

Chung Hung Steel Corporation

**Standalone Financial Statements for the
Years Ended December 31, 2025 and 2024 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Chung Hung Steel Corporation

Opinion

We have audited the accompanying standalone financial statements of Chung Hung Steel Corporation (the "Corporation"), which comprise the standalone balance sheets as of December 31, 2025 and 2024, and the standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the standalone financial statements, including material accounting policy (collectively referred to as the "standalone financial statements").

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the 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 Standalone Financial Statements section of our report. We are independent of the Corporation 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 for our opinion.

Key Audit Matters

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

The key audit matters of the Corporation's standalone financial statements for the year ended December 31, 2025 are stated as follows:

Inventory Valuation

As of December 31, 2025, the carrying amount of inventories held by the Corporation was NT\$4,058,285 thousand, which accounted for 15% of the standalone total assets. Due to the fluctuations in the prices of raw materials and finished goods in the steel industry, inventory valuation, which involves material accounting estimates, is deemed to be a key audit matter.

For the accounting policies on inventories and material accounting estimates and judgments on inventories, refer to Notes 4, 5 and 10 to the standalone financial statements, respectively.

The audit procedures we performed included the following:

1. We performed year-end inventory counts and assessed the condition of inventory through inquiry and observation to evaluate the obsolescence of inventory and the appropriateness of inventory valuation.
2. We obtained the year-end inventory aging report, tested the accuracy of the aging report and examined whether the management performed the disposal of inventory in accordance with its policy.
3. We evaluated the appropriateness of inventory valuation.
4. We obtained the year-end detail of the inventory report and examined it by sampling the valuation supporting document of the underlying assumption and the market price to recalculate the appropriateness of the inventory valuation.

The Cut-off of Revenue from Export Sales

The export sales revenue for the year ended December 31, 2025 was NT\$5,540,434 thousand, which represented 29% of the sales revenue. The recognition of export revenue involved checking the external documents, and the export revenue was considered to have a significant effect on the financial statements. Thus, we considered the cut-off of sales revenue from export sales as a key audit matter. Refer to Notes 4 and 24 to the standalone financial statements for the related accounting policies and disclosures on sales revenue.

The audit procedures we performed included the following:

1. We obtained an understanding of the design and implementation of the internal controls and tested the operating effectiveness of controls related to the cut-off of sales revenue.
2. We obtained the export sales details for a specific period before year end and tested the export sales details on a sample basis to confirm the timing of revenue recognition by examining the shipping documents, customs declarations and shipping bills of lading.

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

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

In preparing the standalone financial statements, management is responsible for assessing the Corporation'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 Corporation 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 Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 standalone financial statements.

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

1. Identify and assess the risks of material misstatement of the standalone 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the standalone financial statements. We are responsible for the direction, supervision, and performance of the corporation audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the year ended December 31, 2025 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 audits resulting in this independent auditors' report are Lee-Yuan Kuo and Chao-Chin Yang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 23, 2026

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

CHUNG HUNG STEEL CORPORATION

STANDALONE BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2025		December 31, 2024	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,752,606	7	\$ 1,429,043	5
Financial assets at fair value through other comprehensive income - current (Notes 4 and 7)	652,826	2	675,159	2
Financial assets for hedging - current (Notes 4 and 8)	-	-	28,326	-
Notes receivable (Notes 4 and 9)	660	-	-	-
Accounts receivable (Notes 4, 9 and 24)	261,369	1	474,699	2
Accounts receivable from related parties (Notes 4, 9, 24 and 30)	32,002	-	33,036	-
Other receivables (Note 9)	2,304	-	7,662	-
Other receivables from related parties (Notes 9 and 30)	318,890	1	523,439	2
Current tax assets (Notes 4 and 26)	6,894	-	48,512	-
Inventories (Notes 4, 5 and 10)	4,058,285	15	7,260,855	24
Prepayments (Note 11)	99,778	-	184,325	-
Other financial assets - current (Notes 12 and 31)	<u>1,100,000</u>	<u>5</u>	<u>800,000</u>	<u>3</u>
Total current assets	<u>8,285,614</u>	<u>31</u>	<u>11,465,056</u>	<u>38</u>
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 7)	46,388	-	47,241	-
Investments accounted for using equity method (Notes 4 and 13)	2,596,786	10	2,688,247	9
Property, plant and equipment (Notes 4, 14, 30 and 32)	9,119,467	34	9,489,317	31
Right-of-use assets (Notes 4 and 15)	109,105	-	100,570	-
Investment properties (Notes 4 and 16)	6,024,458	22	5,994,053	20
Deferred tax assets (Notes 4, 5 and 26)	694,838	3	597,041	2
Prepayments for equipment (Note 32)	383	-	6,927	-
Refundable deposits	9,053	-	6,482	-
Net defined benefit assets (Notes 4, 5 and 22)	<u>-</u>	<u>-</u>	<u>76,394</u>	<u>-</u>
Total noncurrent assets	<u>18,600,478</u>	<u>69</u>	<u>19,006,272</u>	<u>62</u>
TOTAL	<u>\$ 26,886,092</u>	<u>100</u>	<u>\$ 30,471,328</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17 and 31)	\$ 2,361,300	9	\$ 3,926,765	13
Short-term bills payable (Note 17)	2,598,968	10	99,934	-
Contract liabilities - current (Note 24)	64,977	-	57,025	-
Accounts payable (Note 19)	31,550	-	18,840	-
Accounts payable to related parties (Notes 19 and 30)	27,670	-	60,966	-
Other payables (Notes 20 and 30)	417,347	2	503,871	2
Provisions - current (Notes 4 and 21)	78,400	-	-	-
Lease liabilities - current (Notes 4 and 15)	15,923	-	14,541	-
Current portion of bonds payable (Note 18)	-	-	2,999,579	10
Refund liabilities	36,334	-	75,737	-
Other current liabilities	<u>17,967</u>	<u>-</u>	<u>17,878</u>	<u>-</u>
Total current liabilities	<u>5,650,436</u>	<u>21</u>	<u>7,775,136</u>	<u>25</u>
NONCURRENT LIABILITIES				
Long-term bank borrowings (Note 17)	6,795,048	25	3,293,155	11
Long-term bills payable (Note 17)	1,998,305	8	4,897,111	16
Deferred tax liabilities (Notes 4 and 26)	182,654	1	198,523	1
Lease liabilities - noncurrent (Notes 4 and 15)	94,676	-	87,036	-
Net defined benefit liabilities (Notes 4, 5, and 22)	18,620	-	-	-
Guarantee deposits received (Note 16)	<u>35,000</u>	<u>-</u>	<u>35,000</u>	<u>-</u>
Total noncurrent liabilities	<u>9,124,303</u>	<u>34</u>	<u>8,510,825</u>	<u>28</u>
Total liabilities	<u>14,774,739</u>	<u>55</u>	<u>16,285,961</u>	<u>53</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 23)				
Ordinary shares	<u>14,355,444</u>	<u>53</u>	<u>14,355,444</u>	<u>47</u>
Capital surplus	<u>903</u>	<u>-</u>	<u>990</u>	<u>-</u>
Retained earnings (accumulated deficit)				
Legal reserve	771,018	3	771,018	3
Special reserve	227,876	1	72,914	-
Unappropriated earnings (accumulated deficit)	<u>(1,950,499)</u>	<u>(8)</u>	<u>154,962</u>	<u>-</u>
Total retained earnings (accumulated deficit)	<u>(951,605)</u>	<u>(4)</u>	<u>998,894</u>	<u>3</u>
Other equity	<u>(1,293,389)</u>	<u>(4)</u>	<u>(1,169,961)</u>	<u>(3)</u>
Total equity	<u>12,111,353</u>	<u>45</u>	<u>14,185,367</u>	<u>47</u>
TOTAL	<u>\$ 26,886,092</u>	<u>100</u>	<u>\$ 30,471,328</u>	<u>100</u>

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

CHUNG HUNG STEEL CORPORATION

STANDALONE STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	For the Year Ended December 31			
	2025		2024	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 30)	\$ 19,021,223	100	\$ 30,461,167	100
OPERATING COSTS (Notes 10, 25 and 30)	<u>20,612,078</u>	<u>108</u>	<u>31,207,294</u>	<u>102</u>
GROSS LOSS	<u>(1,590,855)</u>	<u>(8)</u>	<u>(746,127)</u>	<u>(2)</u>
OPERATING EXPENSES (Notes 25 and 30)				
Selling and marketing expenses	190,657	1	261,767	1
General and administrative expenses	<u>226,384</u>	<u>1</u>	<u>232,874</u>	<u>1</u>
Total operating expenses	<u>417,041</u>	<u>2</u>	<u>494,641</u>	<u>2</u>
LOSS FROM OPERATIONS	<u>(2,007,896)</u>	<u>(10)</u>	<u>(1,240,768)</u>	<u>(4)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 13, 16, 25 and 30)				
Interest income	30,516	-	36,095	-
Other income	173,522	1	155,845	1
Other gains and losses	64,624	-	43,141	-
Finance costs	(240,182)	(1)	(222,198)	(1)
Share of profit of associates	<u>44,450</u>	<u>-</u>	<u>45,684</u>	<u>-</u>
Total non-operating income and expenses	<u>72,930</u>	<u>-</u>	<u>58,567</u>	<u>-</u>
LOSS BEFORE INCOME TAX	(1,934,966)	(10)	(1,182,201)	(4)
INCOME TAX BENEFIT (Notes 4, 5 and 26)	<u>(87,147)</u>	<u>-</u>	<u>(290,522)</u>	<u>(1)</u>
NET LOSS FOR THE YEAR	<u>(1,847,819)</u>	<u>(10)</u>	<u>(891,679)</u>	<u>(3)</u>

(Continued)

CHUNG HUNG STEEL CORPORATION

STANDALONE STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	For the Year Ended December 31			
	2025		2024	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 22, 23 and 26)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (140,271)	(1)	\$ 64,885	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	(23,186)	-	(250,888)	(1)
Gains and losses on hedging instruments	(2,606)	-	(1,385)	-
Share of the other comprehensive loss of associates	(85,182)	-	(828,271)	(2)
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	28,576	-	(12,700)	-
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive income (loss) of subsidiaries and associates	(585)	-	152	-
Income tax benefit relating to items that will be reclassified subsequently to profit or loss	<u>83</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(223,171)</u>	<u>(1)</u>	<u>(1,028,207)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (2,070,990)</u>	<u>(11)</u>	<u>\$ (1,919,886)</u>	<u>(6)</u>
LOSS PER SHARE (Note 27)				
Basic	<u>\$ (1.29)</u>		<u>\$ (0.62)</u>	

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

(Concluded)

CHUNG HUNG STEEL CORPORATION

STANDALONE STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

	Issued and Outstanding Ordinary Shares	Capital Surplus	Retained Earnings (Accumulated Deficit)			Exchange Differences on Translating Foreign Operations	Other Equity		Total Other Equity	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)		Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gains and Losses on Hedging Instruments		
BALANCE ON JANUARY 1, 2024	\$ 14,355,444	\$ 903	\$ 764,806	\$ -	\$ 1,210,742	\$ 317	\$ (76,424)	\$ 3,193	\$ (72,914)	\$ 16,258,981
Appropriation of 2023 earning (Note 23)										
Legal reserve	-	-	6,212	-	(6,212)	-	-	-	-	-
Special reserve	-	-	-	72,914	(72,914)	-	-	-	-	-
Cash dividends	-	-	-	-	(143,554)	-	-	-	-	(143,554)
Changes in equity of associates accounted for using equity method	-	87	-	-	(10,261)	-	-	-	-	(10,174)
Net loss for the year ended December 31, 2024	-	-	-	-	(891,679)	-	-	-	-	(891,679)
Other comprehensive income (loss) for the year ended December 31, 2024, net of income tax	-	-	-	-	51,911	152	(1,079,162)	(1,108)	(1,080,118)	(1,028,207)
Total comprehensive income (loss) for the year ended December 31, 2024	-	-	-	-	(839,768)	152	(1,079,162)	(1,108)	(1,080,118)	(1,919,886)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	16,929	-	(16,929)	-	(16,929)	-
BALANCE ON DECEMBER 31, 2024	14,355,444	990	771,018	72,914	154,962	469	(1,172,515)	2,085	(1,169,961)	14,185,367
Appropriation of 2024 earning (Note 23)										
Special reserve	-	-	-	154,962	(154,962)	-	-	-	-	-
Changes in equity of associates accounted for using equity method	-	(87)	-	-	(2,937)	-	-	-	-	(3,024)
Net loss for the year ended December 31, 2025	-	-	-	-	(1,847,819)	-	-	-	-	(1,847,819)
Other comprehensive loss for the year ended December 31, 2025, net of income tax	-	-	-	-	(112,102)	(585)	(108,399)	(2,085)	(111,069)	(223,171)
Total comprehensive loss for the year ended December 31, 2025	-	-	-	-	(1,959,921)	(585)	(108,399)	(2,085)	(111,069)	(2,070,990)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	12,359	-	(12,359)	-	(12,359)	-
BALANCE ON DECEMBER 31, 2025	\$ 14,355,444	\$ 903	\$ 771,018	\$ 227,876	\$ (1,950,499)	\$ (116)	\$ (1,293,273)	\$ -	\$ (1,293,389)	\$ 12,111,353

