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2023 Annual Report

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This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting.
If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

三芳化學工業股份有限公司
SAN FANG CHEMICAL INDUSTRY CO., LTD.

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

Spokesperson	Acting spokesperson
Name: Hsin-Hung Lin	Name: Wei-Chu Chen
Title: Vice President	Title: Vice President
Telephone: (07)3712111	Telephone: (07)3712111
E-mail: lhh@sanfang.com.tw	E-mail: cvg@sanfang.com.tw

II. Address and telephone of the head office and branches:

Company: No. 120, Tonghua St., Sanmin District, Kaohsiung City	(07)3712111
Taipei Office: 7F, No. 20, Alley 1, Lane 768, Sec. 4, Bade Rd., Nangang District, Taipei City	(02)27155441
Taichung Office: 33F, No. 213, Chaofu Rd., Xitun District, Taichung City	(04)4632028
Kaohsiung Office: No. 402, Fengren Rd., Renwu District, Kaohsiung City	(07)3712111
Kaohsiung Factory: No. 402, Fengren Rd., Renwu District, Kaohsiung City	(07)3712111

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

Name: CTBC Bank Co., Ltd. Transfer Agency Department
Address: 5F, No. 83, Sec.1, Chungking S. Road, Zhongzheng Dist., Taipei City
Telephone: (02)6636-5566
Website: https://www.ctbcbank.com

IV. CPA who audited the financial statements for the most recent year

Name of CPA: CPA Chiu-Yen Wu and Yu-Hsiang Liu
CPA firm name: Deloitte Taiwan
Address: 3F, No. 88, Chengkung 2nd Rd., Qianzhen District, Kaohsiung City
Telephone: (07)5301888
Website: http://www.deloitte.com.tw

V. Name of overseas stock exchange for overseas negotiable securities:

No overseas negotiable securities were issued

Method for accessing information on overseas negotiable securities: N/A

VI. Company website: http://www.sanfang.com.tw

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Chapter 1. Letter to Shareholders

Operation Achievements

Sluggish end consumer market demand and industry inventory adjustments in 2023 had a significant impact on the global economy, causing customers to shift towards more diversified and conservative purchasing approaches. The Company swiftly met market demand and fulfilled the needs of different brand customers by communicating promptly with customers and leveraging resources from our multi-country production bases, all thanks to the management team's alertness in enhancing risk control Although overall operating income declined, profits maintained steady growth thanks to lower raw material costs.

The Company's consolidated revenue for 2023 was NT$10.09 billion, a decrease of 6% compared to the previous year. The operating income was NT$990 million, up 236.5% versus the previous year. Total net income after tax was NT$760 million, up 61.7% versus the previous year. Earnings per share (NT$) was NT$1.91.

Overview of the 2024 business plan

Geopolitical activities continued unabated in 2024, with inflationary pressures showing no signs of easing. Although the global consumer market and economic activities are recovering slowly, customers in the sports industry are no longer enthusiastic about minimizing inventory levels. With the arrival of the Olympic Games this year and the subsequent European Cup and World Cup, major sports events are set to drive a global wave of sports enthusiasm. Steady growth is forecast for the artificial leather sector in the upcoming year.

The company will continue to focus on its two core products of shoe materials and films. We will hasten the development of differentiated shoe materials to satisfy customers' demands for innovative, financially viable, and mass-producible products. We are dedicated to strengthening our bonds with brand customers to secure development opportunities and drive continuous growth in orders. Through building a network of advantageous material suppliers, we will harness their supply advantages to effectively address market demand. Our goal is to swiftly broaden the use of film products in clothing, sports gear, automotive materials, and other sectors to drive operational progress. In 2024, sales of artificial leather are expected to reach 40,300 thousand yards, while the film products 12,200 thousand yards.

Invest in innovative R&D and strive for sustainability

The Company has been actively participating in waste reduction, carbon footprint reduction, recycling efforts, and the development of renewable products, in line with the increasing global environmental sustainability movements. When it comes to recycled polyester (rPET) materials, we continue to use rPET to create a range of eco-friendly, low-carbon, and sustainable materials that align with the principles of product sustainability and enhance product functionality and value. We have heeded the market's request for lightweight, breathable, and eco-conscious products by focusing our efforts on researching and creating recyclable materials, thereby tapping into the green products market, a blue ocean market.

In terms of TPU film materials, to meet the needs of our customers' different processing techniques, we are implementing digital analysis to ensure consistent quality in our TPU film production; we are expanding the application possibilities of highly recycled film products, diversifying product categories and designs to address a wide range of customer requirements, all while contributing to environmental preservation and maximizing circular economy benefits.

The impact from the overall economic, external competitive environment, and regulations

Unsettled geopolitical conflicts and the escalating US-China technology feudare structurally influencing the global economy, thus fueling the growth of regional supply chains. With carbon fees on the horizon in Taiwan, along with higher electricity rates and a growing labor shortage, enterprises will face an increase in operating expenses.

As a result, we will deal cautiously with any situation, construct a resilient supply chain network, and offer customers premium products and expedited manufacturing services. Upholding the principle of developing renewable and recyclable products, we actively source raw materials from places close to the production bases, to cut down on transportation-generated carbon emissions and regulations-led costs. In this way, product sustainability, waste reduction, and carbon reduction have evolved from mere initiatives to core elements of the Company's competitive advantage in corporate operations.

Outlook

As the world moves towards its net-zero ambition, we will grow our company by the principle of sustainability and circular economy. Prioritizing environmental protection, social responsibility, and corporate governance(ESG)promotion will be a demonstration of the Company's long-term corporate values of "taking from society and using it for society".

We are dedicated to enhancing our environmental strategy by continuing to develop energy-saving and carbon-reducing processes, improving recycling and reuse technology, and actively implementing the Science-Based Target Reduction Initiative (SBTi) to move towards a greener business model. When it comes to social strategy, our goal is to establish a diverse, equal, and inclusive (DEI) workplace and promote the sustainable growth of talent; in addition, we will take into consideration the stakeholders' expectations to elevate corporate social value. In the realm of corporate governance, we will continue to cater to the diverse needs of our customers, judiciously deploy production resources across multiple countries to reduce operating costs, and streamline the group's operational management, so as to ensure the best possible returns for all shareholders.

We would like to thank shareholders for your care and support for San Fang sincerely. Hoping that our shareholders, customers, and all employees will join me in co-creating the Company's sustainable development, and a healthy and sustainable development.

Chairman Mun-Jin Lin

June 19, 2024

Chapter 2. Company Overview

I. Date of Establishment: June 16, 1973.

II. Company History**:**

The Company was founded in Kaohsiung City on June 16, 1973, and mainly aimed to construct a PU synthetic leather factory using new production methods. Construction began in 1974, a trial run was carried out in April 1975, and formal production began in June the same year.

The Company was founded over fifty years ago, and its capital increase is briefly described below:

1. When the Company was first established, it was located at No. 402, Fengren Rd., Renwu District, Kaohsiung City with a capital of NT$30,000,000.
2. The Company increased its capital by NT$30,000,000 in cash in January 1975 to improve its financial structure, and its registered capital was NT$100,000,000.
3. The Company increased its capital by NT$40,000,000 in cash in December 1975 in coordination with its business expansion, and the full amount of its registered capital was NT$100,000,000 was paid in.
4. The Company began to diversify in coordination with its business policy to accelerate its growth, and purchased equipment from two companies Qinsheng and Lixin in October 1977. The Company began to relocate the equipment in December the same year and completed installation in February 1978. Production using the equipment began in March the same year, and significantly lowered production cost, resulting in higher profits each year.
5. The annual shareholders' meeting approved a cash capital increase in the amount of NT$45,000,000 in April 1980, and capitalized profits in the amount of NT$55,000,000. The capital was used to add a new factory, coating machine, and auxiliary processing equipment. The registered capital was changed to NT$200,000,000.
6. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$100,000,000 in April 1982 to add raising and dyeing equipment. The registered capital was changed to NT$300,000,000.
7. The annual shareholders' meeting adopted the resolution to capitalize profits in the amount of NT$189,000,000 in April 1984, and added new tape machine and non-woven fabric machine. Of the Company's capital surplus, NT$21,000,000 was capitalized and total capital was changed to NT$510,000,000. The Company was approved to become publicly traded starting on November 23, 1985.
8. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$61,200,000 in April 1986, and the capital was used to add DMF recycling and wet coating machine. The registered capital was changed to NT$571,200,000.

9. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$91,392,000 in April 1987, and the capital was used to add a factory, dry coating machine, and tape machine. The registered capital was changed to NT$662,592,000.
10. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$99,388,800 in April 1988, and the capital was used to add natural leather production equipment. The registered capital was changed to NT$761,980,800.
11. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$76,198,080 in April 1989, and the capital was used to add extruders. The registered capital was changed to NT$838,178,880.
12. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$71,245,200 in May 1990, and the capital was used to add non-woven fabric machines. Capital surplus in the amount of NT$12,572,690 was capitalized. The registered capital was changed to NT$921,996,770.
13. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$79,291,720 in April 1991, and the capital was used to add microfiber fabric and microfiber artificial leather equipment. Capital surplus in the amount of NT$12,907,950 was capitalized. The registered capital was changed to NT$1,014,196,440.
14. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$121,703,580 in April 1992, continuing the capital increase in 1991 for adding microfiber fabric and microfiber artificial leather equipment. The registered capital was changed to NT$1,135,900,020.
15. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$136,308,000 in May 1993, and the capital was used to add wet coating machines and DMF wastewater recycling equipment. The registered capital was changed to NT$1,272,208,020.
16. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$165,387,050 in April 1994, continuing the capital increase in 1993 and registered capital was NT$1,900,000,000. Paid-in capital was NT$1,437,595,070.
17. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$143,759,510 in May 1995, and the capital was used to add microfiber manufacturing equipment. The paid-in capital was NT$1,581,354,580.
18. The Board of Directors adopted the resolution to issue 30,000,000 new shares at NT$14.5 for capital increase by cash in March 1996. The shares were issued at a premium and raised NT$435,000,000 in total. Along with the capitalization of profits to purchase microfiber equipment and repay loans in 1995, paid-in capital was NT$1,881,354,580.
19. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$188,135,460 in April 1998, and the capital was used to purchase non-woven fabric machines. The paid-in capital was NT$2,069,490,040. It is an indirect investment in China. The Company invested in and holds 100% shares of San Fang Financial Holdings Co., Ltd.,

and indirectly invested in Taihuangdao Fusheng Chemical and Leather-making Co., Ltd. through San Fang Financial Holdings Co., Ltd. this year, holding 7.29% shares.

20. To expand into the North China market, the Company indirectly invested in Taihuangdao San Feng Chemical and Leather-making Co., Ltd. through San Fang Financial Holdings Co., Ltd. in 1999, indirectly holding 100% shares.
21. The Company invested in and holds 100% shares of San Fang Development Co., Ltd. in 2000 for global development. The Company indirectly invested in and holds 100% shares of San Fang International Co., Ltd. Through San Fang Development Co., Ltd.
22. The Company indirectly invested in 8% shares of Yentai Wanhua Microfibre Co., Ltd. through San Fang Financial Holdings Co., Ltd. for its business development in 2001. The Company established San Fang International Co., Ltd. for investment purposes, and renamed it Forich Advanced Materials Co., Ltd. in November 2012 due to business needs. Capital increase and reduction was carried out in January 2014 and the Company currently holds 100% shares of Forich Advanced Materials Co., Ltd.
23. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$206,949,000 in May 2003, and the capital was used to replenish working capital in coordination with business needs. The paid-in capital was NT$2,276,439,040. The Company established Grand International Investment Co., Ltd. (GII) through San Fang Development Co., Ltd. for global development, and indirectly invested in San Fang Vietnam Co., Ltd., a processing plant in Vietnam, through GII.
24. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$227,643,900 in May 2004, and the capital was used to replenish working capital in coordination with business needs. The paid-in capital was NT$2,504,082,940. Organizational restructuring was carried out for the convenience of management, and GII shares original held by San Fang Development went through capital reduction and became held by the newly established wholly-owned subsidiary Grand Capital Limited.
25. The Company established Bestac Advanced Material Co., Ltd. in 2005 to engage in the development of new businesses and sale of new products, so as to enhance the Company's competitiveness.
26. The Company established Foretrol Precision Materials Co., Ltd. in 2007 to expand its scope of business and engage in the development, manufacturing, and sales of new businesses and new products.
27. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$125,204,150 in June 2008, and the capital was used to replenish working capital in coordination with business needs. The paid-in capital was NT$2,629,287,090.
28. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$341,807,330 in June 2009, and the capital was used to replenish working capital in coordination with business needs. The paid-in capital was NT$2,971,094,420.

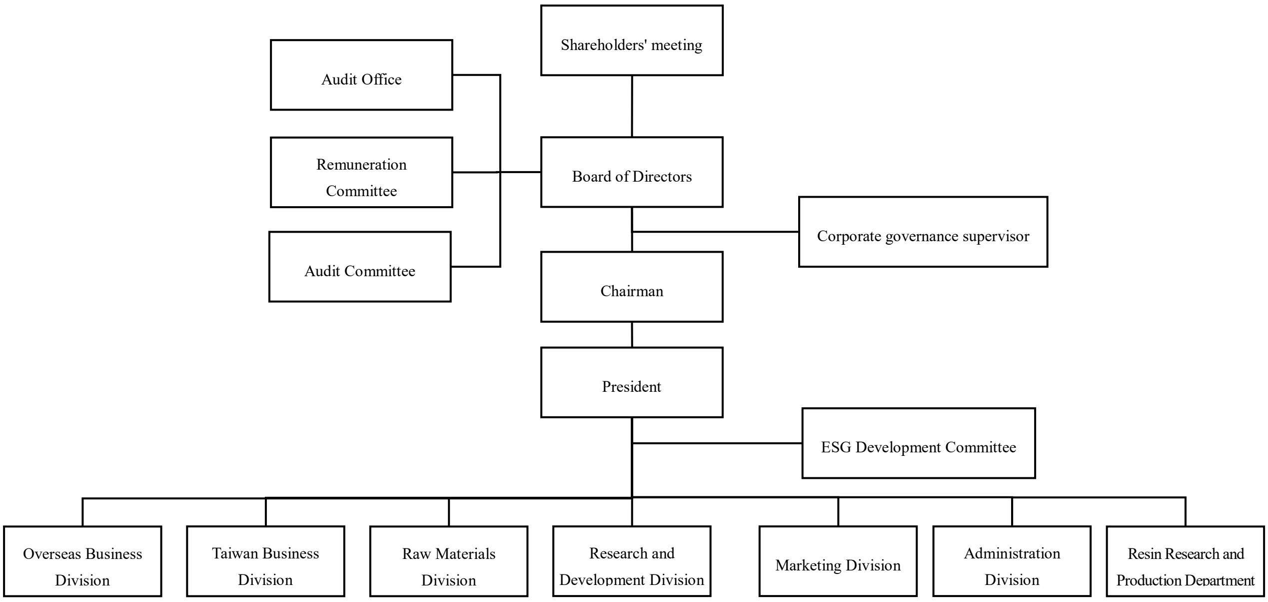
29. GCL invested in and holds 100% shares of Java Ocean Business Limited (JOB) in September 2009 for global development, and then JOB invested in P.T. San Fang, which established a processing plant in Indonesia.
30. SFD invested in and holds 100% shares of Brave Business Holding Limited (BBH) in November 2009 for global development, and then BBH established Dongguan Fucang Shoe Materials Co., Ltd. in April 2010.
31. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$148,554,730 in June 2010, and the capital was used to replenish working capital in coordination with business needs. The paid-in capital was NT$3,119,649,150.
32. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$311,964,920 in June 2011, and the capital was used to replenish working capital in coordination with business needs. The paid-in capital was NT$3,431,614,070.
33. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$102,948,430 in June 2012, and the capital was used to replenish working capital in coordination with business needs. The paid-in capital was NT$3,534,562,500.
34. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$106,036,880 in June 2013, and the capital was used to replenish working capital in coordination with business needs. The paid-in capital was NT$3,640,599,380. The subsidiary Sanfeng Chemical originally leased land and plant from the local development zone for its production and sales activities. Sanfeng Chemical received a notice in July 2010 that the local government passed the policy to change Qinhuangdao Development Zone into a commercial district, and that it needed to terminate its lease agreement and handover land and equipment before September 2010. Sanfeng Chemical terminated production at the end of September 2010 and completed liquidation procedures in July 2013. De-registration was approved by the local competent authority in September 2013. The subsidiary GCL increased its investment by NT$470,793,000 in November 2013.
35. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$109,217,990 in June 2014, and the capital was used to replenish working capital in coordination with business needs. The paid-in capital was NT$3,749,817,370. Subsidiary San Fang Financial Holdings Co., Ltd. reduced capital by US$1,550,000 in August 2014 and refunded payments for shares.
36. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$112,494,530 in June 2015, and the capital was used to replenish working capital in coordination with business needs. The paid-in capital was NT$3,862,311,900. Subsidiary GCL reduced capital and refunded payment for shares in the amount of NT$433,580,000 in July 2015.
37. Subsidiary Foretrol Precision Materials Co., Ltd. increased capital by NT$50,000,000 in March 2016, and paid-in capital was NT$300,000,000.

38. Subsidiary San Fang International Co., Ltd. Invested in Megatrade Profits Limited (MPL) in 2016, and then MPL invested US$3,484,104 in cash and US$5,515,896 in machinery and equipment in Dongguan Baoliang Material Technology Co., Ltd. (BAL). BAL's paid-in capital was US$9,000,000.
39. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$115,869,360 in June 2016, and the capital was used to replenish working capital in coordination with business needs. The paid-in capital was NT$3,978,181,260.
40. The Company acquired shares of Giant Tramp Limited (GTL) in October 2017 and indirectly obtained 100% shares of Dongguan Yuguo Shoe Materials Co., Ltd.
41. The Company merged BAL and Dongguan Yuguo Shoe Materials Co., Ltd. in April 2018 to integrate resources.
42. The Company merged BAL and Dongguan Fucang Shoe Materials Co., Ltd. in November 2018 to integrate resources.
43. The Company merged Bestac Advanced Material Co., Ltd. and Foretrol Precision Materials Co., Ltd. in October 2019 to integrate resources.
44. Passes IATF16949 certification in 2019.
45. Received commendation medals for member company with contributions to epidemic prevention presented by the Ministry of Economic Affairs and for epidemic prevention from the Ministry of Health and Welfare in 2020.
46. Passes GRS certification in 2020.
47. In May 2023, the Board of Directors of Grand International Investment Corporation Limited passed a resolution to convert the US$27 million loan to capital stock for the capital increase of the affiliate, San Fang Vietnam Co., Ltd. (SFV). After the capital increase, SFV's paid-in capital was US$36 million.

Chapter 3. Corporate Governance Report

I. Organization

Organizational structure:



Business operations of major departments:

(1) ESG Development Committee: Responsible for the establishment and implementation of corporate social responsibility policies and risk management policies.

(2) Audit Office: Responsible for regular and irregular audits of operations and systems.

(3) Administration Division: Responsible for matters related to finance, information, human resources, quality assurance, materials, and cost performance.

(4) Research and Development Division: Responsible for research and development of new products and production technologies and modifications.

(5) Raw Materials Division: Responsible for the manufacturing of film and microfiber.

(6) Marketing Division: Responsible for marketing, price setting, customer development, product sales, sales contract signing, customer services, and account management.

(7) Resin Research and Production Department: Responsible for the R&D and manufacturing of synthetic resin.

(8) Taiwan Business Division: Responsible for the artificial leather products, expansion of production machinery and equipment, maintenance and repair, factory environment maintenance, and industrial safety.

(9) Overseas Business Division: Responsible for the manufacturing and marketing of artificial leather products.

II. Information on directors, president, vice presidents, assistant vice presidents, and department and branch directors

(I) Information on Directors

April 21, 2024

Title	Nationality or place of registration	Name	Gender Age	Date of election (appointment)	Term	Date first elected	Shares held when elected		Current Shareholding		Shares currently held by spouse and underage children		Shares held in the name of others		Experience (Education)	Other positions at the Company or elsewhere	Another managerial officer, director or supervisor who is the spouse or a relative within second degree			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chairman	R.O.C.	San Fang Investment Co., Ltd.		2021.08.18	2021.08.18~ 2024.08.17	2012.06.06	1,143,574	0.29%	1,143,574	0.29%	0	0	0	0	N/A	Chairman of the Company	N/A			N/A
Representative of institutional chairman	R.O.C.	Representative: Mun-Jin Lin	Male Between 60 and 69 years old	2021.08.18	2021.08.18~ 2024.08.17	2006.05.24	26,239,427	6.60%	26,239,427	6.60%	155,559	0.04%	1,143,574	0.29%	Chairman of San Fang Chemical Industry Co., Ltd. PhD in Business Management of National Sun Yat-sen University Master, Johns Hopkins University					
Director	R.O.C.	Pou Chien Technology Co., Ltd.		2021.08.18	2021.08.18~ 2024.08.17	2015.06.09	36,549,118	9.19%	36,549,118	9.19%	0	0	0	0	N/A	Director of Pou Chen Corporation and Chairman of the Board of directors and Executive Director of Yue Yuen Industrial (Holdings) Ltd.	N/A			N/A
Representative of institutional director	R.O.C.	Representative: Chin-Chun Lu	Male Between 60 and 70 years old	2021.08.18	2021.08.18~ 2024.08.17	2000.05.17	0	0	0	0	0	0	0	0	President and Director of Pou Chen Corporation MBA, National Chung Hsing University					
Director	R.O.C.	Pou Chien Technology Co., Ltd.		2021.08.18	2021.08.18~ 2024.08.17	2015.06.09	36,549,118	9.19%	36,549,118	9.19%	0	0	0	0	N/A	Executive Assistant Vice President of Pou Chen Corporation Director of Prosperous Industrial (Holdings) Limited	N/A			N/A
Representative of institutional director	R.O.C.	Representative: Yuan-Huang Liao	Male Between 50 and 59 years old	2022.08.30	2022.08.30~ 2024.08.17	2022.08.30	0	0	0	0	0	0	0	0	Executive Assistant Vice President of Pou Chen Corporation, Executive Director of Pou Sheng International Limited (Hong Kong), and Director of Nan Pao Resins Chemical Co., Ltd. Master, University of Cambridge					
Director	R.O.C.	Pou Chien Technology Co., Ltd.		2021.08.18	2021.08.18~ 2024.08.17	2015.06.09	36,549,118	9.19%	36,549,118	9.19%	0	0	0	0	N/A	Chairman of Tah Kong Fine Chemical (Kun-Shan) Co., Ltd. Chairman of Guangyou International Investment Co., Ltd. Director Chin Xin Investment Co., Ltd. Chairman of Logah Technology Corporation	N/A			N/A
Representative of institutional director	R.O.C.	Representative: Chia-Hui Teng	Male Between 60 and 69 years old	2021.08.18	2021.08.18~ 2024.08.17	2018.06.12	5,368,891	1.35%	5,368,891	1.35%	20,442	0.01%	0	0	Chairman of Tah Kong Fine Chemical (Kun-Shan) Co., Ltd. Master of Accounting, New York University					
Independent director	R.O.C.	Li-Syuan Lin	Male Between 60 and 69 years old	2021.08.18	2021.08.18~ 2024.08.17	2015.06.09	0	0	0	0	0	0	0	0	President of King's Town Bank and former Vice President of Chase Bank Master, University of California	Executive Director of Acosta Ventures (BVI) Limited, Independent Director of Fong-Chien Construction Co., Ltd.	N/A			N/A

Title	Nationality or place of registration	Name	Gender Age	Date of election (appointment)	Term	Date first elected	Shares held when elected		Current Shareholding		Shares currently held by spouse and underage children		Shares held in the name of others		Experience (Education)	Other positions at the Company or elsewhere	Another managerial officer, director or supervisor who is the spouse or a relative within second degree			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Independent director	R.O.C.	Wan-Lin Hsu	Male 82 years old	2021.08.18	2021.08.18~ 2024.08.17	2015.06.09	0	0	0	0	0	0	0	0	Partner of KPMG Taiwan for 25 years and former assistant auditor of the Executive Yuan Tax Reform Committee Bachelor of Business Administration, National Taiwan University	Member of the Company's Remuneration Committee	N/A			N/A
Independent director	R.O.C.	Chih-Long Chou	Male Between 50 and 59 years old	2021.08.18	2021.08.18~ 2024.08.17	2018.06.12	0	0	0	0	0	0	0	0	Accountant, Pragmatic CPA Firm and supervisor of St. Shine Optical Co., Ltd. Master of Financial Management, National Kaohsiung First University of Science and Technology	Member of the Company's Remuneration Committee	N/A			N/A

Note 1: The Company's chairman and president are not the same person.

