$ 9,870                     | 3,360                        |
| Fair value of plan assets                   | <u>(348)</u>                 | <u>(213)</u>                 |
| Net defined benefit liabilities             | <b><u>\$ 9,522</u></b>       | <b><u>3,147</u></b>          |

The Consolidated Company's defined benefit plan contributions are made to a pension fund account maintained with the Bank of Taiwan. In accordance with the Labor Standards Act, retired employees are entitled to receive retirement benefits calculated based on their years of service and the average monthly salary for the six months preceding retirement.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

1) Composition of the plan assets

The Consolidated 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 Consolidated Company’s Bank of Taiwan labor pension reserve account balance amounted to \$1,352,612 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

The changes in the Company’s defined benefit obligation for the years ended December 31, 2025 and 2024, were as follows :

|  | <u>For the years ended December 31,</u> |                  |
|--|---|------------------|
|  | <u>2025</u>                             | <u>2024</u>      |
| Defined benefit obligations on 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                    |   |                  |
| — 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                               | <u>\$ 1,246,120</u>                     | <u>1,350,335</u> |

The changes in the subsidiary’s defined benefit obligation for the year ended December 31, 2025 and 2024, were as follows::

|   | <u>For the years ended December 31,</u> |              |
|---|---|--------------|
|   | <u>2025</u>                             | <u>2024</u>  |
| Defined benefit obligations at January 1              | \$ 3,360                                | 3,578        |
| Service cost and interest expense for the period      | 339                                     | 380          |
| Remeasurements of the net defined benefit liabilities |   |              |
| — Experience adjustments                              | 159                                     | (598)        |
| Profit or loss from past service cost                 | 6,012                                   | -            |
| Defined benefit obligations at December 31            | <u>\$ 9,870</u>                         | <u>3,360</u> |

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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</b> |                         |
|--|----------------------------|-------------------------|
|  | <b>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        |                            |                         |
| — 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> |

Changes in the subsidiaries' fair value of the plan assets were as follows :

|  | <b>For the years ended</b> |                   |
|--|----------------------------|-------------------|
|  | <b>December 31,</b>        |                   |
|  | <b>2025</b>                | <b>2024</b>       |
| Fair value of plan assets at January 1                       | \$ 213                     | 91                |
| Interest income  | 4                          | 2                 |
| Remeasurements of the net defined benefit assets:            |                            |                   |
| — Return on plan assets (excluding interests for the period) | 11                         | 3                 |
| Contributions from employer                                  | 120                        | 117               |
| Contributed to the plan December 31                          | <b><u>\$ 348</u></b>       | <b><u>213</u></b> |

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

|   | <b>For the years ended</b> |                     |
|---|----------------------------|---------------------|
|   | <b>December 31,</b>        |                     |
|   | <b>2025</b>                | <b>2024</b>         |
| Service costs for piror period              | \$ 6,012                   | -                   |
| Service costs for the period                | 5,179                      | 7,215               |
| Net interest expense of net defined benefit | 151                        | 1,830               |
|   | <b><u>\$ 11,342</u></b>    | <b><u>9,045</u></b> |

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|                         | <b>For the years ended</b> |              |
|-------------------------|----------------------------|--------------|
|                         | <b>December 31,</b>        |              |
|                         | <b>2025</b>                | <b>2024</b>  |
| Operating costs         | \$ 4,192                   | 7,051        |
| Selling expenses        | 182                        | 307          |
| Administrative expenses | 6,968                      | 1,687        |
|                         | <b>\$ 11,342</b>           | <b>9,045</b> |

4) Actuarial assumptions

The principal actuarial assumptions of the Company's actuarial valuation were as follows :

|                             | <b>For the years ended</b> |             |
|-----------------------------|----------------------------|-------------|
|                             | <b>December 31,</b>        |             |
|                             | <b>2025</b>                | <b>2024</b> |
| Discount rates              | 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.

The principal assumptions of the subsidiaries' actuarial valuation were as follows :

|                                    | <b>For the years ended</b> |             |
|------------------------------------|----------------------------|-------------|
|                                    | <b>December 31,</b>        |             |
|                                    | <b>2025</b>                | <b>2024</b> |
| Discount rate                      | 1.45~1.55%                 | 1.50 %      |
| Rates of increase in future salary | 2.00 %                     | 2.00 %      |

The expected Contribution to be made by the subsidiaries to the defined benefit plans for the one-year period after the reporting date is \$52,756 thousand. The weighted average duration of the defined benefits plans are 20.6~22.4 years.

5) 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 Consolidated</b> |                    |
|-------------------|------------------------------------|--------------------|
|                   | <b>Company's defined benefit</b>   |                    |
|                   | <b>obligations</b>                 |                    |
|                   | <b>Increase by</b>                 | <b>Decrease by</b> |
|                   | <b>0.25%</b>                       | <b>0.25%</b>       |
| December 31, 2025 |                                    |                    |
| Discount rate     | \$ (8,487)                         | 8,696              |

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|  |                                    | <b>Effects on the Consolidated<br/>Company's defined benefit<br/>obligations</b> |                              |
|--|------------------------------------|--|------------------------------|
|  |                                    | <b>Increase by<br/>1%</b>  | <b>Decrease by<br/>1%</b>    |
|  | Future salary increase rate        | \$ 35,322  | (32,714)                     |
|  |                                    | <b>Effects on the Consolidated<br/>Company's defined benefit<br/>obligations</b> |                              |
|  |                                    | <b>Increase by<br/>0.25%</b>   | <b>Decrease by<br/>0.25%</b> |
|  | December 31, 2024<br>Discount rate | \$ (10,124)  | 10,373                       |
|  |                                    | <b>Effects on the Consolidated<br/>Company's defined benefit<br/>obligations</b> |                              |
|  |                                    | <b>Increase by<br/>1%</b>  | <b>Decrease by<br/>1%</b>    |
|  | Future salary increase rate        | \$ 42,228  | (39,108)                     |

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 change of methods and assumptions used in the preparation of the sensitivity analysis for 2025 and 2024.

(ii) **Defined contribution plan**

The Consolidated 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 Consolidated 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 Consolidated Company's pension costs under the defined contribution plan were \$88,476 thousand and \$84,097 thousand for 2025 and 2024, respectively. The payment was made to the Bureau of the Labor Insurance.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (r) Income tax

(i) The details of income tax expense were as follows:

|   | <b>For the years ended</b> |                         |
|---|----------------------------|-------------------------|
|   | <b>December 31,</b>        |                         |
|   | <b>2025</b>                | <b>2024</b>             |
| Current tax expense                                   |                            |                         |
| Current period  | \$ 1,191,633               | 1,222,980               |
| Adjustment for prior periods                          | <u>(28,036)</u>            | <u>(41,480)</u>         |
|   | <u>1,163,597</u>           | <u>1,181,500</u>        |
| Deferred tax expense                                  |                            |                         |
| The origination and reversal of temporary differences | <u>(4,148)</u>             | <u>17,572</u>           |
| Income tax expenses                                   | <u><b>\$ 1,159,449</b></u> | <u><b>1,199,072</b></u> |

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   | <u><b>\$ 5,917,433</b></u>              | <u><b>5,724,786</b></u> |
| Income tax using the Company's domestic tax rate                             | \$ 1,183,487                            | 1,144,957               |
| Effect of difference in income tax rates between foreign investees           | 4,254                                   | 59,384                  |
| Permanent difference   | (91,609)                                | (101,979)               |
| Tax-exempt income  | (8,937)                                 | -                       |
| Current investment tax credits used  | (4,500)                                 | (9,886)                 |
| Use carryforward losses on unrecognized deferred tax assets                  | (16,158)                                | (16,532)                |
| Changes of unrecognized temporary difference                                 | 49,051                                  | 63,535                  |
| Losses from current periods of unrecognized deferred tax assets              | 7,485                                   | 39,734                  |
| Under (over)-estimation from prior periods                                   | 617                                     | (2,490)                 |
| 5% undistributed earnings  | 63,946                                  | 60,325                  |
| Difference between administrative remedy and assessment by the tax authority | (28,653)                                | (38,990)                |
| Other adjustments  | <u>466</u>                              | <u>1,014</u>            |
| Total  | <u><b>\$ 1,159,449</b></u>              | <u><b>1,199,072</b></u> |

## (ii) Deferred tax assets and liabilities

## 1) Unrecognized deferred tax liabilities

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

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Unrecognized deferred tax assets

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

|  | <b>December 31,<br/>2025</b> | <b>December 31,<br/>2024</b> |
|--|------------------------------|------------------------------|
| Tax effect of deductible temporary differences               | \$ 28,467                    | 33,031                       |
| Temporary differences related to investments in subsidiaries | 868,651                      | 815,037                      |
| Loss carry-forward   | <u>162,914</u>               | <u>191,705</u>               |
|  | <b><u>\$ 1,060,032</u></b>   | <b><u>1,039,773</u></b>      |

The Consolidated 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.

