

Chung Hwa Pulp Corporation

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
Chung Hwa Pulp Corporation

Opinion

We have audited the accompanying parent company only financial statements of Chung Hwa Pulp Corporation (the "Company") which comprise the balance sheets as of December 31, 2025 and 2024, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies (collectively referred to as the "parent company only financial statements").

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagement 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 Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the parent company only financial statements for the year ended December 31, 2025. The matter was addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

The key audit matter identified in the parent company only financial statements for the year ended December 31, 2025 is as follows:

Estimation of Expected Credit Loss of Accounts Receivable

The accounts receivable of the Company is material in amount. In consideration of many customers and their collectabilities depend on each customer's financial condition, the estimation of expected credit loss involved the management's estimation and judgment. Therefore, it was identified as a key audit matter.

The audit procedures that we performed in respect of the above key audit matter included the following:

1. We obtained and assessed the methodology that management used for the expected credit loss of accounts receivable and the reasonableness of the data used .
2. We tested the receivables aging schedule and reviewed the calculation of expected credit loss for correctness of the recognized expected credit loss of accounts receivable.
3. We tested the recoverability of receivables by analyzing overdue accounts and by verifying cash receipts in the subsequent period. For receivables that were past due, we assessed the reasonableness of the expected credit loss based on the historical payment record, credit policy control and follow-up of overdue receivables.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 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 parent company only 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 parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with statements 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 the matter that was of most significance in the audit of the parent company only financial statements for the year ended December 31, 2025, and is therefore the key audit matter. We describe the matter 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 Shioh-Ming Shue and Shu-Chuan Yeh.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2026

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying parent company only 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 parent company only financial statements shall prevail.

CHUNG HWA PULP CORPORATION

PARENT COMPANY ONLY BALANCE SHEETS

DECEMBER 31, 2025 AND 2024

(In Thousands of New Taiwan Dollars)

ASSETS	2025		2024	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6)	\$ 643,279	2	\$ 363,735	1
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,678	-	320	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	3,284,826	9	2,543,674	7
Financial assets for hedging - current (Notes 4 and 9)	10,045	-	-	-
Notes and accounts receivable (Notes 4 and 10)	2,059,166	6	1,902,348	5
Accounts receivable from related parties (Notes 4 and 25)	1,439,764	4	1,636,376	5
Other receivables from related parties (Notes 4 and 25)	403,915	1	-	-
Inventories (Notes 4 and 11)	5,318,238	14	5,116,623	15
Other current assets	731,295	2	584,243	2
Total current assets	<u>13,892,206</u>	<u>38</u>	<u>12,147,319</u>	<u>35</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	393,444	1	408,712	1
Investments accounted for using the equity method (Notes 4 and 12)	6,913,819	19	6,812,658	20
Property, plant and equipment (Notes 4 and 13)	13,113,778	36	13,754,241	39
Right-of-use assets (Notes 4 and 14)	139,018	-	59,698	-
Investment properties (Notes 4 and 15)	592,945	2	755,008	2
Deferred tax assets (Notes 4 and 20)	670,705	2	362,647	1
Prepayments for equipment	559,334	1	158,126	1
Net defined benefit assets (Notes 4 and 17)	421,608	1	391,781	1
Other non-current assets	148,807	-	82,130	-
Total non-current assets	<u>22,953,458</u>	<u>62</u>	<u>22,785,001</u>	<u>65</u>
TOTAL	<u>\$ 36,845,664</u>	<u>100</u>	<u>\$ 34,932,320</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 5,080,000	14	\$ 4,100,726	12
Short-term bills payable (Note 16)	8,739,126	24	7,980,992	23
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	54,877	-	16,691	-
Notes and accounts payable	1,238,791	3	1,409,257	4
Notes and accounts payable to related parties (Note 25)	211,015	1	338,755	1
Other payables	882,164	2	1,000,158	3
Current tax liabilities	137,237	-	-	-
Lease liabilities - current (Notes 4 and 14)	47,743	-	34,710	-
Other current liabilities	281,622	1	214,605	-
Total current liabilities	<u>16,672,575</u>	<u>45</u>	<u>15,095,894</u>	<u>43</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 16)	1,822,273	5	2,022,787	6
Deferred tax liabilities (Notes 4 and 20)	2,109,696	6	2,081,059	6
Lease liabilities - non-current (Notes 4 and 14)	92,035	-	25,498	-
Other non-current liabilities	20,251	-	9,005	-
Total non-current liabilities	<u>4,044,255</u>	<u>11</u>	<u>4,138,349</u>	<u>12</u>
Total liabilities	<u>20,716,830</u>	<u>56</u>	<u>19,234,243</u>	<u>55</u>
EQUITY (Notes 4 and 18)				
Share capital	11,028,353	30	11,028,353	31
Capital surplus	168,505	1	38,480	-
Retained earnings				
Legal reserve	316,847	1	316,847	1
Special reserve	1,186,894	3	1,186,894	3
Unappropriated earnings	690,532	2	1,258,287	4
Total retained earnings	<u>2,194,273</u>	<u>6</u>	<u>2,762,028</u>	<u>8</u>
Other equity	2,737,703	7	2,005,942	6
Treasury shares	-	-	(136,726)	-
Total equity	<u>16,128,834</u>	<u>44</u>	<u>15,698,077</u>	<u>45</u>
TOTAL	<u>\$ 36,845,664</u>	<u>100</u>	<u>\$ 34,932,320</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.

CHUNG HWA PULP CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2025		2024	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 25)				
Sales	\$ 16,041,492	100	\$ 18,362,318	100
Sales returns and allowances	<u>309,948</u>	<u>2</u>	<u>220,352</u>	<u>1</u>
Net sales	15,731,544	98	18,141,966	99
Other operating revenue	<u>306,006</u>	<u>2</u>	<u>100,286</u>	<u>1</u>
Total operating revenue	<u>16,037,550</u>	<u>100</u>	<u>18,242,252</u>	<u>100</u>
OPERATING COSTS (Notes 4, 11, 19 and 25)				
Cost of goods sold	15,749,176	98	17,030,890	94
Other operating cost	<u>29,928</u>	<u>-</u>	<u>24,972</u>	<u>-</u>
Total operating costs	<u>15,779,104</u>	<u>98</u>	<u>17,055,862</u>	<u>94</u>
GROSS PROFIT	<u>258,446</u>	<u>2</u>	<u>1,186,390</u>	<u>6</u>
OPERATING EXPENSES (Notes 4, 19 and 25)				
Selling and marketing	1,383,949	9	1,565,340	9
General and administrative	325,681	2	191,844	1
Research and development	<u>47,257</u>	<u>-</u>	<u>74,775</u>	<u>-</u>
Total operating expenses	<u>1,756,887</u>	<u>11</u>	<u>1,831,959</u>	<u>10</u>
LOSS FROM OPERATIONS	<u>(1,498,441)</u>	<u>(9)</u>	<u>(645,569)</u>	<u>(4)</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Note 19)	(314,924)	(2)	(273,438)	(1)
Share of profit of subsidiaries and associates (Notes 4 and 12)	229,106	1	335,413	2
Interest income	3,317	-	3,893	-
Dividend income	102,761	1	82,383	-
Other income (Note 25)	169,005	1	159,875	1
Gain on disposal of property, plant and equipment (Note 25)	141,763	1	500	-
Gain on disposal of investment properties (Note 25)	578,682	3	-	-
(Loss) gain on disposal of investments	(12)	-	52	-
Foreign exchange (loss) gain (Note 5)	(4,218)	-	141,630	1
Loss on financial instruments at FVTPL	(104,695)	(1)	(137,741)	(1)
Other losses	(3,820)	-	(4,219)	-
Impairment loss recognized on property, plant and equipment (Note 13)	<u>(51,233)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>745,732</u>	<u>4</u>	<u>308,348</u>	<u>2</u>

(Continued)

CHUNG HWA PULP CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2025		2024	
	Amount	%	Amount	%
LOSS BEFORE INCOME TAX	\$ (752,709)	(5)	\$ (337,221)	(2)
INCOME TAX BENEFIT (Notes 4 and 20)	<u>140,151</u>	<u>1</u>	<u>85,098</u>	<u>1</u>
NET LOSS FOR THE YEAR	<u>(612,558)</u>	<u>(4)</u>	<u>(252,123)</u>	<u>(1)</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 17)	22,437	-	26,059	-
Unrealized gain on investments in equity instruments at FVTOCI	783,079	5	366,510	2
Share of the other comprehensive income of subsidiaries and associates	143,564	1	69,482	-
Tax effect of items that will not be reclassified (Note 20)	(4,487)	-	(5,212)	-
Items that may be reclassified subsequently to profit or loss:				
Gain (loss) on hedging instruments (Note 18)	10,045	-	6,034	-
Share of the other comprehensive (loss) income of subsidiaries and associates (Note 18)	<u>(177,331)</u>	<u>(1)</u>	<u>322,478</u>	<u>2</u>
Other comprehensive income for the year, net of income tax	<u>777,307</u>	<u>5</u>	<u>785,351</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 164,749</u>	<u>1</u>	<u>\$ 533,228</u>	<u>3</u>
LOSS PER SHARE (Note 21)				
Basic	<u>\$ (0.56)</u>		<u>\$ (0.23)</u>	

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

CHUNG HWA PULP CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024 (In Thousands of New Taiwan Dollars)

	Share Capital (Notes 4 and 18)		Capital Surplus (Notes 4 and 18)	Retained Earnings (Notes 4 and 18)			Other Equity (Notes 4 and 18)			Treasury Shares	Total Equity	
	Shares (Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income			Gain (Loss) on Hedging Instrument
BALANCE ON JANUARY 1, 2024	1,102,835	\$ 11,028,353	\$ 39,116	\$ 316,847	\$ 1,186,894	\$ 1,483,204	\$ 2,986,945	\$ (220,748)	\$ 1,474,580	\$ (6,034)	\$ (136,726)	\$ 15,165,486
Adjustments for the changes in equity of subsidiaries and associates	-	-	(3,233)	-	-	(1)	(1)	-	-	-	-	(3,234)
Unclaimed dividend	-	-	764	-	-	-	-	-	-	-	-	764
Net loss for the year ended December 31, 2024	-	-	-	-	-	(252,123)	(252,123)	-	-	-	-	(252,123)
Other comprehensive income for the year ended December 31, 2024	-	-	-	-	-	20,894	20,894	322,478	435,945	6,034	-	785,351
Total comprehensive (loss) income for the year ended December 31, 2024	-	-	-	-	-	(231,229)	(231,229)	322,478	435,945	6,034	-	533,228
Disposal of investments accounted for using the equity method	-	-	1,833	-	-	816	816	-	(816)	-	-	1,833
Disposal of investments in equity instruments at FVTOCI by associates	-	-	-	-	-	5,497	5,497	-	(5,497)	-	-	-
BALANCE ON DECEMBER 31, 2024	1,102,835	11,028,353	38,480	316,847	1,186,894	1,258,287	2,762,028	101,730	1,904,212	-	(136,726)	15,698,077
Adjustments for the changes in equity of subsidiaries and associates	-	-	7,800	-	-	(743)	(743)	-	-	-	-	7,057
Unclaimed dividends	-	-	(151)	-	-	-	-	-	-	-	-	(151)
Net loss for the year ended December 31, 2025	-	-	-	-	-	(612,558)	(612,558)	-	-	-	-	(612,558)
Other comprehensive income (loss) or the year ended December 31, 2025	-	-	-	-	-	18,628	18,628	(177,331)	925,965	10,045	-	777,307
Total comprehensive (loss) income for the year ended December 31, 2025	-	-	-	-	-	(593,930)	(593,930)	(177,331)	925,965	10,045	-	164,749
Treasury shares transferred	-	-	(337)	-	-	-	-	-	-	-	136,726	136,389
Share-based payment transactions (Note 22)	-	-	122,713	-	-	-	-	-	-	-	-	122,713
Disposal of investments in equity instruments at FVTOCI	-	-	-	-	-	26,918	26,918	-	(26,918)	-	-	-
BALANCE ON DECEMBER 31, 2025	1,102,835	\$ 11,028,353	\$ 168,505	\$ 316,847	\$ 1,186,894	\$ 690,532	\$ 2,194,273	\$ (75,601)	\$ 2,803,259	\$ 10,045	\$ -	\$ 16,128,834

The accompanying notes are an integral part of the parent company only financial statements.