Major shareholders of institutional shareholders April 21, 2024

Name of institutional shareholder	Major shareholders of institutional shareholders	
San Fang Investment Co., Ltd.	Mun-Jin Lin	100%
Pou Chien Technology Co., Ltd.	Pou Chien Chemical (Holdings) Ltd.	96.31%

Main shareholders of institutional shareholders April 21, 2024

Name of Institution	Major shareholders of institution	
Pou Chien Chemical (Holdings) Ltd.	Key International Co., Ltd.	100%

Disclosure of professional qualifications of directors and independence of independent directors

Qualifications / Name	Professional qualifications and experience	Independence criteria of independent director	Number of other public companies in which the individual is concurrently serving as an independent director
Chairman Mun-Jin Lin	1. As the President of the Company for about 12 years, having the work experience required for the Company's business. 2. Expertise in business administration, strategic planning, and corporate development. 3. Not having any of the situations set forth in Subparagraphs of Article 30 of the Company Act.	N/A	0
Director Chin-Chun Lu	1. President of Pou Chen Corporation for more than 10 years and Chairman of the Board of directors and Executive Director of Yue Yuen Industrial (Holdings) Ltd., with about 40 years of experience in the production of footwear and shoe materials. 2. Expertise in production management, operation management and corporate development. 3. Not having any of the situations set forth in Subparagraphs of Article 30 of the Company Act.	N/A	0
Director Yuan-Huang Liao	1. He served as the Executive Assistant Vice President of Pou Chen Corporation and Director of Prosperous Industrial (Holdings) Limited. He was former Director of Nan Pao Resins Chemical Co., Ltd., and Executive Director of Pou Sheng International Limited (Hong Kong). He has accumulated more than 29 years of experience in banking, finance, corporate management, and business operations. 2. Expertise in corporate management and financial management. 3. Not having any of the situations set forth in Subparagraphs of Article 30 of the Company Act.	N/A	0
Director Chia-Hui Teng	1. As the Chairman of Tah Kong Chemical Industrial Corp. for more than 25 years, having the work experience required for the Company's business. 2. Expertise in corporate management, corporate development and accounting and auditing. 3. Not having any of the situations set forth in Subparagraphs of Article 30 of the Company Act.	N/A	0

Qualifications Name	Professional qualifications and experience	Independence criteria of independent director	Number of other public companies in which the individual is concurrently serving as an independent director
Independent Director Li-Syuan Lin	1. Former President of King's Town Bank. 2. Former Vice President of Chase Bank. 3. Executive Director of Acosta Ventures (BVI) Limited. 4. As the member of the Audit Committee of the Company, having the expertise in finance. 5. Current Independent Director of Fong-Chien Construction Co., Ltd. 6. Not having any of the situations set forth in Subparagraphs of Article 30 of the Company Act.	The Company's independent directors do not have the following conditions and the independence criteria are met: 1. An employee of the Company or any of its affiliates. 2. The independent directors and their spouses and relatives within second degree serve as directors, supervisors, or employees of the Company or any of its affiliates. 3. The independent directors and their spouses and relatives within second degree hold shares of the Company in their own names (or in any third party's name). 4. The independent directors and their spouses and relatives within second degree serve as directors, supervisors, or employees of any company that has a specific relationship with the Company. 5. The independent directors and their spouses and relatives within second degree received remuneration from providing business, legal, financial, or accounting service to the Company or any of its affiliates in the last two years.	1
Independent Director Wan-Lin Hsu	1. Partner of KPMG Taiwan for 25 years. 2. Former assistant auditor of the Executive Yuan Tax Reform Committee. 3. As the member of the Audit Committee of the Company, having the expertise in accounting and auditing. 4. Former Independent Director and Remuneration Committee member of JMC Electronics Co., Ltd. 5. Not having any of the situations set forth in Subparagraphs of Article 30 of the Company Act.		0
Independent Director Chih-Long Chou	1. Accountant, Pragmatic CPA Firm. 2. As the member of the Audit Committee of the Company, having the expertise in accounting and auditing. 3. Former supervisor of St. Shine Optical Co., Ltd. 4. Not having any of the situations set forth in Subparagraphs of Article 30 of the Company Act.		0

Board diversity and independence:

Board diversity:

The Company set forth its Board diversity policy in Article 23 of the "Corporate Governance Best Practice Principles", including the basic qualifications and values (e.g., gender, age, nationality, and culture) and professional knowledge and skills (e.g. Law, accounting, industry, finance, marketing, or technology) of Board members. The abilities that the Board of Directors should have as a whole to achieve the goals of corporate governance include the ability to make sound business judgments, ability to manage a business, ability to handle crisis management, knowledge of the industry, and financial accounting. For the specific management goals of the Company's board diversity policy, the achievement status of the goals and the implementation status of the policy, it has been achieved by now and disclosed on the Company's website that the members of the board of directors have rich experience in the fields of manufacturing, operations, and management, and that board diversity is achieved by having more than two directors with accounting and auditing expertise. Ensuring equal representation of genders on the board of directors is a key focus for the Company, which plans to elect one female director in the general election for directors of the 18th board of directors in 2024.

Core items of diversification / Name of director	Gender	Age	Number years served as independent director	Highest degree	Industry experience	Academic experience	Field of expertise
San Fang Investment Co., Ltd. Representative: Mun-Jin Lin	Male	Between 60 and 69 years old	N/A	PhD in Business Management of National Sun Yat-sen University Master, Johns Hopkins University	v		Business administration, strategic planning, and corporate development
Pou Chien Technology Co., Ltd. Representative: Chin-Chun Lu	Male	Between 60 and 70 years old	N/A	Master, College of Management, National Chung Hsing University	v		Production management and business administration
Pou Chien Technology Co., Ltd. Representative: Chia-Hui Teng	Male	Between 60 and 69 years old	N/A	Master of Accounting, New York University	v		Business administration, accounting, and auditing

Core items of diversification / Name of director	Gender	Age	Number years served as independent director	Highest degree	Industry experience	Academic experience	Field of expertise
Pou Chien Technology Co., Ltd. Representative: Yuan-Huang Liao	Male	Between 50 and 59 years old	N/A	Master, University of Cambridge	v		Business administration and financial management
Independent Director Li-Syuan Lin	Male	Between 60 and 69 years old	8~9 years	Master, University of California	v		Finance
Independent Director Wan-Lin Hsu	Male	82 years old	8~9 years	Bachelor of Business Administration, National Taiwan University	v		Accounting and auditing
Independent Director Chih-Long Chou	Male	Between 50 and 59 years old	5~6 years	Master of Financial Management, National Kaohsiung First University of Science and Technology	v	v	Accounting and auditing

Board independence:

The Company has a total of 7 directors in the 17th-term Board of Directors, in which 43% are directors who are not concurrently employees of the Company and independent directors. In addition, there is no spousal relationships or kinship within the second degree among the directors. As stated above, the independence goals have all been achieved.

(II) President, Vice Presidents, Assistant Vice Presidents, and Department and Branch Directors

April 21, 2024

Title	Nationality	Name	Gender	Date of election (appointment)	Shares held		Shares held by spouse and underage children		Shares held in the name of others		Experience (Education)	Concurrently held positions in other companies	Another manager who is the spouse or a relative within the second degree			Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
President	R.O.C.	Chih-I Lin	Male	2018.06.22	0	0.00%	0	0.00%	0	0.00%	Undergraduate program	N/A	N/A			N/A
Vice President	R.O.C.	Chin-Fa Chiu	Male	2015.07.01	50,000	0.01%	0	0.00%	0	0.00%	Senior High School	N/A	N/A			N/A
Vice President	R.O.C.	Wei-Chu Chen	Male	2015.07.01	10,566	0.00%	0	0.00%	0	0.00%	Graduate program	N/A	N/A			N/A
Vice President	R.O.C.	Kuo-Kuang Cheng	Male	2015.07.01	1,156	0.00%	0	0.00%	0	0.00%	Ph.D	N/A	N/A			N/A
Vice President	R.O.C.	Li-Chuan Li	Male	2015.07.01	0	0.00%	0	0.00%	0	0.00%	Undergraduate program	N/A	N/A			N/A
Vice President and Financial Officer	R.O.C.	Hsin-Hung Lin	Male	2007.09.01	0	0.00%	0	0.00%	0	0.00%	Graduate program	N/A	N/A			N/A
Vice President	R.O.C.	Liang-Chuan Hsu	Male	2022.05.11	0	0.00%	120	0.00%	0	0.00%	Senior High School	N/A	N/A			N/A
Assistant Vice President	R.O.C.	Chang I-Cheng	Male	2019.07.01	2,108	0.00%	0	0.00%	0	0.00%	Junior college	N/A	N/A			N/A
Assistant Vice President	R.O.C.	Chin-Liang I	Male	2019.07.01	0	0.00%	0	0.00%	0	0.00%	Junior college	N/A	N/A			N/A
Assistant Vice President	R.O.C.	Chen-Tai Cheng	Male	2021.05.01	0	0.00%	0	0.00%	0	0.00%	Undergraduate program	N/A	N/A			N/A
Head of accounting	R.O.C.	Hua-Hsing Wang	Male	2015.08.07	0	0.00%	0	0.00%	0	0.00%	Undergraduate program	N/A	N/A			N/A

Note 1: The Company's managers did not work for the certifying accounting firm or its affiliated enterprises in the past year.

Note 2: The Company's chairman and president are not the same person.

Note 3: Vice President Chin-Fa Chiu retired on February 29, 2024.

(III) The chairman and president or equivalent position (highest level managerial officer) is the same person, the spouse, or a first-degree relative:

N/A.

III. Remunerations to directors, president, and vice presidents in the most recent year

(I) Director's remuneration

Unit: Thousand NTD

Title	Name	Director's remuneration								Ratio of total remuneration (A+B+C+D) to net income after tax		Pay received as an employee								Ratio of total compensation (A+B+C+D+E+F+G) to net income after tax		Remuneration received from investee companies other than subsidiaries or the parent company
		Remuneration (A)		Severance pay and pension (B)		Directors' remuneration (C)		Business expense (D)				Salary, bonus and special allowance (E)		Severance pay and pension (F)		Employee bonuses (G)						
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company		All Consolidated Entities		The Company	All Consolidated Entities	
																Cash amount	Stock amount	Cash amount	Stock amount			
Chairman	San Fang Investment Co., Ltd. Representative: Mun-Jin Lin	909	909	0	0	21,081	21,081	720	720	22,710 2.99%	22,710 2.99%	0	0	0	0	0	0	0	0	22,710 2.99%	22,710 2.99%	N/A
Director	Pou Chien Technology Co., Ltd. Representative: Chin-Chun Lu																					
Director	Pou Chien Technology Co., Ltd. Representative: Yuan-Huang Liao																					
Director	Pou Chien Technology Co., Ltd. Representative: Chia-Hui Teng																					
Independent director	Li-Syuan Lin	1,560	1,560	0	0	0	0	0	0	1,560 0.21%	1,560 0.21%	0	0	0	0	0	0	0	0	1,560 0.21%	1,560 0.21%	N/A
Independent director	Wan-Lin Hsu																					
Independent director	Chih-Long Chou																					

Note 1: The policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration:
The Company's independent directors do not participate in the distribution of directors' remuneration to maintain their independence and receive fixed monthly salaries instead, regardless of their responsibilities, risks, time invested, and other factors. The remuneration of the Audit Committee's convener is 1.25 times that of independent directors because the convener is responsible for convening and handling related matters of the Audit Committee and for approving audit reports. The remuneration policy takes into consideration the general level in the same industry reviewed by the Remuneration Committee and approved by the Board of Directors.

Note 2: Except as disclosed above, remuneration received by directors in the most recent year for services to the Company (e.g. acting as a non-employee consultant to parent company/all companies in the financial statements/investee company): N/A

Note 3: No individual director received remuneration exceeding NT$15 million.

Note 4: No directors pledged more than 50% shares in the most recent year.

Note 5: The amount of directors' remuneration to be distributed was approved by the Board of Directors on March 06, 2024.

Note 6: The annual salary of the Company's full-time non-managerial employees averaged NT$848,000 in the most recent year, up 16% year on year.

Range of remuneration chart

Remuneration scale applicable to the Company's directors	Name of director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All Consolidated Entities	The Company	All Consolidated Entities
Less than NT$1,000,000	Li-Syuan Lin, Wan-Lin Hsu, Chih-Long Chou	Li-Syuan Lin, Wan-Lin Hsu, Chih-Long Chou	Li-Syuan Lin, Wan-Lin Hsu, Chih-Long Chou	Li-Syuan Lin, Wan-Lin Hsu, Chih-Long Chou
NT$1,000,000 (inclusive) to NT$2,000,000 (exclusive)				
NT$2,000,000 (inclusive) to NT$3,500,000 (exclusive)				
NT$3,500,000 (inclusive) to NT$5,000,000 (exclusive)				
NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive)	San Fang Investment Co., Ltd. Representative Mun-Jin Lin Pou Chien Technology Co., Ltd. Representative Chin-Chun Lu Pou Chien Technology Co., Ltd. Representative Yuan-Huang Liao Pou Chien Technology Co., Ltd. Representative Chia-Hui Teng	San Fang Investment Co., Ltd. Representative Mun-Jin Lin Pou Chien Technology Co., Ltd. Representative Chin-Chun Lu Pou Chien Technology Co., Ltd. Representative Yuan-Huang Liao Pou Chien Technology Co., Ltd. Representative Chia-Hui Teng	San Fang Investment Co., Ltd. Representative Mun-Jin Lin Pou Chien Technology Co., Ltd. Representative Chin-Chun Lu Pou Chien Technology Co., Ltd. Representative Yuan-Huang Liao Pou Chien Technology Co., Ltd. Representative Chia-Hui Teng	San Fang Investment Co., Ltd. Representative Mun-Jin Lin Pou Chien Technology Co., Ltd. Representative Chin-Chun Lu Pou Chien Technology Co., Ltd. Representative Yuan-Huang Liao Pou Chien Technology Co., Ltd. Representative Chia-Hui Teng
NT$10,000,000 (inclusive) to NT$15,000,000 (exclusive)				
NT$15,000,000 (inclusive) to NT$30,000,000 (exclusive)				
NT$30,000,000 (inclusive) to NT$50,000,000 (exclusive)				
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)				
NT$100,000,000 and above				
Total	7 persons	7 persons	7 persons	7 persons

Note 1: The Company's 3 independent directors have not served for more than 9 years and do not concurrently hold the position of director and supervisor of more than 5 TWSE/TPEx-listed companies.

Note 2: The Company has 0 executive directors, which does not exceed 1/3 of all director seats.

(II) Remuneration to supervisors: The Company does not have any supervisors.

(III) Remunerations to the president and vice presidents

Unit: Thousand NTD

Title	Name	Salary (A)		Severance pay and pension (B)		Bonuses and allowances, etc. (C)		Employee bonuses (D)				Ratio of total remuneration (A+B+C+D) to net income after tax (%)		Remuneration received from investee companies other than subsidiaries or the parent company
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company		All Consolidated Entities		The Company	All Consolidated Entities	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Chih-I Lin	10,982	11,702	719	719	12,518	12,518	1,460	0	1,460	0	3.38%	3.47%	N/A
Vice President	Chin-Fa Chiu													
Vice President	Hsin-Hung Lin													
Vice President	Wei-Chu Chen													
Vice President	Kuo-Kuang Cheng													
Vice President	Li-Chuan Li													
Vice President	Liang-Chuan Hsu													

Note 1: All amounts for severance pay and pension are the amount allocated.

Note 2: Vice President Chin-Fa Chiu retired on February 29, 2024.

Note 3: The Company did not have any net loss after tax and was not ranked in the last two grades bracket of the Corporate Governance Evaluation in the past three years. Hence, the Company does not need to disclose information on the remuneration for its top five highest paid managers.

Range of remuneration chart

Range of Remuneration Paid to the President and Vice Presidents of the Company	Names of president and vice presidents	
	The Company	All Consolidated Entities
Less than NT$1,000,000		
NT$1,000,000 (inclusive) to NT$2,000,000 (exclusive)		
NT$2,000,000 (inclusive) to NT$3,500,000 (exclusive)	Chin-Fa Chiu, Hsin-Hung Lin, Wei-Chu Chen, Kuo-Kuang Cheng, Li-Chuan Li, Liang-Chuan Hsu	Hsin-Hung Lin, Wei-Chu Chen, Kuo-Kuang Cheng, Li-Chuan Li
NT$3,500,000 (inclusive) to NT$5,000,000 (exclusive)	Chih-I Lin	Chih-I Lin, Chin-Fa Chiu, Liang-Chuan Hsu
NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive)		
NT$10,000,000 (inclusive) to NT$15,000,000 (exclusive)		
NT$15,000,000 (inclusive) to NT$30,000,000 (exclusive)		
NT$30,000,000 (inclusive) to NT$50,000,000 (exclusive)		
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)		
NT$100,000,000 and above		
Total	7 persons	7 persons

(IV) Names of managerial officers that received employee bonuses and status of the distribution

May 08, 2024

Unit: Thousand NTD

	Title	Name	Stock amount	Cash amount	Total	Ratio of total amount to net income (%)
Managers	President	Chih-I Lin	No stock dividend was distributed	2,202	2,202	0.29%
	Vice President	Chin-Fa Chiu				
	Vice President	Wei-Chu Chen				
	Vice President	Kuo-Kuang Cheng				
	Vice President	Li-Chuan Li				
	Vice President and Financial Officer	Hsin-Hung Lin				
	Vice President	Liang-Chuan Hsu				
	Assistant Vice President	Chang I-Cheng				
	Assistant Vice President	Chin-Liang I				
	Assistant Vice President	Chen-Tai Cheng				
	Head of accounting	Hua-Hsing Wang				

(V) Compare the percentage of after-tax net profit distributed by the Company and all companies on the consolidated financial statements as remuneration to the Company's directors, president, and vice presidents in the most recent two years, and describe the policy, standard, and composition of remuneration, procedures to determining remuneration, and the connection to business performance and future risks.

I. Analysis of remuneration paid by the Company and all consolidated entities in the consolidated financial statements in the last two years to Directors, President, and Vice Presidents as a percentage of net profit after tax:

Item	The Company				All Consolidated Entities			
	2023	%	2022	%	2023	%	2022	%
Director	24,270	3.19%	15,484	3.29%	24,270	3.19%	15,484	3.29%
President and vice presidents	25,679	3.38%	19,363	4.12%	26,399	3.47%	21,386	4.55%
Net profit after tax	760,274		470,114		760,274		470,114	

Note: The Company established the Audit Committee on 2018.06.12 to replace the role of the supervisors.

II. The policy, standard, and composition of paying remuneration, procedures to determining remuneration, and the connection to business performance and future risks.

(1) The policies, standards, and composition of remunerations, and packages of remuneration:

1. Remuneration to directors shall be in accordance with the Articles of Incorporation

Article 21: The Board of Directors is authorized to determine the regular earnings of directors based on their participation in the Company's operations, value of contributions, and industry standards. Transportation allowance for directors shall be determined by the Board of Directors. Independent directors receive fixed compensation and do not receive any variable compensation.

Article 24: The Company shall allocate 3-5% of its profit for the year (before tax and before distribution of employee bonuses and directors' remuneration) as employee bonuses and no more than 3% as remuneration of directors and supervisors.

2. The remuneration to managerial officers is based on the resolution in the 10th meeting of the 11th-term Board of Directors on March 8, 2005.

Agenda content: To formulate regulations on regular earnings of the Company's managerial officers.

Description: (I) Handled according to Article 29 of the Company Act and Letter Tai-Zheng-Shang-Zi No. 0940100293 from Taiwan Stock Exchange Corporation dated February 1, 2005.

(II) To authorize the chairman to determine the regular earnings of managerial officers based on their participation in the Company's operations, value of contributions, and industry standards, and the same shall apply to any adjustments.

(2) The procedures for setting remuneration:

1. Every year, the remuneration of directors and managers is evaluated through self-evaluation or peer evaluation methods, and the evaluation outcomes are presented to the board of directors of the following year. The Company will consider the performance evaluation results of its board of directors when selecting or nominating new directors. The Company established the Employee Performance Evaluation Implementation Guidelines and conducts performance evaluations every six months, which serves as the basis for annual salary raises and bonuses. In addition, before distributing reasonable remuneration to directors, presidents, and vice presidents, the Company conducts a review of the above remuneration by Articles 4 and 5 of the Remuneration Committee Charter of the Company, taking into account the policy and standards for granting remuneration to directors, presidents, and vice presidents. The said review of salary and remuneration is based on Article 5 of the Company's Remuneration Committee Charter:

Article 5 The Committee shall perform its duties in the preceding article according to the following principles:

I. Ensure that the Company's overall remuneration is in compliance with the law and sufficient to attract outstanding talent.

II. Performance evaluations and remuneration of directors and managerial officers should take into consideration industry standards, and the reasonableness of the connection with individual performance, the Company's business performance, and future risks.

III. Do not guide directors and managers to engage in actions that exceed the Company's risk appetite for higher remuneration.

IV. The percentage of remuneration distributed for the short-term performance of directors and senior executives and the time of payment for variable compensation shall be determined after considering industry characteristics and the nature of the Company's business.

V. Committee members may not participate in discussions and voting on decisions regarding their individual remuneration.

Remuneration in this Charter includes cash compensation, stock options, bonuses, retirement benefits or severance pay, allowances, and other incentive measures. The scope of remuneration must be consistent with the remuneration to directors and managerial officers in the Regulations Governing Information to be Published in Annual Reports of Public Companies.

The Board of Directors shall comprehensively consider the amount of remuneration, payment method, and the Company's future risks when discussing recommendations of the Committee.