Tax loss carryforwards may be deducted from taxable profit in accordance with the tax laws of each jurisdiction, subject to approval by the respective tax authorities, and may be carried forward for a period of five to ten years depending on local regulations. These items have not been recognized as deferred tax assets because it remains uncertain whether the Consolidated Company will have sufficient taxable profit in the future to utilize the tax loss carryforwards.

As of December 31, 2025 and 2024, the Consolidated Company had unrecognized deferred tax assets relating to tax loss carryforwards of NT\$1,487,303 thousand and NT\$1,649,865 thousand, respectively. The expiry years of the related tax loss carryforwards are 2030 and 2029, respectively.

3) Recognized deferred tax assets and liabilities

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

|  | <b>Reserve<br/>for land<br/>appreciation<br/>tax</b> | <b>Unrealized<br/>foreign<br/>exchange<br/>gains</b> | <b>Others</b>        | <b>Total</b>          |
|--|--|--|----------------------|-----------------------|
| Deferred tax liabilities:                |  |  |                      |                       |
| Balance as of January 1, 2025            | \$ 167,174   | 4,955  | 2,101                | 174,230               |
| Recognized in profit or loss             | -  | 11,494   | 3,113                | 14,607                |
| Recognized in other comprehensive income | -  | -  | 18,600               | 18,600                |
| Balance as of December 31, 2025          | <b><u>\$ 167,174</u></b>                             | <b><u>16,449</u></b>                                 | <b><u>23,814</u></b> | <b><u>207,437</u></b> |
| Balance as of January 1, 2024            | \$ 167,174   | -  | 2,257                | 169,431               |
| Recognized in profit or loss             | -  | 4,783  | 16                   | 4,799                 |
| Balance as of December 31, 2024          | <b><u>\$ 167,174</u></b>                             | <b><u>4,783</u></b>                                  | <b><u>2,273</u></b>  | <b><u>174,230</u></b> |

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|  | Defined<br>benefit plans | Unrealized<br>loss on<br>financial<br>assets | Reversal of difference<br>on difference between<br>financial and tax<br>reports arising from<br>deferred gain on<br>foreign exchange<br>forward contracts | Loss<br>carry-forward | Others        | Total         |
|--|--------------------------|--|---|-----------------------|---------------|---------------|
| Deferred tax assets:   |                          |  |   |                       |               |               |
| Balance as of January 1, 2025  | \$ 2,437                 | 810  | 9,293   | -                     | 59,535        | 72,075        |
| Recognized in profit or loss   | (563)                    | (779)  | (1,901)   | 8,937                 | 13,061        | 18,755        |
| Recognized in other comprehensive income   | 30                       | -  | -   | -                     | -             | 30            |
| Exchange difference on translation of financial statements of foreign operating institutions | -                        | -  | -   | -                     | (85)          | (85)          |
| Balance as of December 31, 2025  | <u>\$ 1,904</u>          | <u>31</u>                                    | <u>7,392</u>  | <u>8,937</u>          | <u>72,511</u> | <u>90,775</u> |
| Balance as of January 1, 2024  | \$ 2,505                 | 12,172                                       | 11,147  | 5,259                 | 53,848        | 84,931        |
| Recognized in profit or loss   | 52                       | (11,362)                                     | (1,854)   | (5,259)               | 5,650         | (12,773)      |
| Recognized in other comprehensive income   | (120)                    | -  | -   | -                     | -             | (120)         |
| Exchange difference on translation of financial statements of foreign operating institutions | -                        | -  | -   | -                     | 37            | 37            |
| Balance as of December 31, 2024  | <u>\$ 2,437</u>          | <u>810</u>                                   | <u>9,293</u>  | <u>-</u>              | <u>59,535</u> | <u>72,075</u> |

(iii) Assessment of tax

The Company and its subsidiaries' income tax return had been examined by the ROC tax authorities through 2023.

(iv) Global minimum top-up tax

As the local statutory tax rate applicable to the Consolidated Company's subsidiary operating in Vietnam is 10%, and Vietnam's Pillar Two Model Rules became effective on January 1, 2024, the Consolidated 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 (in dollars), and total issued ordinary shares amounted to 730,214 thousand shares. All issued shares were paid up upon issuance.

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)         | <u>December 31,<br/>2025</u> | <u>December 31,<br/>2024</u> |
|---------------------|------------------------------|------------------------------|
| Total issued shares | <u>66,187,923</u>            | <u>66,187,923</u>            |
| Outstanding shares  | <u>4,919,192</u>             | <u>4,919,192</u>             |

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Capital surplus

The balances of capital surplus were as follows:

|  | <b>December 31,<br/>2025</b> | <b>December 31,<br/>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>               |
|  | <b><u>\$ 7,745,045</u></b>   | <b><u>7,742,308</u></b>      |

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 AND SUBSIDIARIES**  
**Notes to the Consolidated 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 energy-saving 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 AND SUBSIDIARIES**  
**Notes to the Consolidated 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 :

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

The 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:

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

(iv) Other equity (net of tax)

|  | Exchange<br>differences on<br>translation<br>of foreign<br>financial<br>statements | Unrealized gains<br>(losses) from<br>financial assets<br>measured at fair<br>value through<br>other<br>comprehensive<br>income | Total            |
|--|--|--|------------------|
| Balance as of January 1, 2025  | \$ (562,748)   | 305,998  | (256,750)        |
| Exchange differences on translation:   |  |  |                  |
| The Consolidated Company   | (168,879)  | -  | (168,879)        |
| Disposal of investments in equity instruments<br>measured at fair value through other comprehensive<br>income:   |  |  |                  |
| The Consolidated Company   | -  | 21,579   | 21,579           |
| Unrealized gains (losses) from financial assets<br>measured at fair value through other comprehensive<br>income: |  |  |                  |
| The Consolidated Company   | -  | 1  | 1                |
| Associates   | -  | (94)   | (94)             |
| Balance as of December 31, 2025  | <u>\$ (731,627)</u>  | <u>327,484</u>   | <u>(404,143)</u> |

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|  | Exchange<br>differences on<br>translation<br>of foreign<br>financial<br>statements | Unrealized gains<br>(losses) from<br>financial assets<br>measured at fair<br>value through<br>other<br>comprehensive<br>income | Total            |
|--|--|--|------------------|
| Balance as of January 1, 2024  | \$ (625,168)   | 319,891  | (305,277)        |
| Exchange differences on translation:   |  |  |                  |
| The Consolidated Company   | 62,420   | -  | 62,420           |
| Unrealized gains (losses) from financial assets<br>measured at fair value through other comprehensive<br>income: |  |  |                  |
| The Consolidated Company   | -  | (13,458)   | (13,458)         |
| Others:  |  |  |                  |
| The Consolidated Company   | -  | (435)  | (435)            |
| Balance as of December 31, 2024  | <u>\$ (562,748)</u>  | <u>305,998</u>   | <u>(256,750)</u> |

(t) Earnings per share

The Company's earnings per share were calculated as follows:

|  | For the years ended<br>December 31, |                  |
|--|-------------------------------------|------------------|
|  | 2025                                | 2024             |
| <b>Basic earnings per share (in dollars)</b>   | <u>\$ 6.47</u>                      | <u>6.13</u>      |
| Profit attributable to ordinary shareholders of the Company  | <u>\$ 4,720,934</u>                 | <u>4,479,837</u> |
| Weighted-average number of outstanding ordinary shares (in thousands)  | <u>730,214</u>                      | <u>730,214</u>   |
| <b>Diluted earnings per share (in dollars)</b>   | <u>\$ 6.44</u>                      | <u>6.12</u>      |
| Profit attributable to ordinary shareholders of the Company  | <u>\$ 4,720,934</u>                 | <u>4,479,837</u> |
| Weighted-average number of outstanding ordinary shares (in thousands)  | 730,214                             | 730,214          |
| Effect of dilutive potential ordinary shares   |                                     |                  |
| Effect of employee share bonus   | <u>2,561</u>                        | <u>1,716</u>     |
| Weighted-average number of outstanding ordinary shares (in thousands)<br>(after adjustments of the effect of dilutive potential ordinary shares) | <u>732,775</u>                      | <u>731,930</u>   |