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

CHUNG HUNG STEEL CORPORATION

STANDALONE STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (1,934,966)	\$ (1,182,201)
Adjustments for:		
Depreciation expense	630,059	653,210
Finance costs	240,182	222,198
Interest income	(30,516)	(36,095)
Dividend income	(12,339)	(12,776)
Share of profit of associates	(44,450)	(45,684)
Gain on disposal of property, plant and equipment	(53,121)	(22,730)
Reversal of inventories	(78,123)	(34,439)
Recognition (reversal) of provisions	78,400	(137,900)
Others	238	510
Changes in operating assets and liabilities		
Notes receivable	(660)	-
Accounts receivable	213,330	163,636
Accounts receivable from related parties	1,034	73,172
Other receivables	4,875	8,026
Other receivables from related parties	204,549	(313,125)
Inventories	3,280,693	1,345,667
Prepayments	84,547	(2,218)
Other current assets	-	164
Contract liabilities	7,952	16,715
Accounts payable	12,710	(49,482)
Accounts payable to related parties	(33,296)	(517,561)
Other payables	(79,286)	(93,503)
Other current liabilities	89	395
Net defined benefit liabilities	(45,257)	(50,044)
Refund liabilities	(39,403)	(95,882)
Cash generated from (used in) operations	<u>2,407,241</u>	<u>(109,947)</u>
Income taxes paid (refund)	<u>43,758</u>	<u>(3,819)</u>
Net cash generated from (used in) operating activities	<u>2,450,999</u>	<u>(113,766)</u>

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CHUNG HUNG STEEL CORPORATION

STANDALONE STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2025	2024
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets for hedging	\$ 25,720	\$ 110,731
Acquisition of property, plant and equipment	(265,629)	(578,094)
Proceeds from disposal of property, plant and equipment	57,753	22,730
Decrease (increase) in refundable deposits	(2,571)	3,299
Increase in other financial assets	(300,000)	-
Interest received	30,998	37,577
Dividends received from others	59,459	25,881
	<u>(394,270)</u>	<u>(377,876)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	45,093,494	87,239,231
Repayments of short-term borrowings	(46,904,721)	(88,083,265)
Proceeds from short-term bills payable	14,250,000	4,594,260
Repayments of short-term bills payable	(11,750,966)	(6,990,000)
Repayments of bonds payable	(3,000,000)	-
Proceeds from long-term borrowings	13,450,000	8,900,000
Repayments of long-term borrowings	(9,950,000)	(8,208,400)
Proceeds from long-term bills payable	4,000,000	2,997,747
Repayments of long-term bills payable	(6,898,806)	-
Repayments of principal of lease liabilities	(15,757)	(16,039)
Dividends paid to owner of the corporation	-	(143,554)
Interest paid	(252,172)	(221,118)
	<u>(1,978,928)</u>	<u>68,862</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	77,801	(422,780)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	<u>673,488</u>	<u>1,096,268</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
	<u>\$ 751,289</u>	<u>\$ 673,488</u>
Reconciliation of the amounts in the standalone statements of cash flows with the equivalent items reported in the standalone balance sheets as of December 31, 2025 and 2024:		
Cash and cash equivalents in the standalone balance sheets	\$ 1,752,606	\$ 1,429,043
Bank overdraft	<u>(1,001,317)</u>	<u>(755,555)</u>
Cash and cash equivalents in the standalone statements of cash flows	<u>\$ 751,289</u>	<u>\$ 673,488</u>

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

(Concluded)

CHUNG HUNG STEEL CORPORATION

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Chung Hung Steel Corporation (the “Corporation”) was incorporated in September 1983 and started operations in September 1985. It mainly manufactures and sells steel products, such as cold and hot rolled coils.

The Corporation’s shares have been listed on the Taiwan Stock Exchange since February 1992.

As of December 31, 2025, and 2024, China Steel Corporation (CSC), the Corporation’s parent and major shareholder (40.59%), controls the Corporation’s management and operations.

The standalone financial statements are presented in the Corporation’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The standalone financial statements were approved by the Corporation’s board of directors and authorized for issue on February 23, 2026.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Corporation's accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2026

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”	January 1, 2026
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
IFRS 17 “Insurance Contracts” (including the 2020 and 2021 amendments to IFRS 17)	January 1, 2023

As of the date the standalone financial statements were authorized for issue, the Corporation has assessed that the application of other standards and interpretations will not have a material impact on the Corporation’s financial position and financial performance.

- c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027 (Note 2)
IFRS 19 “Subsidiaries without Public Accountability: Disclosures” (including the 2025 amendments to IFRS 19)	January 1, 2027
Amendments to IAS 21 “Translation to a Hyperinflationary Presentation Currency”	January 1, 2027

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: On September 25, 2025, the FSC announced that IFRS 18 will take effect starting from January 1, 2028. Domestic entities could elect to apply IFRS 18 for an earlier period after the endorsement of IFRS 18 by the FSC.

IFRS 18 “Presentation and Disclosure in Financial Statements” and consequential amendments

IFRS 18 will supersede IAS 1” Presentation of Financial Statements”. The main changes comprise:

- To classify items of income and expenses presented in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discontinued operations categories, the Corporation shall assess whether it has specified main business activities of investing in particular types of assets and providing financing to customers.
- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.
- Provides guidance to enhance the requirements of aggregation and disaggregation: The Corporation shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Corporation shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Corporation labels items as “other” only if it cannot find a more informative label.
- Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management’s view of an aspect of the financial performance of the Corporation as a whole, the Corporation shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

In addition, the following consequential amendments have been made to IAS 7 “Statement of Cash Flows”:

- The Corporation shall use operating profit or loss as the starting point when presenting cash flows from operating activities under the indirect method.
- Interest and dividends received by the Corporation shall be classified as investing activities, while interest and dividends paid shall be classified as financing activities. However, if, after assessment,

the Corporation has a specific main operating activity, it shall determine how to classify dividends received, interest received and interest paid in the statement of cash flows by referring to how it classifies dividend income, interest income and interest expense in the statement of profit or loss. The total of each of these cash flows shall be classified in a single category in the statement of cash flows.

Except for the above impact, as of the date the standalone financial statements were authorized for issue, the Corporation is continuously assessing the other impacts of the above amended standards and interpretations on the Corporation's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Statement of Compliance

The standalone financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of Preparation

The standalone financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined liabilities (assets) which are measured at present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- c. Level 3 inputs are unobservable inputs for the asset or liability.

The subsidiaries and associates are incorporated in the standalone financial statements under the equity method. To make net profit for the year, other comprehensive income and equity in the standalone financial statements equal to those attributed to owners of the Corporation on consolidated financial statements, the effect of the differences between basis of standalone and basis of consolidation are adjusted in the investments accounted for using equity method, the related share of the profit or loss, the related share of other comprehensive income of subsidiaries, associates and joint ventures and related equity.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within twelve months after the balance sheet date; and
- c. Cash and cash equivalents unless the asset is restricted from being used for an exchange or used to settle a liability for more than least 12 months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities expected to be settled within 12 months after the reporting period; and
- c. Liabilities for which the Corporation does not have the substantial right at the end of the reporting period to defer settlement for at least 12 months after the reporting period..

Assets and liabilities that are not classified as current are classified as non-current.

Foreign Currencies

In preparing the financial statements of the Corporation, transactions in currencies other than the Corporation's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the closing rates. Except for exchange differences arising from hedging transactions to hedge part of the exchange rate risk, exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Inventories

Inventories consist of raw materials, supplies, finished goods, work-in-process, materials and supplies in transit, etc. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost.

Investment in Subsidiaries

The Corporation uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Corporation.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in the share of other equity of subsidiaries.

Changes in the Corporation's ownership interests in subsidiaries that do not result in the Corporation losing control of the subsidiary are accounted for as equity transactions. Differences between the carrying amounts of the investment and the fair value of the consideration paid or received are directly recognized in equity.

When the Corporation's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the subsidiary), the Corporation continues recognizing its share of further loss, if any.

Unrealized profits or losses on downstream transactions with subsidiaries are eliminated in the standalone financial statements. Profits and losses on transactions with subsidiaries other than downstream are recognized in standalone financial statements only to the extent of interests in the subsidiary that are not related to the Corporation.

Investment in Associates

An associate is an entity over which the Corporation has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The operating results and assets and liabilities of associates are incorporated in these standalone financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate. The Corporation also recognizes the changes in the share of equity of associates.

When the Corporation subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Corporation's proportionate interest in the associate. The Corporation records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Corporation's share of equity of associates. If the Corporation ownership interest is reduced due to non-subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using equity method is insufficient, the shortage is debited to retained earnings.

When the Corporation's share of losses of an associate equal or exceed its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the associate), the Corporation discontinues recognizing their share of further losses. Additional losses and liabilities are recognized only to the extent that the Corporation has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

When impairment loss is evaluated, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investment and the carrying amount of investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment has subsequently increased.

When the Corporation transacts with their associates, profits and losses on these transactions are recognized in the standalone financial statements only to the extent of interests in the associate that are not related to the Corporation.

Property, Plant, and Equipment

Property, plant and equipment are stated at cost, less recognized accumulated depreciation and accumulated impairment loss.

Properties in the course of construction for production, supply or administrative purposes are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Samples produced when testing whether an item of property, plant and equipment is functioning properly before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling those samples and the cost of those samples are recognized in profit or loss. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use and depreciated accordingly.

Freehold land is not depreciated. Except for depreciation of the rollers (spare parts) that belong to the cold rolling department, the hot rolling department and pickling & galvanizing mill department is calculated based on their level of wear and other depreciation is recognized so as to write off the cost of assets less their residual value over their estimated useful lives, using the straight-line method; each major part is

depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

For a transfer from property, plant and equipment classification to investment properties, the deemed cost of property for subsequent accounting is its carrying amount at the end of owner-occupation.

On derecognition of the property, the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss.

Impairment of Property, Plant and Equipment, Right-of-use Asset and Investment Properties

At each balance sheet date, the Corporation reviews the carrying amounts of its property, plant and equipment, right-of-use asset and Investment properties to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimate the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instruments.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a. Financial assets

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

1) Measurement category

Financial assets are classified into the following categories: Financial assets at amortized cost, and investments in equity instruments at FVTOCI.

a) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

Financial assets at amortized cost, including cash and cash equivalents, accounts receivable at amortized cost, other receivables, other financial assets and refundable deposits, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include commercial papers with repurchase agreements (with original maturities within 3 months from the date of acquisition), which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Investments in equity instruments at FVTOCI

On initial recognition, the Corporation may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets

The Corporation recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Corporation always recognizes lifetime Expected Credit Loss (ECL) for accounts receivable. For other financial assets, the Corporation recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. A 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. In contrast, lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

The Corporation recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3) Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI in its entirety, the cumulative gain or loss is transferred directly to retained earnings, without recycling through profit or loss.

b. Equity instruments

Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs.

c. Financial liabilities

1) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

2) Derecognition of financial liabilities

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

Hedge accounting

The Corporation designates certain hedging instruments, which include non-derivatives in respect of foreign currency risk, as either cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

The effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gains or losses relating to the ineffective portion are recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as reclassification adjustments in the line items relating to the hedged item in the same period in which the hedged item affects profit or loss. If a hedge of a forecasted transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and included in the initial cost of the non-financial asset or non-financial liability.

The Corporation discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that was previously recognized in other comprehensive income (from the period in which the hedge was effective) remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gains or losses accumulated in equity are recognized immediately in profit or loss.

Provisions

Provisions are measured at the best estimate including risks and uncertainties of the expenditure required to settle the obligation on the balance sheet date.

When the Corporation expects that the unavoidable costs of the performance of contractual obligations to exceed the expected economic benefits that may be gained from the contract, the Corporation recognizes provisions for the performance of its obligations in the onerous contract. In assessing whether a contract is onerous, the cost of fulfilling a contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that are related directly to fulfilling contracts.

Revenue Recognition

The Corporation identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Corporation transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Corporation does not adjust the promised amount of consideration for the effects of a significant financing component.

a. Sale of goods

Revenue is recognized when the control of products is transferred to customers. The customer has full discretion over the manner of distribution and price to sell the goods and bears the risks of obsolescence. Domestic sales are recognized when products are delivered to and accepted by the customers, and export sales are recognized when products are loaded onto shipping vessels in accordance with the sales terms. Transaction price received is recognized as a contract liability until performance obligations are satisfied.

The Corporation does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

b. Providing of services

Service revenue is recognized when services are provided by reference to the stage of completion of services provided.

Leases

At the inception of a contract, the Corporation assesses whether the contract is, or contains, a lease.

a. The Corporation as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

When a lease includes both land and building elements, the Corporation assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated to the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably to the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

b. The Corporation as lessee

The Corporation recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the standalone balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Corporation by the end of the lease terms or if the costs of right-of-use assets reflect that the Corporation will exercise a purchase option, the Corporation depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term the Corporation remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the standalone balance sheets.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All borrowing costs other than those stated above are recognized in profit or loss in the period in which they are incurred.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Rereasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Rereasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the standalone financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation's accounting policies, management is required to make judgments, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

Measurement of Inventories

Inventories are stated at the lower of cost or net realizable value, and the Corporation uses judgment and estimate to determine the net realizable value of inventory at the balance sheet date. Since the net realizable value of inventory is mainly determined on the basis of future selling price, it might be adjusted significantly.

Realizability of Deferred Tax Assets

The realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profit generated is less (greater) than expected, a material reversal (recognition) of deferred tax assets may arise, which would be recognized in the period in which such a reversal (recognition) takes place.

Recognition and measurement of defined benefit plans

Net defined benefit liabilities (assets) and the pension cost of defined benefit plan under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of expenses and liabilities.

Carbon fees

In accordance with the Regulations Governing the Collection of Carbon Fees and related regulations of the ROC, the management recognizes the carbon fee provision based on the estimate of the chargeable emissions, the preferential rate and the emission adjustment coefficient. The estimate may vary as a result of the change in the estimated possibility in the approval for the recognition as belonging to the industry with high carbon leakage risk from the competent authority and the result of its implementation of the self-determined reduction plan and the achievement of the designated target.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2025	2024
Cash on hand	\$ -	\$ 390
Demand deposits	1,452,606	929,448
Cash equivalents (investments with original maturities within three months)		
Commercial papers with repurchase agreements	<u>300,000</u>	<u>499,205</u>
	<u>\$ 1,752,606</u>	<u>\$ 1,429,043</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	2025	2024
<u>Current</u>		
Domestic listed shares	<u>\$ 652,826</u>	<u>\$ 675,159</u>
<u>Non-current</u>		
Domestic unlisted shares	<u>\$ 46,388</u>	<u>\$ 47,241</u>

These investments in equity instruments are not held for trading; instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Corporation's strategy of holding these investments for long-term purposes.