If the remuneration of directors and managerial officers of the Company's subsidiaries requires approval from the Company's Board of Directors in accordance with the subsidiary's delegation of authority, the Remuneration Committee shall first be requested to make a recommendation submitted to the Board of Directors for discussion.

(3) Connection between performance evaluations and the remuneration of directors and managerial officers:

1. Connection between performance evaluations and the remuneration of directors:
   The policy, system, standard, and structure of remuneration to directors, and the correlation between duties, risk, and time input with the amount of remuneration:
   The Company's institutional director receives a fixed transportation allowance and the Company's independent directors do not participate in the distribution of directors' remuneration to maintain their independence, and received fixed monthly salaries instead, regardless of their responsibilities, risks, time invested and other factors. The remuneration of the Audit Committee's convener is 1.25 times that of independent directors because the convener is responsible for convening and handling related matters of the Audit Committee and for approving audit reports.
2. Connection between performance evaluations and the remuneration of the managers:
   Remuneration to the Company’s managers encompasses a fixed monthly salary, variable pay (employee compensation, year-end bonus, and other incentives), and a pension calculated and disbursed as per legal requirements. The fixed monthly salary is determined in relation to the job tasks, responsibilities, risks involved in decision-making, and salary standards within the industry. Variable pay is assessed according to the Company's operating performance and managers' attainment of MBO performance indicators, which consist of objectives defined for different job roles, covering revenue targets, rate of profitability enhancement, talent

preparedness, financial operations, and successful interest rate management.

(4) The connection to business performance and future risks:

1. The Company considers operating performance when determining remuneration to directors and managers. In addition, performance objectives and the remuneration distribution standards, structure, and system are also adjusted for future risks, so that they do not act in a way that surpasses the Company's risk appetite simply to seek remuneration.
2. The Company puts in place an employee stock ownership trust program, by which managers and the Company make monthly contributions for purchase of the Company stocks, which will be paid upon retirement or resignation and whose value is related to the future stock price, meaning that they share the same future operating risks with the Company.

IV. Implementation of Corporate Governance

(I) Status of Board operations

Status of Board Operations

A total of 6 Board meetings were held in the most recent year. The attendance was as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance in person (%)	Remarks
Chairman	San Fang Investment Co., Ltd. Representative: Mun-Jin Lin	6	0	100%	
Director	Pou Chien Enterprise Co., Ltd. Representative: Chin-Chun Lu	6	0	100%	
Director	Pou Chien Technology Co., Ltd. Representative: Yuan-Huang Liao	3	3	50%	
Director	Pou Chien Technology Co., Ltd. Representative: Chia-Hui Teng	6	0	100%	
Independent director	Li-Syuan Lin	6	0	100%	
Independent director	Wan-Lin Hsu	5	1	83%	
Independent director	Chih-Long Chou	6	0	100%	

Other disclosures:

I. If any of the following circumstances occurs in the operation of the Board of Directors, the date, period, content of the motions, the opinions of all independent directors, and the Company's handling of independent directors' opinions shall be stated:

(I) Matters referred to in Article 14 -3 of the Securities and Exchange Act:

Date of Board meeting	Session	Agenda content	All independent directors' opinions	The Company's handling of independent directors' opinions
2023.01.13	11th meeting of 17th-term	1. Establishment of the Company's risk management policies and procedures. 2. Proposal to acknowledge endorsements/guarantees provided by the Company to subsidiaries. 3. Proposal for the replacement of the CPA for the Company's financial statements. 4. Proposal to evaluate the 2023 CPA's independence and competence based on the Audit Quality Indicators (AQIs). 5. Establishment of the Company's general principles for the policy of advance approval for non-assurance services.	No dissenting or unqualified opinions	Approved as proposed
2023.03.09	12th meeting of 17th-term	1. Proposed 2022 "Statement on Internal Control System". 2. Proposal to amend the Company's "Corporate Governance Best Practice Principles".	No dissenting or unqualified opinions	Approved as proposed
2023.06.13	14th meeting of 17th-term	1. Proposal to acknowledge endorsements/guarantees provided by the Company to subsidiaries.	No dissenting or unqualified opinions	Approved as proposed
2023.08.08	15th meeting of 17th-term	1. Proposal to discuss the "Directors' remuneration in 2022" proposed by the Remuneration Committee.	When the 2022 Directors Remuneration Proposal raised by the Remuneration Committee was deliberated, Chairman Mun-Jin Lin, Director Chin-Chun Lu, Director Yuan-Huang Liao, and Director Chia-Hui Teng, being an interested party, recused themselves; the proposal was then approved by all independent directors present.	Approved as proposed
2023.11.08	16th meeting of 17th-term	1. Investing in a newly established trading company in India as part of a joint venture. 2. A loan of NT$100 million to the wholly-owned subsidiary Bestac Advanced Material Co., Ltd. 3. Proposed 2024 audit plan.	No dissenting or unqualified opinions	Approved as proposed
2024.01.23	17th meeting of 17th-term	1. Proposal for the replacement of the CPA for the Company's financial statements. 2. Proposal to evaluate the 2024 CPA's independence and competence based on the Audit Quality Indicators (AQIs). 3. Proposed remuneration to the CPAs.	No dissenting or unqualified opinions	Approved as proposed

Date of Board meeting	Session	Agenda content	All independent directors' opinions	The Company's handling of independent directors' opinions
2024.03.06	18th meeting of 17th-term	1. Proposed 2023 "Statement on Internal Control System".	No dissenting or unqualified opinions	Approved as proposed
2024.05.07	19th meeting of 17th-term	1. Proposal to acknowledge endorsements/guarantees provided by the Company to subsidiaries.	No dissenting or unqualified opinions	Approved as proposed

(II) In addition to the aforementioned matters, other Board meeting resolutions with independent directors' dissenting and unqualified opinions in records or written statements.

N/A.

II. Specify the name of the director, agenda item, reason for recusal, and participation in voting of directors who recused themselves from agenda items they have a conflict of interest.

Name of director	Agenda content	Reason for recusal	Voting situation
Chairman Lin Meng Jing, Director Chin-Chun Lu, Director Yuan-Huang Liao, Director Chia-Hui Teng	Proposal to discuss the "Directors' remuneration in 2022" proposed by the Remuneration Committee.	When the 2022 Directors Remuneration Proposal raised by the Remuneration Committee was deliberated, Chairman Mun-Jin Lin, Director Chin-Chun Lu, Director Yuan-Huang Liao, and Director Chia-Hui Teng, being an interested party, recused themselves; the proposal was then approved by all independent directors present.	The "2022 Directors' Remuneration" proposed by the Salary and Remuneration Committee was approved by all other independent directors present.

III. TWSE/TPEx-listed companies are required to disclose the evaluation cycle and period, scope of evaluation, evaluation method, and evaluation items of the self (or peer) evaluations conducted by the Board of Directors, and to fill out the implementation of Board of Directors and functional committees evaluations (Table 2).

The implementation status of the 2023 Board of Directors evaluation was reported in the 17th meeting of the 17th-term Board of Directors on January 23, 2024. Please see Table 2 (2) for the implementation status of the evaluations of the Board of Directors and functional committees.

IV. Goals for enhancing Board functions in the current year and most recent year (such as establishing an Audit Committee and increasing information transparency) and evaluation of implementation status.

1. The Company's Board of Directors operates according to the "Rules of Procedure for Board of Directors Meetings" and complies with related laws and regulations. In 2023, all independent directors attended Board meetings personally for supervision, in order to understand the Company's financial position, business performance, and implementation of major business plans.
2. The Company elected three independent directors during the 2021 shareholders' meeting to participate in Board operations to improve corporate governance and strengthen Board functions. The independent directors formed an Audit Committee.
3. The three independent directors have not served consecutive terms for over nine years as of December 31, 2023.
4. Chairman of the Company shall not hold a managerial position.
5. In May 2021, the Company resolved through the meeting of the board of directors the pass the appointment of the corporate governance supervisor to assist directors in performing their duties and enhancing board functions.

(II) Evaluation of the board of directors' and functional committees' implementation status and the evaluation results

Evaluation of the board of directors' implementation status and the evaluation results:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items	Evaluation results
Once a year	2023.01.01~ 2023.12.31	Board of Directors	Board of Directors	A. Participation in the operation of the Company. B. Improvement of the Board of Directors' decision-making quality. C. Composition and structure of the Board of Directors. D. Selection and continuing education of directors. E. Internal control.	Items to be improved 1. Improvement plan of strengthen the management and control of various risks by the board of directors. Improvement plan 1. The Company is committed to bolstering its risk management mechanism by conducting risk detection and analysis in line with the Company's risk management policy, to enhance the Company's crisis response capability. In addition, the Company will monitor the implementation of the risk management system to secure the smooth operation of the risk management mechanism and enhance the overall operational performance of the board of directors.
Once a year	2023.01.01~ 2023.12.31	Individual Board members	Self-evaluation by directors	A. Understanding of the Company's goals and mission. B. Understanding of directors' duties. C. Participation in the operation of the Company. D. Maintaining internal relationships and communication. E. The professional and continuing education of directors. F. Internal control.	Items to be improved 1. Increase the actual attendance rate of directors. 2. Increase the course hours of directors. Improvement plan 1. One month before the meeting, first contact the directors on the date of the next board meeting, so to facilitate the arranging to attend the board meeting of the directors. 2. Provide directors with diverse course reference every quarter.

Evaluation of the functional committees' implementation status and the evaluation results:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items	Evaluation results
Once a year	2023.01.01~ 2023.12.31	Audit Committee	Self-evaluation by directors	A. Participation in the operation of the Company. B. Understanding of the committee's duties. C. Improvement of committee decision-making quality. D. Composition of committee and member selection. E. Internal control.	Items to be improved 1. The Audit Committee can really assess and supervise the Company's various existing or potential risks. Improvement plan 1. Monitor and improve the accuracy of risk management activities by implementing risk detection or risk analysis.
Once a year	2023.01.01~ 2023.12.31	Remuneration Committee	Committee members' self-evaluation	A. Participation in the operation of the Company. B. Understanding of the committee's duties. C. Improvement of committee decision-making quality. D. Composition of committee and member selection. E. Internal control.	Items to be improved 1. Improvement of the remuneration committee decision-making quality. Improvement plan 1. Provide more complete and comprehensive information to the members of the Remuneration Committee, and invite relevant professionals to attend when necessary.

(III) Operation of the Audit Committee

Information on Operations of the Audit Committee

Key work items of the Audit Committee in 2023:

I. Review of financial statements.
II. Proposal of the Company's "Corporate Governance Best Practice Principles".
III. Proposal for the replacement of the CPA for the Company's financial statements.
IV. Proposed remuneration to the CPAs.
V. Assessment of the effectiveness of the internal control system.
VI. Review the evaluation of the CPA's independence and competence based on AQIs.

The Audit Committee convened 5 meetings (A) in the most recent year, and the attendance of independent directors in the meetings is as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance rate (%) (B/A) (Note)	Remarks
Convener	Li-Syuan Lin	5	0	100%	
Committee Member	Wan-Lin Hsu	5	0	100%	
Committee Member	Chih-Long Chou	5	0	100%	

Other disclosures

I. Where any of the following circumstances occurs with respect to the operations of the Audit Committee, the date of the Audit Committee meeting, the term, the content of the proposals, the content of independent directors' objections, reservations or major suggestions, the resolutions from the Audit Committee, and the Company's handling of the Audit Committee's opinions, shall be specified.

(I) Items specified in Article 14-5 of the Securities and Exchange Act:

Date of Audit Committee meeting	Session	Agenda content	Are there any objections from independent directors or content of major proposed projects?	Resolutions of the Audit Committee	The Company's handling of Audit Committee opinions:
2023.01.12	7th meeting of 2nd-term	1. Establishment of the Company's risk management policies and procedures. 2. Proposal to acknowledge endorsements/guarantees provided by the Company to subsidiaries. 3. Proposal for the replacement of the CPA for the Company's financial statements. 4. Proposal to evaluate the CPA's independence and competence based on the Audit Quality Indicators (AQIs). 5. Establishment of the Company's general principles for the policy of advance approval for non-assurance services.	N/A	No dissenting or unqualified opinions	Approved as proposed
2023.03.08	8th meeting of 2nd-term	1. Proposed 2022 business report and financial statements. 2. 2022 Dividend distribution proposal. 3. Proposal to amend the Company's "Corporate Governance Best Practice Principles". 4. 2022 "Statement on Internal Control System".	N/A	No dissenting or unqualified opinions	Approved as proposed
2023.05.04	9th meeting of 2nd-term	1. Proposal for the change of the convener of the Audit Committee. 2. The Company's 2023 Q1 financial statements.	N/A	No dissenting or unqualified opinions	Approved as proposed
2023.08.07	10th meeting of 2nd-term	1. The Company's 2023 Q2 financial statements.	N/A	No dissenting or unqualified opinions	Approved as proposed
2023.11.07	11th meeting of 2nd-term	1. The Company's 2023 Q3 financial statements. 2. Proposal of a loan of NT$100 million to the wholly-owned subsidiary Bestac Advanced Material Co., Ltd. 3. Proposal to acknowledge endorsements/guarantees provided by the Company to subsidiaries. 4. 2024 audit plan proposed by the Audit Office of the Company.	N/A	No dissenting or unqualified opinions	Approved as proposed
2024.01.22	12th meeting of 2nd-term	1. Proposal for the replacement of the CPA for the Company's financial statements. 2. Proposal to evaluate the CPA's independence and competence based on the Audit Quality Indicators (AQIs) in 2024. 3. Proposed remuneration to the CPAs.	N/A	No dissenting or unqualified opinions	Approved as proposed
2024.03.05	13th meeting of 2nd-term	1. Proposed 2023 business report and financial statements. 2. 2023 Dividend distribution proposal. 3. 2023 "Statement on Internal Control System".	N/A	No dissenting or unqualified opinions	Approved as proposed
2024.05.07	14th meeting of 2nd-term	1. The Company's 2024 Q1 financial statements.	N/A	No dissenting or unqualified opinions	Approved as proposed

(II) Besides the matters above, other resolutions adopted with the approval of two-thirds or more of all directors, without having been passed by the Audit Committee: N/A.

II. If independent directors recused from themselves from an agenda item in which they have a conflict of interest, specify the name of the independent director, agenda item, reason for recusal, and participation in voting: N/A.

III. Communication between independent directors and the chief internal auditor and CPAs (must include material matters of communication, methods, results relating to the Company's financial reports and business conditions).

1. The Company's Audit Committee is formed by all independent directors and convenes meetings at least once a quarter. Meetings may be convened at any time when necessary.
2. Communication between the Audit Committee and the chief auditor
   (1) Audit reports are completed each month according to the audit plan, and submitted to independent directors for review before the end of the moth via e-mail or in person.
   (2) Internal audit reports are submitted to the Audit Committee each quarter.
   (3) Communication, instructions, and responses are provided irregularly via telephone, e-mail, or in person.
   (4) Material special events are immediately reported to the Audit Committee.
3. Communication between the Audit Committee and accountants
   (1) The Company's CPAs explained key points of review for the 2022 financial statements during the accountant meeting on March 8, 2023. The CPAs explained key points of review for the semi-annual financial statements for 2023 during the accountant meeting on August 7, 2023. The CPAs explained and communicated opinions on matters of communication required by the law and explained the report on the Audit Quality Indicators (AQIs) and an introduction to the Sustainable Disclosure Standards of IFRSs during the accountant meeting on November 7, 2023.
   (2) Frequency of communication between accountants and the Audit Committee: At least twice a year.
   (3) The Audit Committee may utilize a number of communication channels (e.g. telephone, e-mail, and in person) to discuss the financial statement audit situation and results of the Company's accountants.
   (4) A meeting may be scheduled to exchange opinions on important matters.
4. The Company's independent directors have a variety of communication channels and maintain good communication with the chief internal auditor and accountant.
   Independent directors communicate with the accountants and chief auditor at least twice a year.

   Matters of communication between independent directors, the chief internal auditor, and the accountants in 2023:

Date	Method	Target of communication	Matters of communication	Results
2023.03.08	Reported during meeting with accountants	CPA	1. The accountants explained the financial position and profits/losses in 2022, and discussed issues with the applicability of some accounting principles. 2. The accountants discussed and communicated issues raised by attendees of the meeting.	Fully discussed and fully understood by independent directors. The 2022 financial statements were passed by the Audit Committee, and submitted to the Board of Directors for resolution.
	Reported during Audit Committee meeting	Chief auditor	2022 Q4 internal audit report.	Fully discussed, passed by the Audit Committee, and reported to the Board of Directors.

Date	Method	Target of communication	Matters of communication	Results
2023.05.04	Reported during Audit Committee meeting	Chief auditor	2023 Q1 internal audit report.	The replacement of the chief auditor was fully discussed, passed by the Audit Committee, and reported to the Board of Directors.
2023.08.07	Reported during meeting with accountants	CPA	1. The CPA explained the 2023 semi-annual financial statements. 2. The accountants discussed and communicated issues raised by attendees of the meeting.	Fully discussed and fully understood by independent directors. The 2023 semi-annual financial statements were passed by the Audit Committee, and submitted to the Board of Directors for resolution.
	Reported during Audit Committee meeting	Chief auditor	2023 Q2 internal audit report.	Fully discussed, passed by the Audit Committee, and submitted to the Board of Directors for resolution.
2023.11.07	Reported during meeting with accountants	CPA	1. Communication of annual audit plans. 2. Key Audit Matters (KAM). 3. Report on the Audit Quality Indicators (AQIs). 4. An introduction to IFRS Sustainable Disclosure Standards.	Fully discussed, CPA independence evaluation passed by the Audit Committee, and submitted to the Board of Directors for resolution.
	Reported during Audit Committee meeting	Chief auditor	1. 2023 Q3 internal audit report. 2. Submitted the 2024 internal audit plan.	Fully discussed, passed by the Audit Committee, and submitted to the Board of Directors for resolution.
2024.03.06	Reported during meeting with accountants	CPA	1. The accountants explained the financial position and profits/losses in 2023, and discussed issues with the applicability of some accounting principles. 2. The accountants discussed and communicated issues raised by attendees of the meeting.	Fully discussed and fully understood by independent directors. The 2023 financial statements were passed by the Audit Committee, and submitted to the Board of Directors for resolution.
	Reported during Audit Committee meeting	Chief auditor	2023 Q4 internal audit report.	Fully discussed, passed by the Audit Committee, and reported to the Board of Directors.

(IV) Supervisors' participation in the operation of the Board of Directors: The Company does not have any supervisors.

(V) Status of corporate governance and deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons

Evaluation item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
I. Does the company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	✓		The Company established the "Corporate Governance Best Practice Principles" in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" to establish a good corporate governance system, and disclosed the principles on the company website.	No significant difference
II. Shareholding structure & shareholders' rights				
(I) Does the company establish internal operating procedures for handling shareholder suggestions, questions, complaints or litigation and handled related matters accordingly?	✓		(I) The Company has a spokesperson, acting spokesperson, and Shareholders Service Office to handle related matters.	No significant difference
(II) Does the company have a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders?	✓		(II) The Company monitors the shareholding of directors, managerial officers, and major shareholders with 10% and above shares, and reports and announces the shareholding when required to.	No significant difference
(III) Does the company establish and implement risk management and firewall mechanisms between affiliated enterprises?	✓		(III) The Company has established and implemented Subsidiary Supervision Regulations.	No significant difference
(IV) Does the company establish internal rules against insiders trading with undisclosed information?	✓		(IV) The Company established "Procedures for Handling Material Inside Information and Prevention of Insider Trading" and "Code of Ethics" to regulate ethical conduct.	No significant difference

Evaluation item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
III. Composition and duties of the board of directors (I) Does the Board of Directors develop and implement a diversified policy and specific management goals?	✓		(I) The Company set forth its Board diversity policy in Article 23 of the "Corporate Governance Best Practice Principles", including the basic qualifications and values (e.g., gender, age, nationality, and culture) and professional knowledge and skills (e.g. Law, accounting, industry, finance, marketing, or technology) of Board members. The abilities that the Board of Directors should have as a whole to achieve the goals of corporate governance include the ability to make sound business judgments, ability to manage a business, ability to handle crisis management, knowledge of the industry, and financial accounting. For the specific management goals of the Company's board diversity policy, the achievement status of the goals and the implementation status of the policy, please refer to Director Information (II), which has been disclosed on the Company's website. The Company has a total of 7 directors in the 17th-term Board of Directors, in which 43% are directors who are not concurrently employees of the Company and independent directors. In addition, there is no spousal relationships or kinship within the second degree among the directors, and the members of the Board have rich experience in manufacturing, business management and other fields. The goal of board diversity is to have two or more directors with expertise in accounting and auditing, which has been achieved by now.	No significant difference
(II) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and Audit Committee?	✓		(II) The Company has established a Remuneration Committee, an Audit Committee, and an ESG Development Committee in accordance with the law. The establishment of other functional committees will be evaluated based on the actual needs of the Company.	No significant difference

Evaluation item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
(III) Does the company establish standards and method for evaluating Board performance, conduct annual performance evaluations, submit performance evaluation results to the Board, and use the results as a basis for determining the remuneration and nomination of individual directors?	✓		(III) The Company established the "Rules for Board Performance Self-Evaluations and Peer Evaluations" in March 2020. Board performance evaluations must be conducted at least once a year, either through director self-evaluation and Board self-evaluation or evaluation by others. Results of Board performance evaluations are reported in the first Board meeting after the end of the fiscal year. The criteria for Board performance evaluations include the following five aspects: (1) Participation in the operation of the Company. (2) Improvement of the Board of Directors' decision-making quality. (3) Composition and structure of the Board of Directors. (4) The selection and continuing education of directors. (5) Internal control. The criteria for Board member performance evaluation include the following six aspects: (1) Understanding of the Company's goals and mission. (2) Understanding of directors' duties. (3) Participation in the operation of the Company. (4) Maintaining internal relationships and communication. (5) The professional and continuing education of directors. (6) Internal control. The criteria for performance evaluation of the Remuneration Committee and Audit Committee include the following five aspects: (1) Participation in the operation of the Company. (2) Understanding of the committee's duties. (3) Improvement of committee decision-making quality. (4) Composition of committee and member selection. (5) Internal control. An evaluation was conducted in December 2023 via self-evaluation by the Board of Directors, self-evaluation by individual Board members, and self-evaluation by the Remuneration Committee and Audit Committee. The evaluation results were reported in the Board meeting held on January 23, 2024, and would be used as a reference for individual directors' remuneration and nomination for re-appointment, and the status of Board evaluation has been announced.	No significant difference

Evaluation item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
(IV) Does the company regularly evaluate the independence of CPAs?	✓		(IV) The Company evaluates the independence and competency of accountants by the Audit Committee and the Board resolution. Before appointing the CPA, the Company first reviews their independence and requires accountants to provide a "Declaration of Total Independence." The Company has verified that there are no financial interests and business relationships with the accountants other than fees for attestation and tax cases, and that family members of the accountants do not violate independence requirements. The independence and competency of CPAs Chiu-Yen Wu and Yu-Hsiang Liu was reviewed and approved by the Audit Committee and evaluated and approved by the Board of Directors in 2023. The independence and competency of CPA Teng-Wei Wang and CPA Yu-Hsiang Liu, who were substituted in the first quarter of 2024 as the Company's attesting CPAs, was deemed qualified, as per the AQIs-based evaluation stated in the review of Audit Committee meeting dated January 22, 2024 and the resolution of the Board of Directors meeting dated January 23,2024. The competence evaluation items based on the Audit Quality Indicators (AQIs):	No significant difference No significant difference