CHUNG HWA PULP CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024 (In Thousands of New Taiwan Dollars)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (752,709)	\$ (337,221)
Adjustments for:		
Depreciation and amortization expenses	1,015,913	1,005,801
Expected credit recognized (reversed)	12,000	(20,200)
Loss on financial instruments at FVTPL	104,695	137,741
Finance costs	314,924	273,438
Interest income	(3,317)	(3,893)
Dividend income	(102,761)	(82,383)
Compensation cost of share-based payments	122,713	-
Share of profit of subsidiaries and associates	(229,106)	(335,413)
Gain on disposal of property, plant and equipment	(141,763)	(500)
Gain on disposal of investment properties	(578,682)	-
Loss (gain) on disposal of investments	12	(52)
Recognition of inventories write-downs	42,678	30,166
Impairment loss recognized on property, plant and equipment	51,233	-
Unrealized gain on foreign currency exchange	(114,365)	(13,139)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at FVTPL	(67,867)	(92,795)
Notes and accounts receivable	(56,508)	(70,385)
Notes and accounts receivable from related parties	196,612	(330,620)
Inventories	(244,293)	(576,536)
Other current assets	(145,309)	(171,883)
Net defined benefit assets	(7,390)	(14,027)
Notes and accounts payable	(170,983)	57,030
Notes and accounts payable to related parties	(127,740)	60,361
Other payables	(110,821)	110,020
Other current liabilities	66,965	5,527
Cash used in operations	(925,869)	(368,963)
Interest received	3,317	3,893
Interest paid	(322,611)	(266,551)
Income tax paid	(6,520)	(218)
Net cash used in operating activities	<u>(1,251,683)</u>	<u>(631,839)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at FVTOCI	42,442	-
Proceeds from sale of financial instruments for hedging	-	1,879
Proceeds from capital reduction of investments accounted for using equity method	14,753	-
Payments for property, plant and equipment	(841,867)	(1,021,924)
Proceeds from disposal of property, plant and equipment	265,847	500
Increase in other receivables from related parties	(403,915)	-
Proceeds from disposal of investment properties	1,080,490	-
Increase in other non-current assets	(78,694)	(14,192)

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CHUNG HWA PULP CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024 (In Thousands of New Taiwan Dollars)

	2025	2024
Increase in prepayments for equipment	\$ (401,208)	\$ (101,681)
Dividends received	<u>204,865</u>	<u>179,562</u>
Net cash used in investing activities	<u>(117,287)</u>	<u>(955,856)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	979,274	884,038
Proceeds from short-term bills payable	758,134	200,821
Proceeds from long-term borrowings	3,350,000	2,100,000
Repayments of long-term borrowings	(3,550,000)	(1,350,000)
Repayment of the principal portion of lease liabilities	(36,378)	(31,108)
Increase in other non-current liabilities	11,246	395
Treasury shares purchased by employees	136,389	-
Capital surplus transferred from unclaimed dividends	<u>(151)</u>	<u>764</u>
Net cash generated from financing activities	<u>1,648,514</u>	<u>1,804,910</u>
NET INCREASE IN CASH	279,544	217,215
CASH AT THE BEGINNING OF THE YEAR	<u>363,735</u>	<u>146,520</u>
CASH AT THE END OF THE YEAR	<u>\$ 643,279</u>	<u>\$ 363,735</u>

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

CHUNG HWA PULP CORPORATION

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

1. GENERAL INFORMATION

Chung Hwa Pulp Corporation (the “Company”), is principally engaged in the production and sale of pulp and paper. The Company’s shares have been listed on the Taiwan Stock Exchange.

In line with the Company’s operating strategy to carry out vertical integration, in the meetings of the board of directors on March 21, 2012 and of the shareholders on June 27, 2012, the Company decided to issue new shares in exchange for YFY Inc.’s paper and cardboard business unit’s assets, liabilities and operations on October 1, 2012. After this transaction, the Company became a subsidiary of YFY Inc.

YFY Inc. and its subsidiaries held 58.6% of ordinary shares of the Company, as of December 31, 2025 and 2024.

The parent company only financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the Company’s board of directors on March 13, 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 Company’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” - the amendments to the application guidance of derecognition of financial liabilities	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”	January 1, 2023

As of the date the financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company'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 into the operating, investing, financing, income taxes and discontinued operations categories, the Company 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 Company 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 Company shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Company 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 Company as a whole, the Company 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 Company 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 Company shall be classified as investing activities, while interest and dividends paid shall be classified as financing activities. However, if, after assessment, the Company 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 parent company only financial statements were authorized for issue, the Company is continuously assessing the other impacts of the other amended standards and interpretations on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

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

b. Basis of preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit assets excluding bearer plants which are measured at the 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 based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

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

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, the share of other comprehensive income of subsidiaries and the related equity items, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the parent company only financial statements are authorized for issue; and
- 3) Liabilities for which the Company 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.

d. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 translated using the exchange rate at the date of the transaction.

In preparing the parent company only financial statements, the parent company only financial statements of the Company and its foreign operations (including subsidiaries and associates that are prepared using functional currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, supplies, work in progress, finished and purchased goods 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. The 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 the weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

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

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

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

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company'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 Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investments in associates

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

The Company uses the equity method to account for its investments in associates. Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the 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 had the investee 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 the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds 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 Company's net investment in the associate), the Company discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an 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 part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Freehold land is not depreciated.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates 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.

i. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation.

Investment properties are initially measured 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.

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

j. Impairment of property, plant and equipment, investment property, right-of-use asset and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset, investment properties and intangible assets, excluding goodwill, 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 Company estimates 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.

The 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.

When an impairment loss is subsequently 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 on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance 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.

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any remeasurement gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset.

ii. Financial assets at amortized cost

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

- i) The financial assets are 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 assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Company 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.

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, it will be transferred to retained earnings.

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

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Company 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, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Equity instruments issued by an entity in the Company are classified as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the financial liabilities at FVTPL, all financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading.

Financial liabilities held for trading are stated at fair value, and any interest paid on such financial liabilities is recognized in finance costs; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses.

b) 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.

4) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

1. Hedge accounting

The Company designates certain hedging instruments as cash flow hedges to partially hedge its foreign exchange rate risks associated with certain highly probable forecast purchases. The effective portion of changes in the fair value of hedging instruments is recognized in other comprehensive income. When the forecast transactions actually take place, the associated gains or losses that were recognized in other comprehensive income are removed from equity and included in the initial cost of the hedged items. The gains or losses from hedging instruments relating to the ineffective portion are recognized immediately in profit or loss.

The Company 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.

m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

In accordance with the Regulations Governing the Collection of Carbon Fees and related regulations of the ROC, the carbon fee provision is recognized and measured on the basis of the best estimate of the expenditure required to settle the obligation for the current year.

n. Revenue recognition

The Company identifies contracts with customers and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods is recognized when the goods are delivered to the customer's specific location and the performance obligation is satisfied because it is the time when customers have obtained control of the promised goods.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable and reduced for estimated customer returns, rebates and other similar allowances. Estimated sales returns and allowances is generally made and adjusted based on historical experience and the consideration of varying contractual terms to recognize refund liabilities.

Due to the short-term nature of the receivables from sale of goods with the immaterial discounted effect, the Company measures them at the original invoice amounts without discounting.

o. Leases

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

1) The Company as lessor

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.

2) The Company as lessee

The Company 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 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. 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 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.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. 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 or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company 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 balance sheets.

The Company negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2022, that results in the revised consideration for the lease. There is no substantive change to other terms and conditions. The Company elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Company recognizes the reduction in lease payment in profit or loss as a deduction of expenses of variable lease payments, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

p. Borrowing costs

Borrowing costs directly attributable to an 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.

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

q. Employee benefits

1) 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 services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur or when the plan amendment or curtailment occurs. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement 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 Company'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.

r. Taxation

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

1) Current tax

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.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities 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, 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 Company 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 recognized only 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 the end of each reporting period 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 assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period 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 liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimations, and assumptions on 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.

Estimated impairment of accounts receivable

The provision for impairment of accounts receivable is based on assumptions on probability of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH

	December 31	
	2025	2024
Cash on hand	\$ 545	\$ 975
Checking accounts and demand deposits	<u>642,734</u>	<u>362,760</u>
	<u>\$ 643,279</u>	<u>\$ 363,735</u>

The market rate intervals of cash in bank (excluding checking accounts) at the end of the reporting period were as follows:

	<u>December 31</u>	
	2025	2024
Bank balance	0.005%-0.725%	0.001%-0.95%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2025	2024
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ 1,678</u>	<u>\$ 320</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities mandatorily classified as at FVTPL		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ 54,877</u>	<u>\$ 16,691</u>

At the end of the reporting year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2025</u>			
Sell	USD:NTD	2026.01.05-2026.03.30	USD43,500
	EUR:NTD	2026.01.05-2026.03.30	EUR19,000
	RMB:NTD	2026.01.14-2026.03.31	RMB290,000
<u>December 31, 2024</u>			
Sell	USD:NTD	2025.01.06-2025.02.03	USD26,000
	EUR:NTD	2025.01.23-2025.01.24	EUR7,000
	RMB:NTD	2025.01.02-2025.03.24	RMB325,000

The Company entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. The above foreign exchange forward contracts held by the Company did not meet hedge effectiveness, so they are not applicable for hedge accounting.

8. INVESTMENTS IN EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
<u>Current</u>		
Domestic investments		
Listed shares	<u>\$ 3,284,826</u>	<u>\$ 2,543,674</u>
<u>Non-current</u>		
Domestic investments		
Listed shares	\$ 262,379	\$ 262,088
Unlisted shares	<u>131,065</u>	<u>146,624</u>
	<u>\$ 393,444</u>	<u>\$ 408,712</u>

These investments in equity instruments 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 Company's strategy of holding these investments for long-term purposes.

9. FINANCIAL INSTRUMENTS FOR HEDGING

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
<u>Financial assets - current</u>		
Cash flow hedges		
Forward exchange contracts	<u>\$ 10,045</u>	<u>\$ -</u>

The Company's hedge strategy is to enter into foreign exchange forward contracts to avoid its foreign currency exposure to certain foreign currency receipts and payments and to manage its foreign currency exposures in relation to foreign currency forecast purchases. When forecast purchases actually take place, the carrying amounts of the non-financial hedged items will be adjusted accordingly.

The Company determined that the value of the forward exchange contracts and the value of the corresponding hedged items will systematically move in the opposite direction in response to changes in the underlying exchange rates based on their relationship.

The source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Company's own credit risk on the fair value of the forward exchange contracts. No other sources of ineffectiveness are expected to emerge from these hedging relationships.

The increase (decrease) in value used for calculating hedge ineffectiveness for the years ended December 31, 2025 and 2024 were \$10,045 thousand and \$(4,155) thousand, respectively. The following tables summarize the information relating to the hedges of foreign currency risk.

	Currency	Maturity Date	Notional Amount (In Thousands)	
<u>December 31, 2025</u>				
Buy	EUR:NTD	2026.04.07-2026.04.17	EUR6,000	
<u>For the year ended December 31, 2025</u>				
Hedged Items			Change in Value Used for Calculating Hedge Ineffectiveness	Other Equity Carrying Amount in Continuing Hedges
Cash flow hedge				
Forecast transactions (capital expenditures)			<u>\$ 10,045</u>	<u>\$ 10,045</u>
<u>For the year ended December 31, 2024</u>				
Hedged Items			Change in Value Used for Calculating Hedge Ineffectiveness	Other Equity Carrying Amount in Continuing Hedges
Cash flow hedge				
Forecast transactions (capital expenditures)			<u>\$ (4,155)</u>	<u>\$ -</u>

Refer to Note 18(e) for information relating to gain (loss) on changes in the fair value of hedging instruments and the original carrying amount transferred to hedged items for the years ended December 31, 2025 and 2024.

10. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	2025	2024
Notes receivable - operating	\$ 32,803	\$ 19,470
Accounts receivable - operating	<u>2,051,321</u>	<u>1,895,836</u>
Gross carrying amount	2,084,124	1,915,306
Less: Allowance for impairment loss	<u>(24,958)</u>	<u>(12,958)</u>
	<u>\$ 2,059,166</u>	<u>\$ 1,902,348</u>

The Company's customers are a large number of unrelated customers that did not have concentration of credit risk.

For accounts receivable that were past due at the end of the reporting period, the Company did not recognize an allowance for impairment loss because there was no significant change in credit quality and the amounts were still considered recoverable. The Company held adequate collaterals or other credit enhancements for these receivables. In addition, the Company also did not have offset right for the receivables against the payables of the same parties.

The Company applies the simplified approach for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's provision matrix:

December 31, 2025

	Not Past Due	Less than 90 Days	91 Days to A Year	Over A Year	Total
Gross carrying amount	\$ 1,840,749	\$ 177,757	\$ 59,629	\$ 5,989	\$ 2,084,124
Loss allowance (Lifetime ECLs)	<u>(2,906)</u>	<u>(2,222)</u>	<u>(13,841)</u>	<u>(5,989)</u>	<u>(24,958)</u>
Amortized cost	<u>\$ 1,837,843</u>	<u>\$ 175,535</u>	<u>\$ 45,788</u>	<u>\$ -</u>	<u>\$ 2,059,166</u>

December 31, 2024

	Not Past Due	Less than 90 Days	91 Days to A Year	Over A Year	Total
Gross carrying amount	\$ 1,758,037	\$ 138,080	\$ 19,115	\$ 74	\$ 1,915,306
Loss allowance (Lifetime ECLs)	<u>(5,027)</u>	<u>(953)</u>	<u>(6,904)</u>	<u>(74)</u>	<u>(12,958)</u>
Amortized cost	<u>\$ 1,753,010</u>	<u>\$ 137,127</u>	<u>\$ 12,211</u>	<u>\$ -</u>	<u>\$ 1,902,348</u>

The movements of the loss allowance of trade receivables were as follows:

	For the Year Ended December 31	
	2025	2024
Balance on January 1	\$ 12,958	\$ 33,158
Recognized (reversed) for the year	<u>12,000</u>	<u>(20,200)</u>
Balance on December 31	<u>\$ 24,958</u>	<u>\$ 12,958</u>

11. INVENTORIES

	December 31	
	2025	2024
Finished and purchased goods	\$ 3,385,522	\$ 2,700,668
Work in process	847,759	886,754
Materials	<u>1,084,957</u>	<u>1,529,201</u>
	<u>\$ 5,318,238</u>	<u>\$ 5,116,623</u>

The cost of goods sold for the years ended December 31, 2025 and 2024 included inventory write-downs of \$42,678 thousand and \$30,166 thousand, respectively.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2025	2024
Investments in subsidiaries	\$ 5,825,399	\$ 5,913,027
Investments in associates	<u>1,088,420</u>	<u>899,631</u>
	<u>\$ 6,913,819</u>	<u>\$ 6,812,658</u>

a. Investments in subsidiaries

	December 31	
	2025	2024
CHP International (BVI) Corporation	\$ 5,679,202	\$ 5,784,586
Hwa Fong Investment Co., Ltd.	<u>146,197</u>	<u>128,441</u>
	<u>\$ 5,825,399</u>	<u>\$ 5,913,027</u>

The Company's proportion of ownership and voting rights of its associates as of the balance sheet date were as follows:

Name of Subsidiary	Proportion of Ownership and Voting Rights	
	December 31	
	2025	2024
CHP International (BVI) Corporation	100%	100%
Hwa Fong Investment Co., Ltd.	100%	100%

b. Investments in associates

	December 31	
	2025	2024
Associates that are not individually material	<u>\$ 1,088,420</u>	<u>\$ 899,631</u>

Aggregate information of associates that are not individually material was as follows:

	For the Year Ended December 31	
	2025	2024
The Company's share of:		
Profit for the year	\$ 172,878	\$ 154,915
Other comprehensive income	<u>107,205</u>	<u>73,725</u>
 Total comprehensive income for the year	 <u>\$ 280,083</u>	 <u>\$ 228,640</u>

The combined ownership held by the Company and its parent company, YFY Inc., in some associates that are not individually material was more than 20%. Thus, the Company used the equity method to account for its investments in these associates.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2025 and 2024 were based on the subsidiaries' result which have been audited for the same years.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery	Electric Equipment	Tools	Miscellaneous Equipment	Property in Construction	Total
Cost								
Balance on January 1, 2024	\$ 7,924,319	\$ 3,498,958	\$ 27,370,062	\$ 3,163,106	\$ 2,003,440	\$ 679,758	\$ 813,443	\$ 45,453,086
Additions	34,170	14,959	38,759	25,296	23,801	7,103	935,284	1,079,372
Disposals	-	(30,528)	(481,671)	(1,274)	(16,417)	(6,727)	-	(536,617)
Reclassifications	-	38,908	632,678	33,873	92,338	23,228	(821,025)	-
Balance on December 31, 2024	<u>\$ 7,958,489</u>	<u>\$ 3,522,297</u>	<u>\$ 27,559,828</u>	<u>\$ 3,221,001</u>	<u>\$ 2,103,162</u>	<u>\$ 703,362</u>	<u>\$ 927,702</u>	<u>\$ 45,995,841</u>
Accumulated depreciation and impairment								
Balance on January 1, 2024	\$ -	\$ 2,956,235	\$ 23,877,550	\$ 2,605,092	\$ 1,766,053	\$ 611,298	\$ -	\$ 31,816,228
Disposals	-	(30,528)	(481,671)	(1,274)	(16,417)	(6,727)	-	(536,617)
Depreciation expense	-	72,179	672,502	92,058	94,338	30,912	-	961,989
Balance on December 31, 2024	<u>\$ -</u>	<u>\$ 2,997,886</u>	<u>\$ 24,068,381</u>	<u>\$ 2,695,876</u>	<u>\$ 1,843,974</u>	<u>\$ 635,483</u>	<u>\$ -</u>	<u>\$ 32,241,600</u>
Carrying amounts on December 31, 2024	<u>\$ 7,958,489</u>	<u>\$ 524,411</u>	<u>\$ 3,491,447</u>	<u>\$ 525,125</u>	<u>\$ 259,188</u>	<u>\$ 67,879</u>	<u>\$ 927,702</u>	<u>\$ 13,754,241</u>
Cost								
Balance on January 1, 2025	\$ 7,958,489	\$ 3,522,297	\$ 27,559,828	\$ 3,221,001	\$ 2,103,162	\$ 703,362	\$ 927,702	\$ 45,995,841
Additions	-	10,901	68,631	13,869	25,609	7,997	714,859	841,866
Disposals	(123,337)	(48,175)	(401,261)	(3,234)	(5,697)	(7,907)	-	(589,611)
Reclassifications	(258,550)	(75,192)	222,689	30,895	95,428	29,590	(404,535)	(359,675)
Balance on December 31, 2025	<u>\$ 7,576,602</u>	<u>\$ 3,409,831</u>	<u>\$ 27,449,887</u>	<u>\$ 3,262,531</u>	<u>\$ 2,218,502</u>	<u>\$ 733,042</u>	<u>\$ 1,238,026</u>	<u>\$ 45,888,421</u>
Accumulated depreciation and impairment								
Balance on January 1, 2025	\$ -	\$ 2,997,886	\$ 24,068,381	\$ 2,695,876	\$ 1,843,974	\$ 635,483	\$ -	\$ 32,241,600
Disposals	-	(47,426)	(401,263)	(3,234)	(5,697)	(7,907)	-	(465,527)
Impairment losses recognized	-	-	45,952	2,033	3,107	141	-	51,233
Depreciation expense	-	69,899	677,025	91,433	100,760	27,883	-	967,000
Reclassifications	-	(19,663)	-	-	-	-	-	(19,663)
Balance on December 31, 2025	<u>\$ -</u>	<u>\$ 3,000,696</u>	<u>\$ 24,390,095</u>	<u>\$ 2,786,108</u>	<u>\$ 1,942,144</u>	<u>\$ 655,600</u>	<u>\$ -</u>	<u>\$ 32,774,643</u>
Carrying amounts on December 31, 2025	<u>\$ 7,576,602</u>	<u>\$ 409,135</u>	<u>\$ 3,059,792</u>	<u>\$ 476,423</u>	<u>\$ 276,358</u>	<u>\$ 77,442</u>	<u>\$ 1,238,026</u>	<u>\$ 13,113,728</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the asset as follows:

Buildings	
Main buildings	15-35 years
Others	3-44 years
Machinery	3-15 years
Electric equipment	5-15 years
Tools	3-5 years
Miscellaneous equipment	3-20 years

As several key production lines within the pulp and paper segment have reached advanced stages of aging, the Company assessed that the future economic benefits expected to be derived from the related plants and machinery have diminished to the point where no recoverable amount exists. Consequently, an impairment loss of \$51,233 thousand, measured using the assets' carrying amount, was recognized and accounted as other gains and losses in the statement of comprehensive income for the year ended December 31, 2025.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2025	2024
<u>Carrying amount</u>		
Land	\$ 3,291	\$ 5,903
Buildings	101,386	30,573
Machinery and office equipment	22,841	21,408
Transportation equipment	<u>11,500</u>	<u>1,814</u>
	<u>\$ 139,018</u>	<u>\$ 59,698</u>
	For the Year Ended December 31	
	2025	2024
Additions to right-of-use assets	<u>\$ 115,949</u>	<u>\$ 41,533</u>
Depreciation charge for right-of-use assets		
Land	\$ 2,612	\$ 2,612
Buildings	17,619	14,397
Machinery and office equipment	12,747	10,902
Transportation equipment	<u>3,651</u>	<u>3,421</u>
	<u>\$ 36,629</u>	<u>\$ 31,332</u>

b. Lease liabilities

	December 31	
	2025	2024
<u>Carrying amount</u>		
Current	<u>\$ 47,743</u>	<u>\$ 34,710</u>
Non-current	<u>\$ 92,035</u>	<u>\$ 25,498</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2025	2024
Land	0.88%-1.75%	0.88%-1.75%
Buildings	0.88%-1.86%	0.88%-1.86%
Machinery and office equipment	0.88%-2.04%	0.88%-1.86%
Transportation equipment	0.88%-2.04%	0.88%-1.86%

c. Material lease-in activities and terms

The Company leases certain equipment and plant for the use of operating activities with lease terms of 2 to 5 years. These arrangements do not contain renewal or purchase options at the end of the lease terms.

The Company also leases land and buildings for the use of plants, offices, and warehouses with lease terms of 2 to 8 years. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 15.

	<u>For the Year Ended December 31</u>	
	2025	2024
Expenses relating to short-term leases and low-value asset leases	<u>\$ 128,895</u>	<u>\$ 104,490</u>
Total cash outflow for leases	<u>\$ (177,368)</u>	<u>\$ (144,668)</u>

15. INVESTMENT PROPERTIES

	<u>For the Year Ended December 31</u>	
	2025	2024
<u>Cost</u>		
Opening balance	\$ 771,534	\$ 771,534
Disposals	(501,808)	-
Reclassifications	<u>359,675</u>	<u>-</u>
Ending balance	<u>\$ 629,401</u>	<u>\$ 771,534</u>
<u>Accumulated depreciation and impairment</u>		
Opening balance	\$ (16,526)	\$ (16,259)
Depreciation expense	(267)	(267)
Reclassifications	<u>(19,663)</u>	<u>-</u>
Ending balance	<u>\$ (36,456)</u>	<u>\$ (16,526)</u>
Ending carrying amount	<u>\$ 592,945</u>	<u>\$ 755,008</u>

The investment properties held by the Company are depreciated over their estimated useful life of 55 years, using the straight-line method.

