

Stock Code:1418

Annual Report

2025

TongHwa Corporation

(formerly known as Tong-Hwa Synthetic Fiber Co.,Ltd.)

Printed on 30 April 2026

Website for Annual Report: <http://mops.twse.com.tw>

Website of the Company: <http://www.tonghwa.com.tw>

I. The name, title, contact number, and e-mail of the Company's spokesperson and acting spokesperson:

Speaker: Yeh Yan-Ling Title: Assistant Vice President

Acting spokesperson: Jiang Zhi-Heng Title: Vice President

Tel.: (02)23967768

e-mail: thsf@ms22.hinet.net

II. Address and Tel. of headquarters, branches and plants:

Headquarters: 9F, No.56, Sec. 1, Xinsheng S. Rd., Taipei City, Taiwan (R.O.C.)

Branch: None

Plant: No.125, Taihe Vil., Zhubei City, Xinzhu County, Taiwan (R.O.C.) Tel. of headquarters:
(02)23967768

Tel. of plant: (03)5552211

III. Name, address, Tel., and website of the stock transfer agency:

Stock Agency Department, SinoPac Securities Corporation

Address: 3F, No.17, Bo'ai Rd., Taipei City, Taiwan (R.O.C.)

Tel.: (02)23816288

Website: <http://www.sinotrade.com.tw/stocktransfer>

IV. Name, firm, address, Tel., and website of CPAs who performed the certification for the annual financial report for the most recent year:

CPAs: CPAs Wu Hsin-Liang and Lai Chia-Yu

Address: 14F (top floor), No.11, Sec. 2, Nanjing E. Rd., Taipei City, Taiwan (R.O.C.)

Tel.: (02)25165255

Website: <http://www.bakertilly.tw>

V. Name of any exchanges where the Company's securities are traded offshore and the method by which to access information on said offshore securities: None.

VI. Website of the Company: <http://www.tonghwa.com.tw>

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One. Letter to Shareholders

- I. The annual demand for acrylic staple fibre in the Chinese mainland market in 2025 is about 600,000 tonnes, which is flat compared to last year; No new production capacity. Jilin Chemical Fibre and SPC shifted their development focus to carbon fibre. The proportion of acrylic staple fibre in acrylonitrile applications has dropped to about 20%..
- II. The average price of acrylic fiber in 2025 decreased by approximately NTD 4/kg compared to 2024, representing a decline of approximately 6%, with market conditions being flat to slightly difficult.

We hereby certify the 2025 production, sales, and operations report as follows.

Production	0	tons
Sales	76	tons

- III. In order to pursue the sustainable operation of the Company, the Company intends to diversify its operations, develop diversified businesses, and start the Assets revitalization transformation plan.

Please check and verify.

Two. Corporate Governance Report

1. Data on Directors, supervisors, President, Vice Presidents, Assistant Vice Presidents, and directors of departments and branches

1. Director Information Information

12 April 2025

Title		Nationality or Registered	Name	Gender/Age	Selection Appointment Date	Term of office	Initial appointment date	Shareholding at the time of appointment		Current number of shares held		Shares currently held by spouse or minor children		Shares held under the name of others		Main education and career experience	Current concurrent positions at this company and other companies	Other executives, directors, or supervisors who have a spouse or a relationship within the second degree of kinship			Notes
								Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio					Title	Name
Chairman	Taiwan	Lin Chuang-Ju	Male	June 20, 2025	3 years	May 31, 2001	375,121	0.66	405,301	0.71	0	0	0	0	Director of TongYe Investment CO., LTD. and TongHwa Co., Ltd.	General Manager of CHUNG LIANG CO., LTD., Director of CETECH CO., LTD., and Director of TongYe Investment CO., LTD.	Chief Strategy Officer	Lin Ho-Whei	Father and Son		
			41~50 years old																		
Director	Taipei City	CHUNG LIANG CO., LTD.	Juridical Person	June 20, 2025	3 years	May 31, 1983	20,917,364	36.68	20,917,364	36.80	0	0	0	0	Chairman of TongHwa Co., Ltd	None	None	None	None		
	Taiwan	Representative: Lin Ho-Whei	Male	June 20, 2025	3 years	August 30, 1976	519,835	0.91	459,475	0.81	361,230	0.64	0	0	Executive Director of CHUNG LIANG CO., LTD. and San-Chung Chemicals Co., Ltd.	Chairman of TongHwa Co., Ltd. and CSO of CHUNG LIANG CO., LTD.	Chairman	Lin Chuang-Ju	Father and Son		
Director	Taiwan	Lin Chuang-Yeh	Male	June 20, 2025	3 years	June 11, 2013	387,044	0.68	417,224	0.73	0	0	0	0	Director and Supervisor of China Steel Chemical Co., Ltd.	General Manager of TongHwa Co., Ltd. and Chairman of MRS Company	Chief Strategy Officer	Lin Ho-Whei	Father and Son		
			31~40 years old																		

2.China State Shipbuilding Corporation Limited is also a shareholder of this company holding more than 10% of the shares.

4. From June 27, 2011 to June 26, 2014, Chiu Cheng-Yi was elected as an independent director, and from June 20, 2014 to June 19, 2017, he was elected as a director.

5. Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest President) of a company are the same person or are spouses or relatives within the first degree of kinship: None.

Major Shareholders of Corporate Shareholders 10 April 2026

Name of corporate shareholders	Major shareholders of corporate shareholders
CHUNG LIANG CO., LTD.	Lin Ho-Whei (29.50%) Li Li (29.70%) Lin Chuang-Ju (10.00%) Lin Chuang-Yeh (10.00%)
NINGHAN DEVELOPMENT CO., LTD..	Sun Jing-Yuan (26.67%) Sun Qi-Fa (16.67%) Sun Qi-Zhi (16.67%)

There are no major shareholders of these corporate shareholders.

Director Information

1. Disclosure of Director Professional Qualifications and Independence of Independent Directors:

Name	Conditions	Professional Qualifications and Experience	Independence status	Number of independent director positions held in other publicly traded companies.
Lin Chuang-Ju		Long-term serving as executives and directors or supervisors of the company and related enterprises, with professional qualifications required for the company's business. For work experience, please refer to page2	Not applicable	0
Lin Chuang-Yeh		Long-term serving as executives and directors or supervisors of the company and related enterprises, with professional qualifications required for the company's business. For work experience, please refer to page2.	Not applicable	0
CHUNG LIANG CO., LTD. Representative: Lin Ho-Whei		Long-term serving as executives and directors or supervisors of the company and related enterprises, with professional qualifications required for the company's business. For work experience, please refer to page2.	Not applicable	0
Jiang Zhiheng		Long-term serving as executives and directors or supervisors of the company and related enterprises, with professional qualifications required for the company's business. For work experience, please refer to page3.	Not applicable	0
NINGHAN DEVELOPMENT CO., LTD. Representative: Huang Yu-Ching		Having served as the company's President for a long time, I possess the professional qualifications required for the company's finance and accounting. Please refer to page 3 for detailed work experience.	Not applicable	0
Chiu Cheng-Yi		Please refer to page 19 for more details	Not applicable	

Name	Conditions	Professional Qualifications and Experience	Independence status	Number of independent director positions held in other publicly traded companies.
Lee Tsung-Ju		Please refer to page 19 for more details	1. Whether the individual, spouse, or second-degree relatives hold positions as directors, supervisors, or employees of the company or its related enterprises: No. 2. The individual, spouse, or second-degree relatives (or anyone using their name) hold zero shares and percentage of shares of the company. 3. Whether the individual holds positions as directors, supervisors, or employees of any specific related companies: No. 4. The amount of remuneration obtained from providing business, legal, financial, accounting, or other services to the company or its related enterprises in the past 2 years: 0. 5. No circumstances under Article 30 of the Company Act exist.	2
Chan Wai Tai		Please refer to page 19 for more details	1. Whether the individual, spouse, or second-degree relatives hold positions as directors, supervisors, or employees of the company or its related enterprises: No. 2. The individual, spouse, or second-degree relatives (or anyone using their name) hold zero shares and percentage of shares of the company. 3. Whether the individual holds positions as directors, supervisors, or employees of any specific related companies: No. 4. The amount of remuneration obtained from providing business, legal, financial, accounting, or other services to the company or its related enterprises in the past 2 years: 0. 5. No circumstances under Article 30 of the Company Act exist.	0

Name	Conditions	Professional Qualifications and Experience	Independence status	Number of independent director positions held in other publicly traded companies.
Yang-Yu-Chien		Please refer to page 19 for more details	1. Whether the individual, spouse, or second-degree relatives hold positions as directors, supervisors, or employees of the company or its related enterprises: No. 2. The individual, spouse, or second-degree relatives (or anyone using their name) hold zero shares and percentage of shares of the company. 3. Whether the individual holds positions as directors, supervisors, or employees of any specific related companies: No. 4. The amount of remuneration obtained from providing business, legal, financial, accounting, or other services to the company or its related enterprises in the past 2 years: 0. 5. No circumstances under Article 30 of the Company Act exist.	0

2. Diversity and independence of the Board of Directors:

(1).Board Diversity: The Company's board of directors is considering advancing towards a policy of board diversity, with the future goal of increasing the proportion of female directors. This aims to strengthen corporate governance and promote the healthy development of the composition and structure of the board. It is believed that the diversity policy will help enhance the overall performance of the Company. The selection of board members is based on the principle of meritocracy, possessing diverse and complementary capabilities across various industries, as well as having industry experience and expertise, along with skills in business judgment, management, leadership decision-making, and crisis handling. In the future, the board of directors will timely revise and enhance the diversification policy based on the operation of the board, operational modes, and development needs, not limited to the standards of basic conditions and values, as well as professional knowledge and skills, to ensure that board members generally possess the knowledge, skills, and competencies necessary to perform their duties. Currently, the proportion of female directors is less than one-third. Given the difficulty in finding talent that meets the company's requirements, One female independent director was elected at the 2025 Annual General Meeting of Shareholders, and the company is deliberating on increasing the proportion of female directors term by term.

(2) Independence of the Board of Directors: The company has a total of 9 directors, including 3 independent directors, accounting for 3/9, one of whom is a female director.Explanation of the circumstances specified in paragraphs 3 and 4 of Article 26(3) of the Securities and Futures Ordinance: The company has a total of 8 directors, including Chairman Lin Chuang-Ju, Director Lin Ho-Whei, and Director Lin Chuang-Yeh, who are all within the second degree of kinship, while the remaining directors are mostly external professionals. The situation where there are kinship relationships within two degrees of consanguinity among the directors: as detailed above. There are no instances of spousal relationships among the directors.