Evaluate category	Evaluation item	Meet the independence and competency criteria
Professionalism	1. Audit experience	Yes
	2. Training hours	Yes
	3. Turnover rate	Yes
	4. Professional support	Yes
Quality management	1. Workload of the CPA	Yes
	2. Audit engagement	Yes
	3. Case quality management and review	Yes
	4. Quality management and support capabilities	Yes
Independency	1. Non-audit service	Yes
	2. Familiarity with customers	Yes
Supervisory	1. Deficiencies in external inspections and penalties	Yes
	2. Competent authority issues letters to request improvements	Yes
Innovation	1. Innovative plans or initiatives	Yes

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Implementation status</th><th rowspan="2">Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>Independence evaluation item:
<table>
<tr><th>CPA independence evaluation</th><th>Evaluation results</th><th>Meet the independence criteria</th></tr>
<tr><td>1. Do the accountants have direct or material indirect financial interests in the Company?</td><td>No</td><td>Yes</td></tr>
<tr><td>2. Have the accountants engaged in any loans or guarantees with the Company's directors?</td><td>No</td><td>Yes</td></tr>
<tr><td>3. Do the accountants have a close business relationship or potential employment relationship with the Company?</td><td>No</td><td>Yes</td></tr>
<tr><td>4. Did the accountants and their audit team members serve as director, managerial officer, or position with significant influence on audit work at the Company in the past two years, or are they currently holding such a position?</td><td>No</td><td>Yes</td></tr>
<tr><td>5. Are the accountants providing non-audit services to the Company that may directly affect audit work?</td><td>No</td><td>Yes</td></tr>
<tr><td>6. Are the accountants brokering the stock or other securities issued by the Company?</td><td>No</td><td>Yes</td></tr>
<tr><td>7. Are the accountants serving as the Company's defense attorney or represent the Company in handling a conflict with a third party?</td><td>No</td><td>Yes</td></tr>
<tr><td>8. Are the accountant's relatives of the Company's directors, managers, or persons holding a position with significant influence on audit work?</td><td>No</td><td>Yes</td></tr>
</table></td><td>No significant difference</td></tr>
<tr><td>IV. Does the public company have a suitable number of competent corporate governance personnel, and has it appointed a corporate governance supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their duties,</td><td>✓</td><td></td><td>On May 11, 2021, the Company resolved in the 18th meeting of the 16th-term board of directors to pass the appointment of Wei-Chu Chen, Vice President of the Company, as the corporate governance supervisor. Vice President Chen has served as the head of the auditing unit of the Company for more than three years. He has met the qualifications required to be a corporate governance supervisor and has completed course hours according to the Company's regulations on corporate governance officer training.
Scope of authority
1. Assist independent directors and general directors to perform their duties, provide required information and arrange further education for directors:</td><td>No significant difference</td></tr>
</table>

Evaluation item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
assisting directors and supervisors with regulatory compliance, handling matters related to Board meetings and shareholders' meetings, and preparing proceedings for Board meetings and shareholders' meetings)?			(1) Providing the directors with necessary company information and improving the smooth communication among the directors and various business managers. (2) Arranging communication meetings between the independent directors and the head of internal audit or CPAs. (3) Assisting independent directors and general directors and arranging courses based on the characteristics of the Company's industry and the education and experience of the directors. 2. Assist in the meeting procedures and resolutions of the board of directors and shareholders' meetings on legal compliance matters: (1) Reporting to the board of directors and the Audit Committee on the status of corporate governance practices in the Company, and checking if the shareholders meetings and board meetings are convened in compliance with the applicable laws and corporate governance principles. (2) Assist and remind directors of the laws and regulations to be complied with when performing duties or making resolutions of the board of directors. (3) After the meeting, be responsible for reviewing the material information disclosure of the important resolutions passed by the board of directors in order to ensure the legality and accuracy of said material information. (4) Report the results of its compliance review of the qualifications of independent directors with the relevant laws and regulations at the time of their nomination and election and during their term of office on the Board of Directors. 3. Draft the agenda of the board of directors, notify the directors seven days in advance, and provide the meeting materials. Remind beforehand if recusal is required for any proposals and complete the minutes of the board of directors within 20 days after the meeting. 4. Handle the pre-registration of the date of the shareholders' meeting in accordance with the law, prepare the notice of the meeting, the agenda, the minutes of the meeting, and handle the registration of changes upon the election of directors within the statutory time limit.	

Evaluation item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			2023 business implementation key points 1. Handle matters related to Board meetings and shareholders' meetings according to the law. A total of 5 Remuneration Committee meetings, 5 Audit Committee meetings, and 6 Board meetings were convened in 2023. 2. Prepare the minutes of the board of directors and shareholders' meetings. 3. Provide board members with relevant laws and regulations on corporate governance and update them regularly. 4. Arrange the continuing education courses for the board members. 5. Provide directors with the information they need to perform their duties. 6. Assist directors in complying with laws and regulations. 7. Assess the purchase of liability insurance for the Group's directors. 8. Arrange communication meetings between the independent directors and CPAs or the head of internal audit. 9. Organize investor conferences and handle investor related affairs. 10. Report that the qualifications of independent directors with the relevant laws and regulations at the time of their term of office on the Board of Directors.	
V. Does the Company have communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), a stakeholder section on the Company website, and properly respond to important CSR issues of concern to stakeholders?	✓		(I) The Company has a spokesperson and acting spokesperson, and contact information and financial information are all announced on the Market Observation Post System (MOPS) in accordance with regulations, in order to establish good communication channels with investors. (II) The Company communicates with stakeholders based on the principle of good faith. Related departments contact the parties involved, the President's Office assists in properly responding to important CSR issues that stakeholders are concerned about, and the Audit Office is responsible for supervision. There is a stakeholders section in the Company profile on the MOPS and on the company website, in order to provide smooth communication channels. (III) The board of directors receives an annual update on the communication status with stakeholders. The communication status for 2023 was officially reported to the board in January 2024.	No significant difference No significant difference

Evaluation item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
VI. Does the company designate a professional shareholder service agency to deal with shareholder affairs?	✓		The Company commissioned CTBC Bank Stock Affairs Department to handle affairs of the shareholders' meeting.	No significant difference
VII. Information disclosure (I) Does the company establish a corporate website to disclose information regarding the company's financial, business and corporate governance status?	✓		(I) The Company announces its financial position, business performance, and corporate governance on the MOPS in accordance with the law, and uploads the information on its company website at the same time.	No significant difference
(II) Does the company have other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, creating a spokesperson system, webcasting investor conference on company website)?	✓		(II) The Company has set up an English website with dedicated personnel to collect and disclose information, and related information are disclosed on the company website.	No significant difference
(III) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	✓		(III) The Company announces and reports Q1, Q2, and Q3 financial statements and monthly operation results within the prescribed time limit, but the 2023 financial statements were not announced within two months after the end of the fiscal year.	No significant difference

Evaluation item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
VIII. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		1. The Company's directors select suitable courses based on their personal schedule and background, and training information is announced on the MOPS. All agenda items are carefully reviewed during every Board meeting, and the operational risks to the Company are properly evaluated. The Company has purchased liability insurance for directors in 2024 and 2023, and reported to the meeting of the Board of Directors in May each year. 2. The Company's material information is handled in accordance with the "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities", in order to protect the interests of shareholders, stakeholders, and investors. 3. The Company established the "Risk Management Policies and Procedures" which were approved and passed by the Board of Directors. The implementation of risk management policies and risk measurement standards is as follows: The Company's major business decisions, investment plans, endorsements and guarantees, lending to others, bank loans, and information security are evaluated and analyzed by the responsible department based on their assignments and decided by the Board of Directors. Each department prevents risks based on risk self-assessment results and improvement measures. The implementation status of the important risk management evaluation for 2023 was reported to the board meeting in January 2024. 4. Implementation of employee rights and care for employees: Please refer to V. Labor-management relations of the Annual Report for details. 5. Investor relations: The Company has set up a spokesperson and investor relations service window and established a two-way communication channel with investors in order to enhance the transparency and symmetry of information disclosure.	No significant difference

Evaluation item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			6. Implementation of supplier relations: Please refer to the Status on Sustainable Development of the Annual Report (VII) from page 61 to 63.	

IX. Specify the improvement of corporate governance with reference to the evaluation of corporate governance by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year, and the measures prioritized for issues that require improvement.

Improvements already made:

1. Form a specialized unit tasked with advancing ethical corporate practices and submit an annual report on its performance to the board of directors.
2. Disclose the Company's investment in energy-saving equipment and the concrete benefits yielded therefrom.
3. Develop and disclose workplace diversity and gender equality policies.

Improvements not yet made that will be given priority:

1. ESG report (English Version).
2. Staff the board with one female director.

Training situation of directors, accounting supervisors, and auditing supervisors are as follows in the most recent year:

Name of director	**Date of continuing education**	**Organizer**	**Course Name**	**Hours**	**Education hours in 2023**
Mun-Jin Lin	2023/07/14	Accounting Research and Development Foundation	Analysis of Policies Regarding the Sustainable Development Action Plans for TWSE- and TPEx-Listed Companies and Sustainable Development Roadmap for TWSE- and TPEx-Listed Companies	3	9
	2023/07/11	Accounting Research and Development Foundation	Establishing ESG sustainable strategies to enhance competitiveness	3	
	2023/07/10	Accounting Research and Development Foundation	How the board of directors and senior managers views the sustainability report	3	
Chin-Chun Lu	2023/05/15	Taiwan Corporate Governance Association	Trends in Sustainable Human Rights Practices within Multinational Corporations	3	6
	2023/04/14	Taiwan Academy of Banking and Finance	Lecture on Corporate governance	3	
Chia-Hui Teng	2023/07/04	Cathay Commercial Bank (CCB)	Cathay Sustainable Finance and Climate Change Summit	6	6
Yuan-Huang Liao	2023/08/10	Taiwan Corporate Governance Association	Coping with IFRS17 Challenges: A Guide to Enhancing Communication with External Stakeholders	1.5	6.8
	2023/07/07~ 2023/08/06	Taiwan Academy of Banking and Finance	E-Course on Ensuring Financial Resilience and Operational Continuity in the Post-pandemic Era	2.3	

Name of director	**Date of continuing education**	**Organizer**	**Course Name**	**Hours**	**Education hours in 2023**
	2023/04/14	Taiwan Academy of Banking and Finance	Lecture on Corporate governance	3.0	
Li-Syuan Lin	2023/10/13	Securities & Futures Institute	Carbon Credits Trading Mechanism and Its Application to Business Administration	3	6
	2023/10/12	Securities & Futures Institute	Effective Methods for Enterprises to Handle International Tax Arrangement and Investment	3	
Wan-Lin Hsu	2023/11/14	KPMG Taiwan	The 2023 Global Corporate Sustainability Forum - A Sustainable Future: Detailed Roadmap for Low-carbon Innovations	3	6
	2023/10/02	KPMG Taiwan	Navigating the New International Order: A Focus on Thinking and Resilience	3	
Chih-Long Chou	2023/03/31	CPA Associations of the R.O.C.	Directors' fiduciary duties and liability for false financial statements	3	6
	2023/03/20	CPA Associations of the R.O.C.	CPA AML Supervision and Practices	3	

Title	Date of continuing education	Organizer	Course Name	Hours
Wei-Chu Chen Corporate governance supervisor	2023/07/14	The Institute of Internal Auditors, R.O.C.	Discussions and Response Strategies for Insider Trading and Misrepresentation of Financial Statements	6
	2023/05/22	Taiwan Stock Exchange Corporation (TWSE)	Awareness session on Sustainable Development Action Plans for TWSE- and TPEx-Listed Companies	3
	2023/10/25	The Institute of Internal Auditors, R.O.C.	War and Protection of Invisible Assets - Trade Secrets and Non-compete	3
Hua-Hsing Wang Head of accounting	2023/09/25~ 2023/09/26	Accounting Research and Development Foundation	Continuing education course for accounting officers of issuers, securities firms, and securities exchanges	12

(VI) If the Company established a Remuneration Committee, disclose its composition, duties, and operations:

(1) Profile of Remuneration Committee members

May 08, 2024

Qualifications Position	Name	Professional qualifications and experience	Independence criteria	Number of other public companies in which the member also serves as a member of their Remuneration Committee
Independent director Convener of the Remuneration Committee	Chih-Long Chou	Please refer to relevant content in Table 1 on P.15 for directors' information	Members of the Company's Remuneration Committee do not have the following conditions: 1. An employee of the Company or any of its affiliates. 2. The independent directors and their spouses and relatives within second degree serve as directors, supervisors, or employees of the Company or any of its affiliates. 3. The independent directors and their spouses and relatives within second degree hold shares of the Company in their own names (or in any third party's name). 4. The independent directors and their spouses and relatives within second degree serve as directors, supervisors, or employees of any company that has a specific relationship with the Company. 5. The independent directors and their spouses and relatives within second degree received remuneration from providing business, legal, financial, or accounting service to the Company or any of its affiliates in the last two years.	0
Independent director	Wan-Lin Hsu	Please refer to relevant content in Table 1 on P.15 for directors' information		0
Other	Po-Jen Hu	1. Accountant, Hua Han Joint CPA Firm. 2. Director, Logah Technology Corporation. 3. Director, DingZing Advanced Materials Inc. 4. Expertise in audit, accounting and Securities and Exchange Act related laws and regulations. 5. Not having any of the situations set forth in Subparagraphs of Article 30 of the Company Act.		1

(2) Operations of the Remuneration Committee

The 2nd meeting of the 15th-term Board of Directors passed the "Establishment of the Remuneration Committee Charter" and extended the appointment of the three Remuneration Committee members.

I. The Remuneration Committee was established on December 27, 2011 with three members.

II. Current term of office: From August 26, 2021 to August 17, 2024. The Remuneration Committee convened 5 meetings (A) in the most recent year, and the members' qualifications and attendance are as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance rate (%) (B/A)	Remarks
Convener	Chih-Long Chou	5	0	100%	
Committee Member	Wan-Lin Hsu	5	0	100%	
Committee Member	Po-Jen Hu	4	1	80%	

Other disclosures:

I. If the Board of Directors does not accept or revises the Remuneration Committee's recommendation, specify the date of the Board meeting, session, contents of the agenda item, resolution of the Board of Directors, and the Company's response to the Remuneration Committee's opinions (if the remuneration passed by the Board of Directors is higher than the recommendation of the Remuneration Committee, specify the discrepancy and reason):
Currently not applicable.

II. If for any resolution of the Remuneration Committee, any member has a dissenting or qualified opinion that is on record or stated in a written statement, describe the date of the Remuneration Committee meeting, term of the committee, agenda item, opinions of all members, and actions taken by the company in response to the opinion of members:
Currently not applicable.

Important resolutions of the Remuneration Committee in 2023 and as of the printing date of the annual report:

Date of Remuneration Committee meeting	Session	Agenda content	All Remuneration Committee members' opinions	The Company's handling of Remuneration Committee opinions
2023.01.12	5th meeting of 5th-term	1. Proposed 2023 work plan of the Remuneration Committee. 2. Proposal to review regulations related to the remuneration of the Company's directors and managerial officers, director and managerial officer performance evaluation standards regularly reviewed by the Committee in accordance with Article 4 of the "Remuneration Committee Charter", and the remuneration policy, system, and structure. 3. Proposal to review the Company's 2022 year-end bonus distribution plan for managerial officers. 4. Proposal to review the Company's allocation of employee bonuses and directors' remuneration in 2023.	Approved	Approved as proposed
2023.03.08	6th meeting of 5th-term	1. Proposal to review the Company's distribution of employee bonuses and directors' remuneration in 2022.	Approved	Approved as proposed
2023.05.04	7th meeting of 5th-term	1. Review the company's "Employee Bonus Distribution Regulations".	Approved	Approved as proposed
2023.08.07	8th meeting of 5th-term	1. Proposal to review the Company's distribution of remuneration to directors in 2022. 2. Proposal to review the Company's distribution of remuneration to managerial in 2022. 3. Review of the manager's salary adjustment plan of the Company.	Approved	Approved as proposed
2023.11.07	9th meeting of 5th-term	1. Proposal to review the Company’s establishing an employee stock ownership trust program to retain talents and stimulate employees’ performance, and the Company’s contribution to the program for managers eligible for the program.	Approved	Approved as proposed
2024.01.22	10th meeting of 5th-term	1. Proposed 2024 work plan of the Remuneration Committee. 2. Review the proposal to review regulations related to the remuneration of the Company's directors and managerial officers, director and managerial officer performance evaluation standards regularly reviewed by the Committee in accordance with Article 4 of the "Remuneration Committee Charter", and the remuneration policy, system, and structure. 3. Proposal to review the Company's 2023 year-end bonus distribution plan for managerial officers. 4. Proposal to review the Company's allocation of employee bonuses and directors' remuneration in 2024.	Approved	Approved as proposed
2024.03.05	11th meeting of 5th-term	1. Proposal to review the Company's distribution of employee bonuses and directors' remuneration in 2023.	Approved	Approved as proposed

(3) The Remuneration Committee's duties

The Remuneration Committee's duties: As described in Article 4 of the Remuneration Committee Charter

Article 4 The Committee's members shall exercise the due care of a good administrator, faithfully perform the following duties, and submit proposals to the Board of Directors for discussion:

I. Regularly review the Charter and recommend amendments.

II. Establish and regularly review the performance evaluation standards for directors and managerial officers, annual and long-term performance goals, and the remuneration policy, system, standards, and structure.

III. Regularly evaluate and establish the performance goals for directors and managerial officers, and determine the contents and amounts of their individual remuneration.

Article 5 The Committee shall perform its duties in the preceding article according to the following principles:

I. Ensure that the Company's overall remuneration is in compliance with the law and sufficient to attract outstanding talent.

II. Performance evaluations and remuneration of directors and managerial officers should take into consideration industry standards, and the reasonableness of the connection with individual performance, the Company's business performance, and future risks.

III. Do not guide directors and managers to engage in actions that exceed the Company's risk appetite for higher remuneration.

IV. The percentage of remuneration distributed for the short-term performance of directors and senior executives and the time of payment for variable compensation shall be determined after considering industry characteristics and the nature of the Company's business.

V. Committee members may not participate in discussions and voting on decisions regarding their individual remuneration.

Remuneration in this Charter includes cash compensation, stock options, bonuses, retirement benefits or severance pay, allowances, and other incentive measures. The scope of remuneration must be consistent with the remuneration to directors and managerial officers in the Regulations Governing Information to be Published in Annual Reports of Public Companies.

The Board of Directors shall comprehensively consider the amount of remuneration, payment method, and the Company's future risks when discussing recommendations of the Committee.

A Board resolution to not accept or to revise the Committee's recommendations shall be adopted by a majority vote in a Board meeting attended by more than two-thirds of all directors, and the resolution must explain whether or not the remuneration passed after comprehensive considerations in the preceding paragraph is higher than that recommended by the Committee.

If the remuneration passed by the Board of Directors is higher than that recommended by the Committee, besides specifying the difference and reason in the meeting minutes, it shall be announced and reported on the reporting website designated by the competent authority on the date the resolution is adopted by the Board of Directors.

If the remuneration of directors and managerial officers of the Company's subsidiaries requires approval from the Company's Board of Directors in accordance with the subsidiary's delegation of authority, the Committee shall first be requested to make a recommendation submitted to the Board of Directors for discussion.

(4) Nomination Committee member information and operation information: The Company has not set up a Nomination Committee.