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

| <b>For the year ended December 31, 2025</b> |                      |                               |                              |                   |
|---|----------------------|-------------------------------|------------------------------|-------------------|
|   | <b>Sale of goods</b> | <b>Construction contracts</b> | <b>Rendering of services</b> | <b>Total</b>      |
| Primary geographical markets:               |                      |                               |                              |                   |
| Taiwan                                      | \$ 38,242,736        | 14,754,772                    | 757,209                      | 53,754,717        |
| The Americas                                | 210,948              | -                             | -                            | 210,948           |
| Asia  | 2,546,848            | -                             | 931                          | 2,547,779         |
| Others                                      | 1,339,980            | -                             | 2,011                        | 1,341,991         |
|   | <b>\$ 42,340,512</b> | <b>14,754,772</b>             | <b>760,151</b>               | <b>57,855,435</b> |
| Main products/service lines:                |                      |                               |                              |                   |
| Re-Bar                                      | \$ 29,810,750        | -                             | -                            | 29,810,750        |
| Section                                     | 12,495,384           | -                             | -                            | 12,495,384        |
| Rendering of services                       | -                    | -                             | 760,151                      | 760,151           |
| Metal structure                             | -                    | 13,958,017                    | -                            | 13,958,017        |
| Civil engineering                           | -                    | 796,755                       | -                            | 796,755           |
| Others                                      | 34,378               | -                             | -                            | 34,378            |
|   | <b>\$ 42,340,512</b> | <b>14,754,772</b>             | <b>760,151</b>               | <b>57,855,435</b> |
| <b>For the year ended December 31, 2024</b> |                      |                               |                              |                   |
|   | <b>Sale of goods</b> | <b>Construction contracts</b> | <b>Rendering of services</b> | <b>Total</b>      |
| Primary geographical markets:               |                      |                               |                              |                   |
| Taiwan                                      | \$ 40,851,046        | 13,433,419                    | 561,444                      | 54,845,909        |
| The Americas                                | 71,459               | -                             | -                            | 71,459            |
| Asia  | 3,036,647            | -                             | 1,378                        | 3,038,025         |
| Others                                      | 2,205,289            | -                             | 2,315                        | 2,207,604         |
|   | <b>\$ 46,164,441</b> | <b>13,433,419</b>             | <b>565,137</b>               | <b>60,162,997</b> |
| Main products/service lines:                |                      |                               |                              |                   |
| Re-Bar                                      | \$ 32,208,234        | -                             | -                            | 32,208,234        |
| Section                                     | 13,763,511           | -                             | -                            | 13,763,511        |
| Billet                                      | 3,165                | -                             | -                            | 3,165             |
| Rendering of services                       | -                    | -                             | 565,137                      | 565,137           |
| Metal structure                             | -                    | 12,554,093                    | -                            | 12,554,093        |
| Civil engineering                           | -                    | 879,326                       | -                            | 879,326           |
| Others                                      | 189,531              | -                             | -                            | 189,531           |
|   | <b>\$ 46,164,441</b> | <b>13,433,419</b>             | <b>565,137</b>               | <b>60,162,997</b> |

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Contract balances

|  | <b>December 31,<br/>2025</b> | <b>December 31,<br/>2024</b> | <b>January 1,<br/>2024</b> |
|--|------------------------------|------------------------------|----------------------------|
| Notes receivable                             | \$ 101,446                   | 73,568                       | 213,880                    |
| Accounts receivable                          | 2,769,312                    | 3,378,303                    | 4,206,894                  |
| Overdue receivables                          | 47,993                       | 57,673                       | 49,439                     |
| Less: allowance for impairment               | <u>(111,454)</u>             | <u>(74,546)</u>              | <u>(67,273)</u>            |
| Total  | <b><u>\$ 2,807,297</u></b>   | <b><u>3,434,998</u></b>      | <b><u>4,402,940</u></b>    |
| Contract assets – construction contract      | <b><u>\$ 5,983,887</u></b>   | <b><u>5,492,215</u></b>      | <b><u>4,426,703</u></b>    |
| Contract liabilities – advance receipts      | \$ 1,281,379                 | 2,186,719                    | 1,737,086                  |
| Contract liabilities – construction contract | <u>2,372,697</u>             | <u>1,394,285</u>             | <u>1,254,582</u>           |
| Total  | <b><u>\$ 3,654,076</u></b>   | <b><u>3,581,004</u></b>      | <b><u>2,991,668</u></b>    |

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

The amounts 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 \$2,186,719 thousand and \$1,737,086 thousand, respectively.

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.

(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.

Employee compensation were calculated based on the Company's profit before income tax excluding the employee benefits and directors' remuneration of the period and the earnings allocation method as stated under the Company's articles of incorporation and recognized as operating expense for the for the years ended December 31, 2025 and 2024. Related information is available at the Market Observation Post System website. The detail are as follows:

|                           | <b>For the years ended<br/>December 31,</b> |                       |
|---------------------------|---|-----------------------|
|                           | <b>2025</b>                                 | <b>2024</b>           |
| Remuneration to employees | \$ 144,706                                  | 136,813               |
| Remuneration to directors | <u>115,765</u>                              | <u>109,450</u>        |
|                           | <b><u>\$ 260,471</u></b>                    | <b><u>246,263</u></b> |

There amounts, as stated in the financial statements for the years ended December 31, 2025 and 2024, are identical to those of the actual distributions.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (w) Non-operating income and expenses

## (i) Interest income

|                                    | <b>For the years ended<br/>December 31,</b> |               |
|------------------------------------|---|---------------|
|                                    | <b>2025</b>                                 | <b>2024</b>   |
| Interest income from bank deposits | \$ 27,926                                   | 31,583        |
| Other interest income              | 3,056                                       | 2,265         |
|                                    | <b>\$ 30,982</b>                            | <b>33,848</b> |

## (ii) Other income

|  | <b>For the years ended<br/>December 31,</b> |                |
|--|---|----------------|
|  | <b>2025</b>                                 | <b>2024</b>    |
| Rent income                                      | \$ 55,544                                   | 54,244         |
| Remuneration income of directors and supervisors | 51,959                                      | 34,099         |
| Dividend income                                  | 36,491                                      | 39,803         |
| Scrap income                                     | 30,707                                      | 6,505          |
|  | <b>\$ 174,701</b>                           | <b>134,651</b> |

## (iii) Other gains and losses

|   | <b>For the years ended<br/>December 31,</b> |               |
|---|---|---------------|
|   | <b>2025</b>                                 | <b>2024</b>   |
| Losses on disposal of property, plant and equipment                                     | \$ (65,926)                                 | (2,401)       |
| Foreign exchange losses   | (4,674)                                     | (47,586)      |
| Losses (gains) on financial assets /liabilities at fair value<br>through profit or loss | (30,031)                                    | 148,036       |
| Property, plant and equipment transferred to expense                                    | -   | (6,955)       |
| Prepayments for equipment transferred to expense  | -   | (7,918)       |
| Compensation income   | 8,895                                       | 3,538         |
| Impairment losses on financial assets   | -   | (20,563)      |
| Government grants   | 6,005                                       | 10,198        |
| Others  | 19,646                                      | 21,976        |
|   | <b>\$ (66,085)</b>                          | <b>98,325</b> |

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (iv) Finance costs

|  | <b>For the years ended</b> |                |
|--|----------------------------|----------------|
|  | <b>December 31,</b>        |                |
|  | <b>2025</b>                | <b>2024</b>    |
| Interest Expense                       |                            |                |
| Bank loans                             | \$ 239,715                 | 342,026        |
| Interest on domestic commercial papers | -                          | 2,370          |
| Lease liabilities                      | 3,414                      | 3,088          |
| Less: interest capitalization          | (5,054)                    | (3,734)        |
|  | <b>\$ 238,075</b>          | <b>343,750</b> |

## (x) Financial instruments

## (i) Credit risk

## 1) Credit risk exposure

The carrying amount of financial assets excluding cash and cash equivalents represents the Consolidated Company's maximum credit exposure. As of December 31, 2025 and 2024, the maximum exposure to credit risk amounted to \$4,184,268 thousand and \$4,553,010 thousand, respectively.

## 2) Concentration of credit risk

Credit risk, which is mainly generated from operating activities, is the risk that counterparties default. The Consolidated Company only deals with counterparties that are reputable. Therefore, it is not expected to generate any material credit risk. Moreover, the Consolidated 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.

## (ii) Liquidity risk

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

|  | <u>Carrying amount</u> | <u>Contractual cash flows</u> | <u>Within 6 months</u> | <u>6-12 months</u> | <u>1-2 years</u> | <u>2-5 years</u> | <u>Over 5 years</u> |
|--|------------------------|-------------------------------|------------------------|--------------------|------------------|------------------|---------------------|
| <b>December 31, 2025</b>   |                        |                               |                        |                    |                  |                  |                     |
| Non-derivative financial liabilities                               |                        |                               |                        |                    |                  |                  |                     |
| Unsecured bank loans   | \$ 7,579,312           | 7,646,840                     | 6,225,318              | 52,411             | 1,164,520        | 204,591          | -                   |
| Current financial liabilities at fair value through profit or loss | 158                    | 158                           | 158                    | -                  | -                | -                | -                   |
| Lease liabilities  | 191,199                | 200,410                       | 27,539                 | 26,146             | 44,498           | 61,410           | 40,817              |
| Accounts and notes payable   | 2,451,534              | 2,451,534                     | 2,451,534              | -                  | -                | -                | -                   |
| Other payables   | 2,651,269              | 2,651,269                     | 2,510,988              | 140,281            | -                | -                | -                   |
| Guarantee deposits received  | 7,281                  | 7,281                         | 6,920                  | 361                | -                | -                | -                   |
|  | <b>\$ 12,880,753</b>   | <b>12,957,492</b>             | <b>11,222,457</b>      | <b>219,199</b>     | <b>1,209,018</b> | <b>266,001</b>   | <b>40,817</b>       |