8. FINANCIAL INSTRUMENT FOR HEDGING

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
<u>Financial assets for hedging - current</u>		
Foreign-currency deposits	\$ <u>-</u>	\$ <u>28,326</u>

For the purpose of managing cash flow risk arising from exchange rate fluctuations due to the purchase of imported equipment, the Corporation purchased foreign-currency deposits. Refer to Note 29 for information relating to financial instruments for hedging.

9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
<u>Notes receivable</u>		
Notes receivable		
At amortized cost	\$ <u>660</u>	\$ <u>-</u>
<u>Accounts receivable</u>		
Accounts receivable - non-related parties		
At amortized cost	\$ <u>261,369</u>	\$ <u>474,699</u>
Accounts receivable - related parties		
At amortized cost	\$ <u>32,002</u>	\$ <u>33,036</u>
<u>Other receivables (including related parties)</u>		
Receivables from price settlement	\$ 303,987	\$ 502,955
Receivables from disposal of scrap	16,421	24,741
Others	<u>786</u>	<u>3,405</u>
	<u>\$ 321,194</u>	<u>\$ 531,101</u>

a. Accounts receivable at amortized cost

Refer to Note 29 (d) for credit risk management policies. The expected credit losses on notes receivable and accounts receivable are estimated using a provision matrix approach considering the past default experience of the debtor and an analysis of the debtor's current financial position, economic condition of the industry in which the debtor operates, as well as the GDP forecasts and industry outlook. As the Corporation's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance is based on past due status rather than distinguishing each different customer group.

The following table details the loss allowance of accounts receivable based on the Corporation's provision matrix.

December 31, 2025

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate (%)	-	-	-	-	-	100	
Gross carrying amount	\$ 290,961	\$ 2,410	\$ -	\$ -	\$ -	\$ -	\$ 293,371
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 290,961</u>	<u>\$ 2,410</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 293,371</u>

December 31, 2024

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate (%)	-	-	-	-	-	100	
Gross carrying amount	\$ 507,735	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 507,735
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 507,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 507,735</u>

The amounts of accounts receivable from single customer that exceed 10% of total accounts receivable were as follows:

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
A company	\$ 99,410	\$ 40,476
B company	54,781	136,431
C company	<u>6,477</u>	<u>121,623</u>
	<u>\$ 160,668</u>	<u>\$ 298,530</u>

The Corporation entered into accounts receivable factoring contract (without recourse). Under the contract, the Corporation is authorized to sell accounts receivable to Bank upon the delivery of products to customers and is required to complete related formalities on the next banking day. Under this contract, the Corporation does not bear the risk of the uncollectability of the accounts receivable.

Receivables sold for the years ended December 31, 2025 and 2024 were as follows:

Buyer of Accounts Receivable	Advances Received at Year - Beginning	Receivables Sold	Amounts Collected	Advances Received at Year-End	Interest Rates on Advances Received (%)	Credit Line
<u>For the year ended December 31, 2025</u>						
Mega Bank	<u>\$ 161,929</u>	<u>\$ 350,589</u>	<u>\$ 387,408</u>	<u>\$ 125,110</u>	2.22	NT\$408 million
<u>For the year ended December 31, 2024</u>						
Mega Bank	\$ 85,722	\$ 410,583	\$ 334,376	\$ 161,929	2.17	NT\$485 million
Bank of Taiwan	<u>1,791</u>	<u>-</u>	<u>1,791</u>	<u>-</u>	-	-
	<u>\$ 87,513</u>	<u>\$ 410,583</u>	<u>\$ 336,167</u>	<u>\$ 161,929</u>		

The above credit lines are revolving.

b. Other receivables

The expected credit losses on other receivables are estimated using expected credit loss rate based on the other receivables overdue days. As of December 31, 2025 and 2024, there was no allowance for doubtful accounts.

10. INVENTORIES

	December 31	
	2025	2024
Raw materials	\$ 2,680,490	\$ 4,867,188
Finished goods	957,650	1,897,449
Supplies	240,717	232,803
Work in progress	93,780	248,594
Raw materials and supplies in transit	81,254	-
Others	<u>4,394</u>	<u>14,821</u>
	<u>\$ 4,058,285</u>	<u>\$ 7,260,855</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2025 and 2024 was NT\$20,362,732 thousand and NT\$30,907,874 thousand, respectively, including reversal of loss on inventories of NT\$78,123 thousand and NT\$34,439 thousand, respectively. The reversal of loss on inventories was mainly due to the disappearance of the factors that previously caused the net realizable value to be lower than the cost.

11. PREPAYMENTS

	December 31	
	2025	2024
Input tax	\$ 53,947	\$ 82,693
Prepayments for purchases	28,566	32,400
Tax overpaid retained for offsetting future tax payable	-	51,355
Others	<u>17,265</u>	<u>17,877</u>
	<u>\$ 99,778</u>	<u>\$ 184,325</u>

12. OTHER FINANCIAL ASSETS

	December 31	
	2025	2024
<u>Current</u>		
Pledged time deposits (Note 31)	\$ 800,000	\$ 500,000
Pledged demand deposits (Note 31)	<u>300,000</u>	<u>300,000</u>
	<u>\$ 1,100,000</u>	<u>\$ 800,000</u>

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Investments in subsidiaries	\$ 23,645	\$ 24,274
Investments in associates	<u>2,573,141</u>	<u>2,663,973</u>
	<u>\$ 2,596,786</u>	<u>\$ 2,688,247</u>

a. Investments in subsidiaries

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
	<u>Amount</u>	<u>Amount</u>
Unlisted Companies		
Hong Kao Investment Corporation	<u>\$ 23,645</u>	<u>\$ 24,274</u>
Percentage of Ownership Interests and Voting Rights (%)		
<u>Subsidiary Companies Name</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Hong Kao Investment Corporation	100	100

The investments accounted for by the equity method and the share of profit or loss and other comprehensive loss of those investments for the years ended December 31, 2025 and 2024 was based on the audited financial statements for the same years.

b. Investments in associates

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Material associates		
Transglory Investment Corp. (TIC)	\$ 2,352,567	\$ 2,423,581
Associates that are not individually material	<u>220,574</u>	<u>240,392</u>
	<u>\$ 2,573,141</u>	<u>\$ 2,663,973</u>

1) Material associates

Name of Associate	Nature of Activities	Principal Place of Business	<u>Proportion of Ownership and Voting Rights (%)</u>	
			<u>December 31 2025</u>	<u>2024</u>
TIC	General investment	Taiwan	39.59	39.59

The investments accounted for by the equity method and the share of profit or loss and other comprehensive loss of those investments for the years ended December 31, 2025 and 2024 was based on the audited financial statements for the same years.

The summarized financial information below represents amounts shown in the associates' standalone financial statements prepared in accordance with IFRSs adjusted by the Corporation for equity accounting purposes.

TIC

	December 31	
	2025	2024
Current assets	\$ 400,110	\$ 517,995
Non-current assets	5,541,964	5,603,440
Current liabilities	<u>(56)</u>	<u>(55)</u>
Equity	<u>\$ 5,942,018</u>	<u>\$ 6,121,380</u>
Proportion of the Corporation's ownership (%)	39.59	39.59
Equity attributable to the Corporation	<u>\$ 2,352,567</u>	<u>\$ 2,423,581</u>
Carrying amount	<u>\$ 2,352,567</u>	<u>\$ 2,423,581</u>
	For the Year Ended December 31	
	2025	2024
Operating revenue	<u>\$ 111,496</u>	<u>\$ 114,361</u>
Net profit for the year	\$ 102,354	\$ 105,203
Other comprehensive loss	<u>(202,939)</u>	<u>(2,134,243)</u>
Total comprehensive loss for the year	<u>\$ (100,585)</u>	<u>\$ (2,029,040)</u>
Comprehensive loss attributable to the Corporation	<u>\$ (39,824)</u>	<u>\$ (803,340)</u>

2) Information about associates that are not individually material was as follows:

	For the Year Ended December 31	
	2025	2024
The Corporation's subsidiaries' share of		
Net profit for the year	\$ 3,719	\$ 3,828
Other comprehensive income (loss)	<u>(4,766)</u>	<u>24,252</u>
Total comprehensive income (loss)	<u>\$ (1,047)</u>	<u>\$ 28,080</u>

The Corporation held more than 20% of the shares with its parent company CSC and fellow subsidiaries and accounted for using the equity method.

Refer to Table 4 "Information on Investees" for the nature of main business, principal place of business and countries of incorporation of associates that are not individually material.

14. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2025

	Land	Buildings	Machinery and Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2025	\$ 4,006,608	\$ 5,069,844	\$ 22,766,129	\$ 4,697,618	\$ 1,128,755	\$ 5,316	\$ 37,674,270
Additions	250	3,525	91,870	27,342	129,368	26,463	278,818
Disposals	(2,090)	(8,087)	(627,788)	(6,587)	(291,996)	-	(936,548)
Reclassification	(26,591)	(20,810)	-	-	-	-	(47,401)
Balance at December 31, 2025	<u>\$ 3,978,177</u>	<u>\$ 5,044,472</u>	<u>\$ 22,230,211</u>	<u>\$ 4,718,373</u>	<u>\$ 966,127</u>	<u>\$ 31,779</u>	<u>\$ 36,969,139</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2025	\$ -	\$ 2,545,445	\$ 19,490,562	\$ 4,416,583	\$ 618,346	\$ -	\$ 27,070,936
Depreciation expense	-	136,920	316,877	86,519	71,788	-	612,104
Disposals	-	(6,795)	(627,788)	(6,587)	(143,171)	-	(784,341)
Reclassification	-	(15,469)	-	-	-	-	(15,469)
Balance at December 31, 2025	<u>\$ -</u>	<u>\$ 2,660,101</u>	<u>\$ 19,179,651</u>	<u>\$ 4,496,515</u>	<u>\$ 546,963</u>	<u>\$ -</u>	<u>\$ 26,883,230</u>
<u>Accumulated impairment</u>							
Balance at January 1, 2025	\$ -	\$ -	\$ 960,861	\$ -	\$ 153,156	\$ -	\$ 1,114,017
Disposals	-	-	-	-	(147,575)	-	(147,575)
Balance at December 31, 2025	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 960,861</u>	<u>\$ -</u>	<u>\$ 5,581</u>	<u>\$ -</u>	<u>\$ 966,442</u>
Carrying amount at December 31, 2025	<u>\$ 3,978,177</u>	<u>\$ 2,384,371</u>	<u>\$ 2,089,699</u>	<u>\$ 221,858</u>	<u>\$ 413,583</u>	<u>\$ 31,779</u>	<u>\$ 9,119,467</u>

For the year ended December 31, 2024

	Land	Buildings	Machinery and Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2024	\$ 3,996,115	\$ 5,042,071	\$ 23,011,162	\$ 4,598,338	\$ 1,263,624	\$ 73,421	\$ 37,984,731
Additions	11,848	27,803	555,902	105,074	84,225	(68,105)	716,747
Disposals	-	-	(800,935)	(5,794)	(219,094)	-	(1,025,823)
Reclassification	(1,355)	(30)	-	-	-	-	(1,385)
Balance at December 31, 2024	<u>\$ 4,006,608</u>	<u>\$ 5,069,844</u>	<u>\$ 22,766,129</u>	<u>\$ 4,697,618</u>	<u>\$ 1,128,755</u>	<u>\$ 5,316</u>	<u>\$ 37,674,270</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2024	\$ -	\$ 2,409,230	\$ 19,915,909	\$ 4,326,177	\$ 728,315	\$ -	\$ 27,379,631
Depreciation expense	-	136,215	294,232	96,200	109,125	-	635,772
Disposals	-	-	(719,579)	(5,794)	(219,094)	-	(944,467)
Balance at December 31, 2024	<u>\$ -</u>	<u>\$ 2,545,445</u>	<u>\$ 19,490,562</u>	<u>\$ 4,416,583</u>	<u>\$ 618,346</u>	<u>\$ -</u>	<u>\$ 27,070,936</u>
<u>Accumulated impairment</u>							
Balance at January 1, 2024	\$ -	\$ -	\$ 1,042,217	\$ -	\$ 153,156	\$ -	\$ 1,195,373
Disposals	-	-	(81,356)	-	-	-	(81,356)
Balance at December 31, 2024	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 960,861</u>	<u>\$ -</u>	<u>\$ 153,156</u>	<u>\$ -</u>	<u>\$ 1,114,017</u>
Carrying amount at December 31, 2024	<u>\$ 4,006,608</u>	<u>\$ 2,524,399</u>	<u>\$ 2,314,706</u>	<u>\$ 281,035</u>	<u>\$ 357,253</u>	<u>\$ 5,316</u>	<u>\$ 9,489,317</u>

Depreciation of the rollers is calculated based on their level of wear; depreciation of other assets is recognized based on the following useful lives:

Buildings	
Facility	5-50 years
Main structure	31-60 years
Machinery and equipment	
Power equipment	3-30 years
High-temperature equipment	3-18 years
Other equipment	
Computer equipment	3-10 years
Office, air condition and extinguishment equipment	3-20 years
Transportation equipment	5-16 years
Others	3-20 years
Tank	10 years

The Corporation bought farmlands for warehouse at the Gangshan District in Kaohsiung City. However, certain regulations prohibit the Corporation from registering the title of these farmlands in the

Corporation's name; therefore, the registration was made in the name of an individual person. The individual person consented to fully cooperate with the Corporation in freely changing the land title to the Corporation or to other name under the Corporation's instructions. Meanwhile, the land has been pledged to the Corporation as collateral. The aforementioned land was reclassified for use in 2024 and successfully registered under the Corporation's ownership.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2025	2024
<u>Carrying amount</u>		
Land	\$ 97,667	\$ 85,701
Transportation equipment	<u>11,438</u>	<u>14,869</u>
	<u>\$ 109,105</u>	<u>\$ 100,570</u>
	For the Year Ended December 31	
	2025	2024
Additions to right-of-use assets	<u>\$ 24,963</u>	<u>\$ 48,523</u>
Depreciation charge for right-of-use assets		
Land	\$ 12,997	\$ 13,101
Transportation equipment	<u>3,431</u>	<u>3,395</u>
	<u>\$ 16,428</u>	<u>\$ 16,496</u>

Except for the addition and recognition of depreciation expenses listed above, the Corporation's right-of-use assets did not undergo significant sub-lease and impairment for the year ended December 31, 2025 and 2024.

b. Lease liabilities

	December 31	
	2025	2024
<u>Carrying amount</u>		
Current	<u>\$ 15,923</u>	<u>\$ 14,541</u>
Non-current	<u>\$ 94,676</u>	<u>\$ 87,036</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2025	2024
Land (%)	0.98-1.75	0.85-1.59
Transportation equipment (%)	1.37	1.37

c. Material lease activities and terms

The Corporation leases several pieces of land to store steel products, with the lease terms of 5 to 10 years. The Corporation does not have bargain purchase options to acquire the leasehold land at the end of the lease terms.

d. Other lease information

	<u>For the Year Ended December 31</u>	
	2025	2024
Expenses relating to short-term leases	<u>\$ 12,721</u>	<u>\$ 15,290</u>
Expenses relating to low-value asset leases	<u>\$ 1,074</u>	<u>\$ 1,177</u>
Total cash outflow for leases	<u>\$ 31,332</u>	<u>\$ 33,855</u>

For transportation equipment which qualified as short-term leases and other equipment which qualify as low-value asset leases, the Corporation has elected to apply the recognition exemption and thus did not recognize right-of-use assets and lease liabilities for these leases.