(VII) Implementation status of the promotion of sustainable development and the differences and deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and their reasons

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
I. Has the company established a fully (or partially) dedicated unit to promote sustainable development governance structure? Does the Board of Directors authorize the senior management to manage such matters and the supervision status of the Board?	✓		Following the Company's vision and missions in its ESG policies, we established the "ESG Development Committee" in 2022 as the highest-ranking unit for making sustainable development decisions within the Company. The ESG Development Committee under the general manager is responsible for promoting and promoting sustainable development matters. The Committee is divided into separate groups based on their functions in the Company's organization. The Vice Presidents lead teams to review the Company's core operating capabilities, formulate medium to long-term sustainable development plans, identify risk opportunities, and set targets. The committee is convened every quarter to discuss the implementation progress, regularly report their progress and effectiveness to decision-making management personnel regularly each month and report the progress of climate change management to the Board of Directors at least once each year. The implementation status of risk management in 2023 was reported to the board meeting on January 13, 2024.	No significant difference
II. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	✓		1. The information discloses the Company's performance in sustainable development at major business premises in 2023. The boundary of risk assessment is mainly based on the Company, and the bases in Taiwan, China, Vietnam, and Indonesia. Based on the relevance to the operation of the industry and the degree of impact on major issues, the subsidiaries Dongguan Baoliang Material Co., Ltd., San Fang Vietnam Co., Ltd., and PT. San Fang Indonesia are included in the scope. 2. The Sustainable Development Committee conducts analysis based on the materiality principle of the sustainability report. They communicate with internal and external stakeholders, and reviews domestic and foreign research reports and documents and integrate the evaluation information given by various departments and subsidiaries to evaluate major ESG issues. They formulate risk management policies for effective identification, measurement, monitoring and control, and take specific actions to reduce the impact of related risks. 3. The Company established the "Risk Management Policies and Procedures" which were approved and passed in the 11th meeting of 17th-term Board of Directors. The Company's risk management policies and procedures are specified on the Company's website. 4. The 2023 material risk topic assessment results and response measures implementation progress was reported to the 17th meeting of the 17th Board of Directors dated January 23, 2024. Visit the Company's website for details.	No significant difference
III. Environmental issues (I) Has the Company established a suitable environmental management system based on the characteristics of the industry?	✓		(I) The Company has established an environmental management system according to the requirements of ISO14001, to fulfill its corporate social responsibility towards environmental protection and employee safety and health. The Company received ISO14001 certification in April 1998, and it is valid from July 19, 2022, to July 18, 2025.	No significant difference

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
(II) Is the Company committed to improving the energy efficiency and utilizing recycled materials with low impact on the environment?	✓		1. The Company cooperates with the toxic-free materials and sustainable development strategies of brand customers for ZDHC (Zero Discharge of Hazardous Chemicals), and reduces environmental load through production optimization, waste reduction, and raw materials recycling and reuse. The Company also implements renewable energy plans to replace fuel that has a relatively large impact on the environment. Upstream and downstream of the supply chain, work together to recycle and share packaging materials to create circular value. 2. Since 2011, San Fang Group has set energy conservation targets and implementation plans (1% annual energy saving) with energy users, and has implemented comprehensive improvement measures for electricity and fuel conservation from machinery procurement to the manufacturing process and the manufacturing environment. 3. Throughout the year 2023, our factories in various regions stayed focused on executing different energy-saving programs. The group's total energy consumption was 76,922,140 (kWh) of electricity, 4,861,990 (cubic meters) of natural gas, and 52,166,107 (kg) of biomass fuel, an overall decrease of approximately 7.1% compared to 2022.	No significant difference
(III) Does the company evaluate potential risks and opportunities brought by climate change, and take response measures to related issues?	✓		(III) The Company supports climate actions under the UN Sustainable Development Goals (SDGs), and actively takes related measures to ensure a sustainable production model, so as to respond to operational risks and impacts caused by climate anomalies. The Company also prepares information on climate-related response measures in accordance with the TCFD Standards. The implementation status of risk management was reported to the 17th meeting of 17th-term Board of Directors on January 13, 2024. The Company's production bases in Vietnam and Indonesia produce 75% and above of its overall artificial leather. The probability of Southeast Asia being hit by natural weather disasters has gradually increased in recent years, and it is expected to create the risk of causing the Company's production operations to be suspended. Besides monitoring international trends in responses to climate change, as well as policy and regulatory requirements, the Company has dedicated its efforts to energy management for energy conservation and carbon reduction, aiming to improve the efficiency of energy use, effectively reduce GHG emissions from energy consumption, and thereby mitigate the risk of climate change. The Company is actively developing eco-friendly products, promoting the use of e-documents, implementing the same energy conservation measures used by government agencies at the office and in daily life, formulating and implementing energy conservation and carbon reduction strategies, such as turning off the light when leaving the room, replacing lights in the office with more energy efficient lights, and controlling the temperature of air conditioning during the summer, in order to reduce the impact of the Company's operations on the climate and environment.	No significant difference

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
(IV) Does the company compile statistics of greenhouse gas emissions, water use, and total weight of waste in the past two years, and does it establish policies for greenhouse gas emission reduction, water use reduction, and other waste management?	✓		(IV) To support the government's energy conservation and carbon reduction policy, new factories and equipment are all energy efficient, and the ESG Development Committee formed the Environmental Planning and Energy Management Team to regularly review and discuss energy management, in order to achieve energy conservation and carbon reduction and mitigate the impact on the Company and environment. The Company implements scope 1 and scope 2 **greenhouse gas emissions** in accordance with the regulations of the Environmental Protection Administration Greenhouse gas emissions of the individual company's Kaohsiung factory: (see table below) In 2022, the individual company-only greenhouse gas emissions were certified by a third-party institution. The parent company also appointed SGS to conduct the 2023 parent company-only greenhouse gas emissions before the end of June 2024. Base year: Carbon emissions in 2018 totaled 52,926, including 25,508 tons in scope 1 and 27,418 tons in scope 2 The estimated management target of carbon emissions is to achieve a 18% reduction in 2025 from the base year of 2018. In 2023, it decreased by about 37% compared with 2022, and in 2023, it decreased by 64% compared with 2018, and the target has been achieved. Intensity comparison: In 2023, it decreased by 24% compared with 2022. The self-inventory of the consolidated greenhouse gas emissions of subsidiaries in 2023 is expected to be completed in the third quarter of 2024. The progress and implementation status would be reported on a quarterly basis to the Board of Directors in 2023 **Waste statistics** The Company has reported its business waste of the parent company's Kaohsiung factory to the EPA: Unit: Ton(s)	No significant difference

Year	2023	2022
Scope 1	2,930.6	8,190.1
Scope 2	15,924.4	21,656.3
Total	18,855.0	29,847.4
Intensity/revenue (NT$ million)	29.52	38.77

<table>
<tr><th rowspan="2">Implementation item</th><th colspan="3">Implementation status</th><th rowspan="2">Deviations from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><th>Year</th><th>2023</th><th>2022</th></tr>
<tr><td>Hazardous waste</td><td>257</td><td>329</td></tr>
<tr><td>General waste</td><td>639</td><td>2,030</td></tr>
<tr><td>Total waste weight</td><td>896</td><td>2,359</td></tr>
</table>
Waste totaled 896 tons in 2023.
Waste totaled 2,359 tons in 2022.
Base year:
Waste totaled 3,695 tons in 2018.
The estimated waste management target is to achieve a 2% reduction in 2025 from the base year of 2018. In 2023, it decreased by about 62% compared with 2022, and in 2023, it decreased by 76% compared with 2018, has achieved the predetermined target.
Other subsidiary plants also began compiling statistics and planning reduction management targets in 2023.
Water consumption statistics Parent company
According to the measurement of Taiwan Water Corporation
Water withdrawal and water consumption totaled 140.80 million liters in 2023.
Water withdrawal and water consumption totaled 171.70 million liters in 2022.

Base year:
Water withdrawal and water consumption totaled 259.90 million liters in 2018.
The estimated management target for water consumption is to achieve a 5% reduction in 2025 from the base year of 2018.
In 2023, it decreased by 18% compared with 2022, and in 2023, it decreased by 46% compared with 2018, progressively achieving the predetermined target.
Other subsidiary plants also began compiling statistics and planning water conservation management targets in 2023.

Information on related reduction strategies is as follows:
Greenhouse gas emissions
The risks brought by the Greenhouse Gas Reduction and Management Act are mainly from the requirement
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Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			on companies to disclose and report their energy use, so that companies will need to control and reduce their energy use. Hence, the Company replaced energy-consuming products and equipment to reduce energy consumption and GHG emission. Strategies, methods, and goals for GHG management: (I) Strategy for responding to climate change or managing GHG 1. Seek ways to reduce energy consumption and increase the recycling rate in its processes. 2. Actively develop low energy consumption products and clean fuel. (II) Budget and plan for reducing greenhouse gas emissions 1. Solar energy installation situation in 2023: Baoliang factory supplies its own solar energy: With an installed capacity of 2,707 kilowatts peak, the system generated 2,715,000 kilowatt-hours of power. Solar power purchased by our Vietnamese factory: Purchased electricity: 1,631,012 kWH i-RECs purchased by our Indonesia factory from green power supplier. 2. Replaced conventional lights with LED lights in processes. 3. Replaced conventional drive motors with variable frequency motors. 4. The temperature-controlled opening and closing fans of cooling water towers in the entire plant have been improved. 5. Process water recycling and reuse. 6. Waste reduction reduces GHG emissions from incineration. (III) Carbon reduction effect brought by products and services to customers or consumers The Company has the closest production base to manufacturing products based on the location of the customer that placed the purchase order, considers the supply locations of raw material suppliers, and uses land transportation instead of sea transportation, to reduce GHG emissions from transportation tools used to deliver products or provide services. Waste management Waste management policy The Company's process waste management strategy focuses on lawful clearance and disposal and waste reduction and reuse. All waste must be handled in accordance with local regulations. All waste is cleared and disposed of by a qualified company certified by the government in accordance with local	

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			laws and regulations. Recyclable waste is sorted and recycled. Sorting and management Factory waste is mainly divided into three categories: General business waste (industrial waste), hazardous business waste (hazardous waste), and recyclable waste (waste that can be recycled). General waste and general business waste is cleared and disposed of by a qualified local waste clearance company. Storage areas are designated in the factory site for hazardous business waste and recyclable waste, and the collection, sorting, necessary measuring, and reporting is carried out in the areas. Hazardous business waste is identified, categorized, and collected in a dedicated temporary storage area according local laws, and is managed by dedicated personnel. A local company licensed to handle hazardous waste is then commissioned to transport and dispose of the waste. **Water conservation measures:** Cooling water: The air conditioning cooling water tower is equipped with tablets to reduce the amount of waste water discharged from cleaning, and a controller is installed to reduce the amount of water vapor evaporation. Boiler water: Approximately 60% can be recovered by recovering and reusing the condensed water of boiler steam. Domestic water: The water discharged by the RO filters is utilized for cleaning purposes in the kitchen. Sanitary facilities and faucets bearing a water-saving label were purchased. Other water consumption: Irrigation for landscape plantings is done using water discharged from drinking fountains.	

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
IV. Social issues (I) Has the Company formulated management policies and procedures in accordance with relevant laws and regulations as well as the International Bill of Human Rights?	✓		(I) The Company complies with international human rights conventions such as the "United Nations Universal Declaration of Human Rights", "ILO Declaration on Fundamental Principles and Rights at Work" for the establishment of the Company's "Human Rights Policy". We do not employ child labor or forced labor, and prohibit any discriminatory practices when hiring employees. Please refer to the Company's website for the Company's Human Rights Policy. 1. The Company respects and cares about employees, and encourages employees to engage in positive conduct. Hence, the Company established "Sexual Harassment Prevention Management Guidelines", and set up complaint channels, immediately intervening when a violation is found. The Company had 39 new employees in 2023 and they attended 19 hours of sexual harassment prevention and human rights courses. 2. The Company purchases social insurance in accordance with local laws and regulations, and provides employees with annual leave, maternity leave, and marriage leave. The Company has breastfeeding protection measures and also provides scholarships for employees that need it. 3. The Company facilitates employees in forming trade unions and negotiating with the Company on relevant employee rights matters through various committees, working together to safeguard and protect employee rights. Welfare Committee meetings, labor-management meetings, meetings of the Supervisory Committee of Workers' Retirement Fund, labor safety meetings, and trade union congresses are all platforms that encourage communication, mutual trust, and cooperation on company operations and internal management issues. In an effort to educate union members on labor laws, the Company provides various training resources to boost their understanding and skills in this respect. This not only helps improve the union's organizational supervision capabilities but also demonstrates the Company's commitment to promoting harmony, coexistence, and common prosperity between labor and management. 281 employees have signed up with the trade union, representing 48.7% of the total workforce as of the end of 2023. 4. As at December 31, 2023, no collective bargaining agreement has been produced and executed, mostly because the Company's trade union has not initiated any formal talks regarding a collective bargaining agreement.	No significant difference
(II) Does the Company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	✓		(II) Please refer to the description of employee benefit measures of annual report for the shareholders' meeting. Workplace diversity and ratings: As of the date of publication of the annual report of the Taiwan head office, there are 96 female employees, accounting for about 16.6%, and 7.8% of them are female managers. The Company established efficiency bonus distribution rules and calculates bonuses each month based on the Company's business performance and the yield of each product; the bonuses are paid along with employee salaries.	No significant difference

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<tr><td>(III) Has the Company provided employees with a safe and healthy working environment, and routinely implemented safety and health education for employees?</td><td>✓</td><td></td><td>(III) The Company is constantly improving the work environment for employees, and aims to create the perfect workplace. Besides establishing a labor safety department to provide employees with fire safety and labor safety training, the Company also organizes physical and mental health lectures for employees to feel safe and focus on their work. Please see V. Labor-management relations for working environment and employee safety protection measures. The Company, Vietnam factory, Indonesia factory, and Dongguan Baoliang factory have passed the inspections of the Social & Labor Convergence Program (SLCP).

<table>
<tr><th>Type/Year</th><th>2023</th><th>2022</th></tr>
<tr><td>Occupational accidents due to commuting</td><td>6</td><td>8</td></tr>
<tr><td>Occupational accidents in operations</td><td>6</td><td>11</td></tr>
<tr><td>Percentage among total number of employees</td><td>2.1%</td><td>3.3%</td></tr>
</table>

The main causes of occupational accidents in 2022 & 2023 were traffic accidents during commutes and accidents in operations at work. The relevant improvement measures included ensuring employees abide by traffic rules and follow the instructions in the operation procedures thoroughly.

Regular implementation of safety and health operations by employees in 2023:
1. All employees took part in an evacuation drill held in September 2023.
2. In November 2023, all factory personnel received trainings regarding safety and health standards, with the purpose of reinforcing their compliance with safety and health regulations.
3. We check personnel operations for safety compliance monthly.
4. A total of 66 first aid personnel have been trained in 2023.
5. There were no fire incidents in 2023.</td><td>No significant difference</td></tr>
</table>

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<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>(IV) Has the Company established an effective career developmental plan for its employees?</td><td>✓</td><td></td><td>We have set up a systematic human resource training system in accordance with the Company's "Education and Training Implementation Guidelines" to enhance the functions of human resources for all management levels and all functional departments. In addition to the enhancement of functional expertise, we also provide cross-functional training to train key personnel as π-shaped talents. San Fang's training system are divided into three parts, namely OJT, OFF-JT, and self-development. We divided the training into tiered training and functional training. We provide comprehensive training based on the career development status of each employee.
With an average of 60.3 training hours remaining the same with that of 2022, it is clear that the Company's focus on talent development is unwavering.
<table>
<tr><th>YEAR/TYPE</th><th>ALL EMPLOYEES</th><th>LEVEL 2 SUPERVISORS AND ABOVE</th><th>NON-MANAGEMENT</th></tr>
<tr><td>2023</td><td>60.3</td><td>74.5</td><td>56.7</td></tr>
<tr><td>2022</td><td>61.3</td><td>74.4</td><td>58.1</td></tr>
</table></td><td>No significant difference</td></tr>
<tr><td>(V) Does the company comply with relevant regulations and international standards in customer health and safety, customer privacy, and marketing and labeling its goods and services, and has it established consumer rights protection policies and complaint procedures?</td><td>✓</td><td></td><td>(V) The Company complies with related laws and regulations and has obtained the ISO 9001, ISO 14001, ISO 14064-1, and GREEN LEAF management system certifications, as well as the IATF 16949 automotive material certification. The Company has dedicated personnel to handle matters related to stakeholders.</td><td>No significant difference</td></tr>
<tr><td>(VI) Does the company have a supplier management policy, require suppliers to comply with regulations on environmental protection, occupational safety and health, and labor rights, and what is its implementation status?</td><td>✓</td><td></td><td>(VI) The Company works with its supply chain partners to protect the environment, uphold labor and human rights, and reduce carbon emissions. Key tier-1 suppliers are required to sign the Supplier Code of Conduct.
77% of San Fang's supply chain is located in Taiwan and 23% is located in other regions. We help suppliers integrate social responsibility requirements into their supplier management strategies and comply with sustainability standards and responsibilities with supplier evaluations and the signing of the Supplier Code of Conduct. The solid implementation of supply chain management helps us stabilize quality, disperse risks, and improve customer service and satisfaction. We hope to help our partners create sustainable value for the industry and achieve sustainable development.
To maintain strong partnerships in the supply chain, we require suppliers to sign the Supplier Code of Conduct and comply with the Company's Supplier Management Regulations. These include labor and human rights, ban on the</td><td>No significant difference</td></tr>
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<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>use of child labor, compliance with local laws on work hours, wages, and benefits, freedom of association, and collective bargaining.
Manufacturers with relevant certifications are given preference to, such as MRSL, GRS, IATF 16949, ISO 14001, Bluesign and other certifications.
An RSL (Restricted Substances List) management team is also established internally.
The Company became a part of non-government environmental protection organizations such as ZDHC/HIGG/Oeko-Tex® to do its part to protect the environment and the Earth.

The Supplier Management Policy
1. We require suppliers to implement the IATF 16949 Quality Management System and the minimum requirement is to implement the ISO 9001 Quality Management System first. We are committed to growing together with partners and fulfilling corporate social responsibilities to innovate and improve quality together.
2. We require suppliers to implement ISO 14001 to manage water pollution, air pollution, noise, waste, and toxic substances. They must also be mindful of San Fang's Environmental Policy.
San Fang's Environmental Policy
Increase environmental protection awareness, comply with environmental protection laws and regulations, and reduce the impact on the environment.
Conserve resources, prevent pollution, and implement continuous improvements to create a sustainable enterprise.
3. The Company pays close attention to corporate social responsibilities and human rights protection in the supply chain.
The suppliers must investigate the sources of cotton in their products and refrain from using disputed production areas. Concerning BIO biomass raw materials, we avoid using corn-derived biomass.

Contractor
To ensure the safety of the working environment, contractors must comply with the following before contracting: The Environmental Safety and Health Regulations and related occupational health and safety laws and regulations of the Company shall pass the online environmental safety system education and training course and assessment. Only after passing the assessment can the entry permit be issued to enter the factory for construction. Environmental safety personnel also inspect at all times to confirm the implementation of the vendors, to ensure the personal safety of construction personnel, and reduce the occurrence of occupational accidents. It is hoped that in terms of safety, health, and environmental management, we can achieve the goal of zero disasters in safety and health, and zero pollution in environmental protection.

Project contracting adheres to the concept of sustainability and the principle of fair trade, requiring suppliers and contractors to meet the requirements of environmental protection, industrial safety and human rights. Project</td><td></td></tr>
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Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			contracting-out shall be carried out with quotation and negotiation of more than 2 vendors based on the quotation of same raw materials and parts, avoiding outsourcing projects to a single contractor. The contractor must sign San Fang's environmental philosophy and San Fang's environmental policy after bidding. Commencing in 2024, contractors will be mandated to sign an integrity transaction agreement that will be appended to the contract. Evaluation result: The Company regularly evaluates the supplier grading system, which divides them into grades A, B, and C. The scoring principle is based on the number of defective products, late delivery ratio, compatibility, excess freight, etc. The rating was level A in the 4 quarters of 2023. On-site auditing and certification of suppliers are carried out regularly to confirm whether the suppliers are performing in accordance with the requirements. If not, guidance shall be provided for them to meet the standards. n 2023, 2 suppliers were audited on-site and both evaluated level A. For the faulty parts, an audit corrective action sheet was issued, asking them to improve within a time limit according to San Fang's requirements, and the vendors had also completed the requirements within the time limit.	
V. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as sustainability reports? Do the reports above obtain assurance from a third-party verification unit?	✓		By referencing the Universal Standards, Sector Standards, and Topic Standards published by the Global Reporting Initiative (GRI), the Consolidated Entity prepared its 2023 Sustainability Report; the report disclosed material economic, environmental, and human (including human rights) topics and the impacts thereon, that the Consolidated Entity had identified, along with disclosure items, and reporting requirements, and included the SASB Content Index detailing industry-specific metrics-based disclosures mandated by the Sustainability Accounting Standards Board (SASB). The Company's 2023 Sustainability Report has yet to be assured by a third-party certification body. The 2023 Sustainability Report was discussed and approved by resolution in May 2024 at the 19th meeting of the 17th-term Board of Directors.	No significant difference
VI. If the Company has established Sustainable Development Best Practice Principles in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies", describe the deviations between the principles and the implementation status: The Company has formulated the "Sustainable Development Best Practice Principles" in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and has been in compliance with them. So far, there is no deviation.				
VII. Other important information to facilitate a better understanding of the Company's promotion of sustainable development: In February 2023, the Company gifted 1,000 residential alarms for 1,000 families to the Kaohsiung City Government Fire Bureau to contribute to social safety. 240 saplings were planted at Jiading Wetland in 2023 by 80 managerial officers during a tree planting activity. An employee blood drive event was organized in 2023, attracting 110 participants and collecting a total of 36,500cc of blood. In January 2024, our Vietnam factory provided assistance to 80 visually impaired individuals in Vung Tau District by giving out 10 kilograms of rice and VND100,000 in cash to each of them. In 2024, we sponsored Zhuhou Elementary School in Renwu District of Kaohsiung for its after-school Taekwondo activities, benefiting 9 to 11 students who wanted to stay active after school. The Company is actively making process improvements to achieve waste reduction, emission reduction, and carbon reduction, and engages in promotions and sponsorship for community development events based on the philosophy of being a member of society. The system adopted by the Company for environmental protection and implementation status is as follows:				

<table>
<tr><th rowspan="2">Implementation item</th><th colspan="3">Implementation status</th><th rowspan="2">Deviations from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td colspan="5">1. The Company continues to strategically and systemically implement ISO 14001 (first issuance: April 1998; the effective period is July 19, 2022 to July 18, 2025).
2. In 2022, the Company completed a GHG inventory according to ISO14064-1, reported its energy use, calculated carbon emissions, and passed the third-party certification of SGS. The SGS will be engaged to verify our 2023 GHG inventory data by June 2024.</td></tr>
</table>

Note: The risk management policy or strategy is shown in the table below:

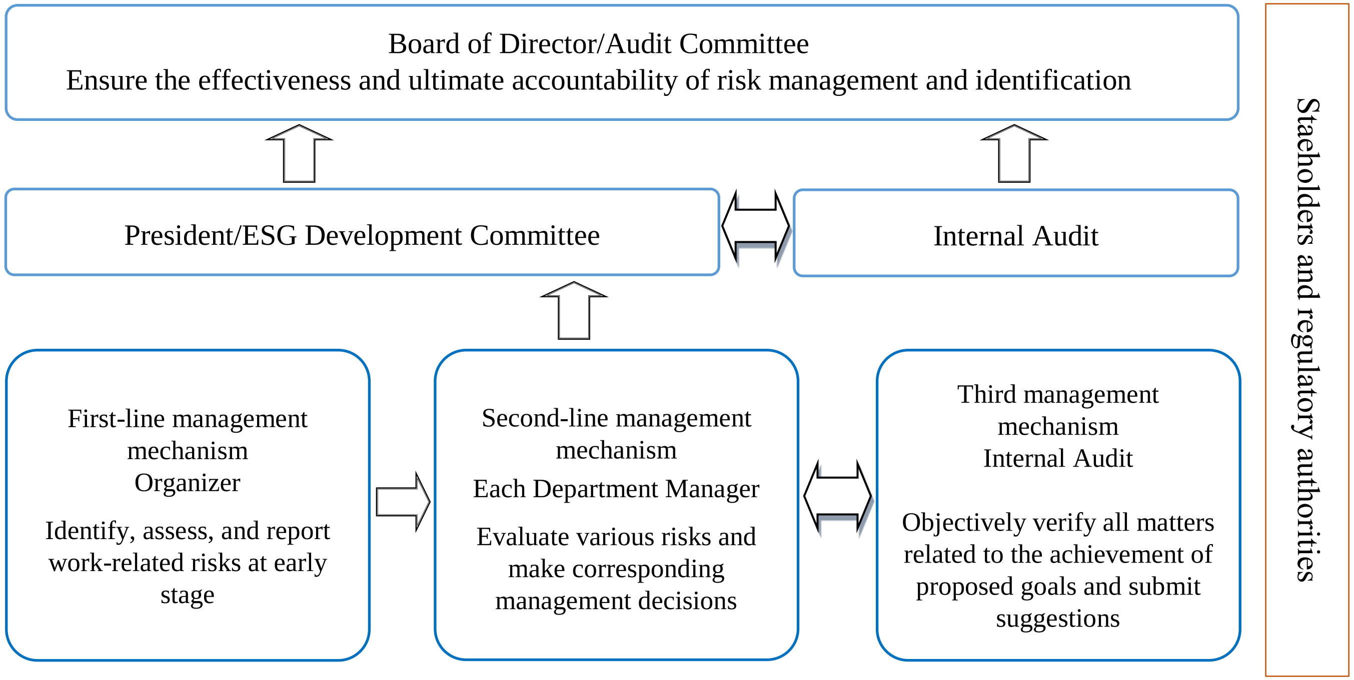
We shall define the types of risks in accordance with the Company's business policies. We shall prevent possible losses and optimize the allocation of resources within the boundaries of tolerable risks. We shall establish the following risk management policies to implement risk management:

Reference to international trends, support brand development, integrate company strategies, identify key risks, link performance indicators, implement risk management, and attain sustainable management.