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

| December 31, 2024  | <u>Carrying amount</u> | <u>Contractual cash flows</u> | <u>Within 6 months</u> | <u>6-12 months</u> | <u>1-2 years</u> | <u>2-5 years</u> | <u>Over 5 years</u> |
|--|------------------------|-------------------------------|------------------------|--------------------|------------------|------------------|---------------------|
| Non-derivative financial liabilities                               |                        |                               |                        |                    |                  |                  |                     |
| Unsecured bank loans   | \$ 12,016,814          | 12,117,434                    | 8,619,952              | 534,181            | 2,963,301        | -                | -                   |
| Current financial liabilities at fair value through profit or loss | 3,855                  | 3,855                         | 3,855                  | -                  | -                | -                | -                   |
| Lease liabilities  | 162,174                | 171,084                       | 22,273                 | 19,283             | 36,631           | 45,634           | 47,263              |
| Accounts and notes payable   | 2,920,583              | 2,920,583                     | 2,920,583              | -                  | -                | -                | -                   |
| Other payables   | 2,461,096              | 2,461,096                     | 2,461,096              | -                  | -                | -                | -                   |
| Guarantee deposits received  | 9,541                  | 9,541                         | 9,541                  | -                  | -                | -                | -                   |
|  | <u>\$ 17,574,063</u>   | <u>17,683,593</u>             | <u>14,037,300</u>      | <u>553,464</u>     | <u>2,999,932</u> | <u>45,634</u>    | <u>47,263</u>       |

The Consolidated Company does not expected 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 Consolidated Company's financial assets and liabilities exposed to significant exchange rate risk were as follows:

|                              | <u>December 31, 2025</u> |                      |            | <u>December 31, 2024</u> |                      |            |
|------------------------------|--------------------------|----------------------|------------|--------------------------|----------------------|------------|
|                              | <u>Foreign currency</u>  | <u>Exchange rate</u> | <u>NTD</u> | <u>Foreign currency</u>  | <u>Exchange rate</u> | <u>NTD</u> |
| <u>Financial assets</u>      |                          |                      |            |                          |                      |            |
| <u>Monetary items</u>        |                          |                      |            |                          |                      |            |
| USD                          | \$ 72,424                | 31.43                | 2,276,286  | 61,291                   | 32.79                | 2,009,732  |
| CNY                          | -                        | 4.496                | -          | 2,709                    | 4.478                | 12,131     |
| <u>Financial liabilities</u> |                          |                      |            |                          |                      |            |
| <u>Monetary items</u>        |                          |                      |            |                          |                      |            |
| USD                          | \$ 79,505                | 31.43                | 2,498,842  | 54,024                   | 32.79                | 1,771,447  |
| CNY                          | 1,112                    | 4.496                | 5,000      | 27                       | 4.478                | 121        |

Since the Consolidated Company has many kinds of functional currency, the information on foreign exchange (losses) gains on monetary items is disclosed by total amount. For the years ended December 31, 2025 and 2024, the foreign exchange losses (including realized and unrealized portions) amounted to \$4,674 thousand and \$47,586 thousand, respectively.

2) Sensitivity analysis

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

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|                   | <u>Effect of<br/>appreciation on<br/>profit after tax</u> | <u>Effect of<br/>depreciation on<br/>profit after tax</u> |
|-------------------|---|---|
| December 31, 2025 |   |   |
| USD               | \$ (1,780)  | 1,780   |
| CNY               | <u>(40)</u>   | <u>40</u>   |
|                   | <u>\$ (1,820)</u>   | <u>1,820</u>  |
| December 31, 2024 |   |   |
| USD               | \$ 1,906  | (1,906)   |
| CNY               | <u>96</u>   | <u>(96)</u>   |
|                   | <u>\$ 2,002</u>   | <u>(2,002)</u>  |

(iv) Interest rate analysis

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

The following sensitivity analysis is based on the risk exposure to interest rates of the 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 change in interest rate.

If the interest rate increases by 1%, the Consolidate Company's net profit after tax will decrease by \$60,634 thousand and \$96,135 thousand for the years ended December 31, 2025 and 2024 respectively, assuming all other variable factors remain constant.

(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 :

|   | <u>For the years ended December 31,</u>             |                             |   |                             |
|---|---|-----------------------------|---|-----------------------------|
|   | <u>2025</u>   |                             | <u>2024</u>   |                             |
| <u>Security price at<br/>the reporting<br/>date</u> | <u>Other<br/>comprehensive<br/>income after tax</u> | <u>Profit<br/>after tax</u> | <u>Other<br/>comprehensive<br/>income after tax</u> | <u>Profit<br/>after tax</u> |
| 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>              |

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(vi) Fair value of financial instruments

1) Types and fair value of financial instruments

The fair value of the Consolidated 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 Consolidated 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:

|   | December 31, 2025    |                |              |                |                |
|---|----------------------|----------------|--------------|----------------|----------------|
|   | Book<br>value        | Fair value     |              |                | Total          |
|   |                      | Level 1        | Level 2      | Level 3        |                |
| Financial assets at fair value through profit or loss             |                      |                |              |                |                |
| Derivative financial assets— forward foreign exchange contracts   | \$ 3,590             | -              | 3,590        | -              | 3,590          |
| Derivative financial assets-stocks listed on domestic markets     | 108,016              | 108,016        | -            | -              | 108,016        |
| Subtotal  | 111,606              | 108,016        | 3,590        | -              | 111,606        |
| Financial assets at fair value through other comprehensive income |                      |                |              |                |                |
| Domestic listed stocks  | \$ 411,260           | 411,260        | -            | -              | 411,260        |
| Unquoted equity instruments measured at fair value                | 314,506              | -              | -            | 314,506        | 314,506        |
| Subtotal  | 725,766              | 411,260        | -            | 314,506        | 725,766        |
| Financial assets measured at amortized cost                       |                      |                |              |                |                |
| Cash and cash equivalents   | 1,267,035            | -              | -            | -              | -              |
| Notes and accounts receivable                                     | 2,807,297            | -              | -            | -              | -              |
| Other receivables   | 39,667               | -              | -            | -              | -              |
| Refundable deposits and pledged deposits                          | 499,882              | -              | -            | -              | -              |
| Subtotal  | 4,613,881            | -              | -            | -              | -              |
| Total   | <u>\$ 5,451,253</u>  | <u>519,276</u> | <u>3,590</u> | <u>314,506</u> | <u>837,372</u> |
| Financial liabilities at fair value through profit or loss        |                      |                |              |                |                |
| Derivative financial liabilities— over the counter contracts      | \$ 158               | -              | -            | -              | -              |
| Financial liabilities measured at amortized cost                  |                      |                |              |                |                |
| Short-term loans  | 6,149,312            | -              | -            | -              | -              |
| Long-term loans (including current portion)                       | 1,430,000            | -              | -            | -              | -              |
| Notes and accounts payable  | 2,451,534            | -              | -            | -              | -              |
| Other payables  | 2,651,269            | -              | -            | -              | -              |
| Lease liabilities (including current portion)                     | 191,199              | -              | -            | -              | -              |
| Guarantee deposits received                                       | 7,281                | -              | -            | -              | -              |
| Subtotal  | 12,880,595           | -              | -            | -              | -              |
| Total   | <u>\$ 12,880,753</u> | <u>-</u>       | <u>-</u>     | <u>-</u>       | <u>-</u>       |

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|   | December 31, 2024    |                |              |                |                |
|---|----------------------|----------------|--------------|----------------|----------------|
|   | Book<br>value        | Fair value     |              |                | Total          |
|   |                      | Level 1        | Level 2      | Level 3        |                |
| Financial assets at fair value through profit or loss                 |                      |                |              |                |                |
| Non-derivative financial assets – stocks listed on domestic market    | \$ 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  | <u>619,100</u>       | <u>432,618</u> | <u>-</u>     | <u>186,482</u> | <u>619,100</u> |
| Financial assets measured at amortized cost                           |                      |                |              |                |                |
| Cash and cash equivalents   | 1,519,082            | -              | -            | -              | -              |
| Notes and accounts receivable   | 3,434,998            | -              | -            | -              | -              |
| Other receivables   | 32,152               | -              | -            | -              | -              |
| Refundable deposits and pledged deposits                              | 357,556              | -              | -            | -              | -              |
| Subtotal  | <u>5,343,788</u>     | <u>-</u>       | <u>-</u>     | <u>-</u>       | <u>-</u>       |
| Total   | <u>\$ 6,072,092</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 | \$ 3,855             | -              | 3,855        | -              | 3,855          |
| Financial liabilities measured at amortized cost                      |                      |                |              |                |                |
| Short-term loans  | 8,770,644            | -              | -            | -              | -              |
| Long-term loans (including current portion)                           | 3,246,170            | -              | -            | -              | -              |
| Notes and accounts payable  | 2,920,583            | -              | -            | -              | -              |
| Other payables  | 2,461,096            | -              | -            | -              | -              |
| Lease liabilities (including current portion)                         | 162,174              | -              | -            | -              | -              |
| Guarantee deposits received   | 9,541                | -              | -            | -              | -              |
| Subtotal  | <u>17,570,208</u>    | <u>-</u>       | <u>-</u>     | <u>-</u>       | <u>-</u>       |
| Total   | <u>\$ 17,574,063</u> | <u>-</u>       | <u>3,855</u> | <u>-</u>       | <u>3,855</u>   |

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.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Fair value of the Consolidated 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 Consolidated 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.