The valuation was done by the Company using market evidence of transaction prices for similar properties. The fair value of the investment properties owned by the Company was as follows:

	<u>December 31</u>	
	2025	2024
Fair value	<u>\$ 908,112</u>	<u>\$ 856,590</u>

The investment properties were leased out as operating leases from July 1, 2020 to November 14, 2035. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

Lease commitments (the Company as a lessor) with lease terms commencing after the balance sheet dates are as follows:

	December 31	
	2025	2024
Lease commitments of investment properties	<u>\$ 660,968</u>	<u>\$ 276,567</u>

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2025	2024
Bank credit loans	\$ 5,080,000	\$ 3,840,000
Letter of credit loans	<u>-</u>	<u>260,726</u>
	<u>\$ 5,080,000</u>	<u>\$ 4,100,726</u>

As of December 31, 2025 and 2024, interest rates on short-term borrowings were 1.78%-2.0698% and 1.543%-5.88%, respectively.

b. Short-term bills payable

	December 31	
	2025	2024
Commercial paper	\$ 8,750,000	\$ 8,000,000
Less: Unamortized discount on bills payable	<u>(10,874)</u>	<u>(19,008)</u>
	<u>\$ 8,739,126</u>	<u>\$ 7,980,992</u>

Short-term bills payable are commercial papers due within one year. As of December 31, 2025 and 2024 interest rates on bills payable were 1.49%-1.81% and 1.64%-1.67%, respectively.

c. Long-term borrowings

	December 31	
	2025	2024
Unsecured bank loans	\$ 1,830,000	\$ 2,030,000
Less: Loan management fees	<u>(7,727)</u>	<u>(7,213)</u>
Long-term bank loans	<u>\$ 1,822,273</u>	<u>\$ 2,022,787</u>

	Due Date	Article	Interest Rate	December 31	
				2025	2024
Syndicated loan from Taipei Fubon Bank and Bank of Taiwan - credit loan A	2027.09.30	The credit can be used separately within 60 months from September 30, 2022, the first drawdown date of the loan. It is not available for revolving use.	1.90-2.14	\$ 480,000	\$ 480,000
Syndicated Loan from First Bank, Hua Nan Bank and Bank of Taiwan - credit loan A	2028.12.29	The credit can be revolved within 60 months from December 29, 2023, the first drawdown date of the loan.	1.93-2.17	500,000	1,550,000
Syndicated loan from First Bank and Bank of Taiwan - credit loan A	2030.09.26	The credit can be revolved within 60 months from September 26, 2025, the first drawdown date of the loan.	2.11		
				<u>850,000</u>	<u>-</u>
				<u>\$ 1,830,000</u>	<u>\$ 2,030,000</u>

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government of the Republic of China. Pension benefits are calculated on the basis of the length of service and average monthly salary of the six months before retirement. The Company contributes specific percentage of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company 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 Company 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 Company has no right to influence the investment policy and strategy.

The amounts included in the parent company only balance sheets in respect of the Company's defined benefit plan were as follows:

	December 31	
	2025	2024
Fair value of plan assets	\$ 856,787	\$ 849,214
Present value of defined benefit obligation	<u>(435,179)</u>	<u>(457,433)</u>
Net defined benefit assets	<u>\$ 421,608</u>	<u>\$ 391,781</u>

Movements in net defined benefit assets (liability) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Assets
Balance on January 1, 2024	\$ (465,996)	\$ 817,691	\$ 351,695
Service cost			
Current service cost	(12,613)	-	(12,613)
Net interest (expense) income	(6,626)	11,956	5,330
Recognized in profit or loss	<u>(19,239)</u>	<u>11,956</u>	<u>(7,283)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	72,368	72,368
Actuarial loss			
Experience adjustments	(45,873)	-	(45,873)
Changes in financial assumptions	<u>(436)</u>	<u>-</u>	<u>(436)</u>
Recognized in other comprehensive income	<u>(46,309)</u>	<u>72,368</u>	<u>26,059</u>
Contributions from the employer	-	21,310	21,310
Benefits paid	<u>74,111</u>	<u>(74,111)</u>	<u>-</u>
Balance on December 31, 2024	<u>\$ (457,433)</u>	<u>\$ 849,214</u>	<u>\$ 391,781</u>
Balance on January 1, 2025	<u>\$ (457,433)</u>	<u>\$ 849,214</u>	<u>\$ 391,781</u>
Service cost			
Current service cost	(13,059)	-	(13,059)
Net interest (expense) income	(6,509)	12,439	5,930
Recognized in profit or loss	<u>(19,568)</u>	<u>12,439</u>	<u>(7,129)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	61,324	61,324
Actuarial loss			
Experience adjustments	<u>(38,887)</u>	<u>-</u>	<u>(38,887)</u>
Recognized in other comprehensive income	<u>(38,887)</u>	<u>61,324</u>	<u>22,437</u>
Contributions from the employer	-	14,519	14,519
Benefits paid	<u>80,709</u>	<u>(80,709)</u>	<u>-</u>
Balance on December 31, 2025	<u>\$ (435,179)</u>	<u>\$ 856,787</u>	<u>\$ 421,608</u>

Through the defined benefit plans under the Labor Standards Act, the Company 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 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 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 rates	1.50%	1.50%
Expected rates of salary increase - less than 16 years	1.50%	1.50%
Expected rates of salary increase - more than 16 years	1.00%	1.00%

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

	December 31	
	2025	2024
Discount rates		
0.125% increase	<u>\$ (2,046)</u>	<u>\$ (2,413)</u>
0.125% decrease	<u>\$ 2,069</u>	<u>\$ 2,439</u>
Expected rates of salary increase		
0.125% increase	<u>\$ 2,077</u>	<u>\$ 2,449</u>
0.125% decrease	<u>\$ (2,059)</u>	<u>\$ (2,378)</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 plans for the next year	<u>\$ 5,920</u>	<u>\$ 7,129</u>
The average duration of the defined benefit obligation	3.8 years	4.3 years

18. EQUITY

a. Ordinary shares

	December 31	
	2025	2024
Number of shares authorized (in thousands)	<u>1,300,000</u>	<u>1,300,000</u>
Shares authorized	<u>\$ 13,000,000</u>	<u>\$ 13,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>1,102,835</u>	<u>1,102,835</u>
Shares issued	<u>\$ 11,028,353</u>	<u>\$ 11,028,353</u>

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

b. Capital surplus

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*</u>		
Arising from treasury share transactions	\$ 143,193	\$ 20,817
The difference between consideration paid and the carrying amount of the subsidiaries' net assets during actual acquisition	484	484
<u>May only be used to offset a deficit</u>		
Arising from share of changes in capital surplus of subsidiaries and associates	20,675	12,875
Capital surplus transferred from unclaimed dividends	<u>4,153</u>	<u>4,304</u>
	<u>\$ 168,505</u>	<u>\$ 38,480</u>

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of paid-in capital).

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to employees' compensation and remuneration of directors in Note 19 (c).

In making its dividends policy, the Company takes into account future capital expenditures and working capital requirements. Based on this policy, dividends shall be distributed as follows:

- 1) At least 20% as cash dividends; and
- 2) Remainder, as share dividends. If there is a requirement for capital expenditure, the Company may distribute only share dividends.

An appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Order No. 1030006415 and Order No. 1090150022 issued by the FSC and in the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRS Accounting Standards”, the Company shall appropriate to or reverse from a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

The offsetting of deficit for 2024 and 2023 was approved in the shareholders’ meetings on June 17, 2025 and June 26, 2024, respectively, and the Company resolved not to distribute dividends.

Information on the appropriation of earnings resolved by the Company’s shareholders’ meeting is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Special reserves

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Special reserves	<u>\$ 1,186,894</u>	<u>\$ 1,186,894</u>

The Company appropriated a special reserve in an amount equal to the unrealized revaluation increment, which was already transferred to retained earnings.

e. Other equity items

	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
<u>2025</u>				
Balance on January 1	\$ 101,730	\$ 1,904,212	\$ -	\$ 2,005,942
Unrealized gain on financial assets at FVTOCI	-	783,079	-	783,079
Share of other comprehensive (loss) income of subsidiaries and associates	(177,331)	142,886	-	(34,445)
Fair value changes of financial instruments for hedging	-	-	10,045	10,045
Disposal of investments in equity instruments at FVTOCI by associates	<u>-</u>	<u>(26,918)</u>	<u>-</u>	<u>(26,918)</u>
Balance on December 31	<u>\$ (75,601)</u>	<u>\$ 2,803,259</u>	<u>\$ 10,045</u>	<u>\$ 2,737,703</u> (Continued)

	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
<u>2024</u>				
Balance on January 1	\$ (220,748)	\$ 1,474,580	\$ (6,034)	\$ 1,247,798
Unrealized gain on financial assets at FVTOCI	-	366,510	-	366,510
Share of other comprehensive income of subsidiaries and associates	322,478	69,435	-	391,913
Disposal of investments accounted for using the equity method	-	(816)	-	(816)
Fair value changes of financial instruments for hedging	-	-	4,155	4,155
The amount transferred to initial carrying amount of hedged items	-	-	1,879	1,879
Disposal of investments in equity instruments at FVTOCI by associates	-	(5,497)	-	(5,497)
Balance on December 31	<u>\$ 101,730</u>	<u>\$ 1,904,212</u>	<u>\$ -</u>	<u>\$ 2,005,942</u> (Concluded)

f. Treasury shares

Purpose of Buy-back	Shares Transferred to Employees (In Thousands of Shares)
Balance on January 1, 2025	15,944
Transferred to employees for the year	<u>(15,944)</u>
Balance on December 31, 2025	<u>-</u>

As of December 31, 2024, the Company has bought back 15,944 thousand treasury shares for transferring to employees with an average buy-back price of \$8.58 per share. The acquisition was approved by the board of directors on May 14, 2020 and fully executed on July 14, 2020. Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

The Company's board of directors resolved on November 13, 2024, to transfer treasury shares to employees for subscription under the "Shares Buyback Programs." This resolution was approved by the Compensation Committee on November 8, 2024. Qualified employees of the Company and its subsidiaries may subscribe 15,944 thousand treasury shares at a subscription price of \$8.58 per share. The grant date was January 7, 2025. and the transfer of treasury shares was fully completed in the first quarter of 2025.

19. NET LOSS FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2025	2024
Interest on bank loans	\$ 326,334	\$ 273,636
Add: Interest of lease liabilities	1,266	913
Less: Amounts included in the cost of qualifying assets	<u>(12,676)</u>	<u>(1,111)</u>
	<u>\$ 314,924</u>	<u>\$ 273,438</u>

Information on capitalized interest was as follows:

	For the Year Ended December 31	
	2025	2024
Capitalization rate	2.03%-2.12%	1.96%-2.03%

b. Depreciation and amortization

	For the Year Ended December 31	
	2025	2024
An analysis of depreciation by function		
Operating costs	\$ 999,810	\$ 989,572
Operating expenses	<u>4,086</u>	<u>4,016</u>
	<u>\$ 1,003,896</u>	<u>\$ 993,588</u>
An analysis of amortization by function		
Operating costs	\$ 10,695	\$ 9,561
Operating expenses	<u>1,322</u>	<u>2,652</u>
	<u>\$ 12,017</u>	<u>\$ 12,213</u>

c. Employee benefit expense

	<u>For the Year Ended December 31</u>	
	2025	2024
Post-employment benefits		
Defined contribution plans	\$ 63,424	\$ 65,159
Defined benefit plans	<u>7,129</u>	<u>7,283</u>
	70,553	72,442
Share-based payment transactions	122,713	-
Other employee benefits	<u>1,843,936</u>	<u>1,909,801</u>
Total employee benefit expense	<u>\$ 2,037,202</u>	<u>\$ 1,982,243</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 1,740,004	\$ 1,793,666
Operating expenses	<u>297,198</u>	<u>188,577</u>
	<u>\$ 2,037,202</u>	<u>\$ 1,982,243</u>

As of December 31, 2025 and 2024, the Company had 2,020 and 2,090 employees, including 4 board of directors who were also classified as employees, respectively. The calculation basis is consistent with the employee benefits.