2. General Manager, Deputy General Manager, Director of various departments and branch offices information

10 April 2025

Title	Nationality	Name	Gender	Date of election (appointment)	Current shareholding		Shares held by spouse and minor children		Holding of shares in the name of others		Main educational and career background	Current positions held in other companies	Manager with spouse or relatives within two degrees of relationship			Notes
					Number of shares held	Shareholding ratio (%)	Number of shares held	Shareholding ratio (%)	Number of shares held	Shareholding ratio (%)			Title	Name	Relationship	
General Manager	Taiwan	Lin Chuang-Yeh	Male	2023.03.23	417,224	0.73	0	0	0	0	Director and Supervisor of CHUNG LIANG CO., LTD.	Chairman of MRS Company, Supervisor of CHUNG LIANG CO., LTD.	Chief Strategy Officer	Lin Ho-Whei	Father and Son	
Chief Strategy Officer	Taiwan	Lin Ho-Whei	Male	2023.03.23	459,475	0.81	361,230	0.64	0	0	Chairman of TongHwa Corporation.	Director of CHUNG LIANG CO., LTD.	General Manager	Lin Chuang-Yeh	Father and Son	
Vice General Manager	Taiwan	Jiang Zhi-Heng	Male	2007.08.28	65,227	0.11	0	0	0	0	General Manager of ORIENTEX PRECISION INDUSTRIAL CO., LTD.	Chairman of TAI LING TEXTILE CO., LTD. Supervisor of CETECH CO., LTD. Director of TongYe Investment CO., LTD.	None	None	None	
Assistant Manager of Finance Department	Taiwan	Yeh Yan-Ling	Female	2005.01.01	20,821	0.04	0	0	0	0	Assistant Manager of Finance of TongHwa Corporation.	None	None	None	None	
Assistant Manager of Materials Department	Taiwan	Chao Ju-Yun	Male	2019.11.01	0	0	0	0	0	0	Manager of CHINA PETROCHEMICAL DEVELOPMENT CORPORATION	None	None	None	None	

Note: (1) If the Chairman and the General Manager or equivalent (top management personnel) are the same person or are spouses or first-degree relatives: N/A.

(2) Supervisors of branch offices: None.

3. Remuneration paid to directors, general managers and deputy general managers in the most recent annual period

(1) Remuneration of Directors (including Independent Directors)

December 31, 2025 Unit: NTD (thousand) ; %

Title	Name	Remuneration of Directors								Director's Remuneration: The total amount of A, B, C, and D as a percentage of the net income after tax		Remuneration Received as an Employee								The total amount of A, B, C, D, E, F, and G as a percentage of the net income after tax		Whether or not received remuneration from subsidiaries or investee companies outside the company
		Compensation (A)		Retirement pay (B)		Director's remuneration (C)		Business execution expenses (D)				Salary, bonuses, and special allowances, etc. (E)		Retirement pay (F)		Employee compensation (G)						
		The company	All companies listed in financial reports	The company	All companies listed in financial reports	The company	All companies listed in financial reports	The company	All companies listed in financial reports	The company	All companies listed in financial reports	The company	All companies listed in financial reports	The company	All companies listed in financial reports	The company		All companies listed in financial reports		The company	All companies listed in financial reports	
Cash amount	Stock amount															Cash amount	Stock amount					
Chairman	Lin Chuang-Ju	4,565	4,565	0	0	0	0	166	166	4,731 (-6.76)	4,731 (-6.76)	0	0	0	0	0	0	0	0	4,731 (-6.76)	4,731 (-6.76)	0
Director	Lin Chuang-Yeh	0	0	0	0	0	0	142	142	142 (-0.20)	142 (-0.20)	3,586	3,586	0	0	0	0	0	0	3,728 (-5.33)	3,728 (-5.33)	0
Chairman of the Board	CHUNG LIANG CO., LTD.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Representative: Lin Ho-Whei	0	0	0	0	0	0	166	166	166 (-0.23)	166 (-0.23)	4,565	4,565	0	0	0	0	0	0	4,731 (-6.76)	4,731 (-6.76)	0
Director	Jiang Zhiheng	0	0	0	0	0	0	142	142	142 (-0.20)	142 (-0.20)	2,476	2,476	0	0	0	0	0	0	2,681 (-3.74)	2,681 (-3.74)	0
Director	NINGHAN DEVELOPMENT CO., LTD.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Representative: Huang Yu-Ching	0	0	0	0	0	0	142	142	142 (-0.20)	142 (-0.20)	0	0	0	0	0	0	0	0	142 (-0.20)	142 (-0.20)	0
Director	Chiu Cheng-Yi	0	0	0	0	0	0	174	174	174 (-0.25)	174 (-0.25)	0	0	0	0	0	0	0	0	174 (-0.25)	174 (-0.25)	0

Title	Name	Remuneration of Directors								Director's Remuneration: The total amount of A, B, C, and D as a percentage of the net income after tax		Remuneration Received as an Employee								The total amount of A, B, C, D, E, F, and G as a percentage of the net income after tax		Whether or not received remunerat ion from subsidiar ies or investee companies outside the company
		Compensation (A)		Retirement pay (B)		Director's remuneration (C)		Business execution expenses (D)				Salary, bonuses, and special allowances, etc. (E)		Retirement pay (F)		Employee compensation (G)						
		The company	All companies listed in financial reports	The company	All compani es listed in financial reports	The company	All companies listed in financial reports	The company	All companies listed in financial reports	The company	All companies listed in financial reports	The company	All compa nies listed in financ ial report s	The company	All compa nies listed in financ ial report s	The company		All companies listed in financial reports		The company	All companies listed in financial reports	
																Cash amount	Stock amount	Cash amount	Stock amount			
Independent Director	Lee Tsung-Ju	0	0	0	0	0	0	216	216	216 (-0.31)	216 (-0.31)	0	0	0	0	0	0	0	0	216 (-0.31)	216 (-0.31)	0
Independent Director	Chen Wei-Tai	0	0	0	0	0	0	206	206	206 (-0.29)	206 (-0.29)	0	0	0	0	0	0	0	0	206 (-0.29)	206 (-0.29)	0
Independent Director	Yang-Yu-Chien	0	0	0	0	0	0	50	50	50 (-0.00)	50 (-0.00)	0	0	0	0	0	0	0	0	50 (-0.00)	50 (-0.00)	0

Note: 1. In addition to the disclosure in the table above, the remuneration received by the company's directors for providing services in the latest fiscal year (such as serving as a consultant for the parent company/ all companies within the financial reports/ investee companies who are not employees) is NTD 0.

2. The independent directors' remuneration has not been paid by the company in the past two fiscal years, and only transportation expenses have been reimbursed. The policies, standards, and structure for remuneration payment and the amount of payment are determined by the "Remuneration Committee" based on the relationship between the responsibilities, risks, and time invested.

(2) Remuneration of the general manager and deputy general manager

31 December 2025 Unit: NTD ONE THOUSAND; %

Title	Name	Salary (A)		Retirement pension (B)		Bonuses and special allowances, etc. (C)		Employee compensation amount (D)				The proportion of the total of A, B, C, and D to the after-tax net income (%)		Whether to receive remuneration from investment businesses outside of subsidiaries
		The company	All companies listed in financial reports	This company	All companies listed in financial reports	This company	All companies listed in financial reports	This company		All companies in the financial reports		The company	All companies listed in financial reports	
								Cash amount	Stock amount	Cash amount	Stock amount			
General Manager	Lin Chuang-Yeh	3,586	3,586	0	0			0	0	0	0	3,586 (-5.13)	3,586 (-5.13)	0
Deputy General Manager	Jiang Zhi-Heng	2,476	2,476	0	0			0	0	0	0	2,476 (-3.54)	2,476 (-3.54)	0

(4) The remuneration of the top five highest-paid executives

31 December 2025 Unit: NTD ONE THOUSAND; %

Title	Name	Salary (A)		Retirement pension (B)		Bonuses and special allowances, etc. (C)		Employee compensation amount (D)				The proportion of the total of A, B, C, and D to the after-tax net income (%)		Whether to receive remuneration from investment businesses outside of subsidiaries
		The company	All companies listed in financial reports	The company	All companies listed in financial reports	The company	All companies listed in financial reports	The Company		All companies in the financial reports		The company	All companies listed in financial reports	
								Cash amount t	Stock amount	Cash amount	Stock amount			
General Manager	Lin Chuang-Yeh	3,586	3,586	0	0	0	0	0	0	0	0	3,586 (-5.13)	3,586 (-5.13)	0
Chief Strategy Officer	Lin Ho-Whei	4,565	4,565	0	0	0	0	0	0	0	0	4,565 (-6.53)	4,565 (-6.53)	0
Deputy General Manager	Jiang Zhi-Heng	2,476	2,476	0	0	0	0	0	0	0	0	2,476 (-3.54)	2,476 (-3.54)	0
Deputy General Manager of Material Department	Chao Ju-Yun	1,170	1,170	0	0	0	0	0	0	0	0	1,170 (-1.67)	1,170 (-1.67)	0
Assistant Manager of Finance Department	Yeh Yan-Ling	1,099	1,099	0	0	0	0	0	0	0	0	1,099 (-1.57)	1,099 (-1.57)	0

4. Name and distribution status of managers who distribute employee compensation: None
5. Comparatively explain and analyze the total amount of remuneration paid to the directors, supervisors, general manager, and deputy general manager of the company and all companies in the consolidated financial statements in the past two fiscal years as a percentage of individual or individual financial report's after-tax net income. Also, explain the policy, standards, and combination of remuneration payment, the procedure for determining remuneration, and the relationship between management performance and future risks: The company has not paid director and supervisor remuneration in the past two fiscal years, with only transportation expenses and directors' salaries as employees being reimbursed. The policies, standards, and combination of remuneration payment, the procedure for determining remuneration, and the relationship between management performance and remuneration payment are all determined by the "Remuneration Committee."