The Company established the risk management policies and procedures. The contents are specified on the Company's website at https://www.sanfang.com/interested

(VIII) Climate-related Information of TWSE/TPEx Listed Companies

1. Implementation status for the climate-related information

Item	Implementation status
1.Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	Risk Management Mechanisms 

Item	Implementation status
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	Through collaborative discussions between departments and careful evaluations of how major climate risks and opportunities could impact the Company's operations and finances, we devise response strategies, including: Short-term Energy conservation and carbon reduction: Energy-saving and waste-reduction targets have been established and put into action across all our operational sites. This results in lower energy consumption and a diminished environmental footprint from waste. Mid-term Follow the brand and integrate supply chain partners: Following the brand starts from the company itself and gradually expands to the carbon emission targets of the supply chain. Long-term Energy transition: Reaching long-term net zero goals through the energy transition. Internal carbon pricing In response to the Climate Change Response Act passed in 2023, every metric ton of carbon emissions will be levied a carbon fee in the future. Therefore, the company's internal carbon pricing will use shadow prices. The current carbon price of 1 metric ton is NTD 300, which will be applied to Scope 1. 2. Assessment of reduction actions. In the future, important investments such as capital investment in new projects and product operations will consider the financial impact of carbon costs. In the future, we will continue to conduct internal and external carbon price and cost analysis. Rolling adjustment of internal carbon price. We aim to boost the Company's efforts in reducing carbon emissions, steer decision-making towards actions that benefit operations and the environment the most, and meet stakeholder expectations.

<table>
<tr><th>Item</th><th>Implementation status</th></tr>
<tr><td>3.Describe the financial implications of extreme climate events and transition actions</td><td>Climate change the risks and financial impacts
<table>
<tr><th>Risk category</th><th>Evaluation item</th><th>Risk description</th><th>Categories</th><th>Impact period</th><th>Level</th><th>Responsive management practices</th></tr>
<tr><td>Transition risk</td><td>Carbon fee levy</td><td>The Climate Change Response Act is set to enforce carbon fees on major carbon emitters producing 25,000 tons of carbon emissions, causing a rise in production expenses and substantial financial repercussions.</td><td>Policy and Law</td><td>Short-term</td><td>Significant risk</td><td>The Company is committed to actively promoting energy conservation and reducing carbon footprint. Besides the yearly power-saving strategy implemented at the factory, we are actively installing renewable energy generation facilities to decrease our use of purchased electricity.</td></tr>
<tr><td></td><td>Energy saving of 1% is mandated by regulations.</td><td>The energy user failed to reach the 1% electricity conservation target, as mandated by the Guidance for Energy Users on Setting Energy Conservation Objectives and Developing Action Blueprints, in the previous year. For this reason, it is imperative to set up additional energy-saving equipment to prevent legal consequences.</td><td>Policy and Law</td><td>Short-term</td><td>Low risk</td><td>1. Upgrade the energy efficiency of electrical equipment and replace power-consuming public system equipment with newer, more energy-efficient models.
2. The average annual power saving rate is 1.11%.</td></tr>
</table>
The impact boundary is mainly based on our company, and all the operating bases in Taiwan, China, Vietnam, and Indonesia.</td></tr>
</table>

<table>
<tr><th>Item</th><th>Implementation status</th></tr>
<tr><td>3.Describe the financial implications of extreme climate events and transition actions</td><td>Climate change the risks and financial impacts
<table>
<tr><th>Risk category</th><th>Evaluation item</th><th>Risk description</th><th>Categories</th><th>Impact period</th><th>Level</th><th>Responsive management practices</th></tr>
<tr><td rowspan="2">Transition risk</td><td>Regulations mandate installment of renewable energy generation capacity.</td><td>Under the "Renewable Energy Development Act", those who consume more than 5,000kW must, within five years, either set up renewable energy equipment or energy storage equipment with a rated capacity equivalent to at least 10% of the contract capacity, or acquire renewable energy certificates; otherwise, they will be subject to a penalty.</td><td>Policy and Law</td><td>Short-term</td><td>Medium risk</td><td>In line with the policy, the Company installed photovoltaic systems at the Kaohsiung plant to produce its own solar energy in 2022 and 2023.
With an installed capacity of 1,233 kilowatts peak, the system generated 874,962 kilowatt-hours of power.
Baoliang factory supplies its own solar energy:
With an installed capacity of 2,707 kilowatts peak, the system generated 2,715,000 kilowatt-hours of power.
Solar power purchased by our Vietnamese factory:
Purchased electricity: 1,631,012 kWH</td></tr>
<tr><td>Water consumption levy</td><td>The Measures for Water Consumption Levy Collection state that a water consumption levy will be applied to large water users consuming over 9,000 cubic meters of water in a single month during dry periods, inevitably raising production expenses.</td><td>Policy and Law</td><td>Short-term</td><td>Moderate impact</td><td>Reduce water consumption</td></tr>
</table>
The impact boundary is mainly based on our company, and all the operating bases in Taiwan, China, Vietnam, and Indonesia.</td></tr>
</table>

Item	Implementation status
3.Describe the financial implications of extreme climate events and transition actions	Climate change the risks and financial impacts (see table below) The impact boundary is mainly based on our company, and all the operating bases in Taiwan, China, Vietnam, and Indonesia.

Climate change the risks and financial impacts

Risk category	Evaluation item	Risk description	Categories	Impact period	Level	Responsive management practices
Transition risk	Industrial transformation (towards green products and green processes)	To adapt to international trends and supply chain requirements, the development of green products is essential. Still, in addition to the pricey raw materials, the challenging technical demands for transitioning to green processes require capital investment and result in increased production expenses.	Market	Mid-term	Medium risk	Develop green technologies and improve the performance of green products. Make efforts to drive up the sales of green products, with the target of reaching over 45% by 2023.

The impact boundary is mainly based on our company, and all the operating bases in Taiwan, China, Vietnam, and Indonesia.

Item	Implementation status
3.Describe the financial implications of extreme climate events and transition actions	Climate change the risks and financial impacts

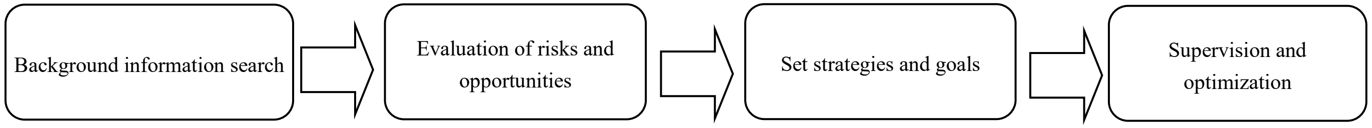
Risk category	Evaluation item	Risk description	Categories	Impact period	Level	Responsive management practices
Physical risk	Water shortage	Abnormal climate conditions causing water shortages and droughts can disable the factory production line's boilers and equipment, leading to lower output, higher costs, and reduced turnover.	Chronic	Short-term	Medium risk	1. Monitor and record the water volume and consumption of each reservoir. 2. Improve and replace water-consuming equipment, repair leaks in equipment and pipelines, and add water-saving controls. 3. Improve the wastewater recovery rate and improve the water storage capacity of the factory pool.
	Extreme rainfall	Due to abnormal weather conditions, typhoons and heavy rains have increased extreme rainfall, which has led to factory flooding and other shutdowns. Operations have been interrupted, resulting in loss of revenue. In addition, flooding has caused damage to factory equipment and increased costs.	Acute	Long-term	Significant risk	1. Factor in climate risks when choosing factory locations and constructing new factories to mitigate the impact of climate disasters on production. 2. The construction of new factory buildings in Indonesia in 2023 included designs for flood prevention, drainage, ventilation, and cooling that were tailored to local climate features and climate change concerns. 3. The factory is equipped with diesel power generation supply units to cope with temporary power outages.

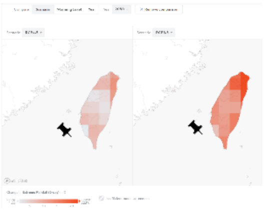
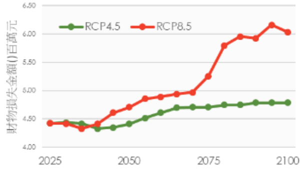
The impact boundary is mainly based on our company, and all the operating bases in Taiwan, China, Vietnam, and Indonesia.

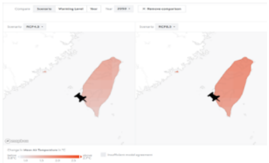
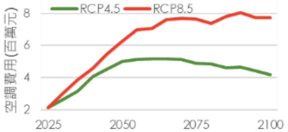
Item	Implementation status
3. Describe the financial implications of extreme climate events and transition actions	Climate change the risks and financial impacts

Risk category	Evaluation item	Risk description	Categories	Impact period	Level	Responsive management practices
Physical risk	Extreme heat	Abnormal climate patterns causing extreme heat could drive up air conditioner prices in factories, resulting in higher energy bills and increasing the risk of heat-related injuries to employees, ultimately impacting production.	Acute	Mid-term	Significant risk	1. Installation of solar panels can reduce temperatures 2. Put in place measures for improving the comfort of the workplace, e.g., installing powerful ventilation fans.

The impact boundary is mainly based on our company, and all the operating bases in Taiwan, China, Vietnam, and Indonesia.

Item	Implementation status
4.Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	Climate Risk and Opportunity Management Process The Company begins by assessing the risks and opportunities related to climate issues to navigate the high level of uncertainty in climate change and comprehend its positive and negative effects, in order to make future decisions and set goals. Furthermore, we delve into current regulations, markets, climate disaster frequency, and other trends through discussions and analysis with business departments and consultants to recognize our climate physical risks, transformation risks, and climate opportunities.  Compile and categorize risks and opportunities by referring to research reports, regulations, and industry trends about the climate and energy sectors. Each department discusses the probability of occurrence of positive and negative impacts of the issues they confront and the financial impacts of such issues, and works with external consultants to identify significant climate risks and opportunities. Formulate mitigation and adaptation strategies for relevant departments based on major climate risk opportunities, and set short, medium and long-term indicators and goals. Schedule periodic meetings with the ESG Committee to review the effectiveness of the climate strategy implementation and make continuous enhancements.

<table>
<tr><th>Item</th><th>Implementation status</th></tr>
<tr><td>5.If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.</td><td>Physical and Transition Risk Scenario - Extreme Rainfall
Climate change has resulted in extreme rainfall events like typhoons, which have brought about flooding in recent years. Consequently, by referencing the Network for Greening the Financial System (NGFS), the Company simulated diverse global extreme rainfall variations for its operations in Taiwan under two scenarios, namely, RCP4.5 and RCP 8.5. We estimated the time when our Kaohsiung factory will encounter a rise in extreme rainfall and its financial impact by inferring from the turnover of our Taiwan operations under the scenario when rainfall causes natural disaster and leads to work suspension.
<table>
<tr><th>Scenario</th><th>Taiwan</th><th>Process of risk assessment</th><th>Financial impact</th></tr>
<tr><td>RCP4.5
Radiative forcing per square meter will increase by 4.5W by 2100. It is a moderately stable scenario, with temperatures expected to rise by 3 degrees by the end of this century.</td><td></td><td rowspan="2">1. Leverage NGFS to measure the escalating frequency of heavy rainfall in Taiwan.
2. Evaluate how frequently it rains at the Kaohsiung plant location.
3. Estimate the length of time operations were put on hold due to rainfall-related disasters
4. Calculate the operating losses sustained by the Kaohsiung factory as a result of work suspension.
5. Complete analysis of future trend of loss caused by rainfall-induced suspension of work.</td><td rowspan="2">1. The status of RCP4.5 is due to a moderate increase in rainfall frequency, with annual financial losses of approximately NTD 4.7 million.
2. RCP8.5 is a high-carbon emission scenario with much higher rainfall frequency, so annual financial losses are estimated to be as high as NTD 6 million after 2080.
 </td></tr>
<tr><td>RCP8.5
Radiative forcing per square meter will increase by 8.5W by 2100. In this scenario, there are substantial levels of greenhouse gas emissions, causing a predicted temperature rise of 4.8 degrees by the end of the century.</td><td>Source:
NGFS Climate impact explorer</td></tr>
<tr><td colspan="4">Response strategies: By and large, this scenario takes into account no turnover variations but concentrates on the losses resulting from future work suspensions. Thus, the expected rise in rainfall frequency as a result of climate change may lead to an increase in work interruption frequency, resulting in annual operating deficits. Consequently, we will carry on with our daily energy-saving and carbon-reducing practices and bolster our defenses against extreme rainfall and flooding to mitigate other losses in the future.</td></tr>
</table>
</td></tr>
</table>

<table>
<tr><th>Item</th><th>Implementation status</th></tr>
<tr><td>5.If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.</td><td>Physical and Transition Risk Scenario - Extreme Heat
Energy costs have escalated in response to the increasing global temperatures driven by climate change in recent years. Consequently, by referencing the Network for Greening the Financial System (NGFS), the Company simulated diverse global average temperature hike variations for its operations in Taiwan under two scenarios, namely, RCP4.5 and RCP 8.5. By examining our operations' electricity and air conditioning usage along with the electricity rate, we projected when energy consumption for air conditioning will rise due to the global temperature increase and its financial impacts.
<table>
<tr><th>Scenario</th><th>Taiwan</th><th>Process of risk assessment</th><th>Financial impact</th></tr>
<tr><td>RCP4.5
Radiative forcing per square meter will increase by 4.5W by 2100. It is a moderately stable scenario, with temperatures expected to rise by 3 degrees by the end of this century.</td><td></td><td rowspan="2">1. Leverage NGFS to measure temperature increase in Taiwan
2. Evaluate how frequently temperature hikes at the Kaohsiung plant location.
3. Calculate the projected electricity consumption and electricity bills for the Kaohsiung plant.
4. Estimate the increase in air-conditioning energy consumption as a result of increase in temperature, and air-conditioning electricity consumption as a percentage of total power consumption.
5. Complete analysis of future trend of air-conditioning-induced increase in electricity bills.</td><td rowspan="2">1. The state of RCP4.5 increases moderately due to the frequency of warming. Expenditures (NTD 5 million) reach a peak in 2050. Subsequently, energy expenditures decline due to continued power conservation due to no increase in electricity costs.
2. RCP8.5 is a high-carbon emission scenario, and the frequency of temperature rises is much higher. Therefore, it is estimated that electricity expenses will continue to rise after 2060, with a maximum annual air-conditioning cost of NTD 8 million.

 </td></tr>
<tr><td>RCP8.5
Radiative forcing per square meter will increase by 8.5W by 2100. In this scenario, there are substantial levels of greenhouse gas emissions, causing a predicted temperature rise of 4.8 degrees by the end of the century.</td><td>Source:
NGFS Climate impact explorer</td></tr>
<tr><td colspan="4">Response strategies: In this scenario, the temperature increase and domestic net zero trend are taken into account, while the analysis of air conditioning energy consumption is based solely on current data, without any consideration for future revolutionary technologies. The uptick in temperature spikes due to climate change could drive up air conditioning usage, resulting in higher annual expenses. Consequently, moving forward, we will adhere to the Company's yearly power-saving strategy and emphasize the importance of energy-saving technologies in air conditioning to mitigate future risks. For the energy conservation measures adopted by the Company, please refer to the Measures for Promoting Energy Conservation section in the Company’s Sustainability Report.</td></tr>
</table>
</td></tr>
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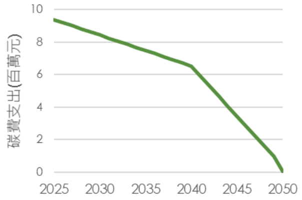
<table>
<tr><th>Item</th><th>Implementation status</th></tr>
<tr><td>5.If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.</td>
<td>Physical risk and transition risk under the high-temperature scenario - carbon fee
In recent years, due to the impact of climate change, countries have begun to impose carbon fees on high-carbon-emitting enterprises to force them to reduce emissions. As a result, San Fang simulated the future path of reducing greenhouse gas emissions under the 1.5°C scenario, in accordance with applicable domestic laws and regulations in Taiwan. Our analysis involved estimating the short, medium, and long-term carbon prices, as well as evaluating when they will have an impact and their financial consequences.
<table>
<tr><th>Scenario</th><th>Situation Description</th><th>Process of risk assessment</th><th>Financial impact</th></tr>
<tr><td>• 1.5°C scenario
In 2022, Taiwan set forth its goals and initiatives for achieving net-zero by 2050 and outlined a target for reducing emissions in its 2030 Nationally Determined Contributions (NDCs). In addition, the enactment of the Climate Change Response Act in 2023 not only established a clear net-zero objective but also implemented a carbon fee mechanism.</td>
<td>· The estimation of San Fang's greenhouse gas emissions will align with the national emission targets.
· The government will levy a carbon fee on enterprises. It is estimated that the carbon fee will be NTD 300 in the short term, NTD 500 in the medium term, and NTD 750 per metric ton of CO2e in the long term</td>
<td>1. Refer to the national greenhouse gas emission targets for 2030 and 2050.
2. Estimating the future Greenhouse gas emissions of Kaohsiung factory.
3. Refer to the current national carbon fee structure over the short, medium, and long term.
4. Fully evaluate the financial impact of the carbon fee up to 2050.</td>
<td>1. As outlined in the reduction pathway, emissions are to be reduced by 24% by 2030 compared to the base period and then eliminated by 2050. Hence, the carbon fee expenses are significant in the early stages, totaling around NT$9 million annually. The annual carbon fee is projected to decrease to zero by 2050 as the increase in carbon fees is outpaced by the reduction in carbon emissions over the medium and long term.
 </td></tr>
<tr><td colspan="4">Response strategies: Climate policies are expected to have a significant impact on the global economy, with governments taking steps to curb corporate carbon emissions through the implementation of carbon fees and taxes. Going forward, our approach to decreasing carbon emissions will center around source reduction. Additionally, we will address the challenges of carbon fees by acquiring renewable energy certificates and participating in voluntary reduction projects in Taiwan.</td></tr>
</table>
</td></tr>
</table>

Item	Implementation status
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	The issue of climate change has been intensifying in recent times, both at home and on the global stage, signaling the likelihood of significant climate-related risks and opportunities in the future. As a result, the International Financial Stability Board issued the Task Force on Climate-related Financial Disclosures, a guidance report, by which the Company used the TCFD approach to disclose its climate risks and opportunities under its existing risk management architecture, demonstrating the Company’s accountability to and strategy for the environment. In this way, the Company employed the TCFD approach to control risks and expand business opportunities. The Company is actively promoting low-carbon transformation and climate adaptation in response to the risks of climate change, focusing on the following directions: ● The management team establishes a vision for addressing climate change and implements measures to address it. ● Put strategies into action, carry out mitigation and adaptation measures, and introduce low-carbon artificial leather manufacturing technology to lead the supply chain towards improved green competitiveness. ● Gauge climate change severity, global trends, and brand customers’ carbon reduction targets, set performance indicators and measurable goals, and periodically review progress and monitor outcomes. Embracing the idea of mutual prosperity between business growth and environmental well-being, the Company is dedicated to adopting green production methods, fostering green innovation, and improving green management practices. Our ongoing efforts include incorporating climate change and energy management, water resources, and hazardous substances management into our daily operations to support global sustainable development. Indicators and targets 1. San Fang Group sought membership in the Science Based Targets initiative (SBTi) in July 2023 and applied science-based approaches to carbon reduction. Our goal is to define concrete and attainable reduction targets for scopes 1, 2, and 3 carbon emissions through a thorough inventory of our emissions. 2. By the third quarter of 2024, we aim to have gathered all the data needed to calculate our scope 3 emissions in 2023. 3. Carbon reduction goals: The carbon emissions must achieve an 18% reduction in 2025 from the base year 2018. Carbon reduction measures: Please refer to the specific actions for reduction 4. Water conservation goals: The water consumption must achieve a 5% reduction in 2025 from the base year 2018. 5. Waste reduction goals: The waste management must achieve a 2% reduction in 2025 from the base year 2018.

Item	Implementation status
7.If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	● The estimation of the Company's greenhouse gas emissions will align with the national emission targets. ● The government will levy a carbon fee on enterprises. It is estimated that the carbon fee will be NTD 300 in the short term, NTD 500 in the medium term, and NTD 750 per metric ton of CO2e in the long term
8.If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	● **Greenhouse gas emissions and energy management goals** The management goal for carbon emissions is to reduce Scope 1 and Scope 2 emissions by 18% by 2025, using 2018 as the base year.