According to the Articles of Incorporation of the Company, the Company accrued compensation of employees and remuneration of directors at the rates of no less than 1% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. For the years ended December 31, 2025 and 2024, due to operation loss, the Company did not estimate the compensation of employees and the remuneration of directors.

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

20. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax benefit were as follows:

	<u>For the Year Ended December 31</u>	
	2025	2024
Deferred tax		
In respect of the current year	\$ (283,908)	\$ (85,098)
Others		
Land value increment tax	6,520	-
Separate taxation on house and land transactions	<u>137,237</u>	<u>-</u>
Income tax benefit recognized in profit or loss	<u>\$ (140,151)</u>	<u>\$ (85,098)</u>

A reconciliation of accounting profit and income tax benefit is as follows:

	For the Year Ended December 31	
	2025	2024
Net loss before tax from continuing operations	\$ (752,709)	\$ (337,221)
Income tax benefit calculated at the statutory rate (20%)	\$ (150,542)	\$ (67,444)
Nondeductible expenses in determining taxable income	642	-
Tax-exempt income	(134,008)	(17,654)
Land value increment tax	6,520	-
Separate taxation on house and land transactions	<u>137,237</u>	<u>-</u>
Income tax benefit recognized in profit or loss	<u>\$ (140,151)</u>	<u>\$ (85,098)</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2025	2024
<u>Deferred tax</u>		
Remeasurement on defined benefit plans	<u>\$ 4,487</u>	<u>\$ 5,212</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2025

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Loss carryforwards	\$ 306,617	\$ 290,005	\$ -	\$ 596,622
Others	<u>56,030</u>	<u>18,053</u>	<u>-</u>	<u>74,083</u>
	<u>\$ 362,647</u>	<u>\$ 308,058</u>	<u>\$ -</u>	<u>\$ 670,705</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 1,924,940	\$ -	\$ -	\$ 1,924,940
Defined benefit plans	78,356	24,150	4,487	106,993
Others	<u>77,763</u>	<u>-</u>	<u>-</u>	<u>77,763</u>
	<u>\$ 2,081,059</u>	<u>\$ 24,150</u>	<u>\$ 4,487</u>	<u>\$ 2,109,696</u>

For the year ended December 31, 2024

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Loss carryforwards	\$ 224,370	\$ 82,247	\$ -	\$ 306,617
Others	<u>53,247</u>	<u>2,783</u>	<u>-</u>	<u>56,030</u>
	<u>\$ 277,617</u>	<u>\$ 85,030</u>	<u>\$ -</u>	<u>\$ 362,647</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 1,924,940	\$ -	\$ -	\$ 1,924,940
Defined benefit plans	70,339	2,805	5,212	78,356
Others	<u>80,636</u>	<u>(2,873)</u>	<u>-</u>	<u>77,763</u>
	<u>\$ 2,075,915</u>	<u>\$ (68)</u>	<u>\$ 5,212</u>	<u>\$ 2,081,059</u>

d. Loss carryforwards as of December 31, 2025 comprised:

Unused Amount	Expiry Year
\$ 111,732	2029
319,406	2030
688,628	2033
411,236	2034
<u>1,450,024</u>	2035
<u>\$ 2,981,026</u>	

e. Deferred tax liabilities associated with investments.

As of December 31, 2025 and 2024, the taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized were \$699,638 thousand and \$707,358 thousand, respectively.

f. Income tax assessments

	<u>Latest Approved Year</u>
The Company	2023

21. LOSSES PER SHARE

	<u>For the Year Ended December 31</u>	
	2025	2024
Basic loss per share	<u>\$ (0.56)</u>	<u>\$ (0.23)</u>

The loss and weighted average number of ordinary shares outstanding in the computation of loss per share from continuing operations were as follows:

Net Loss for the Year

	<u>For the Year Ended December 31</u>	
	2025	2024
Loss for the year attributable to owners of the Company	<u>\$ (612,558)</u>	<u>\$ (252,123)</u>

The weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

	<u>For the Year Ended December 31</u>	
	2025	2024
Weighted average number of ordinary shares used in the computation of basic loss per share	<u>1,099,777</u>	<u>1,086,891</u>

The Company may settle compensation or bonuses paid to employees in cash or shares, therefore, the Company assumes that the entire amount of the compensation or bonuses 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.

22. SHARE-BASED PAYMENT ARRANGEMENTS

On November 13, 2024, the Company's board of directors resolved to transfer 15,944 thousand treasury shares to employees. Accordingly, on January 7, 2025, being the date on which the number of shares subscribed by employees was confirmed, the Company granted eligible employees of the Company and its subsidiaries the share options to subscribe for 15,944 thousand treasury shares at an exercise price of \$8.58 per share.

The relevant information on the number of treasury shares and the weighted-average exercise price of the employee share options is as follows:

	<u>For the Year Ended December 31, 2025</u>	
Employee Share Options	Number of Options (In Thousands of Units)	Weighted- Average Exercise Price (\$ Per Share)
Balance on January 1, 2025	-	
Options granted	15,944	\$ 8.58
Options exercised	<u>(15,944)</u>	8.58
Balance on December 31, 2025	<u>-</u>	
Weighted-average fair value of options granted (NT\$)		<u>\$ 7.73</u>

The employee share options granted by the Company on January 7, 2025 were measured using the Black-Scholes-Merton option pricing model. The inputs used in the model were as follows:

Share price on grant date	\$	16.30
Exercise price	\$	8.58
Expected volatility of share price (%)		29.61
Expected life of the options (days)		46
Risk-free interest rate (%)		1.26

Compensation cost recognized in the parent company only statement of comprehensive income was \$122,713 thousand for the year ended December 31, 2025.

23. CAPITAL MANAGEMENT

The capital structure of the Company consists of debt and equity of the Company (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Company review the capital structure on a regular basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. In order to balance the overall capital structure, the Company may adjust the amount of new debt issued or existing debt redeemed.

24. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value of financial instruments not carried at fair value

The management of the Company considers that the carrying amounts of financial assets and financial liabilities recognized in the parent company only financial statements as approximate fair values.

2) Fair value of financial instruments measured at fair value on a recurring basis

December 31, 2025

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets - foreign exchange forward contracts (not under hedge accounting)	\$ -	\$ 1,678	\$ -	\$ 1,678
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 3,547,205	\$ -	\$ -	\$ 3,547,205
Domestic unlisted shares	-	-	131,065	131,065
	<u>\$ 3,547,205</u>	<u>\$ -</u>	<u>\$ 131,065</u>	<u>\$ 3,678,270</u>

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets for hedging				
Derivative financial assets - foreign exchange forward contracts	\$ <u> -</u>	\$ <u> 10,045</u>	\$ <u> -</u>	\$ <u> 10,045</u>
Financial liabilities at FVTPL				
Derivative financial liabilities - foreign exchange forward contracts (not under hedge accounting)	\$ <u> -</u>	\$ <u> 54,877</u>	\$ <u> -</u>	\$ <u> 54,877</u> (Concluded)

December 31, 2024

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets - foreign exchange forward contracts (not under hedge accounting)	\$ <u> -</u>	\$ <u> 320</u>	\$ <u> -</u>	\$ <u> 320</u>
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 2,805,762	\$ -	\$ -	\$ 2,805,762
Domestic unlisted shares	<u> -</u>	<u> -</u>	<u> 146,624</u>	<u> 146,624</u>
	<u>\$ 2,805,762</u>	<u>\$ -</u>	<u>\$ 146,624</u>	<u>\$ 2,952,386</u>
Financial liabilities at FVTPL				
Derivative financial liabilities - foreign exchange forward contracts (not under hedge accounting)	\$ <u> -</u>	\$ <u> 16,691</u>	\$ <u> -</u>	\$ <u> 16,691</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2025 and 2024.

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

Financial Assets	Investments in Equity Instruments at FVTOCI
Balance on January 1, 2025	\$ 146,624
Recognized in other comprehensive loss	(806)
Proceeds from capital return	<u>(14,753)</u>
Balance on December 31, 2025	<u>\$ 131,065</u>

(Continued)

Financial Assets	Investments in Equity Instruments at FVTOCI
Balance on January 1, 2024	\$ 161,006
Recognized in other comprehensive loss	(14,379)
Transfers out of Level 3	<u>(3)</u>
Balance on December 31, 2024	<u>\$ 146,624</u> (Concluded)

4) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - foreign exchange forward contracts	Discounted cash flow: <ul style="list-style-type: none"> a) The average exchange rate (i.e., difference between the highest and the lowest exchange rates) of the counterparties' financial institutions in accordance with the Reuters quoting system, or b) The daily spot exchange rate quoted by financial institutions.

5) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of unlisted equity securities - ROC were determined using the assets approach. The total value of individual assets and individual liabilities reflects the overall value of the investment. The significant unobservable inputs used are listed in the table below. A decrease in discount for lack of marketability used in isolation would result in increases in fair value.

	<u>December 31</u>	
	2025	2024
Discount for lack of marketability	15%	15%

If the inputs to the valuation model were changed to reflect reasonably possible alternative assumptions while all the other variables were held constant, the fair value of the shares would have increased (decreased) as follows:

	<u>December 31</u>	
	2025	2024
Discount for lack of marketability		
2.5% increase	<u>\$ (4,201)</u>	<u>\$ (4,312)</u>
2.5% decrease	<u>\$ 4,201</u>	<u>\$ 4,312</u>

b. Categories of financial instruments

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	\$ 1,678	\$ 320
Financial assets at amortized cost (1)	4,551,361	3,998,162
Financial assets at FVTOCI	3,678,270	2,952,386
Financial assets for hedging	10,045	-
<u>Financial liabilities</u>		
Financial liabilities at FVTPL		
Mandatorily classified as at FVTPL	54,877	16,691
Financial liabilities at amortized cost (2)	17,993,620	16,861,680

- 1) The balances include financial assets measured at amortized cost, which comprise cash, notes and accounts receivable, notes and accounts receivable from related parties, other receivables (accounted as other current assets), and refundable deposits (accounted as other current assets).
- 2) The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes and accounts payable, accounts payable to related parties, other payables, long-term borrowings, and deposits received (accounted as other non-current liabilities).

c. Financial risk management objectives and policies

The Company's main objective in financial risk management is to manage the market risk related to operating activities (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. To reduce the potential and detrimental influence of the fluctuations in market on the Company's financial performance, the Company is devoted to identify, estimate and hedge the uncertainties of the market.

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

1) Market risk

a) Foreign currency risk

The Company had foreign currency denominated sales and purchases, which exposed the Company to foreign currency risk. The Group follows the movement of foreign exchange rates and adjusts the exposure position respond to it to minimize the effects of these risks.

The Company used foreign exchange forward contracts to eliminate currency exposure. These foreign exchange forward contracts could reduce the influence of the exchange rate fluctuations on the Company's income.

Sensitivity analysis

For the position of financial assets and liabilities that had significant influence on the Company, the risk was measured by considering the net position of foreign currency forward contracts that was in effect.

The Company is mainly exposed to the USD, RMB and EUR.

The following table details the Company's sensitivity to a 5% increase in the functional currency against the relevant foreign currencies. For a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax loss and the balances below would be negative.

	For the Year Ended December 31	
	2025	2024
Influence to profit or loss at 5% variance		
USD	\$ 29,162	\$ 16,922
RMB	7,213	29,776
EUR	50,081	7,524

b) Interest rate risk

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2025	2024
Fair value interest rate risk		
Financial liabilities	\$ 10,701,177	\$ 10,063,987
Cash flow interest rate risk		
Financial assets	642,734	362,760
Financial liabilities	5,080,000	4,100,726

Due to the close and long-term relationship with banks, the Company obtained better and flexible interest rates from banks. The impact of changing in interest rates is not significant to the Company.