II. Corporate governance implementation

1. Board of Directors Operations

The Board of Directors has held 7 meetings (A) with the attendance of directors as follows:

Title	Name (Note1)	Actual attendance frequency B	Proxy attendance frequency	Actual attendance rate [B/A]	Notes
Chairman	Lin Chuang-Ju	7	0	100%	
Director	Lin Chuang-Yeh	7	0	100%	
Director	CHUNG LIANG CO., LTD. Representative: Lin Ho-Whei	7	0	100%	
Director	Jiang Zhi-Heng	7	0	100%	
Director	NINGHAN DEVELOPMENT CO., LTD. Representative Huang Yu-Ching	7	0	100%	
Director	Chiu Cheng-Yi	5	2	71%	Re-elected as a director on June 20, 2025
Independent Director	Lee Tsung-Ju	7	0	100%	
Independent Director	Chen Wei-Tai	7	0	100%	
Independent Director	Yang-Yu-Chien	3	0	100%	Newly appointed on June 20, 2025
Other information to be disclosed:					

I.	If the Board of Directors operates under any of the following circumstances, the dates of the Board of Directors meetings, the agenda, the opinions of all independent directors, and the company's handling of the opinions of independent directors should be explained:			
1.	Matters listed in Article 14-3 of the Securities and Exchange Act: None..			
2.	If the company has any opinions on independent directors, it will announce them in accordance with the law and include them in the minutes of the Board of Directors meeting.			
II.	The implementation status of directors' recusal from interested party transactions should state the names of the directors, the content of the agenda, the reasons for recusal from interests, and their participation in voting:			
1.	Names of the directors: Lin Chuang-Ju, Lin Chuang-Yeh, Lin Ho-Whei, Jiang Zhi-Heng, Huang Yu-Ching, Lee Tsung-Ju, Chiu Cheng-Yi, Chen Wei-Tai. Yang-Yu-Chien			
2.	Agenda content: Salary and compensation cases and Retrospective salary compensation case for directors, supervisors, and executives for year 2025 and 2026.			
3.	Reasons for recusal from interests and participation in voting: Each individual director recused themselves from discussing their own salary and compensation, which involved their own interests. Therefore, they did not participate in voting.			
III.	Implementation status of Board of Directors' evaluation:			
(1)	Implementation status of Board of Directors' evaluation			
	Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method
	Anually	January 1, 2025 to December 31, 2025	Board of Directors	Internal Evaluation of the Board of Directors
				1. Participation in company operations 2. Quality of the board's decision-making 3. Composition and structure of the board of directors 4. Selection and continuous education of board members 5. Internal Control
(2)	Individual Director Evaluation			
	Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method
	Anually	January 1, 2025 to December 31, 2025	Each members of the Board of Director	Evaluation of the Board of Directors
				1. Understanding of company goals and missions 2. Understanding of director responsibilities 3. Participation in company operations 4. Management of internal relationships and communication 5. Professional expertise and continuous education of directors 6. Internal Control
(3)	Performance Evaluation of Functional Committees:			
	Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method
	Anually.	January 1, 2025 to December 31, 2025	Audit Committee	Evaluation of the Board of Directors
				1. Participation in company operations 2. Awareness of the Responsibilities of Functional Committees 3. Quality of Decision-Making in Functional Committees 4. Composition and Appointment of Members of Functional Committees 5. Internal Control
	Anually	January 1, 2025 to December 31, 2025	Compensation Committee	Evaluation of the Board of Directors
				1. Participation in company operations 2. Awareness of the Responsibilities of Functional Committees 3. Quality of Decision-Making in Functional Committees 4. Composition and Appointment of Members of Functional Committees 5. Internal Control
IV.	Evaluation of the goals to strengthen the board of directors' functions in the current and recent years (such as the establishment of an audit committee, enhancing information transparency, etc.) and the execution status: (1)The company has established and adhered to the provisions of the board of directors' meeting regulations, and assigned personnel to disclose relevant information to enhance information transparency. (2) On June 27th, 2022, the shareholders' meeting established an audit committee to replace the supervisor and set forth and abide by its organizational regulations for implementation. All matters are carried out in accordance with legal regulations..			

2. Operation of the Audit Committee and participation of the Supervisor in the operation of the Board of Directors:

(1) Information on the operation of the Audit Committee:

During the most recent year, 4(A) meetings were held by the Audit

Committee. The attendance of independent directors was as follows:

Title	Name	Actual attendance frequency B	Proxy attendance frequency	Actual Attendance Rate (%) (B/A)	Note
Independent Director	Lee Tsung-Ju	4	0	100%	
Independent Director	Chen Wei-Tai	4	0	100%	
Independent Director	Yang-Yu-Chien	2	0	100%	Newly appointed on June 20, 2025
Independent Director	Chiu Cheng-Yi	2	0	100%	Re-elected as a director on June 20, 2025

Other matters to be recorded:

- If the Audit Committee has any of the following circumstances, the date, term, agenda, opinions of independent directors, contents of significant recommendations or suggestions, resolution of the Audit Committee, and the company's handling of the Audit Committee's opinions should be disclosed:
 - Matters listed in Article 14-5 of the Securities and Exchange Act: None.
 - Other matters that have not been approved by the Audit Committee but have been approved by more than two-thirds of all directors: None.
- The execution status of independent directors' recusal from matters involving conflicts of interest should disclose the names of the independent directors, the content of the matter, the reasons for the recusal, and their participation in the vote: Please refer to page 15.
- The communication status between independent directors and the internal audit supervisor and the accountant (including significant matters, methods, and results of communication on the company's financial and business conditions): In accordance with the regulatory framework for establishing internal control systems for listed companies, the company follows annual audit plans to carry out various inspection tasks. Upon discovering any deficiencies, the results are documented in reports and brought to the attention of the relevant departments for improvement. These reports are also submitted to the independent directors for review. Thus far, no significant deficiencies or drawbacks have been identified. If any are found, they will be promptly reported to the independent directors in detail, and appropriate measures will be taken for supervision and improvement, as required by law.

(2) The participation of the supervisor in the operation of the board of directors: None. (The company has established an audit committee to replace the supervisor)

3. Evaluation Items for Corporate Governance Operation:

Evaluation Items	Operating Conditions			Differences and reasons for compliance with the governance practices for listed and OTC companies
	Yes	No	Abstract	
I. Has the company established and disclosed corporate governance practices in accordance with the "Corporate Governance Best Practice Principles for Listed and OTC Companies"?		✓	Under study	Under study
II. Company ownership structure and shareholder rights: (1) Has the company established internal procedures for handling shareholder proposals, questions, disputes, and litigation matters, and implemented them accordingly?		✓	Handled by the spokesperson and the stock affairs unit	No significant differences
(2) Does the company have a list of the major shareholders who control the company and the ultimate controllers of those major shareholders?	✓		Managed based on the shareholder roster provided by the stock affairs unit.	No significant difference
(3) Has the company established and implemented risk management and firewall mechanisms between related parties?	✓		Formulated "Subsidiary Supervision and Control Operation Regulations"	No significant difference
(4) Has the company established internal rules to prohibit insiders from trading securities with undisclosed information?	✓		Established "Management Measures for Preventing Insider Trading"	No significant difference
III. Composition and responsibilities of the board of directors: (1) Has the board of directors formulated a diversity policy, specific management goals, and implemented them effectively?		✓	Under study n	Under study
(2) In addition to the legally required compensation and audit committees, has the company voluntarily established other functional committees?		✓	Under study	Under study
(3) Has the company established a method for evaluating the board of directors' performance and the evaluation process, and conducted regular evaluations every year? Has the results of the performance evaluations been reported to the board of directors and used as a reference for individual director compensation, remuneration, and reappointment?		✓	Executed annually as required by law	No significant differences
(4) Does the company conduct periodic evaluations of the independence of the signing accountant?	✓		In addition to regular evaluations, the accounting firm appointed by the Company also regularly rotates signing accountants to comply with independence requirements.	No significant differences
IV. Does the company have suitable and adequate governance personnel, and designated governance executives responsible for governance-related matters (including but not limited to providing information necessary for directors and supervisors to perform their duties, assisting directors and supervisors in complying with laws and regulations, handling matters related to board and shareholders meetings in accordance with the law, and preparing minutes of board and shareholders meetings)?	✓		Dedicated personnel are responsible	No significant differences
V. Has the company established communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), set up a stakeholder zone on the company's website, and properly responded to important corporate social responsibility issues raised by stakeholders?	✓		Handled by dedicated personnel and meetings are held regularly (website: www.tonghwa.com.t w)	No significant differences

Evaluation Items	Operating Conditions			Differences and reasons for compliance with the governance practices for listed and OTC companies
	Yes	No	Abstract	
VI. Has the company appointed a professional shareholder services agency to handle shareholder meeting affairs?	✓		Appointed "Sinopac Securities Corporation Stock Affairs Agency"	No significant difference
VII. Information disclosure (1) Has the company set up a website to disclose financial and governance information?	✓		Discloses information in accordance with relevant regulations and links to the Public Information Observation Station	No significant difference
(2) Has the company adopted other methods of information disclosure (such as setting up an English website, designating a person in charge of collecting and disclosing company information, implementing a spokesperson system, or placing the process of the corporate explanation meeting on the company's website)?	✓		Dedicated personnel are responsible for information collection and disclosure, and the spokesperson system is implemented	No significant difference
(3) Has the company announced and filed the annual financial report within two months after the end of the fiscal year, and announced and filed the first, second, and third quarter financial reports and monthly operating results ahead of the prescribed deadline?		✓	Under study	Under study
VIII. Does the company have other important information that can help understand the operation of governance (including but not limited to employee benefits, employee care, investor relations, supplier relations, stakeholder rights, the training status of directors, the implementation of risk management policies and risk measurement standards, the implementation of customer policies, and the purchase of liability insurance for directors)?	✓		The directors attended the board meetings in a normal manner and effectively carried out the agenda on directors' conflicts of interest and obtaining directors' liability insurance.	No significant difference
IX. Explain the improvement status of the company's governance evaluation results released by the Corporate Governance Center of the Taiwan Stock Exchange in the past year, and propose priorit strengthening measures for those that have not yet improved.	1. It is proposed to strengthen the promotion of internal vertical reports and horizontal communication for improvement. 2. Priority is given to strengthening the timeliness of reporting and announcement to enhance information transparency and timeliness. 3. The Company has always complied with various laws and regulations.			

4. Composition, duties, and operation of the Compensation Committee:

(1) Member information of the Compensation Committee

Identity	Conditions Name	Professional Qualifications and Experience	Independence status	Number of other public listed companies where they serve as compensation committee members	Note
Independent Director	Lee Tsung-Ju (Convener)	Professional with a professional accounting certificate who passed the national examination Auditor at PricewaterhouseCoopers (2002-2003) Managing Partner at Shang Yi & Partners CPA (98-present) Independent Director at Taima Insurance Broker Co., Ltd. (2013-2019) Independent Director at Kao Corporation (2017-present) Independent Director at WISDOM ENTERTAINMENT CO., LTD. (2017-present)	1. Whether the individual, spouse, or first-degree relatives are serving as a director, supervisor, or employee of the Company or its related enterprises: No. 2. The number and proportion of company shares held by the individual, spouse, or first-degree relatives (or held in the name of others): 0. 3. Whether the individual serves as a director, supervisor, or employee of a specific related company: No. 4. The remuneration received in the past two years for providing business, legal, financial, accounting, or other services to the Company or its related enterprises: 0.	0	
Independent Director	Chiu Cheng-Yi	Professional individuals who passed the national exams and hold a lawyer's certificate Legal advisor for Taipei City Public and Private Elementary and Secondary School Principals Association (2018-present) Senior lawyer at United Legal Group (2012-2022) Head of Qiu, Zheng-Yi Law Offices (2023-present)	1. Whether the individual, spouse, or first-degree relatives are serving as a director, supervisor, or employee of the Company or its related enterprises: No. 2. The number and proportion of company shares held by the individual, spouse, or first-degree relatives (or held in the name of others): 0. 3. Whether the individual serves as a director, supervisor, or employee of a specific related company: No. 4. The remuneration received in the past two years for providing business, legal, financial, accounting, or other services to the Company or its related enterprises: 0.	0	Re-elected as a director on June 20, 2025
Independent Director	Chen Wei-Tai	Professional individuals who hold a Securities Investment Analyst Certificate Director of Uplift Technology Co., Ltd. (2018-present) Director of Origin Biosciences Inc. (2022-present)	1. Whether the individual, spouse, or first-degree relatives are serving as a director, supervisor, or employee of the Company or its related enterprises: No. 2. The number and proportion of company shares held by the individual, spouse, or first-degree relatives (or held in the name of others): 0. 3. Whether the individual serves as a director, supervisor, or employee of a specific related company: No. 4. The remuneration received in the past two years for providing business, legal, financial, accounting, or other services to the Company or its related enterprises: 0.	0	
Independent Director	Yang-Yu-Chien	Vice President and Chief Financial Officer of SunTech (Taiwan) Co., Ltd.; Senior Manager and Section Chief of the Underwriting Department of Taiwan Cooperative Securities Co., Ltd.; Senior Manager of the Underwriting Department of Taichung Securities Co., Ltd.; Assistant Vice President of the Taiwan Office of Evergood Group (Cayman) Co., Ltd.; Senior Manager of the Underwriting Department of Grand Fortune Securities Co., Ltd.; Manager of the Corporate Finance Department of Capital Securities Corp.	1. Whether the individual, spouse, or first-degree relatives are serving as a director, supervisor, or employee of the Company or its related enterprises: No. 2. The number and proportion of company shares held by the individual, spouse, or first-degree relatives (or held in the name of others): 0. 3. Whether the individual serves as a director, supervisor, or employee of a specific related company: No. 4. The remuneration received in the past two years for providing business, legal, financial, accounting, or other services to the Company or its related enterprises: 0.	0	Newly appointed on June 20, 2025