3) Transfers between Level 1 and Level 2

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

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

4) Reconciliation of Level 3 fair values

|   | <b>Fair value<br/>through other<br/>comprehensive<br/>income</b><br><hr/> <b>Unquoted<br/>equity<br/>instruments</b> |
|---|--|
| 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                                     | <b>\$ <u>314,506</u></b>   |
| January 1, 2024                                       | \$ 199,411   |
| Purchased   | 3,858  |
| Capital reduction and return of shares                | (5,400)  |
| Total losses recognized in other comprehensive income | (9,069)  |
| Disposals   | <u>(2,318)</u>   |
| December 31, 2024                                     | <b>\$ <u>186,482</u></b>   |

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<br/>December 31,</b><br><hr/> <b>2025</b> <b>2024</b> |                       |
|--|--|-----------------------|
| Total gains (losses) recognized in other comprehensive income (Note) | <b>\$ <u>29,613</u></b>  | <b><u>(9,122)</u></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 Consolidated 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 Consolidated 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 AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Quantified information of significant unobservable inputs was as follow:

| <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 – equity investments 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)                     | · The higher the multiplier, the higher the fair value                                       |
|   |                                    | · Discount for lack of marketability (24.72%~28.07% and 21.16%~35.84%, as of December 31, 2025 and 2024) | · The higher the discount lack of marketability, the lower the fair value                    |
|   | · Asset method                     | · Net asset value  | · The higher the net assets, the higher the fair value                                       |
|   |                                    | · Discount for lack of marketability (9.00%~28.91% and 8.74%~29.2%, as of December 31, 2025 and 2024)    | · The higher the discount 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 Consolidated 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 investments without an active market                       | Liquidity discount<br>9.00%~28.91% | 5%                            | \$ 19,706  | (19,706)           |
| <b>December 31, 2024</b>  |                                    |                               |  |                    |
| Financial assets at fair value through other comprehensive income |                                    |                               |  |                    |
| Equity investments without an active market                       | Liquidity discount<br>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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(y) Financial risk management

(i) Overview

The Consolidated 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 Consolidated 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 consolidated financial statements.

(ii) Structure of risk management

The risk management policies are established to identify and analyze the Consolidated Company's exposure to 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 Consolidated Company's activities. The Consolidated Company, through its training and management standards and procedures, aim to develop a discipline and constructive control environment, in which all employees understand their roles and obligation.

The audit committee of the Company oversees how the management complies in monitoring the Consolidated 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 Consolidated Company. The internal audit sector of the Consolidated 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 Consolidated Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Consolidated 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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated 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 Consolidated Company's finance department. The Consolidated Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Consolidated Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

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

(iv) Liquidity risk

Liquidity risk is the risk that the Consolidated Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Consolidated 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 Consolidated Company's reputation. Therefore, the Consolidated Company believes the liquidity risk is low.

The Consolidated 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 Consolidated Company obtains its credit lines from certain financial institutions, of which the unused credit lines amounted to \$37,618,425 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 exchange rates, interest rates and equity prices that will affect the Consolidated 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 Consolidated Company's exchange rate risks arise from transactions such as sales, purchases and borrowings that are not recognized at the Consolidated Company's functional currency.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Steel bars and sections are the two main products of the Consolidated Company. The overall export sales accounted for approximately 7% 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 89 to 11 for the year ended December 31, 2025. The external sales were about \$1,340,000 thousand, for the year ended December 31, 2025. 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 Consolidated 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 :

- a) 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.
  - b) 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.
  - c) 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 Consolidated 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 Consolidated Company. Besides, the Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Consolidated 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 Consolidated 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,<br/>2025</b> | <b>December 31,<br/>2024</b> |
|---------------------------------|------------------------------|------------------------------|
| Total liabilities               | \$ 17,534,863                | 22,118,521                   |
| Less: cash and cash equivalents | <u>(1,267,035)</u>           | <u>(1,519,082)</u>           |
| Net liabilities                 | 16,267,828                   | 20,599,439                   |
| Total equity                    | <u>34,462,346</u>            | <u>32,762,096</u>            |
| Total capital                   | <b><u>\$ 50,730,174</u></b>  | <b><u>53,361,535</u></b>     |
| Debt-to-capital ratio           | <b><u>32.07 %</u></b>        | <b><u>38.60 %</u></b>        |

As of December 31, 2025, there were no changes in the Consolidated 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<br/>December 31,</b> |                        |
|---|---|------------------------|
|   | <b>2025</b>                                 | <b>2024</b>            |
| Reclassification of prepayment of land and equipment to property, plant and equipment | <b><u>\$ 69,913</u></b>                     | <b><u>25,232</u></b>   |
| Changes in unrealized (gains) losses on financial instruments                         | <b><u>1</u></b>                             | <b><u>(13,386)</u></b> |
| Foreign exchange differences arising from foreign operations                          | <b><u>(169,798)</u></b>                     | <b><u>62,761</u></b>   |
| Increase in property, plant and equipment   | \$ 1,079,849                                | 1,174,420              |
| Add: Payable for equipment as of January 1  | 252,299                                     | 24,185                 |
| Less: Payable for equipment as of December 31   | <u>(256,885)</u>                            | <u>(252,299)</u>       |
| Cash paid   | <b><u>\$ 1,075,263</u></b>                  | <b><u>946,306</u></b>  |

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Reconciliation of liabilities arising from financing activities were as follows:

|  | January 1,<br>2025   | Cash flows        |                     | Non-cash changes               |               | December 31,<br>2025 |
|--|----------------------|-------------------|---------------------|--------------------------------|---------------|----------------------|
|  |                      | Acquisition       | Repayment           | Effect of<br>exchange<br>rates | Other         |                      |
| Short-term loans                               | \$ 8,770,644         | 79,588,062        | (82,076,728)        | (132,666)                      | -             | 6,149,312            |
| Long-term loans (including<br>current portion) | 3,246,170            | 3,590,000         | (5,406,170)         | -                              | -             | 1,430,000            |
| Deposits received                              | 9,541                | -                 | (2,260)             | -                              | -             | 7,281                |
| Lease liabilities                              | 162,174              | -                 | (55,261)            | (2,114)                        | 86,400        | 191,199              |
| Total liabilities from financing<br>activities | <u>\$ 12,188,529</u> | <u>83,178,062</u> | <u>(87,540,419)</u> | <u>(134,780)</u>               | <u>86,400</u> | <u>7,777,792</u>     |

|  | January 1,<br>2024   | Cash flows        |                     | Non-cash changes               |               | December 31,<br>2024 |
|--|----------------------|-------------------|---------------------|--------------------------------|---------------|----------------------|
|  |                      | Acquisition       | Repayment           | Effect of<br>exchange<br>rates | Other         |                      |
| Short-term loans                               | \$ 13,884,659        | 87,285,464        | (92,498,344)        | 98,865                         | -             | 8,770,644            |
| Long-term loans (including<br>current portion) | 1,611,927            | 5,807,000         | (4,200,110)         | 27,353                         | -             | 3,246,170            |
| Short-term notes and bills<br>payable          | -                    | 1,550,000         | (1,550,000)         | -                              | -             | -                    |
| Deposits received                              | 7,016                | 2,525             | -                   | -                              | -             | 9,541                |
| Lease liabilities                              | 183,855              | -                 | (50,863)            | 57                             | 29,125        | 162,174              |
| Total liabilities from financing<br>activities | <u>\$ 15,687,457</u> | <u>94,644,989</u> | <u>(98,299,317)</u> | <u>126,275</u>                 | <u>29,125</u> | <u>12,188,529</u>    |

**(7) Related-party transactions**

(a) Names and relationship with related parties

| <u>Name of related party</u>  | <u>Relationship with the Consolidated Company</u>                   |
|---|---|
| Katec R&D Corp.   | An associate  |
| Taiwan Steel Union Co., Ltd.  | An associate  |
| Fujian Sino-Japan Metal Corp.   | An associate  |
| Tung Sugar Energy Service Co., Ltd.   | An associate  |
| Far East Steel Enterprise Corp.   | The entity's chairman is the same as the Company                    |
| Shen Yuan Investment Co., Ltd.  | The entity's chairman is the same as the Company                    |
| Hop Tsuen Co., Ltd.   | The entity's chairman is the same as the Company                    |
| Anyao Co., Ltd.   | The entity's chairman is the same as the Company                    |
| Tung Ho Steel Foundation  | The entity's principal is the spouse of the chairman of the Company |
| Eternity Corp.  | The entity's chairman is the same as the Company                    |
| Tung Jing Investment Crop.  | The Company is the corporate director of the entity                 |
| Directors, general manager and vice general manager of the Consolidated Company |   |