Sensitivity analysis

For the Company's floating interest rate financial liabilities, if interest rates had been 0.1% higher/lower and all other variables were held constant, the Company's pre-tax loss for the years ended December 31, 2025 and 2024 would have decreased/increased as follows:

	For the Year Ended December 31	
	2025	2024
Financial assets and liabilities		
Decrease/increase	\$ 4,437	\$ 3,738

c) Other price risk

The Company was exposed to equity price risk through its investments in equity instruments. To prevent significant price risk, the Company has built an immediate control system.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, the Company's comprehensive income for the years ended December 31, 2025 and 2024 would have increased/decreased as follows:

	<u>For the Year Ended December 31</u>	
	2025	2024
Other comprehensive income		
Increase/decrease	\$ 183,914	\$ 147,619

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation at the level of the carrying amounts of the respective recognized financial assets which comprise receivables from operating activities and financial assets from investing activities as stated in the balance sheets.

Credit risk arising from operations, and it is the Company's policy that transactions only be dealt with credit worthy counter parties, that conducting credit search and analysis. Credits are then given to parties, according to its nature of transaction, financial status and conditions of collateral, with terms be renewed after careful reexamination to ensure credit risk of counter parties are within scope of the Company.

The Company's concentration of credit risk was attributable to the Company's largest customer. As of December 31, 2025 and 2024, the ratio of trade receivables was 10% and 9%, respectively.

To maintain the quality of the accounts receivable, the Company has developed a credit risk management procedure to reduce credit risk from specific customer. The credit evaluation of an individual customer includes considering factors that will affect its payment ability such as financial condition, past transaction records and current economic conditions. Credit risk of bank deposits, fixed-income investments and other financial instruments with banks are evaluated and monitored by the Company's financial department. Since the counterparties are creditworthy banks and financial institutions with good credit rating, there was no significant credit risk.

3) Liquidity risk

The objective of liquidity risk management is to maintain adequate cash and cash equivalents with high liquidity and sufficient bank facilities required by business operation and to ensure the Company has sufficient financial flexibility.

As of December 31, 2025 and 2024, the Company's unused financing facilities were \$9,754,608 thousand and \$8,137,619 thousand, respectively.

25. TRANSACTIONS WITH RELATED PARTIES

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
YFY Inc.	Parent company
Genovella Renewables Inc.	Subsidiaries
Shenzhen Jinglun Paper Co., Ltd.	Subsidiaries
SYNTAX Communication (H.K.) Co., Ltd.	Subsidiaries
YFY Consumer Products Co., Ltd.	Fellow subsidiaries
YFY Packaging Inc.	Fellow subsidiaries
YFY Development Corp.	Fellow subsidiaries
Union Paper Corp.	Fellow subsidiaries
Shin Foong Specialty & Applied Materials Co., Ltd.	Fellow subsidiaries
China Color Printing Co., Ltd.	Fellow subsidiaries
Cupid InfoTech Co., Ltd.	Fellow subsidiaries
YFY Corporate Advisory & Services Co., Ltd.	Fellow subsidiaries
Ever Growing Agriculture Biotech Co., Ltd.	Fellow subsidiaries
YFY Japan Co., Ltd.	Fellow subsidiaries
Sustainable Carbohydrate Innovation Co., Ltd.	Fellow subsidiaries
Arizon RFID Technology (Hong Kong) Co., Ltd., Taiwan Branch	Fellow subsidiaries
Yuen Foong Shop Co., Ltd.	Fellow subsidiaries
Ensilience Co., Ltd.	Fellow subsidiaries
Effion Eneritech Co., Ltd	Fellow subsidiaries
Yfy Jupiter limited Taiwan Branch (Hong Kong)	Fellow subsidiaries
YFY Biotechnology Co., Ltd.	Parent's associates
E Ink Holdings Inc.	Parent's associates
Shen's Art Printing Co., Ltd.	Related parties in substance
Shin-Yi Foundation	Related parties in substance
Shin-Yi Enterprise Co., Ltd.	Related parties in substance
Hsin Yi Recreation Enterprise Co., Ltd.	Related parties in substance
Yuen Foong Paper Co., Ltd.	Related parties in substance
SinoPac Securities Co., Ltd.	Related parties in substance

b. Sales of goods

<u>Related Party Type</u>	<u>For the Year Ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Subsidiaries		
Shenzhen Jinglun Paper Co., Ltd.	\$ 1,743,593	\$ 2,153,852
Fellow subsidiaries	1,594,571	2,007,242
Related parties in substance	165,228	106,134
Parent's associates	6,980	1,354
Parent company	<u>45</u>	<u>32</u>
	<u>\$ 3,510,417</u>	<u>\$ 4,268,614</u>

For sales of goods to related parties, the prices and terms of receivables approximate to those with non-related parties.

c. Purchases of goods

Related Party Type	For the Year Ended December 31	
	2025	2024
Fellow subsidiaries	\$ 1,237,721	\$ 1,421,236
Related parties in substance	463	408
Parent's associates	312	266
Subsidiaries	<u>180</u>	<u>256</u>
	<u>\$ 1,238,676</u>	<u>\$ 1,422,166</u>

For purchases of goods from related parties, the prices and terms of payables approximate to those with non-related parties.

d. Receivables from related parties

Related Party Type	December 31	
	2025	2024
Subsidiaries		
Shenzhen Jinglun Paper Co., Ltd.	\$ 1,215,604	\$ 1,362,081
Others	<u>532</u>	<u>397</u>
	<u>1,216,136</u>	<u>1,362,478</u>
Fellow subsidiaries		
YFY Consumer Products Co., Ltd.	68,930	102,883
Union Paper Corp.	57,021	73,543
Others	<u>47,882</u>	<u>65,004</u>
	<u>173,833</u>	<u>241,430</u>
Related parties in substance	48,767	32,465
Parent's associates	1,024	-
Parent company	<u>4</u>	<u>3</u>
	<u>\$ 1,439,764</u>	<u>\$ 1,636,376</u>

The outstanding accounts receivable from related parties are unsecured. No bad debt was recognized for the years ended December 31, 2025 and 2024 for allowance of impaired accounts receivable from related parties.

e. Other receivables from related parties

Related Party Type	December 31	
	2025	2024
Parent's associates	<u>\$ 403,915</u>	<u>\$ -</u>

f. Notes and accounts payable to related parties

Related Party Type	December 31	
	2025	2024
Fellow subsidiaries		
Shin Foong Specialty & Applied Materials Co., Ltd.	\$ 121,671	\$ 159,345
YFY Development Corp.	35,587	38,590
YFY Packaging Inc.	18,210	94,840
Others	29,695	35,335
	<u>205,163</u>	<u>328,110</u>
Subsidiaries	4,624	4,902
Related parties in substance	1,228	1,041
Parent's associates	-	4,702
	<u>\$ 211,015</u>	<u>\$ 338,755</u>

The outstanding accounts payable to related parties are unsecured.

g. Acquisitions of property, plant and equipment

Related Party Type	Purchase Price For the Year Ended December 31	
	2025	2024
Fellow subsidiaries	\$ 844	\$ 1
Parent's associates	-	871
Parent company	-	8
	<u>\$ 844</u>	<u>\$ 880</u>

h. Disposal of property, plant and equipment

Related Party Type	Consideration Received For the Year Ended December 31		Gain on Disposal For the Year Ended December 31	
	2025	2024	2025	2024
	Parent's associates	\$ 265,848	\$ -	\$ 141,763
Fellow subsidiaries	-	500	-	500
	<u>\$ 265,848</u>	<u>\$ 500</u>	<u>\$ 141,763</u>	<u>\$ 500</u>

i. Proceeds from disposal of investment properties

Related Party Type	Consideration Received For the Year Ended December 31		Gain on Disposal For the Year Ended December 31	
	2025	2024	2025	2024
Parent's associates	\$ 1,080,490	\$ -	\$ 578,682	\$ -

j. Lease arrangements

Related Party Type	For the Year Ended December 31	
	2025	2024
<u>Lease expense</u>		
Parent company	\$ 11,028	\$ 11,028
Subsidiaries	9,730	10,194
Related parties in substance	<u>7,548</u>	<u>7,160</u>
	<u>\$ 28,306</u>	<u>\$ 28,382</u>

k. Other transactions with related parties

Related Party Type	Rental Income (Accounted as Other Income)	
	For the Year Ended December 31	
	2025	2024
Parent's associates	\$ 21,817	\$ 15,467
Fellow subsidiaries	1,653	1,653
Subsidiaries	735	-
Parent company	<u>114</u>	<u>114</u>
	<u>\$ 24,319</u>	<u>\$ 17,234</u>

Related Party Type	Other Operating Expenses	
	For the Year Ended December 31	
	2025	2024
Fellow subsidiaries	\$ 50,932	\$ 50,963
Related parties in substance	<u>321</u>	<u>67</u>
	<u>\$ 51,253</u>	<u>\$ 51,030</u>

Related Party Type	Management Fees (Accounted as Operating Expenses)	
	For the Year Ended December 31	
	2025	2024
Fellow subsidiaries	\$ 83,053	\$ 81,859
Parent's associates	6,832	3,068
Related parties in substance	<u>3,257</u>	<u>3,385</u>
	<u>\$ 93,142</u>	<u>\$ 88,312</u>

The amount of management fee depended on the agreements, rental income and expenses which were received or paid monthly were based on the market price.

1. Compensation of key management personnel

	For the Year Ended December 31	
	2025	2024
Salaries and benefits	\$ 28,551	\$ 28,535
Executive fees	<u>2,539</u>	<u>2,720</u>
	<u>\$ 31,090</u>	<u>\$ 31,255</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

26. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2025 and 2024, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$1,311,231 thousand and \$333,552 thousand, respectively.

27. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following is information on the foreign currencies other than the functional currencies of the entities in the Company and the related exchange rates between the foreign currencies and respective functional currencies. The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31, 2025		
	Foreign Currency (In Thousands)	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 67,164	31.43	\$ 2,110,965
RMB	322,258	4.472	1,441,138
EUR	22,243	36.9	820,767
Non-monetary items			
Derivative instruments			
USD	5,000	31.43	157,150
EUR	12,000	36.9	442,800
Investments accounted for using the equity method			
USD	180,826	31.43	5,683,361
<u>Financial liabilities</u>			
Monetary items			
USD	15,107	31.43	474,813
EUR	99	36.9	3,653
Non-monetary items			
Derivative instruments			
USD	38,500	31.43	1,210,055
RMB	290,000	4.472	1,296,880
EUR	7,000	36.9	258,300

	December 31, 2024		
	Foreign Currency (In Thousands)	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 52,004	32.785	\$ 1,704,951
RMB	335,815	4.561	1,531,652
EUR	11,647	34.14	397,629
Non-monetary items			
Derivative instruments			
USD	2,000	32.785	65,570
RMB	60,000	4.561	273,660
Investments accounted for using the equity method			
USD	176,237	32.785	5,777,930
<u>Financial liabilities</u>			
Monetary items			
USD	19,681	32.785	645,242
RMB	245	4.561	1,117
EUR	239	34.14	8,159
Non-monetary items			
Derivative instruments			
USD	24,000	32.785	786,840
RMB	265,000	4.561	1,208,665
EUR	7,000	34.14	238,980

28. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (Table 1)
- 3) Significant marketable securities held (Table 2)
- 4) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)
- 5) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
- 6) Trading in derivative instruments (Notes 7 and 9)
- 7) Information on investees (Table 5)

b. Information on investments in mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 6)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year (None)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year (Table 3)
 - c) The amount of property transactions and the amount of the resultant gains or losses (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes (Table 1)
 - e) The highest balance, the end of year balance, the interest rate range, and total current year interest with respect to the financing of funds (None)
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services. (None)

CHUNG HWA PULP CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Year (Foreign Currencies in Thousands) (Note 4)	Outstanding Endorsement/ Guarantee at the End of the Year (Foreign Currencies in Thousands) (Note 5)	Actual Borrowing Amount (Note 6)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 7)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 7)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 7)
		Name	Relationship (Note 2)										
0	Chung Hwa Pulp Corporation	CHP International (BVI) Corporation	b.	\$ 22,536,191	\$ 597,690 (US\$ 19,017)	\$ 565,740 (US\$ 18,000)	\$ 42,431	\$ -	3.77	\$ 30,048,254	Note 8	N	N
		Hwa Fong Investment Ind. Co., Ltd.	b.	22,536,191	130,000	130,000	90,000	-	0.87	30,048,254	Note 8	N	N

Note 1: The number column is illustrated as follows:

- The Company is numbered 0.
- The subsidiaries of the Company are sequentially numbered from 1 based on their investment structure.