(2) Responsibilities:

- ① Regularly review the organizational regulations of the compensation committee and propose amendments.
- ② Develop and periodically review the annual and long-term performance goals and policies, systems, standards, and structures of the directors and managers of the Company with regard to compensation and benefits.
- ③ Regularly evaluate the achievement of the performance goals of the directors and managers of the Company, and establish the content and amount of their individual compensation and benefits.

(3) Information on the operation of the compensation committee:

- ① The compensation committee of the Company has three members.
- ② The current term of the committee is from August 4, 2025 to June 19, 2027. The committee held 2 meetings in the latest fiscal year (A), and the qualifications and attendance of the committee members are as follows:

Title	Name	Actual Attendance Count (B)	Delegate Attendance Count	Actual Attendance Rate (%) 【B/A】	Note
Convener	Lee Tsung-Ju	2	0	100%	
Committee Member	Chiu Cheng-Yi	1	0	100%	Stepped down on June 20, 2025
Committee Member	Chen Wei-Tai	2	0	100%	
Committee Membe	Yang-Yu-Chien	1	0	100%	Newly Appointed August 4, 2024
Other matters to be recorded:					

— 、	If the board of directors does not adopt or revise the recommendations of the Remuneration Committee, the date, session, agenda content, board resolution, and the company's handling of the opinions of the Remuneration Committee shall be stated (if the remuneration approved by the board of directors is better than the recommendations of the Remuneration Committee, the difference and reasons should be stated): None.
— 、	If any member of the Remuneration Committee opposes or reserves their opinion on a resolution, and such opinion is recorded or stated in writing, the date, session, agenda content, all members' opinions, and the handling of such opinions should be stated: None.

5. Information on the members and operation of the Nomination Committee: None.

6. Promote the implementation of sustainable development:

Promotion Item	Execution Status			Differences and Reasons between the Company's Sustainable Development Practices and the Practices Recommended for Listed and OTC Companies
	Yes.	No	Abstract	
• Has the company established a governance structure to promote sustainable development, set up dedicated (or part-time) units for promoting sustainable development, and authorized senior management to handle this by the board of directors, along with the board's oversight of the situation?		✓	1. The company is studying the governance framework for promoting sustainable development. 2. The status of implementation for each organization within the company includes, but is not limited to: (1) The name and timing of setting up a dedicated unit for promoting sustainable development, as well as authorization from the board of directors: under study. (2) The composition and operation of the unit's members, as well as their execution status for the current year (such as work plans and management): under study. (3) The frequency of reporting to the board of directors (at least once a year) or the date of reporting to the board of directors for the current year: none. 3. The board of directors' supervision of sustainable development: under study.	Under study
• Has the company conducted risk assessments related to environmental, social, and corporate governance issues relevant to its operations based on the materiality principle, and developed related risk management policies or strategies?		✓	(1) The boundary of risk assessment (including the scope of subsidiaries covered): under study. (2) The risk assessment standards, processes, results, and risk management policies or strategies for identifying significant environmental, social, and corporate governance-related risks: under study.	Under study

Promotion Item		Execution Status				Differences and Reasons between the Company's Sustainable Development Practices and the Practices Recommended for Listed and OTC Companies	
		Yes.	No	Abstract			
I.	Environmental issues						
(1)	Has the company established appropriate environmental management systems based on its industry characteristics?		✓	1. How to implement effective environmental management systems and the regulations that are followed: establishing a dedicated staff to implement management in accordance with relevant regulations. 2. The international verification standards that the company has passed (as of the date of the annual report) and the scope covered: none.			Under study
(2)	Is the company committed to improving energy efficiency and using renewable materials with low environmental impact?		✓	The company is actively planning to improve its energy utilization rate and use of renewable materials.			Under study
(3)	Has the company assessed the potential risks and opportunities of climate change for the enterprise present and future, and taken relevant response measures?	✓		How the company evaluates the potential risks and opportunities of climate change for the present and future of the enterprise, the evaluation results, and the relevant response measures taken: setting energy conservation goals and implementing plans.			No significant differences
(4)	Has the company compiled greenhouse gas emissions, water use, and total waste weight for the past two years and developed policies for greenhouse gas reduction, water use reduction, or other waste management?	✓		Company Policy Statement: Due to the abnormal global climate and rapid temperature rise, causing abnormal phenomena such as global warming, our company has the obligation to fulfill corporate social responsibility and comply with environmental protection regulations. We will actively promote the greenhouse gas inventory system to grasp our own greenhouse gas emissions and use it as a reference for the next stage of company energy conservation and greenhouse gas reduction. We aim to achieve international standards and establish a low-carbon enterprise for environmental sustainable development in the future.			No significant difference

Promotion Item	Execution Status			Differences and Reasons between the Company's Sustainable Development Practices and the Practices Recommended for Listed and OTC Companies
	Yes.	No	Abstract	
			Statistical period: 1 January 2024 to 30 April 2025	
1. Social Issues (1) Has the company established relevant management policies and procedures in accordance with relevant laws and international human rights conventions?		✓	Policy and specific management plan of insurer's rights: prioritize labor safety and welfare, in compliance with relevant labor laws and regulations.	No significant differences
(2) Policy and specific management plan of insurer's rights: prioritize labor safety and welfare, in compliance with relevant labor laws and regulations.	✓		1. Employee welfare measures: The company strictly adheres to the Labor Standards Act, Gender Equality in Employment Act, Occupational Safety and Health Act, etc. 2. .How business performance or results are reflected in employee compensation policies and their implementation: According to the company's regulations, if there are profits, the operational performance results should be appropriately reflected in employee compensation.	No significant difference
(3) Does the company provide employees with a safe and healthy working environment and regularly provide them with safety and health education?	✓		1. Measures for employee safety and healthy working environment, education policy for employees and its implementation: Regular employee health checks are conducted, and supervision of labor safety and health management in all departments is strengthened. Through continuous labor safety and health training, employees are trained to develop emergency response capabilities and safety awareness. 2. Explanation of relevant certifications obtained by the company (as of the date of printing of the annual report) and their coverage: None 3. The number of occupational accidents and the ratio of affected employees to the total number of employees in the current year, and related improvement measures: None	No significant difference
(4) Has the company established an effective career development and training program for employees?	✓		Training plan coverage, scope, and implementation: The company periodically sends employees (including supervisors and colleagues) to attend training courses and professional training according to their job responsibilities.	No significant difference
(5) Does the company follow relevant laws and Does the company follow relevant laws and	✓		The regulations and international standards followed by each item, and the name, content, and complaint procedures of the policy to protect consumer or customer rights: The company adheres to various relevant laws and international standards, and has no specific policy to protect consumer or customer rights, but the complaint channel is unobstructed, and insurance procedures are established to protect the rights of both parties.	No significant difference

Promotion Item	Execution Status			Differences and Reasons between the Company's Sustainable Development Practices and the Practices Recommended for Listed and OTC Companies
	Yes.	No	Abstract	
(6) Has the company established a supplier management policy that requires suppliers to comply with relevant norms regarding environmental protection, occupational safety and health, or labor rights, and implemented it?		✓	1. Supplier management policies and related compliance regulations, and their content should have proactive and specific requirements for suppliers regarding environmental protection, occupational safety and health, or labor rights: when signing contracts with suppliers, it is strictly required that they comply with relevant laws and regulations. 2. Implementation status of supplier management policies and related compliance standards: When signing contracts with suppliers, strict requirements are imposed to ensure adherence to relevant laws and regulations.	No significant difference
2. Has the company prepared a sustainability report or other report disclosing non-financial information based on international reporting standards or guidelines, and has it obtained a confirmation or assurance opinion from a third-party verification unit?		✓	1. International compilation standards or guidelines referred to, and the report on non-financial information disclosure: Under study. 2. If confirmed or guaranteed, the name of the verification unit, the verification item or scope, and the standards followed: Under study.	Under study
3. If the company has its own sustainable development guidelines based on the "Practical Guidelines for Sustainable Development of Listed and OTC Companies," please describe the differences between their operation and the established guidelines: None.				
4. Other important information that helps understand the operation of corporate social responsibility: None.				

7. Climate-related information:

Item	Execution Situation
1. Describe the Board of Directors and management's supervision and governance of climate-related risks and opportunities.	In response to the high uncertainty of the climate and rapid changes in policies and markets, the Company timely grasps and estimates the possible impacts of climate change. Study and regularly convene heads of various departments to identify major climate risks and opportunities. We hope to keep abreast of climate change and market dynamics in the external environment. Consider the overall operation strategy planning more comprehensively. The dedicated unit is responsible for formulating, promoting and strengthening the action plans and capital expenditures of the Company's important policies, reviewing, tracking and Amendment and implementation. It is also proposed to report to the Board of Directors, and incorporate climate change risk management into the company's overall risk management process.
2. Describe how the climate risks and opportunities identified affect the business, strategy, and finance (short-term, medium-term, and long-term).	The Company plans to actively develop solutions in the hope of reducing the operational and financial impacts of climate change and improving the resilience of the organisation's climate. It is also defined as short-term within 3 years, The medium-term is 3-5 years, and the long-term is more than 5 years. Assess the potential operational and financial impacts of relevant climate risks and opportunities on the company. In response to climate-related risks and opportunities. Short-term: 1-3 years: Greenhouse gas emission control, carbon tax, and carbon fee. Mid-term: 3 to 5 years: Changes in consumer demand, transformation technology, and the addition of relevant laws and regulations Long-term 5 years or more: Net zero emissions trend.