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 16.

16. INVESTMENT PROPERTIES

For the year ended December 31, 2025

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2025	\$ 5,972,595	\$ 42,740	\$ 6,015,335
Reclassification	<u>26,591</u>	<u>20,810</u>	<u>47,401</u>
Balance at December 31, 2025	<u>\$ 5,999,186</u>	<u>\$ 63,550</u>	<u>\$ 6,062,736</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2025	\$ -	\$ 21,282	\$ 21,282
Depreciation expense	-	1,527	1,527
Reclassification	<u>-</u>	<u>15,469</u>	<u>15,469</u>
Balance at December 31, 2025	<u>\$ -</u>	<u>\$ 38,278</u>	<u>\$ 38,278</u>
Carrying amount at December 31, 2025	<u>\$ 5,999,186</u>	<u>\$ 25,272</u>	<u>\$ 6,024,458</u>

For the year ended December 31, 2024

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2024	\$ 5,971,240	\$ 42,710	\$ 6,013,950
Reclassification	<u>1,355</u>	<u>30</u>	<u>1,385</u>
Balance at December 31, 2024	<u>\$ 5,972,595</u>	<u>\$ 42,740</u>	<u>\$ 6,015,335</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2024	\$ -	\$ 20,340	\$ 20,340
Depreciation expense	<u>-</u>	<u>942</u>	<u>942</u>
Balance at December 31, 2024	<u>\$ -</u>	<u>\$ 21,282</u>	<u>\$ 21,282</u>
Carrying amount at December 31, 2024	<u>\$ 5,972,595</u>	<u>\$ 21,458</u>	<u>\$ 5,994,053</u>

The Corporation as lessor leased land in Longdong section in Kaohsiung on June 30, 2010 for 20 years under an operating lease agreement; the Corporation collects rental monthly. The amounts of rental revenue for the years ended December 31, 2025 and 2024 were NT\$90,604 thousand and NT\$88,797 thousand, respectively, and were included in other income. As of December 31, 2025 and 2024, the Corporation received the same margin of NT\$35,000 thousand based on the lease contract.

As of December 31, 2025 and 2024, notes receivable and advance rental were as follows:

	<u>December 31</u>	
	2025	2024
Notes receivable	\$ 55,852	\$ 54,757
Less: Advance rental	<u>55,852</u>	<u>54,757</u>
	<u>\$ -</u>	<u>\$ -</u>

The future rentals to be received under operating leases for the leasing out of investment properties are as follows:

	<u>December 31</u>	
	2025	2024
1st year	\$ 111,955	\$ 101,916
2nd year	93,632	91,796
3rd year	95,504	93,632
4th year	97,412	95,504
5th year	99,360	97,412
Later than 5 years	<u>67,120</u>	<u>166,480</u>
	<u>\$ 564,983</u>	<u>\$ 646,740</u>

The above buildings of investment properties are depreciated on a straight-line basis over 20-55 years useful lives.

The fair value of the investment properties was arrived at on the basis of valuations carried out in December 2025 and 2023 by real estate appraiser. Appraised lands and buildings were evaluated using Level 3 inputs under market approach, cost approach, income approach, land development analysis approach. The important assumptions and fair value were as follows:

	<u>December 31</u>	
	2025	2024
Fair value	<u>\$ 16,806,614</u>	<u>\$ 14,882,964</u>
Expense rate (%)	28.25	28.86
Depreciation rate (%)	1.90-2.71	1.90-2.71

All investment properties are owned by the Corporation and had not been pledged to secure borrowings.

17. BORROWINGS

a. Short-term borrowings and bank overdrafts

	<u>December 31</u>	
	2024	2024
Bank overdrafts (Note 31)	\$ 1,001,317	\$ 755,555
Unsecured loans	950,000	1,600,000
Letters of credit and export bill loans	<u>409,983</u>	<u>1,571,210</u>
	<u>\$ 2,361,300</u>	<u>\$ 3,926,765</u>
Interest rate (%)	0.92-1.80	0.93-5.27

b. Short-term bills payable

	<u>December 31</u>	
	2025	2024
Short-term bills payable	\$ 2,600,000	\$ 100,000
Less: Unamortized discounts	<u>1,032</u>	<u>66</u>
	<u>\$ 2,598,968</u>	<u>\$ 99,934</u>
Interest rate (%)	1.58-1.63	1.73

As of December 31, 2025 and 2024, all short-term bills payable were non-guarantee commercial papers, and promissory institutions included Taching Bills, CBF Bills, Mega Bills and Bank of Taiwan.

c. Long-term borrowings

	<u>December 31</u>	
	2025	2024
Credit bank loans		
Due on various dates through December 2028	\$ 4,400,000	\$ 2,900,000

(Continued)

	December 31	
	2025	2024
Syndicated bank loans		
Due on through March 2029	\$ 2,400,000	\$ 400,000
	<u>6,800,000</u>	<u>3,300,000</u>
Less: syndicated loan arrangement fees	<u>4,952</u>	<u>6,845</u>
	<u>\$ 6,795,048</u>	<u>\$ 3,293,155</u>
Interest rate (%)	1.78-2.11	1.78-2.11
Long-term bills payable	\$ 2,000,000	\$ 4,900,000
Less: Unamortized discount	<u>1,695</u>	<u>2,889</u>
	<u>\$ 1,998,305</u>	<u>\$ 4,897,111</u>
Interest rate (%)	1.81-1.92	1.86-1.97 (Concluded)

The Corporation entered into a syndicated credit facility agreement with nine financial institutions, including Yushan Bank, for a credit line of NT\$6 billion in September 2023. Under the agreement, the Corporation should meet certain financial ratios and criteria based on its audited consolidated annual financial statements. The Corporation's consolidated financial statements for the year 2024 comply with the aforementioned regulations. However, the Corporation's consolidated financial statements for the year 2025 did not comply with the aforementioned regulations; notwithstanding, in December 2025, all the syndicated banks resolved to waive the financial ratio covenants for 2025. Accordingly, as of December 31, 2025, the related borrowings were classified as non-current liabilities.

The Corporation entered into commercial paper contracts with financial institutions. The duration of the contracts ranges between four to five years, during which the Corporation is only required to pay service fees and interest, included under long-term bills payable. In accordance with Q&A "Transition Requirements of the ARDF Q&A - Liability Classification of Funds Raised Through The Revolving Issuance of Commercial Papers" issued by the FSC on August 15, 2025, the commercial paper will be classified as a current liability beginning in January 2026. As of December 31, 2025 and 2024, long-term bills payable were non-guarantee commercial papers.

18. BONDS PAYABLE

	December 31	
	2025	2024
Unsecured domestic bonds	\$ -	\$ 3,000,000
Less: Issuance cost of bonds payable	<u>-</u>	<u>421</u>
	<u>-</u>	<u>2,999,579</u>
Less: Maturity within one year	<u>-</u>	<u>2,999,579</u>
	<u>\$ -</u>	<u>\$ -</u>

The provision for onerous contracts comes from the non-cancellable purchase contracts with suppliers, and the provision amounts are measured using the difference of the unavoidable costs of meeting the contractual obligations less the economic benefits expected to be received from the contracts.

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Based on the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The Corporation adopted the defined benefit plan under the Labor Standards Act, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation makes contributions, equal to a portion of total monthly salaries, to a pension fund, which is deposited in the Bank of Taiwan in the name of and administered by the pension fund monitoring committee. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Corporation has no right to influence the investment policy and strategy.

The amounts included in the standalone balance sheets in respect of the Corporation's defined benefit plans were as follows:

	December 31	
	2025	2024
Present value of defined benefit obligation	\$ 1,582,815	\$ 1,401,625
Fair value of plan assets	<u>(1,564,195)</u>	<u>(1,478,019)</u>
Net defined benefit liabilities (assets)	<u>\$ 18,620</u>	<u>\$ (76,394)</u>

Movements of net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2025	<u>\$ 1,401,625</u>	<u>\$ (1,478,019)</u>	<u>\$ (76,394)</u>
Service cost			
Current service cost	13,309	-	13,309
Interest expense (income)	<u>20,838</u>	<u>(22,427)</u>	<u>(1,589)</u>
Recognized in profit or loss	<u>34,147</u>	<u>(22,427)</u>	<u>11,720</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (104,343)	\$ (104,343)
Actuarial loss - changes in financial assumptions	15,072	-	15,072
Actuarial loss - experience adjustments	<u>229,542</u>	<u>-</u>	<u>229,542</u>
Recognized in other comprehensive income	<u>244,614</u>	<u>(104,343)</u>	<u>140,271</u>
Contributions from the employer	<u>-</u>	<u>(56,791)</u>	<u>(56,791)</u>
Benefits paid	<u>(97,571)</u>	<u>97,385</u>	<u>(186)</u>
Balance at December 31, 2025	<u>\$ 1,582,815</u>	<u>\$ (1,564,195)</u>	<u>\$ 18,620</u>
Balance at January 1, 2024	<u>\$ 1,394,110</u>	<u>\$ (1,355,575)</u>	<u>\$ 38,535</u>
Service cost			
Current service cost	14,580	-	14,580
Interest expense (income)	<u>17,158</u>	<u>(17,051)</u>	<u>107</u>
Recognized in profit or loss	<u>31,738</u>	<u>(17,051)</u>	<u>14,687</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(121,938)	(121,938)
Actuarial gain - changes in financial assumptions	(28,034)	-	(28,034)
Actuarial loss - experience adjustments	<u>85,087</u>	<u>-</u>	<u>85,087</u>
Recognized in other comprehensive income	<u>57,053</u>	<u>(121,938)</u>	<u>(64,885)</u>
Contributions from the employer	<u>-</u>	<u>(61,441)</u>	<u>(61,441)</u>
Benefits paid	<u>(81,276)</u>	<u>77,986</u>	<u>(3,290)</u>
Balance at December 31, 2024	<u>\$ 1,401,625</u>	<u>\$ (1,478,019)</u>	<u>\$ (76,394)</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2025	2024
Operating costs	\$ 9,661	\$ 12,217
Operating expenses	<u>2,059</u>	<u>2,470</u>
	<u>\$ 11,720</u>	<u>\$ 14,687</u>

Through the defined benefit plans under the Labor Standards Act, the Corporation is exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government and the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2025	2024
Discount rate (%)	1.375	1.5
Expected rate of salary increase (%)	2.5	2.5
Turnover rate (%)	0-4.5	0-4.5

If possible reasonable change in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2025	2024
Discount rate		
0.25% increase	<u>\$ (29,936)</u>	<u>\$ (27,235)</u>
0.25% decrease	<u>\$ 30,787</u>	<u>\$ 28,034</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 29,943</u>	<u>\$ 27,274</u>
0.25% decrease	<u>\$ (29,266)</u>	<u>\$ (26,634)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2025	2024
The expected contributions to the plan for the next year	<u>\$ 56,246</u>	<u>\$ 59,085</u>
The average duration of the defined benefit obligation	7.7 years	8 years

23. EQUITY

a. Ordinary shares

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Numbers of shares authorized (in thousands)	<u>2,043,160</u>	<u>2,043,160</u>
Shares authorized	<u>\$ 20,431,600</u>	<u>\$ 20,431,600</u>
Numbers of shares issued and fully paid (in thousands)	<u>1,435,544</u>	<u>1,435,544</u>
Shares issued	<u>\$ 14,355,444</u>	<u>\$ 14,355,444</u>

In June 2009, the Corporation revised the number of its authorized shares to 3,000,000 thousand shares upon obtaining the approval in the shareholders' meeting. The number of authorized shares approved by the Department of Commerce, Ministry of Economic Affairs is 2,043,160 thousand shares.

Fully paid ordinary shares, which have a par value of NT\$10, carry one vote per share and the right to dividends.

b. Capital surplus

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
<u>May only be used to offset a deficit</u>		
Additional paid-in capital	\$ 903	\$ 903
Share of changes in capital surplus of associates	<u>-</u>	<u>87</u>
	<u>\$ 903</u>	<u>\$ 990</u>

In 2009, CSC had transferred its treasury shares to its employees and subsidiaries. The Corporation recognized a compensation cost and capital surplus of NT\$743 thousand. In 2011, CSC issued ordinary shares for cash capital. Under the Company Law, CSC should reserve 10% of the shares for its employees and subsidiaries. The Corporation recognized NT\$160 thousand of compensation cost.

c. Retained earnings and dividend policy

The Corporation's Articles of Incorporation provide that 10% of the annual net income less any deficit should be appropriated as a legal reserve; a certain percentage should be appropriated as special reserve; the remainder may be declared as dividends or retained as proposed by the Corporation's board of directors and approved in the shareholders' meetings.