Note 2: The 7 different relationships between endorsee and guarantee are as follows:

- The Companies with which it has business relations.
- Subsidiaries in which it holds more than 50% of its total outstanding ordinary shares.
- Companies in which it holds more than 50% of its total outstanding ordinary shares.
- Companies in which it holds more than 90% of its total outstanding ordinary shares.
- Companies in same type of business and providing mutual endorsements/guarantees in favor of each other in accordance with the contractual obligations in order to fulfill the needs of the construction project.
- Shareholders making endorsements/guarantees for their mutually invested companies in proportion to their shareholding percentages.
- Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The limit on endorsement/guarantee given on behalf of Chung Hwa Pulp Corporation to a single entity is 150% of the net equity of the latest financial statements issued by CPA. The limit on endorsement/guarantee is 200% of the net equity of the latest financial statements issued by CPA.

Note 4: The balance is the maximum amount endorsed/guaranteed to others during the period.

Note 5: The balance is the amount approved by the board of directors. If the chairman is authorized by the board of directors to make the endorsement/guarantee decisions based on the guidelines for lending of capital, endorsements and guarantees by Public Companies Art. 12.8, the balance is the amount approved by the chairman.

Note 6: The balance is the actual borrowing amount determined by the endorsee/guarantee within the limit.

Note 7: Endorsement/guarantee given by parent on behalf of subsidiaries, endorsement/guarantee given by subsidiaries on behalf of parent, and endorsement/guarantee given on behalf of companies in mainland China should be Y.

Note 8: The endorsee and guarantee jointly issued promissory notes in consideration of the line of credit of financial institutions.

CHUNG HWA PULP CORPORATION

MARKETABLE SECURITIES HELD

DECEMBER 31, 2025

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2025			
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note 1)
Chung Hwa Pulp Corporation	<u>Ordinary shares</u>						
	SinoPac Holdings Co., Ltd.	-	Financial assets at FVTOCI - current	114,854,061	\$ 3,284,826	0.8	\$ 3,284,826
	NTU Innovation & Incubation Co., Ltd.	The investor is the member of the investee's board of directors.	Financial assets at FVTPL - non-current	800,000	-	6.3	-
	KHL IB Venture Capital Co., Ltd.	-	Financial assets at FVTOCI - non-current	14,939,982	131,065	14.9	131,065
	Direct Insight Inc.	-	Financial assets at FVTOCI - non-current	286,200	23,468	0.9	23,468
	TaiGen Biopharmaceuticals Holdings Ltd.	-	Financial assets at FVTOCI - non-current	17,829,132	238,911	2.5	238,911

Note 1: The securities mentioned in the table above are those classified as financial instruments under IFRS 9, including shares, bonds, beneficiary certificates, and all other securities derived from those items.

Note 2: Refer to Tables 5 and 6 for information on investments in subsidiaries and associates.

CHUNG HWA PULP CORPORATION

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

Buyer/Seller	Related Party	Relationship (Note)	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)	
			Purchases/ Sales	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total
Chung Hwa Pulp Corporation	YFY Development	a.	Sales	\$ (501,307)	(3)	0.5 month after transaction month	\$ -	-	\$ 30,888	1
	Shenzhen Jinglun Paper Co., Ltd.	b.	Sales	(1,743,593)	(11)	5 months after transaction month	-	-	1,215,604	31
	YFY Consumer Products Co., Ltd.	a.	Sales	(370,776)	(2)	2 months after transaction month	-	-	68,930	2
	YFY Packaging Inc.	a.	Purchases	348,697	2	2 months after transaction month	-	-	(18,210)	(1)
	Union Paper Corp.	a.	Sales	(598,795)	(4)	1 month after transaction month	-	-	57,021	2
	Yuen Foong Paper Co., Ltd.	c.	Sales	(120,827)	(1)	1 month after transaction month	-	-	39,044	1
	YFY Japan Co., Ltd.	a.	Purchases	553,106	3	In agreed terms	-	-	-	-
	Shin Foong Specialty and Applied Materials Co., Ltd.	a.	Purchases	260,547	2	4 months after transaction month	-	-	(121,671)	(7)

Note: a. Fellow subsidiaries.
b. Parent company and subsidiaries.
c. Related parties in substance.

CHUNG HWA PULP CORPORATION

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		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Chung Hwa Pulp Corporation	Shenzhen Jinglun Paper Co., Ltd.	Parent company and subsidiary	\$ 1,215,604	1.35	\$ 598,872	-	\$ 193,959	\$ -

CHUNG HWA PULP CORPORATION

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	Investment Amount		As of December 31, 2025			Net Income of the Investee	Share of Profit	Note
				December 31, 2025	December 31, 2024	Number of Shares	%	Carrying Amount			
Chung Hwa Pulp Corporation	CHP International (BVI) Corporation E Ink Holdings Inc.	British Virgin Island Hsinchu, Taiwan	Investment and holding	\$ 1,747,085	\$ 1,747,085	61,039,956	100	\$ 5,679,202	\$ 35,620	\$ 53,729	a.
			To research, develop, produce and sale of thin-film transistor liquid crystal display	329,000	329,000	20,000,000	1.74	1,088,420	10,514,879	172,878	b.
	Hwa Fong Investment Co., Ltd.	Taipei, Taiwan	Investment and holding	36,000	36,000	6,600,000	100	146,197	2,499	2,499	a.

Note: a. Subsidiaries.

b. Associates for using the equity method.

CHUNG HWA PULP CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1.

Investee Company	Main Businesses and Products	Paid-in Capital (Foreign Currencies in Thousands) (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2025 (Foreign Currencies in Thousands) (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2025 (Foreign Currencies in Thousands) (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2025	Accumulated Repatriation of Investment Income as of December 31, 2025
					Outward	Inward						
Guangdong Dingfung Pulp & Paper Co., Ltd.	Pulp and paper production, trading and forestry business	\$ 2,823,357 (US\$ 89,830) (Note 3)	Investment in mainland China through companies set up in another country.	\$ 414,876 (US\$ 13,200)	\$ -	\$ -	\$ 414,876 (US\$ 13,200)	\$ (58,306) (Note 2, b)	60	\$ (34,984) (Note 2, b)	\$ 2,883,350	\$ -
Shenzhen Jinglun Paper Co., Ltd.	Sale of paper merchandise and import/export business	14,309 (RMB 3,200)	(Note 5)	(Note 5)	-	-	(Note 5)	(14,883) (Note 2, b)	100	(14,883) (Note 2, b)	92,804	-
Zhaoqing Dingfung Forestry Ltd.	Export factoring, domestic factoring, business factoring and related consulting services, develop credit risk management platform	687,688 (US\$ 21,880)	Investment in mainland China through companies set up in another country.	139,172 (US\$ 4,428)	-	-	139,172 (US\$ 4,428)	45,508 (Note 2, b)	86.5 (Note 4)	39,368 (Note 2, b)	2,774,939	-
Zhaoqing Xinchuan Green Technology Co., Ltd.	Environmental equipment technology research and development; construction of wastewater, flue gas, noise and solid waste treatment; pure water treatment construction; environmental technology consulting; sale of environmental protection equipment and chemical raw material; import and export of cargo and technology	8,943 (RMB 2,000)	(Note 5)	(Note 5)	-	-	(Note 5)	3,268 (Note 2, b)	100	3,268 (Note 2, b)	29,017	-
Guizhou Yuanfung Forestry Co., Ltd.	Export factoring, domestic factoring, business factoring and related consulting services, develop credit risk management platform	313,012 (RMB 70,000)	(Note 6)	(Note 6)	-	-	(Note 6)	- (Note 2, b)	67	- (Note 2, b)	209,718	-

Accumulated Investment in Mainland China as of December 31, 2025	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$554,048 (Note 1)	\$1,833,186 (Note 1)	\$9,677,300

Note 1: The exchange rates are US\$1= NT\$31.43 or RMB1= NT\$4.471603 as of December 31, 2025.

Note 2: The recognition basis for investment gain (loss) are as follows:

- Financial statements audited by an international CPA firm with the cooperation of the ROC CPA firm.
- Financial statements audited by the ROC CPA firm.
- Others.

Note 3: Guangdong Dingfung Pulp & Paper Co., Ltd. increased its capital by retained earnings in an amount of US\$41,630 thousand from 2004 to 2007, and increased its capital by retained earnings from 2007 and 2008 in an amount of US\$22,000 thousand in July 2015. The paid-in-capital after the capital increase was US\$89,830 thousand.

Note 4: Ownership percentages of investment for CHP International (BVI) Corporation and Guangdong Dingfung Pulp & Paper Co., Ltd. are 20.2% and 66.3%, respectively.

Note 5: Investment in mainland China through companies is set up in another country. The direct investor is Guangdong Dingfung Pulp & Paper Co., Ltd.

Note 6: Investment in mainland China through companies is set up in another country. The direct investor is Zhaoqing Dingfung Forestry Ltd.

2. For information on any investee company in mainland China, refer to Tables 1, 2, 4, 5 and 8.

CHUNG HWA PULP CORPORATION

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CHUNG HWA PULP CORPORATION**STATEMENT OF CASH****DECEMBER 31, 2025****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Foreign Currency	Exchange Rate	Amount
Cash			
Cash on hand	\$ -		\$ 545
Cash in banks			
USD	2,965	31.43	93,190
RMB	50,147	4.472	224,257
EUR	5,315	36.9	196,123
JPY	20,865	0.2008	4,190
NTD	-		<u>124,974</u>
			<u>\$ 643,279</u>

CHUNG HWA PULP CORPORATION

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FVTOCI - CURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2025
 (In Thousands of New Taiwan Dollars)

Type and Name of Securities	Balance, January 1, 2025		Additions in Investment			Decrease in Investment		Changes in Value of Investment	Balance, December 31, 2025			Note
	Shares	Amount	Distributed Shares	Acquired Shares	Amount	Shares	Amount		Shares	%	Amount	
Ordinary shares												
Using equity method												
SinoPac Financial Holdings Co., Ltd.	111,077,429	\$ 2,543,674	3,776,632	-	\$ -	-	\$ -	\$ 741,152	114,854,061	0.8	\$ 3,284,826	-

CHUNG HWA PULP CORPORATION

STATEMENT OF NOTES AND ACCOUNTS RECEIVABLE

DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars)

Client Name	Amount
Avery Dennison India Pvt. Ltd.	\$ 303,839
Ritrama S.P.A.	234,787
ARCONVERT S.A.U.	225,807
Others (Note)	1,319,691
Less: Allowance for doubtful accounts	<u>(24,958)</u>
	<u>\$ 2,059,166</u>

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

CHUNG HWA PULP CORPORATION

STATEMENT OF ACCOUNTS RECEIVABLE FROM RELATED PARTIES

DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars)

Client Name	Amount
Related parties	
Shenzhen Jinglun Paper Co., Ltd.	\$ 1,215,604
Others (Note)	<u>224,160</u>
	<u>\$ 1,439,764</u>

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

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

Item	Amount	
	Cost	Net Realizable Value
Finished goods	\$ 3,196,630	\$ 3,118,234
Purchased goods	274,621	267,287
Work in process	871,163	847,759
Materials	<u>1,086,327</u>	<u>1,084,958</u>
	5,428,741	<u>\$ 5,318,238</u>
Less: Write-downs of inventories (Note)	<u>(110,503)</u>	
	<u>\$ 5,318,238</u>	

Note: Including finished goods of \$78,396 thousand, purchased goods of \$7,334 thousand, work in process of \$23,404 thousand, and materials of \$1,369 thousand.