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Significant related-party transactions

(i) Sales to related parties

The amounts of significant sales by the Consolidated Company to related parties and the balance of outstanding accounts receivable were as follows:

|            | <u>Sales</u>               |              | <u>Accounts receivable</u> |                     |
|------------|----------------------------|--------------|----------------------------|---------------------|
|            | <u>For the years ended</u> |              | <u>December 31,</u>        | <u>December 31,</u> |
|            | <u>December 31,</u>        |              |                            |                     |
|            | <u>2025</u>                | <u>2024</u>  | <u>2025</u>                | <u>2024</u>         |
| Associates | <u>\$ 3,426</u>            | <u>5,014</u> | <u>338</u>                 | <u>1,706</u>        |

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

(ii) Purchases from related parties

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

|                       | <u>Purchases</u>           |             | <u>Accounts payable</u> |                     |
|-----------------------|----------------------------|-------------|-------------------------|---------------------|
|                       | <u>For the years ended</u> |             | <u>December 31,</u>     | <u>December 31,</u> |
|                       | <u>December 31,</u>        |             |                         |                     |
|                       | <u>2025</u>                | <u>2024</u> | <u>2025</u>             | <u>2024</u>         |
| Associates            | \$ 142                     | 235         | 10                      | 10                  |
| Other related parties | <u>3,130</u>               | <u>294</u>  | <u>660</u>              | <u>294</u>          |
|                       | <u>\$ 3,272</u>            | <u>529</u>  | <u>670</u>              | <u>304</u>          |

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms were no different from the payment terms given by other vendors.

(iii) The Consolidated Company's participation in the capital increases and capital reductions of related parties was as follows:

|             | <u>Financial Statement</u><br><u>Account</u>                      | <u>Transaction</u><br><u>Shares</u><br><u>(in thousands)</u> | <u>Transaction</u><br><u>Items</u> | <u>Transaction</u><br><u>Items</u> | <u>For the</u>      | <u>For the</u>      |
|-------------|---|--|------------------------------------|------------------------------------|---------------------|---------------------|
|             |   |  |                                    |                                    | <u>year ended</u>   | <u>year ended</u>   |
|             |   |  |                                    |                                    | <u>December 31,</u> | <u>December 31,</u> |
|             |   |  |                                    |                                    | <u>2025</u>         | <u>2024</u>         |
| The Company | Investments accounted for using equity method                     | 3,483,600  | Capital surplus                    | Tung Sugar Energy service Co.,Ltd  | \$ 34,836           | -                   |
| The Company | Financial assets at fair value through other comprehensive income | -  | Capital surplus                    | Tung Jing Investment Corp.         | 3,590               | 9,180               |
| The Company | Financial assets at fair value through other comprehensive income | -  | Capital surplus                    | Tung Jing Investment Corp.         | 3,858               | -                   |

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Guarantees and endorsement

The details of regarding balances of financing endorsement were as follows:

Expressed in thousands of USD

|            | <b>December 31, 2025</b>                  |        |                                 |        |                            |        |
|------------|---|--------|---------------------------------|--------|----------------------------|--------|
|            | <b>Highest balance for<br/>the period</b> |        | <b>Ending amount<br/>(Note)</b> |        | <b>Actual amount usage</b> |        |
| Associates | USD\$                                     | 49,175 | USD                             | 49,175 | USD                        | 29,316 |
|            |   |        |                                 |        |                            |        |
|            | <b>December 31, 2024</b>                  |        |                                 |        |                            |        |
|            | <b>Highest balance for<br/>the period</b> |        | <b>Ending amount<br/>(Note)</b> |        | <b>Actual amount usage</b> |        |
| Associates | USD\$                                     | 10,500 | USD                             | 10,500 | USD                        | 5,250  |

Note: The credit limit approved by the Board of Directors.

(v) Property Transactions

- 1) The Consolidated Company entered into an engineering contract with Tung ho Steel Foundation for the M.E.L.T.(Metal Engncering Leading to Tectonics) progran,Tung Ho Steel Foundation 'Tung ho Art Lian Project', with a total contract amount of NT\$1,905 thousand. As of December 31, 2025, the contract liability related to this project amounted to NT\$1,133 thousand.
- 2) In December 2025, the Consolidated 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.

(vi) Others

|                       | <b>Rental income</b>                        |              |
|-----------------------|---|--------------|
|                       | <b>For the years ended<br/>December 31,</b> |              |
|                       | <b>2025</b>                                 | <b>2024</b>  |
| Associates            | \$ 3,269                                    | 3,269        |
| Other related parties | 2,942                                       | 4,740        |
|                       | <b>\$ 6,211</b>                             | <b>8,009</b> |
|                       |   |              |
|                       | <b>Miscellaneous revenue</b>                |              |
|                       | <b>For the years ended<br/>December 31,</b> |              |
|                       | <b>2025</b>                                 | <b>2024</b>  |
| Associates            | \$ -  | 660          |

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|  |                     | <u>Operating expenses</u>     |                     |                       |  |
|--|---------------------|-------------------------------|---------------------|-----------------------|--|
|  |                     | For the years ended           |                     |                       |  |
|  |                     | December 31,                  |                     |                       |  |
|  |                     | <u>2025</u>                   | <u>2024</u>         |                       |  |
| Associates                                     |                     | \$ 1,312                      | 2,671               |                       |  |
| Other related parties                          |                     | 96                            | -                   |                       |  |
|  |                     | <u>\$ 1,408</u>               | <u>2,671</u>        |                       |  |
| <br>   |                     |                               |                     |                       |  |
|  |                     | <u>Donations</u>              |                     |                       |  |
|  |                     | For the years ended           |                     |                       |  |
|  |                     | December 31,                  |                     |                       |  |
|  |                     | <u>2025</u>                   | <u>2024</u>         |                       |  |
| Other related parties-Tung Ho Steel Foundation |                     | \$ 6,334                      | 5,624               |                       |  |
| <br>   |                     |                               |                     |                       |  |
|  |                     | <u>Manufacturing expenses</u> |                     |                       |  |
|  |                     | For the years ended           |                     |                       |  |
|  |                     | December 31,                  |                     |                       |  |
|  |                     | <u>2025</u>                   | <u>2024</u>         |                       |  |
| Associates                                     |                     | \$ 34,870                     | 42,400              |                       |  |
| Other related parties                          |                     | 1,071                         | -                   |                       |  |
|  |                     | <u>\$ 35,941</u>              | <u>42,400</u>       |                       |  |
| <br>   |                     |                               |                     |                       |  |
|  |                     | <u>Other receivables</u>      |                     | <u>Other payables</u> |  |
| <u>Relationship</u>                            | <u>December 31,</u> | <u>December 31,</u>           | <u>December 31,</u> | <u>December 31,</u>   |  |
|  | <u>2025</u>         | <u>2024</u>                   | <u>2025</u>         | <u>2024</u>           |  |
| Associates                                     | \$ -                | -                             | 3,207               | 1,201                 |  |
| Other related parties                          | -                   | 1                             | 2,361               | -                     |  |
|  | <u>\$ -</u>         | <u>1</u>                      | <u>5,568</u>        | <u>1,201</u>          |  |
| <br>   |                     |                               |                     |                       |  |
|  |                     | <u>Deposits received</u>      |                     |                       |  |
|  |                     | <u>December 31,</u>           | <u>December 31,</u> |                       |  |
|  |                     | <u>2025</u>                   | <u>2024</u>         |                       |  |
| <u>Relationship</u>                            |                     | <u>\$ 304</u>                 | <u>304</u>          |                       |  |
| Associates                                     |                     | \$ 304                        | 304                 |                       |  |

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Key management personnel compensation

Key management personnel compensation comprised:

|                              | <b>For the years ended<br/>December 31,</b> |               |
|------------------------------|---|---------------|
|                              | <b>2025</b>                                 | <b>2024</b>   |
| Short-term employee benefits | \$ 47,979                                   | 57,591        |
| Post-employment benefits     | 1,458                                       | 1,866         |
|                              | <b>\$ 49,437</b>                            | <b>59,457</b> |

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

**(8) Pledged assets**

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

| <b>Pledged assets</b>           | <b>Pledged to secure</b> | <b>December 31,<br/>2025</b> | <b>December 31,<br/>2024</b> |
|---------------------------------|--------------------------|------------------------------|------------------------------|
| Other current assets            | Performance guarantee    | \$ 203,904                   | 99,508                       |
| Other non-current assets        | Performance guarantee    | 500                          | 500                          |
| Non-current refundable deposits | Performance guarantee    | 51,617                       | 63,547                       |
| Current refundable deposits     | Performance guarantee    | 168,464                      | 123,849                      |
|                                 |                          | <b>\$ 424,485</b>            | <b>287,404</b>               |