According to the amendments, the earnings distributed each year shall account for more than 30 percent of the distributable earnings, unless the Corporation has capital needs. The Corporation is in a mature steel industry. Thus, dividends will be appropriated in cash or in shares at an appropriate ratio, with cash dividends to be at least 50% of total dividends.

Under the Company Law, legal reserve should be appropriated from retained earnings until its balance equals the Corporation's paid-in capital. Legal reserve may be used to offset a deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2024 and 2023 were approved by the shareholders' meeting in June 2025 and 2024, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividend Per Share (NT\$)</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Legal reserve	\$ -	\$ 6,212		
Reversal of special reserve	154,962	72,914		
Cash dividends	-	143,554	<u>\$ -</u>	<u>\$ 0.10</u>

Information about the appropriation of earnings, proposed by the shareholders' meetings, is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Exchange differences on translating foreign operations

	<u>For the Year Ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Balance at beginning of the year	\$ 469	\$ 317
Recognized during the year		
Share from associates accounted for using the equity method	<u>(585)</u>	<u>152</u>
Balance at end of the year	<u>\$ (116)</u>	<u>\$ 469</u>

e. Unrealized gains and losses on financial assets at fair value through other comprehensive income

	<u>For the Year Ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Balance at beginning of the year	\$ (1,172,515)	\$ (76,424)
Recognized during the year		
Unrealized gains and losses - equity instruments	(23,186)	(250,888)
Share from associates accounted for using the equity method	<u>(85,213)</u>	<u>(828,274)</u>
Other comprehensive income recognized in the year	<u>(108,399)</u>	<u>(1,079,162)</u>
Cumulative unrealized gain or loss of equity instruments transferred to retained earnings due to disposal	<u>(12,359)</u>	<u>(16,929)</u>
Balance at end of the year	<u>\$ (1,293,273)</u>	<u>\$ (1,172,515)</u>

f. Gains and losses on hedging instruments- cash flow hedges

	<u>For the Year Ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Balance at beginning of the year	\$ 2,085	\$ 3,193
Recognized during the year		
Foreign currency risk- foreign currency deposits	(2,606)	(1,385)
Income tax effect	<u>521</u>	<u>277</u>
Other comprehensive loss recognized in the year	<u>(2,085)</u>	<u>(1,108)</u>
Balance at end of the year	<u>\$ -</u>	<u>\$ 2,085</u>

24. OPERATING REVENUE

a. Contract balances

	December 31, 2025	December 31, 2024	January 1, 2024
Accounts receivable	<u>\$ 293,371</u>	<u>\$ 507,735</u>	<u>\$ 744,543</u>
Contract liabilities			
Sale of goods	<u>\$ 64,977</u>	<u>\$ 57,025</u>	<u>\$ 40,310</u>

b. Disaggregation of revenue

Refer to Statement 16.

25. NET LOSS FOR THE YEAR

Net profit (loss) for the year consisted of following items:

a. Other income

	For the Year Ended December 31	
	2025	2024
Rental income	\$ 97,406	\$ 93,419
Dividend income	12,339	12,776
Others	<u>63,777</u>	<u>49,650</u>
	<u>\$ 173,522</u>	<u>\$ 155,845</u>

b. Other gains and losses

	For the Year Ended December 31	
	2025	2024
Net foreign exchange gain	\$ 30,786	\$ 38,026
Gain on disposal of property, plant and equipment	53,121	22,730
Service charge	(14,181)	(8,911)
Others	<u>(5,102)</u>	<u>(8,704)</u>
	<u>\$ 64,624</u>	<u>\$ 43,141</u>

The components of net foreign exchange gain were as follows:

	For the Year Ended December 31	
	2025	2024
Foreign exchange gain	\$ 76,102	\$ 154,829
Foreign exchange loss	<u>(45,316)</u>	<u>(116,803)</u>
Net exchange gain	<u>\$ 30,786</u>	<u>\$ 38,026</u>

c. Finance costs

	For the Year Ended December 31	
	2025	2024
Interest on bank overdrafts and loans	\$ 238,989	\$ 222,559
Interest on lease liabilities	<u>1,780</u>	<u>1,349</u>
Total interest expense financial liabilities measured at amortized cost	240,769	223,908
Less: Amounts included in the cost of qualifying assets	<u>587</u>	<u>1,710</u>
	<u>\$ 240,182</u>	<u>\$ 222,198</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2025	2024
Capitalized amounts	\$ 587	\$ 1,710
Capitalized annual rates (%)	1.53-1.79	1.38-1.62

d. Depreciation

	For the Year Ended December 31	
	2025	2024
Property, plant and equipment	\$ 612,104	\$ 635,772
Investment properties	1,527	942
Right-of-use assets	<u>16,428</u>	<u>16,496</u>
	<u>\$ 630,059</u>	<u>\$ 653,210</u>

	For the Year Ended December 31	
	2025	2024
Analysis of depreciation by function		
Operating costs	\$ 615,186	\$ 640,693
Operating expenses	13,347	11,575
Deduction of other income	<u>1,526</u>	<u>942</u>
	<u>\$ 630,059</u>	<u>\$ 653,210</u>

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2025	2024
Direct operating expenses of investment properties that generated rental income	\$ 13,854	\$ 13,653
Direct operating expenses of investment properties that did not generate rental income	<u>13,890</u>	<u>13,890</u>
	<u>\$ 27,744</u>	<u>\$ 27,543</u>

f. Employee benefits

	For the Year Ended December 31	
	2025	2024
Short-term employee benefits		
Salaries	\$ 876,755	\$ 908,043
Labor and health insurance	89,711	89,313
Others	<u>90,235</u>	<u>145,099</u>
	<u>1,056,711</u>	<u>1,142,455</u>
Post-employment benefits		
Defined contribution plans	29,508	29,220
Defined benefit plans (Note 22)	<u>11,720</u>	<u>14,687</u>
	<u>41,228</u>	<u>43,907</u>
	<u>\$ 1,097,929</u>	<u>\$ 1,186,362</u>
Analysis of employee benefits expense by function		
Operating costs	\$ 909,084	\$ 987,065
Operating expenses	<u>188,845</u>	<u>199,297</u>
	<u>\$ 1,097,929</u>	<u>\$ 1,186,362</u>

g. Compensation of employees and remuneration of directors

In accordance with the Corporation's Articles of Incorporation, the Corporation distributes compensation of employees and remuneration of directors at rates of no less than 1% and no higher than 1%, respectively, of net profit before income tax less any deficit, compensation of employees, and remuneration of directors. In accordance with the amendment to the Securities and Exchange Act in August 2024, the shareholders of the Company resolved amendments to the Company's Articles at their 2025 regular meeting. The amendments explicitly stipulate the allocation of no less than 30% of the employee compensation as compensation distributions for non-executive employees. The Company did not accrue compensation of employees and remuneration of directors for the year ended December 31, 2025 and 2024 due to losses incurred.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the standalone financial statements for the year ended December 31, 2023.

Information on compensation of employees and remuneration of directors resolved by the Corporation's board of directors are available on the Market Observation Post System website of the Taiwan Stock Exchange.

26. INCOME TAX

a. Income tax recognized in profit or loss

	For the Year Ended December 31	
	2025	2024
Current tax		
Land value increment tax	\$ 354	\$ -
In respect of prior years	(2,494)	(40,526)
Deferred tax		
In respect of the current year	<u>(85,007)</u>	<u>(249,996)</u>
	<u>\$ (87,147)</u>	<u>\$(290,522)</u>

The reconciliation of accounting loss and income tax benefit was as follows:

	For the Year Ended December 31	
	2025	2024
Loss before income tax	<u>\$ (1,934,966)</u>	<u>\$ (1,182,201)</u>
Income tax benefit at the statutory rate	\$ (386,993)	\$ (236,440)
Permanent differences		
Profit on investments under equity method	(8,890)	(9,137)
Others	14,216	21,974
Unrecognized temporary differences	296,660	(26,393)
Land value increment tax	354	-
In respect of the prior years	<u>(2,494)</u>	<u>(40,526)</u>
	<u>\$ (87,147)</u>	<u>\$ (290,522)</u>

b. No income tax was recognized directly in equity.

c. Income tax expense (benefit) recognized in other comprehensive income

	For the Year Ended December 31	
	2025	2024
Deferred tax		
Remeasurement on defined benefit plans	\$ 28,055	\$ (12,977)
Gains and losses on hedging instruments	521	277
Others	<u>83</u>	<u>-</u>
	<u>\$ (28,659)</u>	<u>\$ (12,700)</u>

d. Current tax assets

	<u>December 31</u>	
	2025	2024
Current tax assets		
Tax refund receivable	\$ <u>6,894</u>	\$ <u>48,512</u>

e. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the year ended December 31, 2025

	Balance at Beginning of the Year	Recognized in Profit or Loss	Recognized other comprehensive income	Balance at End of the Year
<u>Deferred Tax Assets</u>				
Temporary differences				
Unrealized write-down of inventories	\$ 68,807	\$ (15,625)	\$ -	\$ 54,182
Provisions	-	15,680	-	15,680
Defined benefit plans	-	(24,330)	28,055	3,725
Others	26,301	(1,061)	-	25,240
Loss carryforwards	<u>500,933</u>	<u>95,078</u>	<u>-</u>	<u>596,011</u>
	<u>\$ 597,041</u>	<u>\$ 69,742</u>	<u>\$ 28,055</u>	<u>\$ 694,838</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Land value increment tax	\$ (182,222)	\$ -	\$ 83	\$ (182,139)
Defined benefit plans	(15,279)	15,279	-	-
Others	<u>(1,022)</u>	<u>(14)</u>	<u>521</u>	<u>(515)</u>
	<u>\$ (198,523)</u>	<u>\$ 15,265</u>	<u>\$ 604</u>	<u>\$ (182,654)</u>

For the year ended December 31, 2024

	Balance at Beginning of the Year	Recognized in Profit or Loss	Recognized other comprehensive income	Balance at End of the Year
<u>Deferred Tax Assets</u>				
Temporary differences				
Unrealized write-down of inventories	\$ 76,695	\$ (6,888)	\$ -	\$ 69,807
Provisions	27,580	(27,580)	-	-
Defined benefit plans	7,707	5,270	(12,977)	-
Others	47,170	(20,869)	-	26,301
Loss carryforwards	<u>185,677</u>	<u>315,256</u>	<u>-</u>	<u>500,933</u>
	<u>\$ 344,829</u>	<u>\$ 265,189</u>	<u>\$ (12,977)</u>	<u>\$ 597,041</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Land value increment tax	\$ (182,222)	\$ -	\$ -	\$ (182,222)
Defined benefit plans	-	(15,279)	-	(15,279)
Others	<u>(1,385)</u>	<u>86</u>	<u>277</u>	<u>(1,022)</u>
	<u>\$ (183,607)</u>	<u>\$ 15,193</u>	<u>\$ 277</u>	<u>\$ (198,523)</u>

f. Items for which no deferred tax assets have been recognized

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Loss carryforwards		
Expired in 2032	\$ 693,292	\$ 693,292
Expired in 2035	<u>1,545,528</u>	<u>\$ -</u>
	<u>\$ 2,238,820</u>	<u>\$ 693,292</u>
Deductible temporary differences		
Impairment loss on assets	\$ 529,952	\$ 586,940
Amortization of deferred credits	<u>220,032</u>	<u>229,065</u>
	<u>\$ 749,984</u>	<u>\$ 816,005</u>

g. Information on unused loss carryforwards

Loss carryforwards as of December 31, 2025 comprised:

Unused Amount	Expire Year
\$ 693,292	2032
928,174	2033
1,574,428	2034
2,022,982	2035

h. Income tax assessments

The Corporation's income tax returns through 2023 have been assessed by the tax authorities.

27. LOSSES PER SHARE

	<u>For the Year Ended December 31</u>	
	2025	2024
Basic losses per share	<u>\$ (1.29)</u>	<u>\$ (0.62)</u>

The net loss and weighted average number of ordinary shares outstanding in the computation of losses per share were as follows:

Net loss for the year

	<u>For the Year Ended December 31</u>	
	2025	2024
Attributable to owners of the Corporation	<u>\$(1,847,819)</u>	<u>\$(891,679)</u>

Weighted average number of ordinary shares outstanding (in thousand shares)

	<u>For the Year Ended December 31</u>	
	2025	2024
Weighted average number of ordinary shares in computation of basic losses per share	<u>1,435,544</u>	<u>1,435,544</u>

The Corporation may settle the compensation paid to employees in cash or shares; therefore, the Corporation assumes that the entire amount of the compensation will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year. In consideration of the net loss for the year ended December 31, 2025 and 2024, diluted loss per share was not calculated.

28. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that entities in the Corporation will be able to continue their operations while maximizing the return to shareholders through the optimization of the debt and equity balance.

29. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not carried at fair value

Management of the Corporation considers the carrying amount of financial assets and liabilities not carried at fair value approximates fair value.

- b. Fair value of financial instruments that are measured at fair value on a recurring basis.
 1) Fair value hierarchy

	Level 1	Level 3	Total
<u>December 31, 2025</u>			
Financial assets at FVTOCI			
Domestic listed shares	\$ 652,826	\$ -	\$ 652,826
Domestic unlisted shares	<u>-</u>	<u>46,388</u>	<u>46,388</u>
	<u>\$ 652,826</u>	<u>\$ 46,388</u>	<u>\$ 699,214</u>
<u>December 31, 2024</u>			
Financial assets at FVTOCI			
Domestic listed shares	\$ 675,159	\$ -	\$ 675,159
Domestic unlisted shares	<u>-</u>	<u>47,241</u>	<u>47,241</u>
	<u>\$ 675,159</u>	<u>\$ 47,241</u>	<u>\$ 722,400</u>

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2025 and 2024.