Item	Execution Situation					
	Parent company	Scope 1	0.83\		63.4714	
		Scope 2	182.4046		78.1303	
		Sub-total	183.2416	17.8946	141.6017	26.5719
	Consolidated Financial Statements All subsidiaries	Scope 1	None. Reason: The operational activities of the consolidated financial statements of subsidiaries are handled by the parent company's personnel, and the revenue for the year 2025 is NTD 0 with no actual operational activities. Therefore, the greenhouse gas inventory and assurance situation only present information from the parent company's self-inventory.			
		Scope 2				
		Sub-total				
	Total		183.2416	17.8946	141.6017	26.5719
	Note: The subsidiaries' operations in the consolidated financial statements are consolidated into the personnel of the parent company, and the turnover in 2023 is NT \$0, and there is no actual operating activity. Only present the information of the parent company's self-inspection.					
	1-1-2 Greenhouse gas verification information					
	- The Company currently only conducts internal self-inspection and has not yet obtained the assurance from the inspection agency. - According to the regulations of the competent authority, the Company should complete the verification and assurance in 2028. - Consolidated Financial Statements Subsidiaries According to the regulations of the competent authority, the Company shall complete verification and assurance in 2029. - The use of fuel in the Company's boiler steam and electricity symbiosis (M01) meets the criteria for recording greenhouse gas emissions in the "First Batch of Emission Sources That Shall Inventory Greenhouse Gas Emissions", and from 2014 to 2021, the greenhouse gas emissions are recorded and verified according to the implementation. - At present, the coal-fired boiler equipment has been dismantled, and the boiler steam-electricity symbiosis process (M01) operation permit has been cancelled with the consent of the Hsinchu County Government. According to the Environmental Protection Administration, Executive Yuan, the Environmental Protection Administration, Letter No. 1111143720 dated 17 November 2022, it is agreed that the Company will stop the greenhouse gas emission inventory registration and assurance operation. - In line with GHG-related policies, the Company has adopted a self-inspection since 2022, and completed the inventory assurance operation in accordance with the relevant strategy and regulation schedule of the Financial Supervisory Commission.					
	1-2 Greenhouse gas reduction targets, strategies and concrete action plans: under planning.					
	Note: Since April 2021, the Company has announced that acrylic fibre cotton production line has stopped production transformation. The base year of greenhouse gas reduction and its data, reduction targets, strategies and specific action plans and achievements are still under planning					

Note: 1.The company's parent entity is required by the regulatory authority to complete the verification and assurance by 2028.

2.The consolidated financial reports of subsidiaries are required to complete verification and assurance in accordance with the regulations of the competent authority by the fiscal year 2029.

8. Compliance with the principles of integrity in business operations:

Evaluation Items	Operation Status			Differences and reasons for compliance with the governance practices for listed and OTC companies
	Yes	No	Abstract	
1. Establishment of Business Integrity Policy and Program				
(1) Has the company established a business integrity policy approved by the board of directors, and stated it in regulations and external documents, as well as committed to implementing the policy with the board and senior management?		✓	Under study	Under study
(2) Has the company established a risk assessment mechanism for unethical behavior, regularly analyzed and evaluated business activities with higher risk of unethical behavior within its scope of operations, and developed preventive measures according to such assessment, covering at least the preventive measures for the behaviors specified in Article 7, Paragraph 2 of the "Business Integrity Guidelines for Listed and OTC Companies"?		✓	Under study	Under study
(3) Has the company specified the operating procedures, behavioral guidelines, penalties for violations, and complaint system in the preventive measures against unethical behavior program, implemented them, and reviewed and revised the program regularly?		✓	Has a "Rewards and Punishments Committee"	No significant differences
2. Implementation of Business Integrity				
(1) Has the company evaluated the integrity records of counterparties and specified integrity behavior clauses in contracts with them?	✓		Depending on the contract situation	No significant differences
(2) Has the company established a dedicated unit reporting to the board of directors to promote business integrity, and reported its business integrity policy, preventive measures against unethical behavior, and their implementation and supervision at least once a year?		✓	Under study	Under study
(3) Has the company established a policy to prevent conflicts of interest, provided appropriate reporting channels, and implemented it?		✓	Has a dedicated unit	No significant differences
(4) Has the company established effective accounting and internal control systems to implement business integrity, developed relevant audit plans based on the assessment results of the risk of unethical behavior, and audited the compliance with the preventive measures against unethical behavior program, or commissioned accountants to do so?	✓		All have dedicated units.	No significant difference
(5) Does the company hold regular internal and external education and training on business integrity?		✓	Under study	Under study
3. Operation of Whistleblowing System				
(1) Has the company established specific whistleblowing and reward systems, set up convenient reporting channels, and assigned appropriate personnel to handle reported cases?	✓		Has a "Rewards and Punishments Committee"	No significant differences
(2) Has the company established standard operating procedures for investigating reported cases, determined follow-up measures after investigations, and implemented relevant confidentiality mechanisms?		✓	Under study	Under study
(3) Has the company taken measures to protect whistleblowers from improper treatment?	✓		All have dedicated personnel to handle	No significant difference
4. Strengthening Information Disclosure Has the company disclosed the contents and effectiveness of its business integrity policy on its website and the public information observation system?		✓	Under study	Under study
5. If a company has its own code of conduct based on the "Code of Conduct for Listed and Over-the-Counter Companies", please describe the differences between its operation and the established code: None.				

Evaluation Items	Operation Status			Differences and reasons for compliance with the governance practices for listed and OTC companies
	Yes	No	Abstract	
6. Other important information that helps understand the company's integrity in its operations: None.				

9. If the company has established corporate governance codes and related regulations, it shall disclose the ways to access them: None.

10. Other important information that could enhance understanding of the company's governance practices: None.

11. Implementation of the internal control system

- (1) Internal Control Declaration: Please refer to the "Single Company", "Corporate Governance", and "Internal Control Declaration Announcement" sections at the Market Observation Post System (Company Code 1418) or click the following link <https://mopsov.twse.com.tw/mops/web/t06sg20>.
- (2) The review report on the internal control system by the commissioned accountant: Not applicable.

12. Important Resolutions of the Shareholders' Meeting and the Board of Directors:

- (1) Shareholders' Meeting: Urban renewal project for the entire industrial area of the Hsinchu plant on 25 June 2024.
- (2) Board of Directors:
23 January 2024 Hsinchu Plant Urban Renewal Project for the Industrial Zone of the Nineteenth Eighth Board Meeting.

13. Directors and supervisors who have different opinions on important resolutions passed by the board of directors and have records or written statements, the main content: none.

III. Information on CPA fees

1. Company Auditor Information:

Amount unit: NTD thousand dollars

Name of Accounting Firm	Name of Auditor	Auditor Audit Period	Audit Fees	Non-audit Fees	Total Fees	Note
Cheng Feng Certified Public Accountants	Wu Hsing-Liang	2025/01/01~2025/12/31	1,840	65	1,905	-
Cheng Feng Certified Public Accountants	Lai Chih-Yu	2025/01/01~2025/12/31				

Note: Non-audit fee content: Salary check and trademark registration.

2. If there is a change in the accounting firm and the audit fee paid for the current year is lower than the previous year, the amount of the audit fee before and after the change and the reasons for the change should be disclosed: N/A.
3. If the audit fee decreases by more than 10% compared to the previous year, the amount, percentage, and reasons for the decrease in the audit fee should be disclosed: N/A.

IV. Information on replacement of CPAs

1. Regarding the former accountant

Date of replacement	January 1, 2025		
Reasons for replacement	Due to the internal work allocation needs of Baker Tilly Clock & Co.		
Explanation of whether the appointing party or the accountant terminated or did not accept the appointment	Party involved	Accountant	Appointing party
	Situation		
	voluntarily terminated the appointment		
	No longer accepting (continuing) appointment		
Audit opinions and reasons for audit reports issued within the last two years, except for unqualified opinions	None		
Whether there are any dissenting opinions with the issuer	Yes		Accounting principles or practices
			Disclosure of financial reports
			Scope or steps of the audit
			Other
	No	✓	
	Explanation: not applicable		
Other disclosure items (items 4 to 7 of the first subparagraph of paragraph 6 of Article 10 of this standard should be disclosed)	None		

2. Company Successor Auditor Information

Name of Accounting Firm	Chung-Hsing & Partners, CPAs
Name of Auditor	Wu Hsing-Liang, Lai Chia-Yu
Date of Appointment	January 1 ,2025
Consultation items and results on the accounting treatment or accounting principles for specific transactions or matters that may affect the opinions to be issued on the financial statements before the appointment, as well as the results of such consultations	none
Written views from the successor CPAs regarding the matters on which the company did not agree with the former CPAs	none

3. The reply from the former CPAs, making pursuant to Article 10, paragraph 6, subparagraph 1, and 2-3 of the Regulations:: None.

V. Where the Company's Chairman, President, or any manager in charge of finance or accounting matters has held a position at the CPA' s firm of its CPAs or at an affiliate of the CPA' s firm in the most recent year: None.

VI. Transfer of equity and changes in equity pledges of Directors, supervisors, managers, and major shareholders:

Title	Name	2025		As of April 30th of the current year	
		Increase (decrease) in number of shares held	Increase (decrease) in number of pledged shares	Increase (decrease) in number of shares held	Increase (decrease) in number of pledged shares
Chairman	Lin Chuang-Ju	0	0	30,180	0
Chairman and General Manager	Lin Chuang-Yeh	0	0	30,180	0
Director	CHUNG LIANG CO., LTD. Representative: Lin Ho-Whei	0	0	0	0
		0	0	(60,360)	0
Chairman and Deputy General Manager	Jiang Zhi-Heng	0	0	0	0
Director	NINGHAN DEVELOPMENT CO., LTD. Representative: Huang Yu-Ching	0	0	0	0
		0	0	0	0
Director	Chiu Cheng-Yi				
Independent Director	Lee Tsung-Ju	0	0	0	0
Independent Director	Chen Wei-Tai	0	0	0	0
Independent Director	Yang-Yu-Chien	0	0	0	0
major shareholder	CHUNG LIANG CO., LTD.	0	0	0	0
Finance Department Assistant Manager	Yeh Yan-Ling	0	0	0	0
Materials Department Assistant Manager	Chao Ju-Yun	0	0	0	0

(Juridical
Person)

(Juridical
Person)

Note: Our company has established an audit committee to replace the supervisory officer.

Share transfer information: None.

Share pledge information: None.