**(9) Significant commitments and contingencies**

(a) Unrecognized contractual commitments

(i) Guarantees securities

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 Consolidated Company did not ask counterparties for collateral as secure guarantees. The amounts of the Consolidated Company's guarantees were as following:

|                               | <b>December 31,<br/>2025</b> | <b>December 31,<br/>2024</b> |
|-------------------------------|------------------------------|------------------------------|
| Guarantees securities amounts | <b>\$ 1,545,570</b>          | <b>344,295</b>               |

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

|   | <u>December 31,<br/>2025</u> | <u>December 31,<br/>2024</u> |
|---|------------------------------|------------------------------|
| Bank credit limit                                 | \$ 19,029,222                | 19,240,147                   |
| Leases  | -                            | 200                          |
| Guaranteed payment for purchases of raw materials | <u>90,600</u>                | <u>90,600</u>                |
|   | <u>\$ 19,119,822</u>         | <u>19,330,947</u>            |

(iii) Others:

|  | <u>December 31,<br/>2025</u> | <u>December 31,<br/>2024</u> |
|--|------------------------------|------------------------------|
| Unused outstanding letters of credit   | <u>\$ 1,013,052</u>          | <u>1,324,932</u>             |
| Provide customer with a guarantee letter from the bank for the performance guarantee | <u>\$ 624,836</u>            | <u>1,394,054</u>             |

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

**(11) Subsequent Events: None**

**(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<br>operating<br>costs  | Classified as<br>operating<br>expenses | Total     | Classified as<br>operating<br>costs  | Classified as<br>operating<br>expenses | Total     |
| Employee benefits          |                                      |  |           |                                      |  |           |
| Salaries                   | 2,136,622                            | 931,123                                | 3,067,745 | 2,095,090                            | 960,977                                | 3,056,067 |
| Labor and health insurance | 198,344                              | 57,227                                 | 255,571   | 189,424                              | 55,641                                 | 245,065   |
| Pension expenses           | 72,486                               | 27,332                                 | 99,818    | 74,071                               | 19,071                                 | 93,142    |
| Remuneration of directors  | -                                    | 115,765                                | 115,765   | -                                    | 109,450                                | 109,450   |
| Other personnel expenses   | 81,463                               | 20,798                                 | 102,261   | 71,614                               | 16,395                                 | 88,009    |
| Depreciation expense       | 1,451,361                            | 127,748                                | 1,579,109 | 1,430,270                            | 115,668                                | 1,545,938 |
| Amortization expense       | 45,975                               | 10,793                                 | 56,768    | 43,574                               | 10,165                                 | 53,739    |

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated 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 Consolidated Company for the years 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 - 5) | 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    | THSVC            | Other receivables | Yes           | 2,985,850<br>(USD 95,000)                                       | 2,514,400<br>(USD 80,000) | 2,042,950<br>(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.

Note 5: The transactions have already been written off in the consolidated financial statements.

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

(In thousands of NTD/USD/CNY)

| 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)                | THSVC                                      | 2                                      | 17,172,986   | 15,086,400<br>(USD480,000)  | 10,591,910<br>(USD 337,000)  | 1,445,183<br>(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<br>(USD 43,925)   | 1,380,563<br>(USD 43,925)  | 756,394<br>(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<br>(USD10,137)   | 165,008<br>(USD 5,250)  | 165,008<br>(USD 5,250)   | 165,008<br>(USD 5,250)                         | -   | 25.90 %   | 637,200<br>(USD20,274)                         | 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 AND SUBSIDIARIES**  
**Notes to Consolidated 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 |                |                             |            | Highest Percentage of ownership (%) | 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    | 1.61 %                              | None |
| The Company    | Stock—Shiao Kang Warehousing Corp.                | One of its directors      | (b)           | 1,788,045      | 15,127         | 19.87 %                     | 15,127     | 19.87 %                             | None |
| The Company    | Stock—Overseas Investment & Development Corp.     | -                         | (b)           | 1,000,000      | 15,380         | 1.11 %                      | 15,380     | 1.11 %                              | None |
| The Company    | Stock—Power World Fund, Inc.                      | One of its directors      | (b)           | 304,760        | 7,293          | 5.68 %                      | 7,293      | 5.68 %                              | None |
| The Company    | Stock—Universal Venture Fund, Inc.                | One of its directors      | (b)           | 390,778        | 8,578          | 4.76 %                      | 8,578      | 4.76 %                              | None |
| The Company    | Stock—Tung Jing Investment Corp.                  | One of its directors      | (b)           | -              | 37,724         | 9.11 %                      | 37,724     | 9.11 %                              | None |
| The Company    | Stock—Taiwan Aerospace Corp.                      | -                         | (b)           | 1,621,441      | 67,825         | 1.20 %                      | 67,825     | 1.20 %                              | None |
| The Company    | Stock—Universal Venture Capital Investment Corp.  | -                         | (b)           | 2,800,000      | 29,736         | 2.33 %                      | 29,736     | 2.33 %                              | None |
| The Company    | Stock—IBT   | -                         | (b)           | 1,312,993      | 7,129          | 4.17 %                      | 7,129      | 4.17 %                              | None |
| The Company    | Stock—Taiwan Smart Electricity & Energy Co., Ltd. | One of its directors      | (b)           | 11,250,000     | 125,714        | 7.14 %                      | 125,714    | 7.14 %                              | None |
| The Company    | Stock—Chien Shing Harbour Service Co., Ltd.       | One of its directors      | (b)           | 8,203,800      | 357,686        | 8.90 %                      | 357,686    | 8.90 %                              | None |
| The Company    | Stock—Taiwan High Speed Rail Corporation          | -                         | (b)           | 1,913,376      | 53,574         | 0.03 %                      | 53,574     | 0.03 %                              | 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                     | Subsidiary             | (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%  |      |

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

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

- (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.

- (vi) Significant transactions and business relationship between the parent company and its subsidiaries for the year ended December 31, 2025:

(In thousands of NTD)

| No. | Name of company                                      | Name of counter-party                                | Nature of relationship | Intercompany transactions |           |  | Percentage of the consolidated net revenue or total assets |
|-----|--|--|------------------------|---------------------------|-----------|--|--|
|     |  |  |                        | Account name              | Amount    | Trading terms                                    |  |
| 0   | The Company  | Tung Kang Steel Structure Corp. and its subsidiaries | 1                      | Sales                     | 3,682,566 | General conditions                               | 6.37%  |
| 0   | The Company  | Tung Kang Steel Structure Corp. and its subsidiaries | 1                      | Accounts receivable       | 332,941   | 60 days end of month                             | 0.64%  |
| 0   | The Company  | THSVC  | 1                      | Other receivables         | 2,046,175 | General conditions                               | 3.94%  |
| 1   | Tung Kang Steel Structure Corp. and its subsidiaries | The Company  | 2                      | Sales                     | 62,279    | General conditions                               | 0.11%  |
| 1   | Tung Kang Steel Structure Corp. and its subsidiaries | The Company  | 2                      | Accounts receivable       | 14,606    | 60 days end of month                             | 0.03%  |
| 2   | THSVC  | The Company  | 2                      | Sales                     | 4,611,273 | Payment within 30 days from signing the contract | 7.97%  |
| 3   | Tung Yuan International Corp. and subsidiaries       | The Company  | 2                      | Sales                     | 184,040   | General conditions                               | 0.32%  |
| 3   | Tung Yuan International Corp. and subsidiaries       | The Company  | 2                      | Accounts receivable       | 4,641     | General conditions                               | 0.01%  |
| 4   | Tung Kang Wind Power Corp.                           | The Company  | 2                      | Sales                     | 259,226   | General conditions                               | 0.45%  |
| 4   | Tung Kang Wind Power Corp.                           | The Company  | 2                      | Accounts receivable       | 21,240    | General conditions                               | 0.04%  |

Note 1 : The numbers represent the following:

1. 0 represents the parent company.
2. Subsidiaries are numbered from 1.

Note 2 : Transactions are categorized as follows :

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

For significant intercompany transactions, only information regarding sales, funding and finances, and accounts receivables were disclosed; the opposing items of the transactions were not disclosed.