- 2) Reconciliation of Level 3 fair value measurements of financial assets

	Financial Assets at FVTOCI - Equity Instruments
<u>For the year ended December 31, 2025</u>	
Balance at beginning of the year	\$ 47,241
Total profit or loss	
Recognized in other comprehensive income	<u>(853)</u>
Balance at end of the year	<u>\$ 46,388</u>
<u>For the year ended December 31, 2024</u>	
Balance at beginning of the year	\$ 45,588
Total profit or loss	
Recognized in other comprehensive income	<u>1,653</u>
Balance at end of the year	<u>\$ 47,241</u>

3) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

The fair value of unlisted shares was based on the current net value.

c. Categories of financial instruments

	December 31	
	2025	2024
<u>Financial assets</u>		
Financial assets for hedging	\$ -	\$ 28,326
Measured at amortized cost (see 1 below)	3,476,884	3,274,361
Financial assets at fair value through other comprehensive income		
Equity instruments	699,214	722,400
<u>Financial liabilities</u>		
Measured at amortized cost (see 2 below)	14,301,522	15,910,958

1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties and excluding tax refund receivable), other financial assets and refundable deposits.

2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, accounts payable (including related parties), other payables, refund liabilities, current portion of bonds payable, long-term borrowings, long-term bills payable, and guarantee deposits received.

d. Financial risk management objectives and policies

The Corporation's major financial instruments include financial assets for hedging, accounts receivable, investments accounted for using equity method, other financial assets, accounts payable, short-term borrowings, short-term bills payable, bonds payable (including current portion), long-term borrowings, long-term bills payable and lease liabilities. The Corporation's financial department coordinates domestic and international financial operations, prepares and analyzes internal risk reports to monitor and manage financial risks related to the operation of the Corporation. These risks include market risk (including exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Corporation sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Corporation's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Corporation did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The main financial risks arising from operating activities are to the risk of change in foreign exchange rates (see (a) below), the risk of changes in interest rates (see (b) below) and the risk of other price (see (c) below).

There had been no change to the Corporation's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Corporation was exposed to foreign currency risk due to sales and purchases, denominated in foreign currencies. The Corporation manages exposure to foreign exchange risk using foreign currency deposits and engages in foreign exchange forward contracts with firm commitment opposite to exchange rate fluctuations within the scope permitted by the policy.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities exposed foreign currency risk at the end of the reporting period are set out in Note 33.

Sensitivity analysis

The Corporation was mainly exposed to the fluctuation of USD. The following table details the Corporation's sensitivity to a 1% increase and decrease in the New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis included only the outstanding foreign currency denominated monetary items, refer to Note 33. The following table shows the impact on profit or equity of 1% decrease in NTD against USD.

	USD Impact	
	For the Year Ended December 31	
	2025	2024
Profit before income tax (Note 1)	\$ (1,750)	\$ 832
Equity (Note 2)	-	283

Note 1: These were mainly attributable to the exposure of outstanding USD cash and cash equivalents, accounts receivable, short-term borrowings, accounts payable and other payables, which were not hedged at the balance sheet date.

Note 2: These were attributable to financial assets for hedging that were designated as hedging instruments in cash flow hedges.

b) Interest rate risk

The Corporation was exposed to interest rate risk because the Corporation borrowed funds at both fixed and floating interest rates.

The carrying amounts of the Corporation's financial assets and liabilities with exposure to interest rates at the balance sheet date were as follows:

	December 31	
	2025	2024
Fair value interest rate risk		
Financial liabilities	\$ 2,709,567	\$ 3,201,090
Cash flow interest rate risk		
Financial assets	\$ 2,552,606	\$ 1,729,448
Financial liabilities	11,154,653	12,117,031

Sensitivity analysis

If interest rates had been 0.25% higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2025 and 2024 would have been lower/ higher by NT\$21,505 thousand and NT\$25,968 thousand, respectively.

c) Other price risk

The Corporation was exposed to equity price risk through their investments in domestic listed shares. The equity price of the Corporation was evaluated by the closing price of the equity securities on a monthly basis.

Sensitivity analysis

If equity price of fair value through other comprehensive income financial assets had been lower by one dollar, the pre-tax-other comprehensive income, for the years ended December 31, 2025 and 2024 would both have been lower by NT\$34,359 thousand.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Corporation. As at the balance sheet date, the Corporation's maximum exposure to credit risk is the carrying amount of the financial assets on the standalone balance sheets.

The Corporation made transactions only with the parties with good credit. The goods were delivered after the cash or L/C was received, and the Corporation did not provide financial guarantee to any company. Accounts receivable were due to time differences of L/C negotiation and there were no bad debt in the recent years; therefore, the credit risk is very low.

3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows. The Corporation relies on bank borrowings as a significant source of liquidity. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants. As of December 31, 2025, the unutilized credit facility of the Corporation was NT\$45.7 billion; therefore, there is no liquidity risk or incapacity of financing capital to meet contractual obligations.

The table below summarizes the maturity profile of the Corporation's non-derivative financial liabilities based on contractual undiscounted payments:

	Less Than 1 Year	1-5 Years	Over 5 Years	Total
<u>December 31, 2025</u>				
Short-term borrowings	\$ 2,394,366	\$ -	\$ -	\$ 2,394,366
Short-term bills payable	2,600,000	-	-	2,600,000
Accounts payable (including related parties)	59,220	-	-	59,220
Other payables	410,078	-	-	410,078
Refund liabilities	36,334	-	-	36,334
Lease liabilities	17,538	61,442	39,067	118,047
Long-term bank borrowings	131,605	7,020,876	-	7,152,481
Long-term bills payable	-	2,000,000	-	2,000,000
Guarantee deposits received	-	-	35,000	35,000
	<u>\$ 5,649,141</u>	<u>\$ 9,082,318</u>	<u>\$ 74,067</u>	<u>\$ 14,805,526</u>
<u>December 31, 2024</u>				
Short-term borrowings	\$ 3,984,354	\$ -	\$ -	\$ 3,984,354
Short-term bills payable	100,000	-	-	100,000
Accounts payable (including related parties)	79,806	-	-	79,806
Other payables	483,306	-	-	483,306
Refund liabilities	75,737	-	-	75,737
Lease liabilities	15,975	59,624	31,781	107,380
Bonds payable	3,022,161	-	-	3,022,161
Long-term bank borrowings	64,850	3,433,691	-	3,498,541
Long-term bills payable	-	4,900,000	-	4,900,000
Guarantee deposits received	-	-	35,000	35,000
	<u>\$ 7,826,189</u>	<u>\$ 8,393,315</u>	<u>\$ 66,781</u>	<u>\$ 16,286,285</u>

4) Cash flow hedging

December 31, 2025

Hedging Instruments	Currency	Contract Amount (in thousands)	Maturity	Forward Price	Line Item in Balance Sheet	Carrying Amount		Change in Fair Value of Hedging Instrument Used for Calculating Hedge Ineffectiveness
						Asset	Liability	
Cash flow hedging								
Foreign currency deposit	USD	\$ -	NA	NA	Financial assets for hedging	\$ -	\$ -	\$ (2,606)

Hedging Instruments/Hedged Items	Change in Fair Value of Hedged Items Used for Calculating Hedge Ineffectiveness	Balance in Other Equity	
		Continuing Hedges	Discontinuing Hedges
Cash flow hedging			
Foreign currency deposit/Forecast purchases of equipment	\$ 2,606	\$ -	\$ -

For the year ended December 31, 2025

Effect on Comprehensive Income	Hedging Gains (Losses) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in Profit or Loss	Line Item in Which Hedge Ineffectiveness is Included	Amount Reclassified to P/L and the Adjusted Line Item	
				Due to Hedged Item Affecting P/L	Due to Hedged Future Cash Flows No Longer Expected to Occur
Cash flow hedging	\$ (2,606)	\$ -	-	\$ -	\$ -

December 31, 2024

Hedging Instruments	Currency	Contract Amount (in thousands)	Maturity	Forward Price	Line Item in Balance Sheet	Carrying Amount		Change in Fair Value of Hedging Instrument Used for Calculating Hedge Ineffectiveness
						Asset	Liability	
Cash flow hedging								
Foreign currency deposit	USD	\$ 864	NA	NA	Financial assets for hedging	\$ 28,326	\$ -	\$ (1,385)

Hedging Instruments/Hedged Items	Change in Fair Value of Hedged Items Used for Calculating Hedge Ineffectiveness	Balance in Other Equity	
		Continuing Hedges	Discontinuing Hedges
Cash flow hedging			
Foreign currency deposit/Forecast purchases of equipment	<u>\$ 1,385</u>	<u>\$ 2,606</u>	<u>\$ -</u>
<u>For the year ended December 31, 2024</u>			

Effect on Comprehensive Income	Hedging Gains (Losses) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in Profit or Loss	Line Item in Which Hedge Ineffectiveness is Included	Amount Reclassified to P/L and the Adjusted Line Item	
				Due to Hedged Item Affecting P/L	Due to Hedged Future Cash Flows No Longer Expected to Occur
Cash flow hedging	<u>\$ (1,385)</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>

30. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Corporation and other related parties are disclosed below.

- a. The name of the company and its relationship with the Corporation

Company	Relationship
China Steel Corporation	Parent entity
Hung Kao Investment Corporation	Subsidiaries
Dragon Steel Corporation (DSC)	Fellow subsidiary
CHC Resources Corporation (CHC)	Fellow subsidiary
Info Champ Systems Corporation (ICSC)	Fellow subsidiary
CSC Steel Sdn. Bhd. (CSSB)	Fellow subsidiary
China Steel Global Trading Corporation (CSGT)	Fellow subsidiary
Himag Magnetic Corporation (HMC)	Fellow subsidiary
China Steel Machinery Corporation (CSMC)	Fellow subsidiary
China Ecotek Corporation	Fellow subsidiary
China Steel Security Corporation	Fellow subsidiary
Steel Castle Technology Corporation	Fellow subsidiary
China Steel Express Corporation	Fellow subsidiary
China Steel Structure Co., Ltd	Fellow subsidiary
Universal Exchange Inc.	Fellow subsidiary
China Steel Chemical Corporation	Fellow subsidiary
Yu Cheng Lime Corporation	Fellow subsidiary
CSC Solar Corporation	Fellow subsidiary
Kaohsiung Rapid Transit Corporation	Fellow subsidiary
United Steel Engineering & Construction Corp	Fellow subsidiary

(Continued)

<u>Company</u>	<u>Relationship</u>
China Steel Precision Metals Kunshan Co., Ltd.	Fellow subsidiary
CSGT Metals Vietnam Joint Stock Company	Fellow subsidiary
CSGT Japan Co., Ltd.	Fellow subsidiary
Thintech Materials Technology Co., Ltd.	Fellow subsidiary
China Prosperity Development Corporation	Fellow subsidiary
ChinaSteel Management Consulting Corporation	Fellow subsidiary
Pro-Ascentek Investment Corporation	Associate
Pacific Harbour Stevedoring Corporation	Other related party

(Concluded)

b. Sale of goods

<u>Account Items</u>	<u>Related Party Types /Name</u>	<u>For the Year Ended December 31</u>	
		<u>2025</u>	<u>2024</u>
Sales	Parent entity	\$ 123	\$ 5,407
	Fellow subsidiaries related to others		
	CSSB	712,157	1,283,766
	Others	-	19,033
		<u>712,157</u>	<u>1,302,799</u>
		<u>\$ 712,280</u>	<u>\$ 1,308,206</u>
Service Revenue	Parent entity	\$ 200,483	\$ 344,922
	Fellow subsidiaries related to others	<u>23</u>	<u>16</u>
		<u>\$ 200,506</u>	<u>\$ 344,938</u>

The payment terms and prices of other related parties were no different from those of unrelated parties.

The above mentioned service revenue is from the agreements that the Corporation entered into with parent entity in which the Corporation has to do certain processing work and is charged based on the formula stated in the agreements. The Corporation bills the parent entity within one month after acceptance by T/T. The Corporation entered into an agreement with fellow subsidiaries related to others under which the Corporation sells waste acid and the price is charged based on the formula stated in the agreement. The Corporation bills the fellow subsidiaries related to others within a month after acceptance by T/T based on the monthly amount of processing.