VII. Information relationship between shareholders with the top ten shareholdings

Name	Ownership of Shares		Spouse, minor children holding shares		Holding shares in other people's names		The names or relationships of relatives within spouse or within the second degree of kinship among the top ten shareholders who have relationships with each other		Note
	Number of shares	Percentage of shareholding	Number of shares	Percentage of shareholding	Number of shares	Percentage of shareholding	Name	Relationship	
CHUNG LIANG CO., LTD.	20,917,364	36.80	0	0	0	0	None	None	
Chairman: Lin Chuang-Yeh	417,224	0.73	0	0	0	0	The chairman of TungYe Investment CO., LTD. Company is the same person.		
NINGHAN DEVELOPMENT CO., LTD..	3,890,445	6.85	0	0	0	0	None	None	
Chairman: Sun Jing-Yuan	0	0	0	0	0	0	None	None	
TungYe Investment CO., LTD.	2,522,865	4.44	0	0	0	0	None	None	
Chairman: Lin Chuang-Yeh	417,224	0.73	0	0	0	0	The chairman of CHUNG LIANG CO., LTD. Company is the same person.		
Cai Jing-han	1,660,000	2.92	0	0	0	0	None	None	
Chen Chang Yue-Eng	1,407,000	2.48	0	0	0	0	None	None	
Peng Chi-Hsian	1,318,000	2.32	0	0	0	0	None	None	
Lin Tian-You	1,025,770	1.80	0	0	0	0	None	None	
Li Li-Min	924,000	1.63	0	0	0	0	None	None	
Ceng Songze	863,060	1.52	0	0	0	0	None	None	
Sanjung Holdings Limited	603,530	1.06	0	0	0	0	None	None	
Chairman: Lin-Ho-Whei	459,475	0.81	0	0	0	0	Lin Chuang-Yeh	father and son	

VIII. Consolidated shareholding

Comprehensive ownership percentage

December 31 2025 Units: Shares; %

Investment in carbon and energy technology company limited (Note)	Investment made by the company		Investment made by directors, executives and businesses under direct or indirect control		Comprehensive Investment	
	Number of Shares	Shareholdi ng percentage	Number of shares	S Shareholdi ng percentage	Number of Shares	Shareholdi ng percentage
CETECH CO., LTD.	3,000,000	12.44	1,700,000	7.05	4,700,000	19.49

Note: long-term investment accounted for by the equity method by the company.

Three. Fund Raising Status

I. Capital and share

1. Capital Stock Sources

Unit: Shares / New Taiwan Dollar

Year/ Month	Issue Price (NT D)	Authorized Capital Stock		Paid-In Capital		Note		
		Number of shares	Amount	Number of shares	Amount	Capital Stock Sources	Non-cash Property Contributed to Capital	Others
79.10	10	184,479,484	1,844,794,840	184,479,848	1,844,794,840	Earned surplus for capital increase of NT\$ 119,570,040 Capital surplus for capital increase of NT\$ 17,081,440	None	None
80.09	10	199,237,843	1,992,378,430	199,237,843	1,992,378,430	Earned surplus for capital increase of NT\$ 129,135,640 Capital surplus for capital increase of NT\$ 18,447,950	None	None
81.09	10	209,199,736	2,091,997,360	209,199,736	2,091,997,360	Earned surplus for capital increase of NT\$ 99,618,930	None	None
82.09	10	219,659,723	2,196,597,230	219,659,723	2,196,597,230	Earned surplus for capital increase of NT\$ 104,599,870	None	None
83.10	10	241,625,696	2,416,256,960	241,625,696	2,416,256,960	Earned surplus for capital increase of NT\$ 219,659,730	None	None
84.08	10	251,290,724	2,512,907,240	251,290,724	2,512,907,240	Earned surplus for capital increase of NT\$ 96,650,280	None	None
85.08	10	263,855,261	2,638,552,610	263,855,261	2,638,552,610	Earned surplus for capital increase of NT\$ 125,645,370	None	None
97.11	10	263,855,261	2,638,552,610	131,927,630	1,319,276,300	Capital reduction (50%) of NT\$ 1,319,276,310	None	None
106.11	10	263,855,261	2,638,552,610	46,834,309	468,343,090	Capital reduction (64.5%) of NT\$ 850,933,210	None	None
106.12	10	263,855,261	2,638,552,610	51,834,309	518,343,090	Private placement cash increase for the 1st time in 2017 of NT\$ 50,000,000	None	None
107.01	10	263,855,261	2,638,552,610	56,834,309	568,343,090	Private placement cash increase for the 2nd time in 2017 of NT\$ 50,000,000	None	None

Note 1: The company did not have any capital increase from 1997 to 2007.

Note 2: The capital increase case of the fiscal year 1990 was approved by the Securities and Futures Commission's letter no. 02049 issued on August 22, 1990.

The capital increase case of the fiscal year 1991 was approved by the Securities and Futures Commission's letter no. 01672 issued on July 23, 1991.

The capital increase case of the fiscal year 1992 was approved by the Securities and Futures Commission's letter no. 01768 issued on July 24, 1992.

The capital increase case of the fiscal year 1993 was approved by the Securities and Futures Commission's letter no. 30645 issued on July 21, 1993.

The capital increase case of the fiscal year 1994 was approved by the Securities and Futures Commission's letter no. 32304 issued on July 20, 1994.

The capital increase case of the fiscal year 1995 was approved by the Securities and Futures Commission's letter

no. 37402 issued on June 30, 1995.

The capital increase case of the fiscal year 1996 was approved by the Securities and Futures Commission's letter no. 39827 issued on July 1, 1996.

The capital reduction case of the fiscal year 2008 was approved by the letter no. 0970039650 issued by the Financial Supervisory Commission on August 13, 2008.

The capital reduction case of the fiscal year 2017 was approved by the letter no. 1060036111 issued by the Financial Supervisory Commission on September 22, 2017.

The first private placement cash capital increase case of the fiscal year 2017 was approved by the letter no. 10601174160 issued by the Ministry of Economic Affairs on December 27, 2017.

The second private placement cash capital increase case of the fiscal year 2018 was approved by the letter no. 10701003350 issued by the Ministry of Economic Affairs on January 15, 2018.

2. Types of issued shares:

Unit: Shares

Type of share	Approved capital			Note
	Outstanding shares	Unissued Shares	Total	
Registered common shares	46,834,309 (listed shares) 10 million (private placement stock)	207,020,952	263,855,261	1. 50% reduction on November 6th, 2008 2. 64.5% reduction on November 24th, 2017

Information related to the comprehensive declaration system: None.

3. List of Major Shareholders: Please refer to page 33.

4. Company dividend policy and implementation status

(1) Dividend Policy

Based on the overall environment and characteristics of industry development, our company adopts a fixed and residual dividend policy to achieve sustainable operation, continuous growth, and long-term financial planning. If the company has profits in the annual settlement, it shall first pay taxes, make up for accumulated losses, set aside 10% as the legal reserve, and allocate the remaining profits to be proposed by the board of directors and approved by the shareholders' meeting. When distributing dividends to shareholders, the cash dividends shall be maintained between 30% and 70%, but can be adjusted according to changes in internal and external operating environment.

(2) Proposed dividend distribution for this shareholders' meeting: None.

(3) Expected significant changes in dividend policy: None

5. Impact of proposed free stock distribution on company performance and earnings per share: None

6. Remuneration for employees, directors, and supervisors

(1) Percentage or range specified in the company's articles of association

Employee remuneration: 1% to 3% of the total compensation.

Director and supervisor remuneration: 1% to 3% of the allocated amount.

Directors' remuneration: not exceeding five percent of the allocated amount.

(2) The accounting treatment for differences between the estimated amount and the actual amount of employee, director, and supervisor remuneration based on the estimated amount, the number of shares issued for employee stock compensation, and the actual distribution amount: None.

(3) The situation where the board of directors approves the distribution of remuneration: None

(4) Actual distribution of employee, director, and supervisor remuneration in the previous year (including the number of shares issued, amount, and share price) and any differences from recognized employee, director, and supervisor remuneration, as well as the reasons for and handling of such differences: None

7. Company share repurchase status: None.

II. Corporate bonds, preferred shares, global depository receipts, employee stock options, restricted stock awards, mergers or receipt of new shares issued by other companies, and implementation of capital utilization plans: None.

Four. Business Overview

I. Scope of business: Production and sales of polyacrylonitrile fiber (acrylic cotton).

(1) Business scope:

Acrylic cotton is the company's main product, a synthetic fiber with excellent insulation properties. The demand for acrylic cotton is concentrated in mainland China, which accounts for approximately 50% of global demand. The company still faces many difficulties and challenges in its operations. One is the lack of a domestic market. The textile industry chain in Taiwan, from raw cotton (fibers) to yarn, fabric or clothing, is mainly for export. Most downstream yarn factories have moved to mainland China and ASEAN. Secondly, rising mainland Chinese competitors have taken over most of the domestic market in China and are gradually increasing their exports, competing with Taiwan in the international market.

In recent years, the market demand for the application and quality of acrylic cotton has been constantly increasing. In response to the market demand, the company has continuously invested in research and development and launched various special varieties, which have been well received by customers. Anti-pilling, super fine denier short fibers, silk bundles, and flat fibers have become the main sales varieties.

(2) Industry Overview:

Synthetic fibres mainly include polyester fibre, nylon fibre, polypropylene fibre, acrylic fibre and elastic fibre. The global output of synthetic fibres is about 72,200,000 tonnes, accounting for 64% of the global output of fibres. Among them, polyester fibre is the largest, and the global production of polyester weaving and maintenance is about 60,500,000 tonnes, accounting for 54% of the global fibre production; This was followed by nylon fibres 5,900,000 tonnes, accounting for 5% of the global fibre output, and polypropylene fibres 3,000,000 tonnes, accounting for 2.7% of the global fibre output, acrylic fibre 1,700,000 tonnes, accounting for 1.5%, and elastic fibres 1,200,000 tonnes, accounting for 1%.

The application of synthetic fibers globally, clothing and apparel account for 51% of the industry's development focus. Home decor fabrics (including blankets and carpets) account for 25%, industrial applications and non-woven fabrics account for 12% respectively. Acrylic cotton is mainly used in wool spinning, accounting for 44%, special fibers account for 28%, cotton spinning accounts for 17%, and semi-worsted spinning accounts for 11%. The production and supply of acrylic cotton and its demand are mainly in mainland China. In recent years, due to the impact of nylon, polyester-cotton and other fibers and fabrics, the demand for acrylic cotton in mainland China has slowed down, and the product output has been declining year by year.