<table>
<tr><th>Item</th><th>Implementation status</th></tr>
<tr>
<td>9.Greenhouse gas inventory and assurance, reduction targets, strategies and specific actions
(See 1-1, 1-2)</td>
<td>
Greenhouse Gas Inventory and Assurance Status
1-1 Company greenhouse gas inventory and confirmation status in the last two years
<table>
<tr>
<td>Basic information by the Company Profile
☑ Companies with capital of less than NT$5 billion</td>
<td>The following disclosures are mandated by the Sustainable Development Roadmap for TWSE/TPEx-listed Companies:
☑ Inventory of the parent company’s emissions
☐ Inventory of the emissions of subsidiaries included in the consolidated financial statements
☑ Assurance on the data on inventory of the parent company’s emissions
☐ Assurance on the data on inventory of the emissions of subsidiaries included in the consolidated financial statements</td>
</tr>
</table>
<table>
<tr>
<th rowspan="2">Scope 1 Direct greenhouse gas emissions</th>
<th rowspan="2">Total emissions (metric tons CO2e)</th>
<th rowspan="2">Intensity (metric tons CO2e/ NT$ millions)</th>
<th colspan="4">Assurance details</th>
</tr>
<tr>
<th>Certification body providing the assurance</th>
<th>Assurance scope</th>
<th>Assurance standards</th>
<th>Assurance opinion</th>
</tr>
<tr>
<td>2023
Parent company
Self-examination</td>
<td>2,930.6</td>
<td>4.59</td>
<td colspan="4">In 2023, the parent company is expected to be inspected by SGS at the end of June 2024
For assurance details, see the Assurance Statement that we posted on the Market Observation Post System (MOPS).</td>
</tr>
<tr>
<td>2022
Parent company</td>
<td>8,190.1</td>
<td>10.64</td>
<td>SGS</td>
<td>● Kaohsiung Factory, Taiwan</td>
<td>● ISO14064-1:2006 Greenhouse Gases-Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals
● The Regulations for Greenhouse Gas Emissions Inventory and Registration promulgated by the Environmental Protection Administration, Executive Yuan (2016.1.05)
● GHG inventory operation guidelines (2022.05)
● The Guidance for Greenhouse Gas Verification promulgated by the Environmental Protection Administration, Executive Yuan (2010.12)
● Relevant regulations disclosed on the National Greenhouse Gas Registration Platform</td>
<td>Unqualified opinion</td>
</tr>
</table>
</td>
</tr>
</table>

<table>
<tr><th>Item</th><th>Implementation status</th></tr>
<tr><td>9.Greenhouse gas inventory and assurance, reduction targets, strategies and specific actions (See 1-1)</td><td>
<table>
<tr><th rowspan="2">Scope 2 Indirect energy greenhouse gas emissions</th><th rowspan="2">Total emissions (metric tons CO2e)</th><th rowspan="2">Intensity (metric tons CO2e/ NT$ millions)</th><th colspan="4">Assurance details</th></tr>
<tr><th>Certification body providing the assurance</th><th>Assurance scope</th><th>Assurance standards</th><th>Assurance opinion</th></tr>
<tr><td>2023 Parent company Self-examination</td><td>15,924.4</td><td>24.93</td><td colspan="4">In 2023, the parent company is expected to be inspected by SGS at the end of June 2024
For assurance details, see the Assurance Statement that we posted on the Market Observation Post System (MOPS).</td></tr>
<tr><td>2022
Parent company</td><td>21,656.3</td><td>28.13</td><td>SGS</td><td>● Kaohsiung Factory, Taiwan</td><td>● ISO14064-1:2006 Greenhouse Gases-Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals
● The Regulations for Greenhouse Gas Emissions Inventory and Registration promulgated by the Environmental Protection Administration, Executive Yuan (2016.1.05)
● GHG inventory operation guidelines (2022.05)
● The Guidance for Greenhouse Gas Verification promulgated by the Environmental Protection Administration, Executive Yuan (2010.12)
● Relevant regulations disclosed on the National Greenhouse Gas Registration Platform</td><td>Unqualified opinion</td></tr>
</table>
</td></tr>
</table>

1-1 Greenhouse gas reduction targets, strategy, and concrete action plans

Specify the greenhouse gas reduction base year and its data, the reduction targets, strategy and concrete action plan, and the status of achievement of the reduction targets.	■Reduction strategy and concrete action plans ⊙As for carbon offset, our Kaohsiung factory took part in the EPA's carbon offset project by replacing its boil fuel from heavy oil to natural gas. As validated by the DNV, such action reduced 4,140 tons of carbon dioxide equivalent per year. ⊙As for energy derived from solar power for own use, our Kaohsiung factory and Baoliang factory adopted a photovoltaic power generation system in 2022 to generate electricity for self consumption. These systems began providing a steady electricity supply in 2023. ⊙As for purchase of international renewable energy certificates (I-RECs), our Indonesia factory purchased from the PLN utility provider I-RECs equivalent to 50% of its electricity consumption; furthermore, in 2023, it purchased I-RECs equivalent to 100% of its electricity consumption. ⊙Our Vietnamese factory acquired green electricity from green energy suppliers in 2023 as part of efforts to comply with greenhouse gas reduction initiatives. ⊙Replaced conventional lights with LED lights in processes. ⊙Replaced conventional drive motors with variable frequency motors. ⊙The temperature-controlled opening and closing fans of cooling water towers in the entire plant have been improved. ⊙Waste reduction reduces GHG emissions from incineration. ⊙Carbon reduction effect brought by products and services to customers or consumers: The Company has the closest production base to manufacturing products based on the location of the customer that placed the purchase order, considers the supply locations of raw material suppliers, and uses land transportation instead of sea transportation, to reduce GHG emissions from transportation tools used to deliver products or provide services. ■Achievement of reduction goals Parent company Base year: 2018 Carbon emissions in 2018 totaled 52,926, including 25,508 tons in scope 1 and 27,418 tons in scope 2. The estimated management target of carbon emissions is to achieve a 18% reduction in 2025 from the base year of 2018. In 2023, it decreased by about 37% compared with 2022, and in 2023, it decreased by 64% compared with 2018, and the target has been achieved. Intensity comparison: In 2023, it decreased by 24% compared with 2022. **The boundary of entities in the consolidated financial statements has yet to be inventoried; therefore, the base year has yet to be determined.**

(VIII) Implementation of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons

Evaluation item	Implementation status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
I. Establishment of ethical corporate management policy and approaches (I) Did the company establish an ethical corporate management policy that was approved by the Board of Directors, and declare its ethical corporate management policy and methods in its regulations and external documents, as well as the commitment of its Board and management to implementing the management policies?	✓		(I) In March 2020, the board of directors of the Company passed the revised "Ethical Corporate Management Best Practice Principles", which specifically regulates the Company's personnel to conduct business activities based on the principles of fairness, honesty, trustworthiness and transparency, and expressly indicates the policies and practices of ethical management. The Company's business philosophy is to "become the most trustworthy materials supplier," and senior management and members of the Board of Directors are committed to upholding their responsibility of supervision based on ethical concepts when performing their duties, in order to create a sustainable business environment.	No significant difference

Evaluation item	Implementation status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
(II) Does the company establish mechanisms for assessing the risk of unethical conduct, periodically analyze and assess operating activities within the scope of business with relatively high risk of unethical conduct, and formulate an unethical conduct prevention plan on this basis, which at least includes preventive measures for conduct specified in Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"?	✓		(II) In the "Ethical Corporate Management Best Practice Principles", the Company explicitly prohibits offering and accepting bribes; providing illegal political donations; improper charity donations or sponsorship; offering or accepting unreasonable gifts, hospitality, or other improper benefits; infringing on trade secrets, trademark, patent rights, copyright, and other intellectual property right; engaging in unfair competition; products and services directly or indirectly damage the rights, health, and safety of consumers or other stakeholders during R&D, procurement, manufacturing, provision, or sales. Also, to ensure that ethical corporate management is implemented and to establish an effective accounting system and internal control system, internal audit personnel regularly audit the compliance with the systems above.	No significant difference

Evaluation item	Implementation status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
(III) Did the company specify operating procedures, guidelines for conduct, punishments for violation, rules of appeal in the unethical conduct prevention plan, and does it implement and periodically review and revise the plan?	✓		(III) The Company has established "Corporate "Ethical Corporate Management Best Practice Principles", "Code of Ethics", "Guidelines for Whistleblowing on Illegal or Unethical Conduct", and "Management Guidelines for Employee Complaints", which specify operating procedures, penalties and reporting method for violations. Aside from active investigations, complaint channels are provided on the company website for cases that might violate the law or Code of Ethics. Penalties are assessed based on the situation and severity of the violation, and enhanced education, training, and promotion are provided for new employees. Regular reviews and amendments are made according to actual operations and amendments to the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies". The Ethical Corporate Management Regulations are disclosed on the company website.	No significant difference
II. Implementation of ethical corporate management (I) Does the company evaluate the ethical records of parties it does business with and stipulate ethical conduct clauses in business contracts?	✓		(I) The Company considers the lawfulness and reputation of the counterparty before engaging in business dealings, in order to avoid engaging in transactions with unethical counterparties. Contents of contracts shall include the ethical corporate management policy.	No significant difference

Evaluation item	Implementation status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
(II) Did the company establish a dedicated unit under the Board of Directors to promote ethical corporate management, and periodically (at least once a year) report to the Board of Directors and supervise the implementation of the ethical corporate management policy and unethical conduct prevention plan?	✓		(II) The Company has set up the "ESG Development Committee", which comprises the "Corporate Governance Task Force" charged with the Company's corporate governance affairs such as ethical corporate management, anti-corruption, anti-bribery, and legal compliance. The task force briefs the Company's board of directors annually on implementation progress. The Board of Directors meeting dated January 23, 2024 was briefed on the progress of our ethical corporate management implementation in 2023. The Company's board of directors assumes the duty of due care of a good administrator and monitors and stops any unethical practices within the Company, to ensure implementation of our ethical corporate management policy. Implementation status in 2023: Education and Training: In 2023, a total of 14 new employees took part in ethical policy courses for a total of 14 hours. In 2023, a total of 70 top-level and second-level executives took courses on ethical conduct and integrity for a total of 140 hours.	No significant difference

Evaluation item	Implementation status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
			Commitments: 1. Spread awareness of the Company's ethical policy among suppliers. 2. In 2023, suppliers signed 95 pieces of Undertaking of Integrous Transaction. 3. New employees reporting to duty in 2023 signed a total of 22 Non-disclosure Agreements. No corruption or anti-competitive behavior occurred in 2023.	
(III) Does the company establish policies to prevent conflict of interests, provide appropriate channels for filing related complaints and implement the policies accordingly?	✓		(III) The Company actively conducts investigations and set up internal complaint channels in accordance with the "Ethical Corporate Management Best Practice Principles".	No significant difference
(IV) Does the company have effective accounting system and internal control systems set up to facilitate ethical corporate management, does the internal auditing unit formulate audit plans based on unethical conduct risk assessment results, and does it audit compliance with the unethical conduct prevention plan or commission a CPA to perform the audit?	✓		(IV) The Company has established an effective accounting system and internal control system to ensure the implementation of ethical corporate management, and internal auditors regularly audit the Company's compliance with the systems. A risk assessment system has been put in place by the Company to analyze the risks involved in the activities of its crucial operating sites, particularly in relation to ethics, conflict of interest mitigation, and anti-corruption efforts.	No significant difference

Evaluation item	Implementation status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
(V) Does the company regularly hold internal and external educational trainings on ethical corporate management?	✓		In 2023, we examined 90 copies of Unit Organization Risk Confrontation Assessment Forms from all units (including subsidiaries) to pinpoint material risks and the departments they are confronting; afterwards, we conducted internal investigation and audits to actively prevent the occurrence of relevant risks. (V) The Human Resources Department plans and organizes ethical corporate management education and training to implement the Company's ethical corporate management policy. Ethical corporate management education is incorporated in on-the-job training for new employees. Ethical corporate management concepts and regulations are irregularly promoted to all personnel in the organization	No significant difference

Evaluation item	Implementation status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
III. Operation of whistleblowing system				
(I) Does the company establish concrete whistleblowing and reward system and have a convenient reporting channel in place, and assign an appropriate person to communicate with the accused?	✓		(I) Conduct complaints and report according to the processing unit provided in the Company's "Guidelines for Whistleblowing on Illegal or Unethical Conduct". Processing unit Spokesperson: Accept reports from stakeholders such as shareholders and investors. Audit supervisor: Accept reports from internal colleagues and customers, suppliers, contractors, etc. Please see our company website for contact information.	No significant difference
(II) Does the company establish standard operating procedures for investigating reported cases, and does it take subsequent measures and implement a confidentiality mechanism after completing investigation?	✓		(II) The Company has established confidentiality mechanisms for handling reports. Once violations are confirmed, a report will be immediately submitted to management, and penalties will be imposed based on the severity of the situation. Acceptance Procedure 1. Anonymous reporting: As a rule, we do not address anonymous reports, but if the content is deemed crucial for an investigation, the case will be handled separately and utilized for internal assessment. 2. Confidential reporting: The department handling the reported case must clearly understand the	No significant difference

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Implementation status</th><th rowspan="2">Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>reporting's intent and the concrete proof provided. In case the department suspects a potential breach of the law or unethical behavior, it must report the case along with evidence to the President for resolution.
3. The Company is required to address reported cases cautiously and verify them through unbiased sources to ensure the complete protection of the whistleblower and maintain strict confidentiality regarding their identity.
4. Should the whistleblower be a colleague, the Company assures that they will not face any unfair treatment as a result of reporting.
5. To safeguard the rights of the accused and prevent potential retaliation, the Company is required to provide the accused with a chance to appeal, and may arrange a Personnel Review Committee meeting as needed.
Whistleblowers have the option to report anonymously or confidentially to the chief auditor and spokesperson. The Company will ensure strict confidentiality of the reported information.</td><td></td></tr>
</table>

Evaluation item	Implementation status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
(III) Does the company provide proper whistleblower protection?	✓		(III) 1. The Company has formulated its “Regulations for Handling Reported Illegal and Unethical Conduct”, which is also applicable to the Company’s subsidiaries. The regulations serve as a whistleblower protection mechanism, stipulating that a whistleblower not be subject to retaliation acts, including termination, dismissal, demotion/relocation, pay cuts, infringement on the rights they entitle to under laws, contract, or customs, or any other unfavorable treatment, due to their whistleblowing. Should the whistleblower think that they have been unfairly treated because of their whistleblowing, they are entitled to lodge a complaint with the Company's Human Resources Department. 2. The Company did not receive any reporting cases in 2023.	No significant difference
IV. Enhancing information disclosure Does the company disclose information regarding the company's ethical corporate management principles and implementation status on its website and the Market Observation Post System?	✓		The information is disclosed on the company website and MOPS. Website: http://www.sanfang.com.tw	No significant difference

Evaluation item	Implementation status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
V. If the company has established Ethical Corporate Management Principles in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies", describe difference with the principles and implementation status: The Company established "Ethical Corporate Management Best Practice Principles" and "Guidelines for Whistleblowing on Illegal or Unethical Conduct, and there are currently no discrepancies.				
VI. Other important information to facilitate a better understanding of the company's implementation of ethical corporate management: (e.g., review and amendment of the Ethical Corporate Management Best Practice Principles) 1. The Board of Directors passed an amendment to the "Ethical Corporate Management Best Practice Principles" on March 6, 2020 in coordination with actual operations and amendments to the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies". 2. The Company established "Procedures for Handling Material Inside Information and Prevention of Insider Trading" to establish good mechanisms for handling and disclosing material insider information, prevent inappropriate leakage of information, and ensure the consistency of information that is disclosed.				

(IX) If the company has established corporate governance principles and related guidelines:

The Company has established "Corporate Governance Best Practice Principles", "Ethical Corporate Management Best Practice Principles", and "Code of Ethics", which are available on the company website at http://www.sanfang.com.tw.

(X) Other significant information which may improve the understanding of corporate governance operations:

1. The Company complies with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, regulations for public companies, and other laws related to business practices, and use them as the basic principles for implementing ethical corporate management. The "Rules of Procedure for Board of Directors Meetings" set forth a system for directors to avoid conflict of interest, and the Standard Operating Procedures for Handling Requests from Directors were established to assist directors in performing their duties and enhancing Board functions.
2. The Company's "Procedures for Handling Material Inside Information and Prevention of Insider Trading" explicitly prohibits directors, managers, and employees from disclosing material insider information to others, and provides guidelines for how to properly handle and disclose material insider information, ensuring the consistency and correctness of information disclosed by the Company. The current status of implementation is good.
3. The Company established "Subsidiary Supervision Regulations" to improve the operations of subsidiaries.
4. The Company distributes the manual for directors and supervisors prepared by the FSC Securities and Futures Bureau, as well as laws and regulations relating to insider equity, to newly appointed directors and managers to ensure their compliance.

Education and training on insider trading prevention and ethical management in 2023 and up to the printing date of the annual report

Name of the training course	Training unit	Trainees	Training date	Number of hours	Number of people
Promotion of Corporate Ethical Corporate Management Best Practice Principles and Code of Ethics of the Supervisors and Reporting and Handling of Illegal and Unethical Cases	The Company	Level 1 supervisors Level 2 supervisors	2023/12/20	1	70
2023 Insider Trading Prevention Dissemination Meeting	Securities & Futures Institute	Finance and accounting personnel	2023/06/09	3	2
Implementation and Monitoring of Anti-money Laundering Strategies	CPA Associations of the R.O.C.	Director	2023/03/20	3	1
Insider Equity Promotion and Briefing Session	Taipei Exchange	Finance and accounting personnel	2023/11/29	3	1
A Forward: Identifying Typical Violations of the Securities and Exchange Act Related to Insider Shareholding Change Disclosure	The Company	Directors and Managerial Officers	Irregular	NA	20

(XI) Implementation status of the internal control system

1. Statement on Internal Control

San Fang Chemical Industry Co., Ltd.

Statement on Internal Control System

Date: March 06, 2024

In 2023, the Company conducted an internal audit of its internal control system and hereby declares the following:

I. The Company acknowledges and understands that the establishment, enforcement and maintenance of the internal control system are the responsibility of the Board of Directors and management, and that the Company has already established such a system. aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability of reporting, and compliance with applicable laws and regulations.

II. There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the operating environment and situation may change, impacting the effectiveness of the internal control system. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.

III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communications, and 5. monitoring activities. Each of the elements in turn contains certain audit items. Please refer to "Governing Regulations" for details.

IV. The Company has adopted the aforementioned measures for an examination of the effectiveness of the design and implementation of the internal control system.

V. Based on the findings of the aforementioned examination, the Company believes it can reasonably assure that the design and implementation of its internal control system as of December 31, 2023 (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant regulatory requirements, have achieved the aforementioned objectives.

VI. This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This statement was passed by the Board of Directors on March 6, 2024, with none of the 7 attending Directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

San Fang Chemical Industry Co., Ltd.

Chairman: Mun-Jin Lin 林孟經印

President: Chih-I Lin 林至逸印

2. Accountant engaged by the Company to examine its internal control system: N/A

(XII) Penalty imposed on the Company and its personnel, punishment imposed by the Company on personnel in violation of internal control system regulations, major deficiencies and improvements in the past year and up to the date of report: None.

(XIII) Important resolutions adopted in shareholders' meeting and Board meetings in the past year and up to the date of report

1. Important resolutions of the 2023 shareholders' meeting and implementation status:

Date	Session	Resolution	Implementation status
2023.06.13	Shareholders' meeting	Acknowledgments: (I) Proposed 2022 business report and financial statements. (II) 2022 earning distribution.	Followed resolution results. Set 2023.07.09 as the record date for distribution of cash dividends, and distributed cash dividends on 2023.07.28.

2. Important resolutions of Board meetings in 2023 and up to the date of report:

Date	Session	Resolution	Resolution
2023.01.13	11th meeting of 17th-term once of Directors	1. Establishment of the Company's risk management policies and procedures. 2. Discuss resolutions of the 5th meeting of the 5th-term Remuneration Committee. 3. Proposal to acknowledge endorsements/guarantees provided by the Company to subsidiaries. 4. Proposal for the replacement of the CPA for the Company's financial statements. 5. Proposal to evaluate the CPA's independence and competence in 2023. 6. Establishment of the Company's general principles for the policy of advance approval for non-assurance services.	1. Approved by all Directors in attendance. 2. CPAs Chiu-Yen Wu and Yu-Hsiang Liu were appointed as the Company's accountants for the financial statements starting from 2023 Q1. 3. The independence and competence of CPAs were evaluated based on AQIs.

Date	Session	Resolution	Resolution
2023.03.09	12th meeting of 17th-term Board of Directors	1. 2022 employee compensation and directors' remuneration distribution. 2. Proposed 2022 business report and financial statements. 3. 2022 Dividend distribution proposal. 4. Proposed distribution of cash dividends in 2022. 5. Proposal to set the date, venue, way of convening and holding and agenda of the 2023 annual shareholders' meeting. 6. Proposal to amend the Company's "Corporate Governance Best Practice Principles". 7. The Company grants the Chairman of the Board of Directors the full authority to enter into contracts and related matters with financial institutions for credit facilities, terms and conditions, property settings, and derivative operations based on the capital requirements of the Company. 8. 2022 "Statement on Internal Control System".	1. Approved by all Directors in attendance. 2. Distribution of cash dividend NT$0.8 per share.
2023.05.05	13th meeting of 17th-term Board of Directors	1. 2023 Q1 financial statements. 2. 2022 Sustainability Report.	1. Approved by all Directors in attendance.
2023.06.13	14th meeting of 17th-term Board of Directors	1. Proposal to set the record date for distribution of cash dividends. 2. Proposal to guaranty by the Company to subsidiaries.	1. Set 2023.07.09 as the record date for distribution of cash dividends, and distributed cash dividends on 2023.07.28. 2. Every director in attendance has unanimously decided to secure a working capital credit line of NT$100 million from Bank SinoPac with the parent company's endorsement and guarantee.

Date	Session	Resolution	Resolution
2023.08.08	15th meeting of 17th-term Board of Directors	1. 2023 Q2 financial statements. 2. Proposal to discuss the "Directors' remuneration in 2022" proposed by the Remuneration Committee. 3. Proposal to discuss the "distribution of remuneration to managerial in 2022" proposed by the Remuneration Committee. 4. Discussion of the "annual salary adjustment of managerial officers" for 2023 proposed by the Remuneration Committee.	1. Approved by all Directors in attendance. 2. When the 2022 Directors Remuneration Proposal raised by the Remuneration Committee was deliberated, Chairman Mun-Jin Lin, Director Chin-Chun Lu, Director Yuan-Huang Liao, and Director Chia-Hui Teng, being an interested party, recused themselves; the proposal was then approved by all independent directors present.
2023.11.08	16th meeting of 17th-term Board of Directors	1. 2023 Q3 financial statements. 2. Investing in a newly established trading company in India as part of a joint venture. 3. Provide a loan to the wholly-owned subsidiary Bestac Advanced Material Co., Ltd. 4. Proposal to acknowledge endorsements/guarantees provided by the Company to subsidiaries. 5. 2024 audit plan proposed by the Audit Office of the Company. 6. Proposal on the Company’s establishing an employee stock ownership trust program to retain talents and stimulate employees’ performance, and the Company’s contribution to the program to managers eligible for the program.	1. Approved by all Directors in attendance.
2024.01.23	17th meeting of 17th-term Board of Directors	1. Proposal for the replacement of the CPA for the Company's financial statements. 2. Proposal to evaluate the CPA's independence and competence in 2024. 3. Proposed remuneration to the CPAs. 4. Discuss resolutions of the 10th meeting of the 5th-term Remuneration Committee.	1. Approved by all Directors in attendance. 2. CPA Teng-Wei Wang and CPA Yu-Hsiang Liu were appointed as the Company's accountants for the financial statements, starting from 2024 Q1. 3. The independence and competence of CPAs were evaluated based on AQIs.

Date	Session	Resolution	Resolution
2024.03.06	18th meeting of 17th-term Board of Directors	1. 2023 employee compensation and directors' remuneration distribution. 2. Proposed 2023 business report and financial statements. 3. 2023 Dividend distribution proposal. 4. Proposed distribution of cash dividends in 2023. 5. Proposal to set the date, venue, way of convening and holding and agenda of the 2024 annual shareholders' meeting. 6. Proposal to amend the Company's "Rules of Procedure for Board of Directors Meetings". 7. Proposal to amend the Company's "Audit Committee Charter". 8. The Company grants the Chairman of the Board of Directors the full authority to enter into contracts and related matters with financial institutions for credit facilities, terms and conditions, property settings, and derivative operations based on the capital requirements of the Company. 9. 2023 "Statement on Internal Control System". 10. Proposal for the full re-election of the board of directors for the Company's 18th-term directors. 11. Submitted the passing of the list of director (including independent director) candidates nominated by the Board of Directors.	1. Approved by all Directors in attendance. 2. Distribution of cash dividend - NT$1.5 per share. 3. The independent directors present had no objections to the revised the "Rules of Procedure for Board of Directors Meetings" and the "Audit Committee Charter" revised in items 6 and 7, and they were adopted accordingly. 4. The list of director candidates was passed by the Board of Directors and announced within the prescribed time limit.
2024.05.08	19th meeting of 17th-term Board of Directors	1. 2024 Q1 financial statements. 2. Proposal for 2023 Sustainability Report. 3. Proposal to acknowledge endorsements/guarantees provided by the Company to subsidiaries.	1. Approved by all Directors in attendance.

(XIV) Dissenting or qualified opinion of Directors against an important resolution passed by the Board of Directors that is on record or stated in a written statement in the past year and up to the date of report: Currently not applicable to the Board of Directors.

(XV) Resignation and dismissal of managerial officers, including chairman, president, chief accounting officer, chief financial officer, chief internal auditor, corporate governance supervisor, and R&D supervisor, in the past year and up to the date of report: N/A.