Note 3 : The transactions have already been written off in the consolidated 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 |                         |                | Highest shares | 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<br>(USD27,183)     | 854,362<br>(USD27,183) | 82                              | 100.00 %                | 637,200        | 82             | 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      | 201,121,339    | 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         | 5,646,398      | 40,726                          | 18,812                              | Associate  |
| The Company      | Goldham Development Ltd.             | British Virgin Islands | Investment activities                                | 40,042<br>(USD1,274)       | 40,042<br>(USD1,274)   | 1,274,000                       | 100.00 %                | 20,109         | 1,274,000      | 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      | 24,829,009     | 686,743                         | 153,241                             | Associate  |
| The Company      | Katec Creative Resources Corporation | Taiwan                 | Waste recycling                                      | 914,478                    | 914,478                | 61,391,933                      | 99.02 %                 | 713,595        | 61,391,933     | 88,846                          | 87,974                              | Subsidiary |

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

| Name of investor                     | Name of investee                           | Location | Main businesses and products  | Original investment amount |                         | Balance as of December 31, 2025 |                         |                | Highest shares | 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 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        | 65,500,000     | 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         | 8,883,600      | (15,561)                        | (5,847)                             | Associate  |
| Tung Yuan International Corp.        | 3 Oceans International Inc.                | Samoa    | Investment activities   | 47,459<br>(USD1,510)       | 47,459<br>(USD1,510)    | 572,000                         | 66.51 %                 | 11,213         | 572,000        | 1,096                           | 729                                 | Subsidiary |
| Tung Yuan International Corp.        | Duc Hoa International J.S.C.               | Vietnam  | Quicklime manufacturing   | 118,460<br>(USD3,769)      | 118,460<br>(USD3,769)   | 8,154,419                       | 96.00 %                 | 124,190        | 8,154,419      | (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        | 25,000,000     | 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          | 230,335        | (5,389)                         | (146)                               | Subsidiary |
| Tung Ho Steel Vietnam Corp., Ltd.    | Duc Hoa International J.S.C.               | Vietnam  | Quicklime manufacturing   | 1,300<br>(VND 1,094,467)   | 1,300<br>(VND1,094,467) | 109,446                         | 1.29 %                  | 1,532          | 109,446        | (5,389)                         | (70)                                | Subsidiary |

1 USD= 31.43NTD

1 VND= 0.001188NTD

Note1: The transactions were written off in the consolidated financial statements.

(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 | Highest shares | 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<br>(USD 52,000)       | (2)                           | 577,275<br>(USD 18,367)   | -                | -      | 577,275<br>(USD 18,367)   | 7,903                               | 35.00%                  | 35.00 %        | 2,766                               | 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.

(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<br>(USD18,367)   | 577,275<br>(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".

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(14) Segment information**

(a) General Information

The Consolidated Company has two reportable segments:

- (i) Steel Segment: Including the Taipei Headquarters, Taoyuan Processing Center, Taoyuan Plant, Taichung Port Logistics Center, Miaoli Plant, Kaohsiung Plant and THSVC, mainly engaged in the manufacture and sale of steel products.
- (ii) Steel Structure Segment: Including Tung Kang Steel Structure Corp., Tung Kang Engineering & Construction Corp., mainly engaged in steel structure processing, steel structure engineering and civil construction engineering.

(b) Information about reportable segments and their measurement and reconciliations

The reportable segments are the strategic divisions in the Consolidated Company. The resources and management of each professional strategic division are independent and have separate financial information.

Tax expenses are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to the ones described in Note 4 "Significant Accounting Policies." The Consolidated Company treated intersegment sales and transfers as thirdparty transactions. They are measured at market price.

(c) The Consolidated Company's operating segment information and reconciliation were as follows:

|  | <b>For the year ended December 31, 2025</b> |                        |                  |                                     |                   |
|--|---|------------------------|------------------|-------------------------------------|-------------------|
|  | <b>Steel Segment</b>                        | <b>Steel Structure</b> | <b>Others</b>    | <b>Adjustments and eliminations</b> | <b>Total</b>      |
| Revenue:                                 |   |                        |                  |                                     |                   |
| Revenue from external customers          | \$ 42,335,351                               | 14,993,873             | 526,211          | -                                   | 57,855,435        |
| Inter-segment revenue                    | 8,293,891                                   | 91,376                 | 498,674          | (8,883,941)                         | -                 |
| <b>Total revenue</b>                     | <b>\$ 50,629,242</b>                        | <b>15,085,249</b>      | <b>1,024,885</b> | <b>(8,883,941)</b>                  | <b>57,855,435</b> |
| Interest expense                         | \$ (251,346)                                | (17,337)               | (1,734)          | 32,342                              | (238,075)         |
| Interest revenue                         | 48,555                                      | 6,738                  | 7,826            | (32,137)                            | 30,982            |
| <b>Reportable segment profit or loss</b> | <b>\$ 5,462,048</b>                         | <b>1,768,151</b>       | <b>184,278</b>   | <b>(1,497,044)</b>                  | <b>5,917,433</b>  |
| <b>Reportable segment assets</b>         | <b>\$ 51,388,436</b>                        | <b>8,816,783</b>       | <b>3,157,030</b> | <b>(11,365,040)</b>                 | <b>51,997,209</b> |
| <b>Reportable segment liabilities</b>    | <b>\$ 15,262,056</b>                        | <b>4,447,414</b>       | <b>309,525</b>   | <b>(2,484,132)</b>                  | <b>17,534,863</b> |

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|  | <b>For the year ended December 31, 2024</b> |                            |                         |   |                          |
|--|---|----------------------------|-------------------------|---|--------------------------|
|  | <b>Steel<br/>Segment</b>                    | <b>Steel<br/>Structure</b> | <b>Others</b>           | <b>Adjustments<br/>and<br/>eliminations</b> | <b>Total</b>             |
| Revenue:                                 |   |                            |                         |   |                          |
| Revenue from external customers          | \$ 46,007,005                               | 13,548,845                 | 607,147                 | -   | 60,162,997               |
| Inter-segment revenue                    | <u>7,179,673</u>                            | <u>135,130</u>             | <u>426,139</u>          | <u>(7,740,942)</u>                          | <u>-</u>                 |
| <b>Total revenue</b>                     | <b>\$ <u>53,186,678</u></b>                 | <b><u>13,683,975</u></b>   | <b><u>1,033,286</u></b> | <b><u>(7,740,942)</u></b>                   | <b><u>60,162,997</u></b> |
| Interest expense                         | \$ (355,402)                                | (3,520)                    | (187)                   | 15,359                                      | (343,750)                |
| Interest revenue                         | 33,058                                      | 8,491                      | 7,475                   | (15,176)                                    | 33,848                   |
| <b>Reportable segment profit or loss</b> | <b>\$ <u>4,837,739</u></b>                  | <b><u>2,187,919</u></b>    | <b><u>86,746</u></b>    | <b><u>(1,387,618)</u></b>                   | <b><u>5,724,786</u></b>  |
| <b>Reportable segment assets</b>         | <b>\$ <u>54,347,473</u></b>                 | <b><u>8,370,764</u></b>    | <b><u>3,251,239</u></b> | <b><u>(11,088,859)</u></b>                  | <b><u>54,880,617</u></b> |
| <b>Reportable segment liabilities</b>    | <b>\$ <u>19,689,158</u></b>                 | <b><u>3,778,588</u></b>    | <b><u>452,883</u></b>   | <b><u>(1,802,108)</u></b>                   | <b><u>22,118,521</u></b> |

## (d) Products information

Revenue from the external customers of the Consolidated Company was as follows :

| <b>Product Name</b>    | <b>For the years ended<br/>December 31,</b> |                          |
|------------------------|---|--------------------------|
|                        | <b>2025</b>                                 | <b>2024</b>              |
| Re-Bar                 | \$ 29,810,750                               | 32,208,234               |
| Section                | 12,495,384                                  | 13,763,511               |
| Billet                 | -   | 3,165                    |
| Construction Contracts | 14,754,772                                  | 13,433,419               |
| Others                 | <u>794,529</u>                              | <u>754,668</u>           |
|                        | <b>\$ <u>57,855,435</u></b>                 | <b><u>60,162,997</u></b> |

## (e) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets:

| <b>Geographic information</b>         | <b>For the years ended<br/>December 31,</b> |                          |
|---------------------------------------|---|--------------------------|
|                                       | <b>2025</b>                                 | <b>2024</b>              |
| Net revenue from external customers : |   |                          |
| Taiwan                                | \$ 53,754,717                               | 54,845,908               |
| The Americas                          | 210,948                                     | 13,140                   |
| Asia                                  | 2,547,778                                   | 3,024,885                |
| Others                                | <u>1,341,992</u>                            | <u>2,279,064</u>         |
|                                       | <b>\$ <u>57,855,435</u></b>                 | <b><u>60,162,997</u></b> |

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

| <u>Geographic information</u> | <u>December 31,</u><br><u>2025</u> | <u>December 31,</u><br><u>2024</u> |
|-------------------------------|------------------------------------|------------------------------------|
| Non-current assets :          |                                    |                                    |
| Taiwan                        | \$ 17,718,847                      | 17,745,640                         |
| Vietnam                       | 3,102,479                          | 3,638,751                          |
| Others                        | <u>7,058</u>                       | <u>8,342</u>                       |
|                               | <u>\$ 20,828,384</u>               | <u>21,392,733</u>                  |

Non-current assets include property, plant and equipment, investment property, and other non-current assets, not including financial instruments, investments accounted for using the equity method, net defined benefit ,and deferred tax assets.

(f) Information about major customers

|                          | <b>For the years ended</b><br><b>December 31,</b> |                  |
|--------------------------|---|------------------|
|                          | <u>2025</u>                                       | <u>2024</u>      |
| Customer A from sections | <u>\$ 2,826,502</u>                               | <u>2,957,273</u> |