(3) Overview of Technology and R&D

1. Research and Development Expenditure: NTD 0 dollar.
2. Achievements: None (R&D was suspended due to the decision to stop production made by the board of directors on April 1, 2021)

(4) Long and Short-term Business Development Plan:

1. China is still the largest market for acrylic fiber, with demand dropping to 600,000 tons in 2024.

Our company has been cultivating the Chinese market for acrylic fiber for many years with good sales performance. However, the import volume in the Chinese market has shown negative growth, while the export volume has increased. Therefore, the short-term business development plan is to diversify the market and develop markets such as Japan, South Korea, ASEAN, the Middle East, and India. At the same time, in response to the characteristics and evolution of the acrylic fiber market, our company is committed to strengthening the supply chain, establishing strategic partnerships with raw material suppliers, ensuring stable supply and cost reduction. We also strengthen cooperation with downstream spinning mills to integrate the product chain. In management, we simplify the process of purchasing raw materials and selling cotton, strengthen sales and technical services, improve equipment stability and product quality, reduce

- production costs, and enhance competitiveness
2. In early 2021, the global outbreak of COVID-19 caused comprehensive interruptions in global freight transportation and business dealings, leading to customers lowering their production rates due to the impact of the epidemic, resulting in stagnant demand for acrylic fiber market. On April 1, 2022, the board of directors approved the cessation of acrylic cotton production, which was submitted to the shareholders' meeting for approval. Our company adjusted its business strategy and planned to carry out a transformation project for asset activation.
 3. Will continue to promote the transformation project for asset activation in 2022.
 4. 2023 Promote the Company's diversified business development.
 5. 2024 and 2025 continued to promote the company's diversified operations and develop new business opportunities.

II. Market, production and sales overview

(1) Market Analysis

1. Review of the Acrylic Cotton Market in 2025:

In 2025, the annual demand for acrylic cotton in mainland China was about 600,000 tons, zero growth. compared to 2024. The demand for acrylic cotton in mainland China is:

Year	2024	2025
China Mainland Demand	600,000 tons	600,000 tons
Annual Growth Rate	b	v

The estimated future demand growth rate is about -1~1%. Compared with the average annual demand growth rate of synthetic fibers of +3.0%, acrylic cotton and other category fibers such as cotton, polyester cotton, nylon silk, etc., have lower growth in the future.

2. Acrylic cotton new production capacity: None.

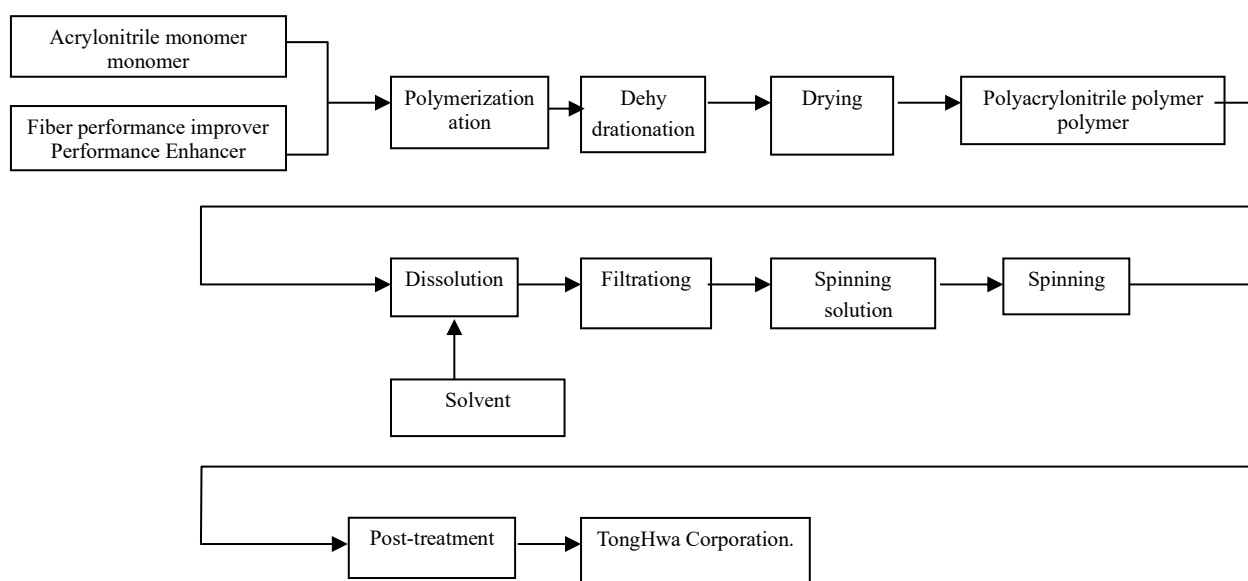
(2) Important uses and production process of the main product:

1. Important Uses

The main use of acrylic cotton is for a wide range of products such as sweaters, velvet fabrics, blankets, carpets, hand-hooked yarns, sofa fabrics, socks, toys, indoor decorations, etc. In recent years, special fibers developed have been widely used in animal fur imitation. Acrylic cotton and its processed final products are mainly exported, with the main market being mainland China. Our company is a factory that sells and produces 100% raw cotton.

2. Manufacturing Process The company's board of directors resolved to cease production on April 1 2021. Below is the production process of the main products prior to this decision.

Production process of polyacrylonitrile fiber



(3) Main Raw Material Supply Status

January 1 2025 ~ December 31 2025

Unit: NTD (thousands)

Raw material type	Unit	Quantity	Amount	Main Supplier
acrylic fiber	metric ton	40	2,243	JILIN CHEMICAL FIBER GROUP I/E CO., LTD.

(4) Sales and supplier information for the most recent two years (10%)

1. Main Sales Customer Information: data:

Unit: NTD (thousands)

	2024				2025				As of the end of the previous quarter of the year			
Item	Name	Amount	Percentage of Net Sales for the Year [%]	Relationship with the Issuer	Name	Amount	Percentage of Net Sales for the Year [%]	Relationship with the Issuer	Name	Amount	Percentage of Net Sales as of the end of the previous quarter of the year [%]	Relationship with the Issuer
1	ORIENTAL	4,632	48	none	Da Yu	3,610	71	none	Jia He	596	100	none
2	Da Yu	1,947	20	none	Jia He	1,235	24	none	Other	0	0	
3	Jia He	1,099	12	none	Xu Qun	273	5	none				
4	Li Long	955	10	none	Other	0	0					
5	Xu Qun	918	10	none								
	Other	0	0									
	Net Sales	9,551	100		Net Sales	5,118	100		Net Sales	596	100	

Note: Reasons for changes: Maintain the business model required for domestic sales using imported acrylic fiber.

2. Main supplier information:

Unit: NTD (thousands)

	2024				2025				As of the end of the previous quarter of the year			
Item	Name	Amount	Percentage of Net Sales for the Year [%]	Relationship with the Issuer	Name	Amount	Percentage of Net Sales for the Year [%]	Relationship with the Issue	Name	Amount	Percentage of total annual net purchase amount [%]	Relationship with the Issuer
	Other	405,853	100	none	Other	448,795	100	none	Other	9,183	100	none
	Net Purchases	405,853	100	none	Net Purchases	448,795	100	none	Net Purchases	9,183	100	none

Note: Reasons for increase or decrease: To flexibly adjust suppliers according to customer needs.

III. Employees²

Year	Number of employees	Average Length of Service (years)	Average Age (years)	Educational Attainment Distribution
2024	32 people	19	50	Bachelor's degree or above: 81% High school/vocational school: 19% Junior high/elementary school: 0%
2025	32 people	19	50	Bachelor's degree or above: 78% High school/vocational school: 22% Junior high/elementary school: 0%
2026/1~ 2026/4/30	28 people	20	53	Bachelor's degree or above: 82% High school/vocational school: 18% Junior high/elementary school: 0%

IV. Information on environmental protection expenditures

- (1) The total amount of losses and penalties incurred in the last two years and up to the date of printing due to environmental pollution:

Unit: New Taiwan Dollar (thousands)

Year \ Item	P o l l u t i o n c o n d i t i o n	Compensation recipient or punitive unit	Compensation amount
January to April of 2026	none	none	0
2025	none	none	0
2024	none	none	0

(2) Response and Improvement Measures

- The board of directors of this company approved the cessation of production of the acrylic cotton production line on April 1, 2021. The company will continue to cooperate with the implementation of various environmental protection policies by the government, and actively manage the relevant production facilities, recycle resources, and enhance the effectiveness and stability of pollution prevention measures.
- The operating site belonging to this company has ceased production, and the related boiler steam and power co-generation process, acrylic resin manufacturing process, and public hazardous storage facilities have been successively deregulated in accordance with

relevant laws and regulations.

(3) Results of Environmental Protection Inspection

1. Violations of environmental regulations: None.
2. Date of punishment: None.
3. Punishment number: None
4. Violated regulations: None
5. Content of violation: None.
6. Punishment content: None.

V. Labor-capital relations

(1) Current important labor-management agreements and their implementation

1. Employee Benefits:

- (1) The company established the Employee Welfare Committee on March 9, 1972, which is responsible for the welfare of all employees in the company. Daily activities include birthday celebrations, holiday gifts, raffles, subsidies for children's education, subsidies for weddings and funerals, hospitalization condolences, childbirth subsidies, various ball games, and other social activities. The Employee Welfare Committee is organized by representatives of employees who exercise management rights and representatives elected by the labor union, and meets regularly to discuss matters related to activities and supervise the collection and expenditure of funds.

- (2) All employees of the company are covered by labor insurance, and employees, their spouses, children, and parents are also included in the national health insurance.

2. Retirement system:

Our company has established an employee retirement plan in accordance with the "Labor Pension Act." It is a government-managed defined contribution retirement plan where 6% of the employee's monthly salary is allocated as retirement funds to the individual account managed by the Labor Insurance Bureau. The recognized expenses related to the defined contribution plan for retirement benefits for the years 2025 and 2024 January 1 to December 31, amounted to NT\$1,100million and NT\$1,084

million, respectively..

In addition, our company has a retirement pension system implemented in accordance with the "Labor Standards Act" of our country. The payment of employee retirement pensions is calculated based on years of service and the average salary for the six months preceding the approved retirement date. Our company allocates 5% of the total monthly salary of employees as retirement funds. However, starting from December of the February 2025, the allocation rate was adjusted to 2% of the total monthly salary, and the funds are deposited in an account with the Taiwan Bank under the name of the Labor Retirement Reserve Supervisory Committee.

3. Agreement between labor and management:

- (1) The company established a labor-management conference on December 27, 1991, and holds regular meetings to negotiate and **communicate opinions**.
- (2)The company has not established a union; therefore, there is no collective agreement signed.
- (2) Since its establishment, the company has attached great importance to the welfare, health, and on-the-job education of its employees, and regards employees as the most important assets of the company. Therefore, when planning and implementing various welfare measures and personnel systems, employees are always given top priority. As a result, labor-management relations have been harmonious over the years, and there have been no labor disputes in the last three years.
- (3) Losses suffered due to labor disputes in the most recent fiscal year and up to the date of printing: None.

VI. Cybersecurity safety management

- (1) The company's main ERP system, including the host server, database, and network equipment, is stored in the computer room and only accessible by information personnel. Information security management is mainly implemented in the following three parts:
 - 1.Maintenance of host and network equipment: Every month, the computer company conducts inspections to check for threats such as viruses and ransomware on the host,

whether there are significant updates that need to be executed, abnormal accounts, and storage space conditions. The results are recorded in a table.