Account Items	Related Party Types /Name	For the Year Ended December 31	
		2025	2024
Other operating revenue	Fellow subsidiaries related to others		
	DSC	33,919	41,227
	HMC	<u>9,873</u>	<u>12,739</u>
		<u>\$ 43,792</u>	<u>\$ 53,966</u>

The Corporation sold supplies and oxidized iron powder to related parties.

c. Purchase of goods

Related Party Types/Name	For the Year Ended December 31	
	2025	2024
Parent entity	<u>\$ 4,137,801</u>	<u>\$ 6,672,095</u>
Fellow subsidiaries related to others		
DSC	3,355,438	12,049,176
Others	<u>20,030</u>	<u>21,547</u>
	<u>3,375,468</u>	<u>12,070,723</u>
	<u>\$ 7,513,269</u>	<u>\$ 18,742,818</u>

The purchases were mainly slabs and hot rolled coils. The payment terms and prices of other related parties were no different from those of unrelated parties for the years ended December 31, 2025 and 2024.

d. Accounts receivable from related parties

Account Items	Related Party Types /Name	December 31	
		2025	2024
Accounts receivable from related parties	Parent entity	\$ 14,021	\$ 28,417
	Fellow subsidiaries related to others		
	CSSB	15,255	-
	Others	<u>2,726</u>	<u>4,619</u>
		<u>17,981</u>	<u>4,619</u>
	<u>\$ 32,002</u>	<u>\$ 33,036</u>	
Other receivables from related parties	Parent entity	<u>\$ 303,987</u>	<u>\$ 502,955</u>
	Fellow subsidiaries related to others		
	CHC	12,945	20,484
	Others	<u>1,958</u>	<u>-</u>
		<u>14,903</u>	<u>20,484</u>
	<u>\$ 318,890</u>	<u>\$ 523,439</u>	

No guarantees have been received for accounts receivable and other receivables from related parties. For the years ended December 31, 2025 and 2024, no impairment losses were recognized for accounts receivable and other receivables from related parties.

e. Accounts payable to related parties

Account Items	Related Party Types	December 31	
		2025	2024
Accounts payable to related parties	Parent entity	\$ 24,323	\$ 57,665
	Fellow subsidiaries related to others	382	455
	Other related parties	<u>2,965</u>	<u>2,846</u>
		<u>\$ 27,670</u>	<u>\$ 60,966</u>
Other payable	Parent entity	\$ -	\$ 2,256
	Fellow subsidiaries related to others	5,421	10,889
	Other related parties	<u>838</u>	<u>1,685</u>
		<u>\$ 6,259</u>	<u>\$ 14,830</u>

The outstanding accounts payable to related parties and other payables to related parties were unsecured.

f. Other transactions with related parties

1) Authorization fees

In May 2003, the parent company, Sumitomo Metal Industries, Ltd. (renamed as Nippon Steel Corporation in April 2019) and Sumitomo Corporation entered into a joint venture agreement and established the joint venture company East Asia United Steel Corporation (EAUS) in July 2003. The parent company thus has a stable supply of high-quality slab through this joint venture. The parent company then signed a contract with the Corporation, transferring to the Corporation the right to buy slab from EAUS. The Corporation should pay authorization fees to the parent company under the contract. These fees (included in the purchase cost of materials) were NT\$42,532 thousand and NT\$43,139 thousand for the years ended December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024, authorization fees payable (included in payables to related parties) were NT\$11,953 thousand and NT\$7,747 thousand, respectively. The calculation of slab purchase prices was based on the formula stated in the agreement.

2) Leases

- a) The Corporation entered into a contract with fellow subsidiaries related to others on the lease of the Corporation's part of the land, roof and warehouse. The rental revenue for the years ended December 31, 2025 and 2024 were NT\$5,024 thousand and NT\$5,510 thousand, respectively.
- b) The Corporation entered into a contract with parent entity on the lease of the Corporation's part of the land and warehouse. The rental revenue for the years ended December 31, 2025 and 2024 were NT\$9,000 thousand and NT\$6,103 thousand, respectively.

3) Construction in progress and other expenditures

Other expenditures include import and export transportation fees, export agency fees, rent expenses, remuneration and transportation allowances of directors, etc.

	For the Year Ended December 31	
	2025	2024
a) Other expenditures		
Parent entity	\$ 41,376	\$ 71,163
Fellow subsidiaries related to others	94,833	104,320
Other related parties	<u>74,198</u>	<u>88,914</u>
	<u>\$ 210,407</u>	<u>\$ 264,397</u>

	For the Year Ended December 31	
	2025	2024
b) Capital expenditure		
Fellow subsidiaries related to others		
CSGT	\$ 22,968	\$ 33,960
ICSC	484	6,764
CSMC	-	14,000
Others	<u>86</u>	<u>5,455</u>
	<u>\$ 23,538</u>	<u>\$ 60,179</u>

4) Income from selling supplies and scrap (included in deductions of cost of goods sold)

	For the Year Ended December 31	
	2025	2024
Fellow subsidiaries related to others		
CHC	\$ 177,488	\$ 307,210
Others	<u>12,900</u>	<u>58</u>
	<u>\$ 190,388</u>	<u>\$ 307,268</u>

h. Compensation of key management personnel

The remuneration of directors and other members of key management personnel were as follows:

	For the Year Ended December 31	
	2025	2024
Short-term employee benefits	\$ 18,375	\$ 18,127
Post-employment benefits	<u>608</u>	<u>711</u>
	<u>\$ 18,983</u>	<u>\$ 18,838</u>

31. ASSETS PLEDGED AS COLLATERAL OR SECURITY

The Corporation's assets mortgaged or pledged as collateral for bank overdrafts were as follows (listed based on their carrying amounts):

	December 31	
	2025	2024
Time deposits (included in other financial assets - current)	\$ 800,000	\$ 500,000

(Continued)

	December 31	
	2025	2024
Demand deposits (included in other financial assets - current)	<u>300,000</u>	<u>300,000</u>
	<u>\$1,100,000</u>	<u>\$ 800,000</u>

(Concluded)

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Corporation as of December 31, 2025 were as follows:

- a. Unused letters of credit for purchases of raw materials and machinery and equipment amounted to about NT\$1,034,297 thousand.
- b. The Corporation had signed agreements to buy equipment for NT\$100,112 thousand, of which NT\$27,579 thousand had been paid (included in construction-in-progress and prepayments for equipment).
- c. The Corporation provided letters of credit for NT\$49,330 thousand guaranteed by financial institutions for purchase agreements and importing and exporting goods. Guarantee notes for NT\$172,500 thousand were provided for purchases of raw materials.

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Corporation and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
<u>December 31, 2025</u>				
Monetary financial assets				
USD	\$ 6,037	31.430	(USD:NTD)	\$ 189,738
Monetary financial liabilities				
USD	11,605	31.430	(USD:NTD)	364,742
<u>December 31, 2024</u>				
Monetary financial assets				
USD	\$ 7,909	32.785	(USD:NTD)	\$ 259,282
Monetary financial liabilities				
USD	4,507	32.785	(USD:NTD)	147,768

For the years ended December 31, 2025 and 2024, realized and unrealized net foreign exchange gain were NT\$30,786 thousand and NT\$38,026 thousand, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions.

34. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and b. investees:
- 1) Financing provided to others (None)
 - 2) Endorsements/guarantees provided (None)
 - 3) Significant marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 1)
 - 4) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 2)
 - 5) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)
 - 6) Information on investees (Table 4)
- c. Information on investments in mainland China (None)

35. SEGMENT INFORMATION

Disclosure of the segment information in standalone financial statements is waived.

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Held Company Name	Type and Name of Marketable Securities	Relationship with The Company	Financial Statement Account	DECEMBER 31, 2025				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Chung Hung Steel Corporation	Ordinary Shares China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	34,359,239	\$ <u>652,826</u>	-	\$ <u>652,826</u>	
	Ordinary Shares Taiwan Ves-Power Co., Ltd.	-	Financial assets at fair value through other comprehensive income – non-current	134,167	\$ 39,765	2	\$ 39,765	2025.11.30 net value
	Pacific Harbour Stevedoring Corp.	The company as its supervisor	Financial assets at fair value through other comprehensive income – non-current	250,000	6,623	5	6,623	2025.11.30 net value
					\$ <u>46,388</u>		\$ <u>46,388</u>	
Hung Kao Investment Corporation	Ordinary Shares China Steel Corporation	The ultimate parent of the Company	Financial assets at fair value through other comprehensive income – non-current	1,003,980	\$ <u>19,076</u>	-	\$ <u>19,076</u>	

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer (Seller)	Related Party	Relationship	Relationship			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note	
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% of Total
Chung Hung Steel Corporation	China Steel Corporation	Parent company	Purchase of goods	\$ 4,137,801	28	Letter of credit at sight/Payment after final acceptance	\$ -		\$ (24,323)	(41)	
	Dragon Steel Corporation	Fellow subsidiary	Purchase of goods	3,355,438	22	Letter of credit at sight/Prepaid before shipment date	-		-	-	
	CSC Steel Sdn. Bhd.	Fellow subsidiary	Revenue from sale of goods	(712,157)	(4)	T/T within 7 business days after lading date (not included)	-		15,255	5	
	China Steel Corporation	Parent company	Service revenue	(200,483)	(1)	T/T as the end of the month after final acceptance	-	NO THIRD-PARTY COULD BE COMPARED	14,021	5	

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note2)	Allowance for Impairment Loss
					Amount	Actions Taken		
Chung Hung Steel Corporation	China Steel Corporation	Parent company	\$ 303,987	(Note 1)	\$ -	-	\$ 160,515	\$ -

Note 1: Receivables from price settlement (included in other receivables to related parties) which is not applicable to turnover rate.

Note 2: The amount has received at the report date.

TABLE 4**CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES****INFORMATION ON INVESTEEES****FOR THE YEAR ENDED DECEMBER 31, 2025****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Number of Shares	%	Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2025	December 31, 2024						
Chung Hung Steel Corporation	Hung Kao Investment Corporation	Taiwan	General investment	\$ 26,000	\$ 26,000	2,600,000	100.00	\$ 23,645	\$ 207	\$ 207	Subsidiaries
Chung Hung Steel Corporation	Transglory Investment Corporation	Taiwan	General investment	2,001,152	2,001,152	337,554,151	39.59	2,352,567	102,354	40,524	Associates
Chung Hung Steel Corporation	Pro-Ascentek Investment Corporation	Taiwan	General investment	200,000	200,000	20,000,000	16.67	220,574	22,314	3,719	Associates

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STATEMENT 1

CHUNG HUNG STEEL CORPORATION

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Maturity Date	Interest Rates (%)	Amount
Cash in banks			
Demand deposits			1,445,269
Foreign currency deposits			
USD \$ 233,438.68			<u>7,337</u>
			<u>1,452,606</u>
Cash equivalents			
Commercial papers	2026.01.02	1.45	300,000
			<u>\$ 1,752,606</u>

Note: US\$1=NT\$31.43.

STATEMENT 2

CHUNG HUNG STEEL CORPORATION

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER

COMPREHENSIVE INCOME - CURRENT

DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Shares	Acquisition Cost	Fair Value (Note)		
			Unit Price (NT\$)	Amount	
Domestic Listed Shares					
China Steel Corporation	34,359,239	\$ 667,181	19.00	<u>\$ 652,826</u>	Note
Plus: Evaluation adjustment		<u>(14,355)</u>			
		<u>\$ 652,826</u>			

Note: Fair value is measured on the basis of the closing price at the balance sheet date.

CHUNG HUNG STEEL CORPORATION

STATEMENT OF ACCOUNTS RECEIVABLE

DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars)

Customer Name	Amount (Note 2)
Related Parties	
CSC STEEL SDN. BHD.	\$ 15,255
China Steel Corporation	14,021
Dragon Steel Corporation (DSC)	2,323
Himag Magnetic Corporation (HMC)	<u>403</u>
	<u>\$ 32,002</u>
Non-Related Parties	
A company	\$ 99,410
B company	54,781
C company	19,078
D company	15,255
Others (Note 1)	<u>72,845</u>
	<u>\$ 261,369</u>

Note 1: The amount of individual customer included in others does not exceed 5% of the account balance.

Note 2: There are no accounts receivable that are past due over 1 year.

CHUNG HUNG STEEL CORPORATION

**STATEMENT OF INVENTORIES
DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Net Realizable Value (Note)
Raw materials	\$ 2,871,287	\$ 2,680,888
Supplies	245,883	284,024
Work in progress	103,107	93,780
Finished goods	1,014,726	957,990
Others	4,394	4,394
Raw materials and supplies in transit	89,799	81,254
Allowance for loss on inventory value	<u>(270,911)</u>	<u>-</u>
	<u>\$ 4,058,285</u>	<u>\$ 4,102,330</u>

Note: Refer to Note 4 for details.

CHUNG HUNG STEEL CORPORATION**STATEMENT OF OTHER FINANCIAL ASSETS****DECEMBER 31, 2025****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Bank Name	Interest Rates (%)	Period	Amount	Note
Other Financial Assets - Current				
Time deposits				
Taiwan Business Bank	0.71	2025.11.29-2026.01.29	\$ 300,000	Note
Mega Bank	0.675	2025.12.02-2026.01.11	<u>500,000</u>	Note
			<u>800,000</u>	
Demand deposits				
Bank of Taiwan	0.93		<u>300,000</u>	Note
			<u>\$ 1,100,000</u>	

Note: As a collateral for bank borrowings.

CHUNG HUNG STEEL CORPORATION

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NONCURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2025
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name	Balance, January 1, 2025		Additions (Note 1)		Decrease		Balance, December 31, 2025		Collateral
	Shares	Fair Value	Shares	Amount	Shares	Amount	Shares	Fair Value (Note 2)	
Domestic unlisted shares									
Taiwan Ves-Power Co., Ltd.	134,167	\$ 39,928	-	\$ -	-	\$ 163	134,167	\$ 39,765	None
Pacific Harbour Stevedoring Corp.	250,000	<u>7,313</u>	-	<u>-</u>	-	<u>690</u>	250,000	<u>6,623</u>	None
		<u>\$ 47,241</u>		<u>\$ -</u>		<u>\$ 853</u>		<u>\$ 46,388</u>	

Note 1: The unrealized gain on valuation of NT\$ 853 thousand was recognized as additions.

Note 2: Fair value is estimated pursuant to the evaluation method in Note 29.

CHINA STEEL CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
 FOR THE YEAR ENDED DECEMBER 31, 2025
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Balance, January 1, 2025		Additions (Note 1)		Decrease (Note 2)		Balance, December 31, 2025			Market Value or Net Assets Value		
	Shares	Amount	Shares (Note 3)	Amount	Shares	Amount	Shares	% of Ownership	Amount	Unit Price (NT\$)	Total Amount	Collateral
Unlisted companies												
Transglory Investment Corporation	337,554,151	\$ 2,423,581	-	\$ 40,523	-	\$ 111,357	337,554,151	39.59	\$ 2,352,567	\$ 6.97	\$ 2,352,567	None
Hong Kao Investment Corporation	2,600,000	24,274	-	207	-	836	2,600,000	100	23,645	9.09	23,645	None
Pro-Ascentek Investment Corporation	20,000,000	<u>240,392</u>	-	<u>3,753</u>	-	<u>23,571</u>	20,000,000	16.67	<u>220,574</u>	11.03	<u>220,574</u>	None
		<u>\$ 2,688,247</u>		<u>\$ 44,483</u>		<u>\$ 135,944</u>			<u>\$ 2,596,786</u>		<u>\$ 2,596,786</u>	

Note 1: The increase came from investment income recognized under equity method of NT\$ 44,450 thousand and remeasurement of defined benefit plans of NT\$ 33 thousand.