CHUNG HWA PULP CORPORATION**STATEMENT OF OTHER CURRENT ASSETS****DECEMBER 31, 2025****(In Thousands of New Taiwan Dollars)**

Item	Amount
Prepayment for purchases	\$ 468,565
Temporary payments	86,341
Other prepaid expenses	65,032
Input tax	47,762
Prepaid insurance premiums	39,811
Others (Note)	<u>23,784</u>
	<u>\$ 731,295</u>

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

CHUNG HWA PULP CORPORATION

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FVTOCI - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2025

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

Name and Type of Securities	Balance, January 1, 2025		Distributed Shares	Additions in Investment Acquired in Cash		Decrease in Investment		Changes in Value of Investment	Balance, December 31, 2025				Collateral	Note
	Shares	Amount		Shares	Amount	Shares	Amount		Shares	%	Unit Price	Fair Value		
Ordinary shares														
KHL IB Venture Capital Co., Ltd.	16,415,242	\$ 146,624	-	-	\$ -	(1,475,260)	\$ (14,753)	\$ (806)	14,939,982	14.9	-	\$ 131,065	-	-
Direct Insight Inc.	286,200	41,785	-	-	-	-	-	(18,317)	286,200	0.9	82.00	23,468	-	-
TaiGen Biopharmaceuticals Holdings Ltd.	17,829,132	204,144	-	-	-	-	-	34,767	17,829,132	2.5	13.40	238,911	-	-
Medeon Biodesign, Inc.	407,550	16,159	-	-	-	(407,550)	(42,442)	26,283	-	-	-	-	-	-
		<u>\$ 408,712</u>			<u>\$ -</u>		<u>\$ (57,195)</u>	<u>\$ 41,927</u>	-			<u>\$ 393,444</u>		

CHUNG HWA PULP CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2025

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

Investee	Balance, January 1, 2025		Additions in Investment		Decrease in Investment (Note 3)		Investment Gain (Loss) (Note 1)	Equity Adjustments (Note 2)	Balance, December 31, 2025			Market Value or Net Assets Value
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	%	Amount	
CHP International (BVI) Corporation	61,039,956	\$ 5,784,586	-	\$ -	-	\$ -	\$ 53,729	\$ (159,113)	61,039,956	100.00	\$ 5,679,202	\$ 5,661,093
E Ink Holdings Inc.	20,000,000	899,631	-	-	-	99,803	172,878	115,714	20,000,000	1.74	1,088,420	3,960,000
Hwa Fong Investment Co., Ltd.	6,600,000	128,441	-	-	-	2,301	2,499	17,558	6,600,000	100.00	146,197	146,197
		<u>\$ 6,812,658</u>		<u>\$ -</u>		<u>\$ 102,104</u>	<u>\$ 229,106</u>	<u>\$ (25,841)</u>			<u>\$ 6,913,819</u>	<u>\$ 9,767,290</u>

Note 1: The recognition basis for investment gain are the audited financial statements.

Note 2: Including items that cause changes in the net assets value of investees, such as adjustments for recognized disproportioned ownership, exchange differences arising on translating the financial statements of foreign operations, actuarial gain (loss) on defined benefit plans, and unrealized gain (loss) on financial instruments.

Note 3: The decrease in investment was due to the receipt of cash dividends of \$102,104 thousand.

CHUNG HWA PULP CORPORATION**STATEMENT OF SHORT-TERM BORROWINGS****DECEMBER 31, 2025****(In Thousands of New Taiwan Dollars)**

Type of Loan and Name of Creditors	Contract Period	Annual Interest Rates (%)	Balance, End of Year	Loan Commitments
Bank credit loans				
Bank of Taiwan	2025/12/05-2026/03/05	1.91	\$ 800,000	\$ 800,000
Taishin International Bank	2025/12/12-2026/01/12	1.95	750,000	750,000
United Overseas Bank	2025/12/17-2026/01/16	1.88	580,000	628,600
The Export-Import Bank of the Republic of China	2025/10/08-2026/10/08	2.0698	500,000	500,000
Hua Nan Commercial Bank	2025/11/07-2026/01/07	1.95	450,000	800,000
Mega International Commercial Bank	2025/11/10-2026/01/08	1.90	360,000	400,000
Chang Hwa Commercial Bank	2025/12/05-2026/02/03	1.945	350,000	350,000
Taiwan Cooperative Bank	2025/07/09-2026/07/07	1.78	300,000	300,000
First Commercial Bank	2025/10/08-2026/01/06	1.89	300,000	300,000
Far Eastern International Bank	2025/12/05-2026/02/03	1.99	290,000	300,000
Land Bank of Taiwan	2025/12/22-2026/01/21	1.94	200,000	200,000
Yuanta Commercial Bank	2025/11/20-2026/01/23	1.91	<u>200,000</u>	<u>200,000</u>
			<u>\$ 5,080,000</u>	<u>\$ 5,528,600</u>

CHUNG HWA PULP CORPORATION

STATEMENT OF SHORT-TERM BILLS PAYABLE
DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars)

Name of Bills Finance Corporation	Contract Period	Annual Discount Rate (%)	Amount		
			Issue Price	Unamortized Discount on Bills Payable	Carrying Amount
Commercial paper payable					
Taiwan Finance Corporation	2025.10.23-2026.01.28	1.49-1.55	\$ 4,100,000	\$ 5,309	\$ 4,094,691
Mega Bills Finance Co., Ltd.	2025.10.29-2026.01.28	1.50-1.81	2,400,000	2,985	2,397,015
China Bills Finance Corporation	2025.10.29-2026.01.28	1.49	1,500,000	2,195	1,497,805
International Bills Finance Corporation	2025.12.30-2026.01.19	1.60	300,000	287	299,713
Grand Bills Finance Corporation	2025.12.05-2026.01.02	1.69	250,000	13	249,987
Taiwan Cooperative Bills Finance Corporation	2025.12.12-2026.01.09	1.72	<u>200,000</u>	<u>85</u>	<u>199,915</u>
			<u>\$ 8,750,000</u>	<u>\$ 10,874</u>	<u>\$ 8,739,126</u>

CHUNG HWA PULP CORPORATION

STATEMENT OF NOTES AND ACCOUNTS PAYABLE

DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Yoho King-Rich Co., Ltd.	\$ 79,607
Lih Hsiang Omya Co., Ltd.	78,378
Others (Note)	<u>1,080,806</u>
	<u>\$ 1,238,791</u>

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

CHUNG HWA PULP CORPORATION

STATEMENT OF ACCOUNTS PAYABLE TO RELATED PARTIES

DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Related parties	
Shin Foong Specialty & Applied Materials Co., Ltd.	\$ 121,671
YFY Development Corp.	35,587
YFY Packaging Inc.	18,210
Yuan Sheng Da Information Co., Ltd	12,318
Others (Note)	<u>23,229</u>
	<u>\$ 211,015</u>

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

CHUNG HWA PULP CORPORATION

STATEMENT OF OTHER PAYABLES

DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars)

Item	Amount
Temporary accrued expenses	\$ 404,322
Payables on equipment	163,693
Other accounts payables	160,561
Payables on wages and employee benefits	140,641
Others (Note)	<u>12,947</u>
	<u>\$ 882,164</u>

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

CHUNG HWA PULP CORPORATION**STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)**

Item	Quantity (In Tons)	Amount
Paper	365,343	\$ 11,357,802
Paperboard	139,887	2,611,268
Pulp	58,303	1,061,829
Others (Note)	5,979	<u>1,006,651</u>
		<u>\$ 16,037,550</u>

Note: The amount included in others mainly consists of sale of fertilizer, chemicals and processing fees income.

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

Item	Amount
Direct materials	\$ 10,267,789
Direct labor and manufacturing expenses	<u>6,335,126</u>
Manufacturing cost	16,602,915
Add (deduct):	
Work in process, beginning of year	909,464
Work in process, end of year	<u>(871,163)</u>
Cost of finished goods	16,641,216
Add (deduct):	
Finished goods, beginning of year	2,391,494
Finished goods, end of year	(3,196,630)
Transferred to other accounts	(2,578,285)
Write-down of inventories	42,678
Loss from work suspension and retirement of inventory	699,820
Revenue from sale of scraps	<u>(39,768)</u>
Cost of homemade products sold	13,960,525
Purchased goods, beginning of year	353,698
Finished goods purchased	1,739,502
Purchased goods, end of year	<u>(274,621)</u>
	<u>\$ 15,779,104</u>

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

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Freight	\$ 660,081	\$ -	\$ -	\$ 660,081
Export expense	493,116	-	-	493,116
Salary and wages expense	110,100	163,050	5,290	278,440
Others (Note)	<u>120,652</u>	<u>162,631</u>	<u>41,967</u>	<u>325,250</u>
	<u>\$ 1,383,949</u>	<u>\$ 325,681</u>	<u>\$ 47,257</u>	<u>\$ 1,756,887</u>

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

CHUNG HWA PULP CORPORATION

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

	2025			2024		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employment benefit expense (Note)						
Salary expense	\$ 1,441,977	\$ 266,936	\$ 1,708,913	\$ 1,499,197	\$ 157,840	\$ 1,657,037
Insurance expense	146,985	11,899	158,884	145,915	12,017	157,932
Pension expense	63,812	6,741	70,553	65,515	6,927	72,442
Compensation for directors	-	4,764	4,764	-	4,830	4,830
Other expense	<u>87,230</u>	<u>6,858</u>	<u>94,088</u>	<u>83,039</u>	<u>6,963</u>	<u>90,002</u>
	<u>\$ 1,740,004</u>	<u>\$ 297,198</u>	<u>\$ 2,037,202</u>	<u>\$ 1,793,666</u>	<u>\$ 188,577</u>	<u>\$ 1,982,243</u>
Depreciation expense	<u>\$ 999,810</u>	<u>\$ 4,086</u>	<u>\$ 1,003,896</u>	<u>\$ 989,572</u>	<u>\$ 4,016</u>	<u>\$ 993,588</u>
Amortization expense	<u>\$ 10,695</u>	<u>\$ 1,322</u>	<u>\$ 12,017</u>	<u>\$ 9,561</u>	<u>\$ 2,652</u>	<u>\$ 12,213</u>

Note:

- 1 As of December 31, 2025 and 2024, the Company had 2,020 and 2,090 employees, including 4 board of directors who were not classified as employees, respectively.
2. A company whose shares are listed on the stock exchange or traded in the over-the-counter market shall disclose the following:
 - a. For the years ended December 31, 2025 and 2024, the average employment benefit expense were \$1,008 thousand and \$948 thousand, respectively. (“Total Employment Benefit Expense” - “Total Compensation for Directors and Supervisors”/“Number of Employees” - “Number of Board of Directors Not Classified as Employees”).
 - b. For the years ended, December 31, 2025 and 2024, the average salary expense were \$848 thousand and \$794 thousand, respectively. (“Total Salary Expense”/“Number of Employees” - “Number of Board of Directors Not Classified as Employees”).
 - c. Average salary adjustment was 7%. (“Current Year Average Salary Expense” - “Prior Year Average Salary Expense”/“Prior Year Average Salary Expense”).
 - d. The company has replaced the supervisor with independent directors and no longer has the position of supervisor.
 - e. Salary and remuneration policy (including directors, managers and employees):

The Company uses salary surveys to measure the salary level of employment and the talent market. The Company also refers to the salary status of the industry to adjust the overall salary policy. In addition to annual salary adjustments and the comprehensive promotion system, various incentive systems are also formulated to encourage and attract outstanding employees.

According to the Company’s Articles, the Company accrued compensation of employees and remuneration of directors and supervisors at the rates of no less than 1% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors.

The annual salary of the Company’s managers includes salary, bonuses and employee compensation. The salary is based on the general market and the industry conditions, considering the reasonableness of the Company’s operating performance, personal performance and future risks. The manager’s salary is submit to the Salary and Remuneration Committee for review and approval according to the law.