2. Database backup and restore:

The ERP system database is automatically backed up daily and reports any failures and records them. The backup files are synchronized to the NAS backup device to achieve secondary (or off-site) backup. Regular restoration tests are also conducted to ensure that data (or hosts) can be rebuilt in a short time in case of damage.

3. ERP system authority level and security measures:

Various job account passwords are used in the system. In the event of personnel or job changes, an application form must be filled out to reapply for functional permissions. For former employees, their account is closed during the departure procedure. Passwords must comply with the system's password strength settings and are set by the user. If the password is entered incorrectly three times, the account will be locked and cannot be logged in. At this point, the supervisor should be notified and IT personnel can unlock the account.

- (2) In the recent year and up to the date of printing of the annual report, there have been no losses or potential impacts caused by significant information and communication security incidents, nor any corresponding measures taken: None.

VII. Material contracts:

Contract Nature	Parties	Contract start and end dates	Main content	Restrictions
Raw liquid/spinning/cotton production Utility equipment Demolition for sale	Hannstar Technology Engineering Corp	Effective from February 1th, 2024	Raw liquid/spinning/cotton production Utility equipment Demolition for sale	90 working days after contracting and payment

Five. Seven. Financial position and financial performance analysis and risk matters

1. Financial position analysis

Financial position analysis table

Unit: NTD thousand dollar

Item \ Year	2025	2024	Difference	
			Amount	%
Current Assets	1,641,640	1,458,689	182,951	12.54
Property, Plant and Equipment	703,683	688,505	15,178	2.20
Other Non-current Assets	3,250,464	3,117,662	132,802	4.26
Total Assets	5,595,787	5,264,856	330,931	6.29
Current Liabilities	3,684,076	27,663	3,656,413	13217.70
Non-current Liabilities	680,083	3,936,228	-3,256,145	-82.72
Total Liabilities	4,364,159	3,963,891	400,268	10.10
Common Stock	568,343	568,343	0	0.00
Capital Surplus	8,008	8,008	0	0.00
Retained Earnings	(814,845)	(746,801)	-68,044	-9.11
Total Equity	1,231,628	1,300,965	-69,337	-5.33
Explanation: The increase in current liabilities and the decrease in non-current liabilities were primarily due to the Group's reclassification of long-term borrowings to long-term borrowings due within one year..				

2. Financial performance analysis

Financial performance analysis for the last 2 year

Unit: NTD thousand dollar

Item \ Year	2025		2024		Increase/d ecrease amount	%
	Subtotal	Total	Subtotal	Total		
Operating income amoun		5,329		10,248		
Less: Sales returns and allowances		0		0		
Operating revenue net		5,329		10,248	-4,919	-48.00
Operating costs		1,226		16,652	-15,426	-92.64
Gross profit from operations(loss)		4,103		(6,404)	10,507	+164.07
Operating expenses		78,798		75,974	2,824	3.72
Other income and net expenses		(117)		30,786	-30,903	-100.38
Operating net loss		(74,812)		(51,592)	-23,220	-45.01
Non-operating income and expenses net amount		54,714		95,374	-40,660	-42.63
Interest revenue	5,629		11,670			
Other income	15,549		6,318			
Other gains and losses	128,751		162,903			
Finance costs	(96,257)		(87,177)			
Using Equity method for associated company loss share	1,042		1,660			
Profit from continuing operations before tax		(20,098)		43,782	-63,880	-145.90
income tax(expense) profit		(49,843)		(18,005)		
Net profit for the current year		(69,941)		25,777	-95,718	-371.33
Other comprehensive income		604		3,637	-3,033	-83.39
Reassessment of the benefit plan	2,366		4,085			
Through other comprehensive income, the unrealized valuation gains and losses of equity instruments measured at fair value.	(1,289)		369			
Relating to the item associated with non-reclassification income tax	(473)		(817)			
This year's total profit and loss amount.		(69,337)		29,414	-98,751	-335.73

(1) Gross margin ratio has increased +223.2%, below is the description :

1. polyacrylonitrile fiber cotton: 5 thousand, gross profit price variance -558 thousand, and total mix gross profit variance -553 thousand.

2. The reversal of write-down of inventories to net realizable value for the current period amounted to NT\$3,613 thousand.

(2) The period-over-period change in net other income and expenses was -100.38%, primarily due to the higher gain on disposal of assets in the previous period.

(3) The period-over-period change in other comprehensive income was -83.39%, primarily due to decreases in both "remeasurements of defined benefit plans" and "unrealized gains or losses on investments in equity instruments measured at fair value through other comprehensive income" in the current period compared to the previous period.

3. Cashflow analysis

(1) Cashflow analysis for the last 2 years

Item \ Year	December 31 2025	December 31 2024	Increase(Decrease) ratio
Cashflow ratio	(16.29%)	(1,949.98%)	99%
Cashflow adequacy ratio	(172.03%)	(232.43%)	25.99%
Reinvestment ratio	64.83%	(20.63%)	+414.25%
Analysis of Changes in Proportions: 1. The cash flow ratio and cash reinvestment ratio increased compared to the previous period, primarily due to an increase in current liabilities in the current period compared to the previous period. 2. The cash flow adequacy ratio increased compared to the previous period, primarily due to an increase in purchases of "inventories - construction" during the current period.			

(2) Analysis of Cash Flow Liquidity for the Coming Year

Unit: NTD ONE THOUSAND

Dec. 31, 2025amount ①	Net cash flow from operating activities ②	Cash flow inflow and outflow ③	Pending remaining(In sufficient) cash amount ① + ② + ③	Projected cash shortfall remedial measures	
				Investment Plan	Financial Plan
732,238	(173,413)	43,731	602,556	-	-
1. Analysis of cash flow changes for the coming year: (1).Operating activities: An expected decrease in operating revenue will result in a net cash outflow. (2).Investing activities: The expected acquisition of fixed assets will result in a net cash outflow. (3).Financing activities: Incurrence of long-term borrowings will result in a net cash inflow. 2.Remedial measures for expected cash shortfall and liquidity analysis: None.					

4. Impact for important capital expenditure : None

5. Main reason for profit and loss of equity investment and its improvement plan and the future investing plan:None.

6. Risk evaluation :

(1) Impact and future response for interest, exchange, inflation change to company income: None.

(2) The main reason and future response for engaging in high-risk, high-leverage investments, lending funds to others, endorsement guaranteed, and derivative trading policy to profit or loss: None.

(3) Future plan and planning R&D expenses: None.

(4) Impact and future response for important domestic and foreign policy changes to the company's financial business: None..

(5) Impact and future response for technology developing(including cyber security risk) and industry change to the company's financial business: None.

(6) Impact and response for company changing its image: None.

(7) Expected benefits, possible risk, and response for merging: None.

(8) Expected benefits, possible risk, and response for expanding factories: None.

(9) Expected benefits, possible risk, and response for centralized purchasing or sales:None.

(10) The impact, risks, and response for significant transfers or changes in ownership of shareholders holding more than 10% of shares to the company: None.

(11) The impact, risk, and response for management rights change to the company: None.

(12) Litigation or non-litigation events: None.

(13) Other important risk and responses :

1.Account permission operations :

The company will export the permission details to Digiwin Workflow ERP system accounts and let the department manager confirm if the department personnel permissions are appropriate and approved by the department and information manager.

2.Regularly update antivirus software.

7. Other important matters: None.

Six. Special Items

1. Information on affiliates: Please visit the Market Observation Post System under "Single Company", "Electronic Document Download", "Related Party Three Documents Section" (Company Code 1418) to download the electronic book, or please connect to the following URL:
https://doc.twse.com.tw/serverjava/t57sb01?step=1&colorchg=1&co_id=1418&year=&mtyp=e=K&insnew=true
2. The situation regarding the handling of private placement securities: None.
3. Other necessary supplementary notes: None.

Seven. Matters that have a significant impact on shareholders' equity or securities prices in accordance with Article 36, Paragraph 3, Item 2 of the Securities and Futures Ordinance: None.

Eight. Code of Ethical Conduct of the Company :

Ethical conduct of TongHwa Corporation

2008.7.27 Established
2016.3.18 Amended

Article 1 Purpose and source of law

To ensure the company boards, managers, and all the employees are qualified to the ethical standard and let the shareholders learn more about the company's ethical regulations, the company has established these regulations in accordance with “Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies”.

Article 2 Applicable parties

This regulation applied to the company directors, managers, and all the employees(In short “ the company personnel”).

Article 3 Prevention of conflict of interest

The employees should handle their duties objectively and efficiently and shall not use their position to benefit themselves, their spouses, parents, children, or any relatives within three degrees of kinship. If the company has any loan or beneficial interest relationship between the people or their enterprise shown above, the employee working in the company should notice to the company if there are any potential conflicts of interest to the company and process in accordance with the company regulation to prevent any conflicts of interest.

Article 4 Avoid opportunities for personal gain

Prevent the exploit opportunity for personal gain The employee has the responsibility to increase the legal benefits of the company when the company has opportunities for profit. The employee should avoid the action below :

- (1) Opportunity using the company property, information, or any interest by position to obtain personal gain.
- (2) Using the company property, information, or any interest by position to obtain personal gain.
- (3) Compete with the company

Article 5 Confidentiality obligations

The employees have an obligation to maintain the confidentiality of information concerning our company or its customers and suppliers, besides being authorized or required by law to disclose such information. Information that must be kept confidential includes all unpublished information that may be used by competitors or leaked causing harm to the company or its customers.

Article 6 Fair trading

Employees should equally treat all the company customers, suppliers, competitors, and personnel and it is forbidden to manipulate, conceal, and abuse the information by position for improper benefits.

Article 7 Protection and use of the company assets appropriately All employees have the responsibility to protect the company's assets and ensure using business property

effectively and legally. Theft, negligence, or waste can directly affect the company's profitability.

Article 8 Compliance with Laws and Regulations

The employees should comply with the company's regulations and adhere to the Securities and Exchange Act and other relative laws.

Article 9 Encourage any reports of illegal or unethical action The company should strength the employee about the ethical thought and encourage the employee to be suspicious or report to the boards of directors, managers, internal auditors, or any qualified personnel when they find any illegal activity, and let the employee know the company will protect the whistleblowers for their safety.

Article10 Punishment

If any employee violet the regulations, the company will implement punishment based on the circumstances.

Article 11 Exempting procedure

The principle for the directors or managers no need to follow ethical conduct should be approved by the boards of directors via voting and should disclose the personal name, position, approving date, the expiring date, the reason, and qualification information to let the shareholders decide if the decision is reasonable to prevent any suspicious action to protect the company.

Article 12 Disclosure

The company should disclose its ethical regulation in the annual report, prospectus, and the Market Observation Post System. Any amendments will take the same procedure.

Article 13 Implement

The regulations will implement and propose to the boards of directors after the boards of directors' approval. Any amendments take the same procedure.

TongHwa Corporation



Chairman Lin Chuang-Ju



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