Note 2: The decrease came from unrealized loss of financial assets at fair value through other comprehensive income of NT\$ 85,215 thousand, cash dividends NT\$ 47,120 thousand, adjustment from changes in equity of NT\$ 3,024 thousand, and exchange differences on translation of foreign financial statements under equity method of NT\$ 585 thousand.

CHUNG HUNG STEEL CORPORATION**STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)**

Item	Land	Transportation Equipment	Total
Cost			
Balance, January 1, 2025	117,014	17,155	134,169
Additions	24,963	-	24,963
Disposals	<u>(15,447)</u>	<u>-</u>	<u>(15,447)</u>
Balance, December 31, 2025	<u>126,530</u>	<u>17,155</u>	<u>143,685</u>
Accumulated depreciation			
Balance, January 1, 2025	(31,313)	(2,286)	(33,599)
Depreciation expense	(12,997)	(3,431)	(16,428)
Disposals	<u>15,447</u>	<u>-</u>	<u>15,447</u>
Balance, December 31, 2025	<u>(28,863)</u>	<u>(5,717)</u>	<u>(34,580)</u>
Carrying amount, December 31, 2025	<u>\$ 97,667</u>	<u>\$ 11,438</u>	<u>\$ 109,105</u>

CHUNG HUNG STEEL CORPORATION

STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Type	Contract Period	Range of Interest Rates (%)	Balance, End of Year	Credit Amount	Collateral or Pledge
Revolving loans					
Bank of Taiwan, GangShan(Note 1)	2025.12.30-2026.03.30		\$ 300,000	\$ 2,500,000	None
Yuanta Commercial Bank, Kaohsiung	2025.10.22-2026.02.13		400,000	2,000,000	None
Hua Nan Commercial Bank, Kaohsiung	2025.12.15-2026.03.13		250,000	2,000,000	None
		1.73-1.79	<u>950,000</u>		
LC borrowing in NTD					
Cathay United Bank, Kaohsiung	2025.12.31-2026.01.30	1.8	<u>69,021</u>	900,000	None
LC borrowing in USD					
Bank of Taiwan, GangShan(Note 1)	2025.12.31-2026.04.05	-	<u>340,962</u>	2,500,000	None
Bank overdraft					
Mega Bank, Kaohsiung Metropolitan			434,180	500,000	Certificate of time deposit (Note 2)
Bank of Taiwan, GangShan			292,944	300,000	Demand deposits (Note 2)
Taiwan Business Bank, LingYa Branch			<u>274,193</u>	300,000	Certificate of time deposit (Note 2)
		0.92-0.99	<u>1,001,317</u>		
			<u>\$ 2,361,300</u>		

Note 1: Revolving loans and LC borrowing shared credit amount.

Note 2: Refer to Note 31 for details.

CHUNG HUNG STEEL CORPORATION

STATEMENT OF SHORT-TERM BILLS PAYABLE

DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars)

Financial Institution	Guarantee Institution	Period	Interest Rates (%)	Amount		
				Issuance Amount	Unamortized Amount	Carrying Amount
Bank of Taiwan	non-guarantee	2025.12.08 2026.01.07		\$ 900,000	\$ 237	\$ 899,763
Mega Bills Finance Corporation	non-guarantee	2025.10.13 2026.01.09		300,000	105	299,895
China Bills Finance Corporation	non-guarantee	2025.12.05 2026.01.26		900,000	267	899,733
Taching Bills Finance Corporation	non-guarantee	2025.11.14 2026.01.26		<u>500,000</u>	<u>423</u>	<u>499,577</u>
			1.58-1.63	<u>\$ 2,600,000</u>	<u>\$ 1,032</u>	<u>\$ 2,598,968</u>

CHUNG HUNG STEEL CORPORATION

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Related Parties	
China Steel Corporation	\$ 24,323
Pacific Harbour Stevedoring Corporation	2,965
Others (Note)	<u>382</u>
	<u>\$ 27,670</u>
Non-related Parties	
A company	\$ 17,185
Others (Note)	<u>14,365</u>
	<u>\$ 31,550</u>

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

CHUNG HUNG STEEL CORPORATION

STATEMENT OF BONDS PAYABLE
DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Bonds Name	Trustee	Issuance Date	Interest Payment Date And Repayment Method	Coupon Rate (%)	Amount			Collateral or Pledge		
					Total Amount	Repayment Paid	Balance, End of Year		Issuance Costs	Carrying Value
5-year unsecured bonds	Taipei Fubon Commercial Bank Co., Ltd	2020.03-2025.03	Repayable in March 2025; interest payable annually	0.78	\$2,000,000	\$2,000,000	\$ -	\$ -	\$ -	None
	Taipei Fubon Commercial Bank Co., Ltd	2020.09-2025.09	Repayable in September 2025; interest payable annually	0.65	<u>1,000,000</u>	<u>1,000,000</u>	-	-	-	None
					<u>\$3,000,000</u>	<u>3,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

CHUNG HUNG STEEL CORPORATION

STATEMENT OF LONG-TERM BANK BORROWINGS

DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Bank Name	Contract Period and Repayment Method	Interest Rates (%)	Balance, December 31, 2024			Collateral or Pledge
			Current	Over 1 Year	Total	
Syndicated bank loans						
E. Sun Commercial Bank, Kaohsiung	Note		\$ -	\$ 336,000	\$ 336,000	None
Land Bank of Taiwan , Tainan	"		-	312,000	312,000	None
Taiwan Cooperative Bank, Kaohsiung	"		-	312,000	312,000	None
First Commercial Bank, Kaohsiung	"		-	312,000	312,000	None
Hua Nan Commercial Bank, Kaohsiung	"		-	312,000	312,000	None
Yuanta Commercial Bank , Kaohsiung	"		-	312,000	312,000	None
Bank of Taiwan, GangShan	"		-	168,000	168,000	None
Chang Hwa Commercial Bank, Kaohsiung	"		-	168,000	168,000	None
Mega Bank, Kaohsiung Metropolitan	"		-	168,000	168,000	None
			<u>-</u>	<u>2,400,000</u>	<u>2,400,000</u>	
Long-term bank borrowings						
Bank of Taiwan, GangShan	Due in December 2028, amortization from June 2027		\$ -	\$ 1,000,000	\$ 1,000,000	None
Bank of Taiwan, GangShan	Due in November 2027 with revolving basis		-	1,500,000	1,500,000	None
Taiwan Cooperative Bank, Kaohsiung	Due in August 2028 with revolving basis		-	700,000	700,000	None
Land Bank of Taiwan , Tainan	Due in September 2028 with revolving basis		-	500,000	500,000	None
Export-Import Bank of the Republic of China, Kaohsiung	Repaid in August 2027		-	500,000	500,000	None
MUFG Bank, Ltd. Taipei Branch	Due in September 2028 with revolving basis		-	200,000	200,000	None
			<u>-</u>	<u>4,400,000</u>	<u>4,400,000</u>	
Less: Syndicated loan arrangement fees						
			-	4,952	4,952	
			-	4,952	4,952	
		1.78-2.11	<u>\$ -</u>	<u>\$ 6,795,048</u>	<u>\$ 6,795,048</u>	

Note :The revolving loan limit is available for a period of five years since withdrawal on March 15, 2024.

CHUNG HUNG STEEL CORPORATION**STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2025****(In Thousands of New Taiwan Dollars)**

Item	Period	Discount Rates (%)	Amount
Land	2019.07.01-2039.12.31	0.98-1.75	\$ 99,032
Transportation equipment	2024.04.30-2029.04.29	1.37	<u>11,567</u>
			<u>\$ 110,599</u>

Note 1: Refer to Note 15 for details.

Note 2: Current portion of lease liabilities NT\$ 15,923 thousand has been classified as current liabilities.

CHUNG HUNG STEEL CORPORATION

STATEMENT OF LONG-TERM BILLS PAYABLE

DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Financial Institution	Guarantee Institution	Credit Line	Period	Interest Rates (%)	Amount			Collateral or Pledge
					Issuance Amount	Unamortized Amount	Carrying Amount	
Commercial papers payable								
China Bills Finance Corporation	Non-guarantee	\$ 1,000,000	2024.12.30-2029.12.29		\$ 1,000,000	\$ 1,000	\$ 999,000	None
Union Bank of Taiwan	Non-guarantee	<u>1,000,000</u>	2024.03.05-2028.03.04		<u>1,000,000</u>	<u>695</u>	<u>999,305</u>	None
		<u>\$ 2,000,000</u>		1.81-1.92	<u>\$ 2,000,000</u>	<u>\$ 1,695</u>	<u>\$ 1,998,305</u>	

Note :Commercial papers are issued on revolving basis within the contract period of 4-5 years, and recorded as long-term bills payable.

CHUNG HUNG STEEL CORPORATION**STATEMENT OF OPERATING REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Quantities (Metric Tons)	Amount
Sale of Goods		
Hot rolled coiled steel	934,897	\$ 15,281,481
Cold rolled coiled steel	84,548	1,749,125
Steel pipe	56,771	1,388,081
Galvanized coiled steel	15,956	<u>320,844</u>
Carrying amount of sale of goods		18,739,531
Service revenue		229,695
Other operating revenue		<u>51,997</u>
		<u>\$ 19,021,223</u>

CHUNG HUNG STEEL CORPORATION**STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)**

Item	Amount
Cost of goods sold for in-house products	
Raw materials used	
Raw materials, beginning of year	\$ 5,050,931
Raw material purchased	13,980,396
Raw materials, end of year	<u>(2,961,086)</u>
	16,070,241
Direct labor	296,145
Manufacturing expenses	<u>2,497,115</u>
Manufacturing cost	18,863,501
Work in progress, beginning of year	276,140
Work in progress, end of year	<u>(103,107)</u>
	19,036,534
Finished goods, beginning of year	2,026,874
Finished goods, end of year	(1,014,726)
Income from sales of scrap	(367,973)
Others	<u>(247,474)</u>
Total costs of goods sold	19,433,235
Service costs	249,346
Purchase contract loss	78,400
Idle capacity loss	795,259
Other operating costs	55,838
Total operating costs	<u>\$ 20,612,078</u>

CHUNG HUNG STEEL CORPORATION**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)**

Item	Selling Expenses	General and Administrative Expenses	Total
Export expense	\$ 108,045	\$ -	\$ 108,045
Salaries and awards	40,547	111,239	151,786
Commission	18,818	-	18,818
Employee benefits	3,365	11,892	15,257
Insurance	6,541	13,191	19,732
Service fee	3,751	15,541	19,292
Others	<u>9,590</u>	<u>74,521</u>	<u>84,111</u>
Total	<u>\$ 190,657</u>	<u>\$ 226,384</u>	<u>\$ 417,041</u>

CHUNG HUNG STEEL CORPORATION

STATEMENT OF EMPLOYEE BENEFITS AND DEPRECIATION
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(In Thousands of New Taiwan Dollars)

	Year Ended December 31,2025				Year Ended December 31,2024			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Others	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Others	Total
Employee benefits								
Salaries	\$ 724,968	\$ 146,705	\$ -	\$ 871,673	\$ 750,967	\$ 152,949	\$ -	\$ 903,916
Labor and health insurance	75,949	13,762	-	89,711	75,863	13,450	-	89,313
Pension	34,726	6,502	-	41,228	36,886	7,021	-	43,907
Employment benefits	66,996	15,257	-	82,253	121,226	21,139	-	142,365
Remuneration of directors	-	5,082	-	5,082	-	4,127	-	4,127
Others	<u>6,445</u>	<u>1,537</u>	<u>-</u>	<u>7,982</u>	<u>2,123</u>	<u>611</u>	<u>-</u>	<u>2,734</u>
	<u>\$ 909,084</u>	<u>\$ 188,845</u>	<u>\$ -</u>	<u>\$ 1,097,929</u>	<u>\$ 987,065</u>	<u>\$ 199,297</u>	<u>\$ -</u>	<u>\$ 1,186,362</u>
Depreciation	<u>\$ 615,186</u>	<u>\$ 13,347</u>	<u>\$ 1,526</u>	<u>\$ 630,059</u>	<u>\$ 640,693</u>	<u>\$ 11,575</u>	<u>\$ 942</u>	<u>\$ 653,210</u>

Note 1: As of December 31, 2025 and 2024, the Corporation had 1,038 and 1,073 employees, respectively. Among them 6 directors did not serve concurrently as employees in 2025 and 2024, respectively.

Note 2: 1) Average employee benefits for the year ended December 31, 2025 and 2024 were NT\$ 1,059 thousand and NT\$ 1,108 thousand, respectively.

2) Average salaries for the year ended December 31, 2025 and 2024 were NT\$ 845 thousand and NT\$ 847 thousand, respectively.

3) Changes of adjustments of average salaries was -0.24%.

4) The Corporation did not have supervisors for the years ended December 31, 2025 and 2024.

5) The Corporation's remuneration policies are as follows:

a) Remuneration policy for directors

- i The Corporation pays a fixed compensation , to the independent directors, who shall not receive the remuneration for directors according to Article 28 of the Corporation's Articles of Incorporation.
- ii The independent directors shall attend the Board of Directors which the Corporation will pay travel allowance.
- iii The Corporation pays an attendance fee to independent directors for attending meetings held by the functional committees under the Corporation's Board of Directors.

b) Remuneration policy for the managements

The pay level and salary adjustment for the Corporation's Chairman or managements shall be submitted to the Board of Directors for approval after the Remuneration Committee discussion.

c) Compensation policy for employees

The Corporation pays employee compensation by referring to the benchmark salary of the industry, and the supply and demand of market manpower, considering the financial situation of operation, formulating the Salary Management Measures, developing the salary standard for new employees, and providing the basic salary higher than the statutory basic salary standard, regardless of gender. The salaries of male and female employees of the same position and grade shall be the same, i.e., the ratio shall be 1:1.