V. Information on fees to CPA:

Unit: Thousand NTD

Name of accounting firm	Name of CPA	Audit Period	Audit fee	Non-audit fee					Total	Remarks
				System design	Business registration	Human resources	Other (Note)	Subtotal		
Deloitte Taiwan	Chiu-Yen Wu Yu-Hsiang Liu	2023	5,280	0	0	0	1,000	1,000	6,280	

Note: “Other" includes the transfer pricing service fee, the master file service fee, the attestation of the salary of non-managerial full-time employees, the direct deduction method, the tax certification.

(I) When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are equivalent to one quarter or more of the audit fees paid thereto: None.

(II) If the accounting firm is changed and the audit fees paid in the year of the replacement is less than that of the previous year: None.

(III) If the audit fees were reduced more than 10% from that of the previous year: None.

VI. Information on the replacement of CPA:

I. Regarding previous CPA

<table>
<tr><td>Date of replacement</td><td colspan="4">January 9, 2024 and January 13, 2023</td></tr>
<tr><td>Reasons for change and explanation</td><td colspan="4">Internal adjustment of the CPA firm</td></tr>
<tr><td rowspan="3">Termination initiated by client or accountant declined to accept the appointment</td><td colspan="2">The Parties
Scenario</td><td>CPA</td><td>Client</td></tr>
<tr><td colspan="2">Termination initiated by the client</td><td>N/A</td><td>N/A</td></tr>
<tr><td colspan="2">CPA declined to accept (continue) the appointment</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Audit opinions other than unqualified opinions issued in the past two years and reasons</td><td colspan="4">N/A</td></tr>
<tr><td rowspan="7">Opinions different from those of the issuer</td><td rowspan="5">Yes</td><td></td><td colspan="2">Accounting principle or practice</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial report</td></tr>
<tr><td></td><td colspan="2">Audit scope or steps</td></tr>
<tr><td></td><td colspan="2">Other</td></tr>
<tr><td></td><td colspan="2"></td></tr>
<tr><td>N/A</td><td colspan="3">v</td></tr>
<tr><td colspan="4">Description</td></tr>
<tr><td>Other matters to be disclosed
(Matters to be disclosed in accordance with Article 10, Subparagraph 6, Item 1-4 to 1-7 of the Regulations)</td><td colspan="4">N/A</td></tr>
</table>

II. Regarding succeeding CPA

CPA firm name	Deloitte Taiwan
Name of CPA	Chiu-Yen Wu, Yu-Hsiang Liu
Date of appointment	January 13, 2023
Consultation given on accounting treatment or accounting principle adopted for any specific transactions and on possible opinion issued on financial report prior to appointment and results	N/A
Succeeding CPAs' written opinions that are different from those of the previous CPAs	N/A

CPA firm name	Deloitte Taiwan
Name of CPA	Teng-Wei Wang; Yu-Hsiang Liu
Date of appointment	January 09, 2024
Consultation given on accounting treatment or accounting principle adopted for any specific transactions and on possible opinion issued on financial report prior to appointment and results	N/A
Succeeding CPAs' written opinions that are different from those of the previous CPAs	N/A

III. The previous CPA's reply to Article 10, Subparagraph 6, Item 1 and Item 2, Point 3 of the Regulations: N/A.

VII. The chairman, president, financial or accounting manager of the company who had worked for the certifying accounting firm or its affiliated enterprise in the past year: None.

VIII. In the most recent year and as of the printing date of the annual report: Share transfer by directors, managerial officers, and shareholders holding more than 10% equity, and changes to share pledging

Title	Name	2023		The current year up to April 21	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Chairman	San Fang Investment Co., Ltd. Representative: Mun-Jin Lin	0	0	0	0
Director	Pou Chien Technology Co., Ltd. Representative: Chin-Chun Lu	0	0	0	0
Director	Pou Chien Technology Co., Ltd. Representative: Yuan-Huang Liao	0	0	0	0
Director	Pou Chien Technology Co., Ltd. Representative: Chia-Hui Teng	0	0	0	0
Independent director	Wan-Lin Hsu	0	0	0	0
Independent director	Li-Syuan Lin	0	0	0	0
Independent director	Chih-Long Chou	0	0	0	0
President	Chih-I Lin	0	0	0	0
Vice President	Chin-Fa Chiu (Retired on February 29, 2024)	0	0	50,000	0
Vice President	Kuo-Kuang Cheng	0	0	0	0
Vice President	Li-Chuan Li	0	0	0	0
Vice President	Liang-Chuan Hsu	0	0	0	0
Vice President and Corporate governance supervisor	Wei-Chu Chen	0	0	0	0
Vice President and Financial Department Officer	Hsin-Hung Lin	0	0	0	0
Assistant Vice President	Chang I-Cheng	0	0	0	0
Assistant Vice President	Chin-Liang I	0	0	0	0
Assistant Vice President	Chen-Tai Cheng	0	0	0	0
Head of accounting	Hua-Hsing Wang	0	0	0	0

Share transfer information: None.

Share pledge information: None.

IX. Information on the relationship between any of the top ten shareholders (related party, spouse, or kinship within the second degree):

Information disclosing the relationship between any of the top ten shareholders

Name	Shareholding		Shares held by spouse and underage children		Total shareholding by nominee arrangement		Titles, names and relationships of top 10 shareholders with relationships, spousal relationships, or kinship within the second degree		Remarks
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	(or name)	Relationship	
i-Tech. Sporting Enterprise Ltd. Representative: Chi-Chih Hung	38,980,000	9.77							
Pou Chien Enterprise Co., Ltd. Representative: Hui-Chi Wu	38,501,504	9.68					Pou Chien Technology Co., Ltd., i-Tech. Sporting Enterprise Ltd.	Supervisor of the company	
Yue Dean Technology Corporation Representative: Yu-Chun Chen	37,298,876	9.38					Pou Chien Technology Co., Ltd.	Chairman of the company	
Pou Chien Technology Co., Ltd. Representative: Yu-Chun Chen	36,549,118	9.19					Yue Dean Technology Corporation	Chairman of the company	
Investment account of Unicorn Securities under the custody of Capital Securities Corporation	26,578,577	6.68							
Mun-Jin Lin	26,239,427	6.60	155,559	0.04	1,143,574	0.29	Mun-Wi Lin, Mun-Yon Lin	Relative within the second degree of kinship	
Mun-Yon Lin	19,935,265	5.01	2,196,604	0.55			Mun-Jin Lin, Mun-Wi Lin	Relative within the second degree of kinship	
Mun-Wi Lin	16,302,783	4.10					Mun-Jin Lin, Mun-Yon Lin	Relative within the second degree of kinship	
Mun-Tan Lin	12,555,726	3.16							
Mei-Chin Teng Liao	6,189,349	1.56							

X. Total shareholding percentage

Unit: shares; %

Investee company	Investment by the Company		Investments from directors, supervisors, managerial officers and their directly or indirectly controlled enterprises		Combined investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
San Fang Financial Holdings Co., Ltd. (BVI)	604,113	100	-	-	604,113	100
San Fang Development Co., Ltd.	20,000,000	100	-	-	20,000,000	100
Forich Advanced Materials Co., Ltd.	7,698,545	100	-	-	7,698,545	100
Grand Capital Limited (GCL)	19,750,000	100	-	-	19,750,000	100
Bestac Advanced Material Co., Ltd.	20,000,000	100	-	-	20,000,000	100

Chapter 4. Capital overview

I. Capital and shareholding

(I) Sources of capital

Year/Month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount (NT$)	Shares	Amount (NT$)	Sources of capital	Subscriptions paid with property other than cash	Other
2012.04	10	350,000,000	3,500,000,000	343,161,407	3,431,614,070	Capitalization of profits	N/A	Jin-Guan-Zheng-Fa-Zi No. 1000029848 dated June 29, 2011
2013.04	10	380,000,000	3,800,000,000	353,456,250	3,534,562,500	Capitalization of profits	N/A	Jin-Guan-Zheng-Fa-Zi No. 1010027991 dated June 25, 2012
2014.04	10	380,000,000	3,800,000,000	364,059,938	3,640,599,380	Capitalization of profits	N/A	Jin-Guan-Zheng-Fa-Zi No. 1020028871 dated July 24, 2013
2015.04	10	380,000,000	3,800,000,000	374,981,737	3,749,817,370	Capitalization of profits	N/A	Jin-Guan-Zheng-Fa-Zi No. 1030025782 dated July 8, 2014
2016.04	10	400,000,000	4,000,000,000	386,231,190	3,862,311,900	Capitalization of profits	N/A	Jin-Guan-Zheng-Fa-Zi No. 1040024012 dated June 25, 2015
2017.04	10	400,000,000	4,000,000,000	397,818,126	3,978,181,260	Capitalization of profits	N/A	Approved and effective by FSC on June 24, 2016
2019.07	10	460,000,000	4,600,000,000	397,818,126	3,978,181,260	Increased authorized share capital	N/A	Jing-Shou-Shang-Zi No. 10801077130 dated July 12, 2019

April 21, 2024

Type of stock	Authorized capital			Remarks
	Outstanding shares (Note)	Unissued shares	Total	
Ordinary shares	397,818,126	62,181,874	460,000,000	Listed stocks

Note: The shares issued are listed.

Information on shelf registration: N/A.

(II) Shareholder structure

April 21, 2024

Shareholder structure	Government agencies	Financial institutions	Other institutions	Foreign institutions & natural persons	Individuals	Treasury stock	Total
Number of people	2	2	66	121	19,061	0	19,252
Number of shares held	104	239,000	161,567,968	55,829,410	180,181,644	0	397,818,126
Shareholding ratio (%)	0.00%	0.00%	40.61%	14.03%	45.30%	0.00%	100.00%

Note: No shares were held by Chinese capital as of 2024.04.21.

(III) Shareholding distribution status

Par value of NT$10 per share

April 21, 2024

Shareholding range	Number of shareholders	Number of shares held	Shareholding ratio (%)
1 - 999	10,959	1,947,101	0.49%
1,000 - 5,000	6,106	12,904,239	3.24%
5,001 - 10,000	1,007	7,506,385	1.89%
10,001 - 15,000	359	4,446,909	1.12%
15,001 - 20,000	211	3,824,918	0.96%
20,001 - 30,000	181	4,540,983	1.14%
30,001 - 40,000	94	3,359,760	0.84%
40,001 - 50,000	53	2,452,198	0.62%
50,001 - 100,000	131	9,383,317	2.36%
100,001 - 200,000	63	8,735,231	2.20%
200,001 - 400,000	27	7,445,901	1.87%
400,001 - 600,000	6	2,829,530	0.71%
600,001 - 800,000	13	9,197,159	2.31%
800,001 - 1,000,000	3	2,828,368	0.71%
1,000,001 shares or more	39	316,416,127	79.54%
Total	19,252	397,818,126	100.00%

Preferred shares: The Company has not issued any preferred shares.

(IV) List of major shareholders

Top ten shareholders with 5% or more shares

Shareholding / Name of major shareholder	Number of shares held	Shareholding ratio (%)
i-Tech. Sporting Enterprise Ltd.	38,868,000	9.77%
Pou Chien Enterprise Co., Ltd.	38,501,504	9.68%
Yue Dean Technology Corporation	37,298,876	9.38%
Pou Chien Technology Co., Ltd.	36,549,118	9.19%
Investment account of Unicorn Securities under the custody of Capital Securities	26,578,577	6.68%
Mun-Jin Lin	26,239,427	6.60%
Mun-Yon Lin	19,935,265	5.01%
Mun-Wi Lin	16,302,783	4.10%
Mun-Tan Lin	12,555,726	3.16%
Mei-Chin Teng Liao	6,189,349	1.56%

(V) Stock price, net worth, earnings, dividends and related information for the past two years

Item		Year	2023	2022	The current year up to May 8, 2024 (Note 8)
Stock price (Note 1)	Highest		28.35	22.65	31.80
	Lowest		20.35	19.15	24.20
	Average		23.66	20.41	27.36
Net worth per share (Note 2)	Before distribution		22.48	21.32	22.75
	After distribution		20.98	20.52	22.75
EPS	Weighted average shares		397,818,126	397,818,126	397,818,126
	EPS (Note 3)	Before adjustment	1.91	1.18	1.04
		After adjustment	1.91	1.18	1.04
Dividends per share	Cash dividends		1.5	0.8	
	Stock dividends	Earnings	-	-	
		Capital surplus	-	-	
	Accumulated unpaid dividend (Note 4)		-	-	
Return on investment analysis	Price-earnings ratio (Note 5)		12.39	17.30	
	Price-dividend ratio (Note 6)		15.77	25.51	
	Cash dividend yield (Note 7)		0.063	0.039	

Note 1: The year's high and low market prices of common stock are provided, and the average price for the year is computed based on the year's transaction amount and volume.

Note 2: Please use the number of outstanding shares at the end of the year and distribution decided by the Board of Directors or the shareholders' meeting in the following year.

Note 3: If adjustments must be made due to stock dividends, list the EPS before and after adjustment.

Note 4: If the conditions of securities issuance stipulate that dividends not distributed in the current year may be distributed when there is a profit, disclose the cumulative amount of dividends not distributed up to the current year.

Note 5: Price-earnings ratio = Year's average per share closing price/earnings per share.

Note 6: Price-dividend ratio = Year's average per share closing price/cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share/year's average per share closing price.

Note 8: Data audited by the CPAs for the current year.

Note 9: The 2023 dividend distribution proposal was reviewed and approved by the Audit Committee on March 5, 2024 and approved by the Board of Directors on March 6, 2024. Dividends would be distributed after the Board of Directors sets the record date.

(VI) Dividend policy and implementation status

1. If there is a profit after year-end closing, the Company shall first set aside 10% of such profits as a legal reserve after losses have been covered and all taxes and dues have been paid, and then allocation or reversal of a special reserve should be made in accordance with the law or the Company's operational needs. If there is still a surplus, it should be distributed together with accumulated undistributed earnings after the Board of Directors makes a proposal of distribution; the proposal shall be submitted to the shareholders' meeting for approval if it involves the issuance of new shares.

   Pursuant to the Company Act, the Company authorizes the Board of Directors to distribute all or a part of dividends or legal reserve and capital surplus in cash by a majority vote in a Board meeting with at least two-thirds of directors in attendance, and the decision shall be reported during a shareholders' meeting.

   The Company's dividend policy takes into consideration the Company's current and future investment environment, funding requirements, and financial plans, as well as the interests of shareholders and balanced dividends. At least 10% of distributable earnings is allocated for distribution. However, if the dividend per share is lower than NT$0.5 when all distributable earnings is distributed, then the distributable earnings are retained and not distributed.

   Cash dividends may not be less than 10% of all dividends. However, cash dividends are not distributed when dividends per share is lower than NT$0.3 (inclusive), and stock dividends are distributed instead.

2. Dividend distribution to be proposed to the annual shareholders' meeting

   Cash dividend of NT$1.5 per share.

3. Dividend distribution to be proposed to the shareholders' meeting

San Fang Chemical Industry Co., Ltd.

2023 Earnings Distribution Table

Unit: NTD

Item	Amount	
Distributable earnings:		
Beginning unappropriated retained earnings		$ 2,098,642,909
Post-tax net income for the Current Year	$ 760,273,392	
Remeasurement of defined benefit plans recognized in retained earnings	(145,547)	
Net income after tax for the current period and other profit items included in undistributed earnings in the current year		760,127,845
legal reserve (net income after tax 10%)		(76,012,785)
Retained earnings available for distribution in this period		2,782,757,969
Distribution items:		
Shareholders' dividend		
cash dividend (NT$1.5 per share)		(596,727,189)
Unappropriated retained earnings		$ 2,186,030,780

Note: The Shareholders' cash dividend was distributed at 2023 surplus of NT$596,727,189.

Chairman: Managers: Head of accounting:

(VII) Effect of the proposed stock dividends (to be adopted by the shareholders' meeting) on the Company's operating performance and earnings per share:

Not applicable. There is no stock dividend distribution proposed in this shareholders' meeting.

(VIII) Employee bonuses and directors' remuneration:

1. Percentage or scope of employee bonuses and directors' remuneration provided in Company's Articles of Incorporation:

   Article 24 of the Articles of Incorporation:

   The Company shall allocate 3-5% of its profit for the year (before tax and before distribution of employee bonuses and directors' remuneration) as employee bonuses and no more than 3% as remuneration of directors and supervisors.

   The percentage allocated for employee bonuses and directors' remuneration and whether employee bonuses is paid in stock or cash shall be decided by a majority vote in a Board meeting with at least two-thirds of directors in attendance, and the decision shall be reported during a shareholders' meeting.

   However, a sum shall be set aside in advance to pay down any outstanding cumulative losses, and then the percentages in the preceding paragraph shall be allocated for employee bonuses and directors' remuneration.

2. The basis for estimating the number of employees' bonuses and directors' remuneration, the basis for calculating the number of shares to be distributed as employee bonuses, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period: The basis for estimates is in accordance with the Articles of Incorporation.

   No stock dividends are distributed. The difference between estimated amount and actual distributed amount is handled as an accounting change and recognized as income or loss in the following year. The amount of employee bonuses and directors' remuneration approved by the Board of Directors is the same as the amount of expenses recognized.

3. Distribution of remuneration passed by the Board of Directors:

   (1) Amount of employee bonuses and directors' remuneration to be distributed in cash or stocks. If there is any discrepancy between the amounts and the amortized estimates for the year, the differences, reasons, and responses shall be disclosed.

   Employee bonuses in the amount of NT$36,412,000 and directors' remuneration in the amount of NT$21,081,000 in 2023 have been distributed in cash. No stock dividends would be distributed to employees and directors, and the amount distributed is the same as the estimated amount.

(2) The amount of employee bonuses to be paid in stocks as a percentage of net income after tax on the financial statements and total employee bonuses: Employee bonuses were not distributed in stock.

4. Actual distribution of employee bonuses and directors' remuneration in the previous year: The 2023 shareholders' meeting approved the distribution of employee bonuses in the amount of NT$22,600,000 and directors' remuneration in the amount of NT$12,500,000. Both would be distributed in cash, and the actual amount distributed is the same as the amount approved by the Board of Directors.

(IX) Stock buyback: None.

II. Issuance of corporate bonds (including overseas corporate bonds): None.

III. Issuance of preferred shares: None.

IV. Issuance of global depositary receipts (GDR): None.

V. Issuance of employee stock warrants: None.

VI. Issuance of restricted stock awards: None.

VII. Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies: None.

VIII. Financing plans and implementation: The Company does not have any of the situations specified in Article 17 of the "Regulations Governing Information to be Published in Annual Reports of Public Companies".

Chapter 5. Business overview

I. Business activities

(I) Business scope

1. Main products and revenue breakdown

Main products	Percentage of sales revenue
①Wet-processed synthetic leather	61.6%
②Dry-processed synthetic leather	27.9%
③Thin film	3.3%
④Other	7.2%

2. Current products and services:

Production, sales, and R&D of various PU leather, film materials, and functional fibers.

3. New products under development:

Recyclable and sustainable eco-friendly material, materials for transportation tools, materials for sports and daily life, functional film and fibers, and advanced applied materials.

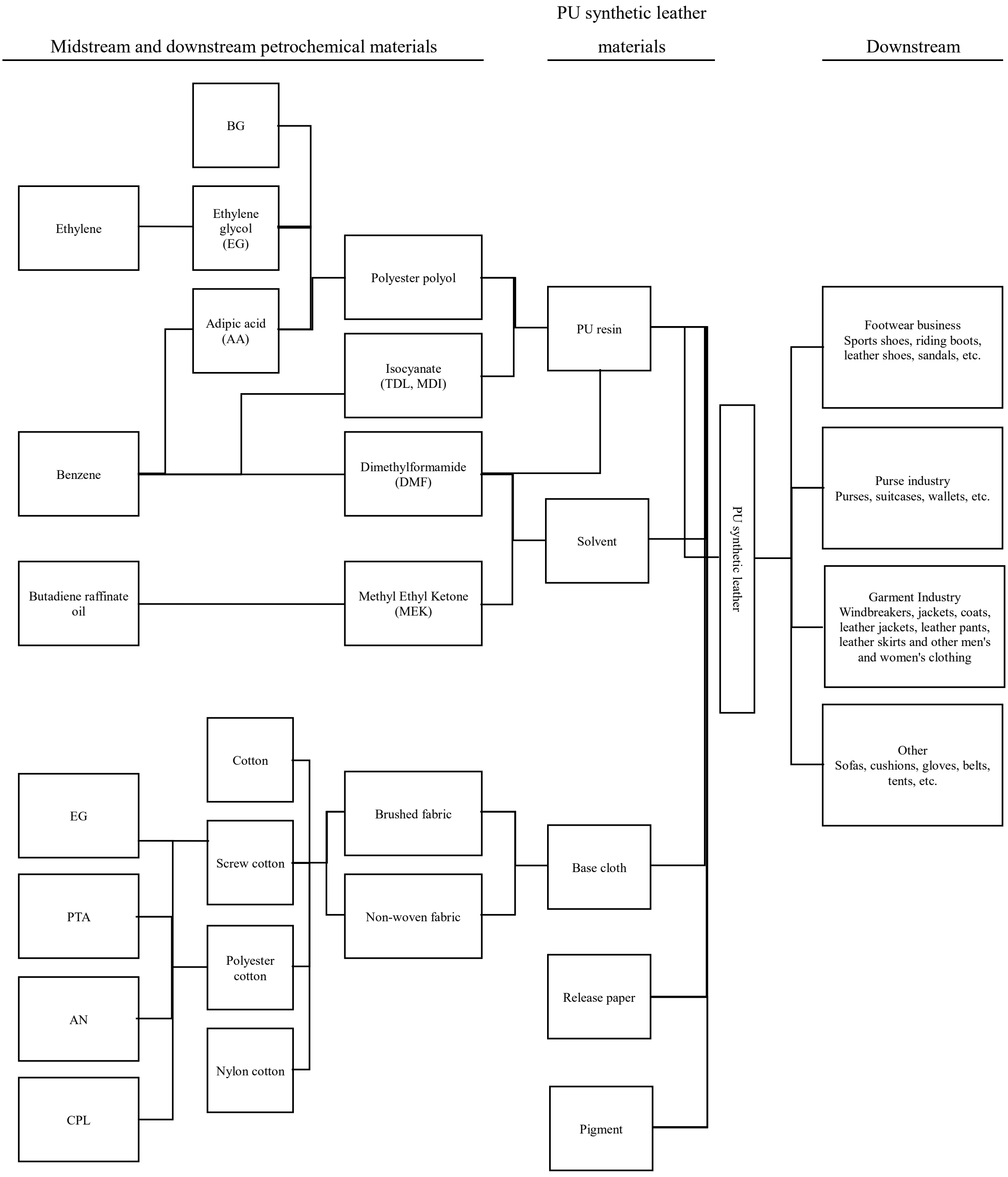
(II) Industry overview:

1. Current trends and outlook of the industry

The PU leather industry is the downstream processing industry of the petrochemical industry chain. The industry has already lost the competitive advantage of conventional industries in labor cost and human resource supply. Environmental protection regulations are becoming growingly strict and brands are requiring suppliers to implement ZDHC (zero pollution discharge of chemicals), plan short-term, mid-term, and long-term goals for carbon reduction and clean energy efficiency, and obtain relevant material technology certifications for environmental protection, recycling, circulation, and sustainability.

Faced with the above operational challenges, the labor-intensive process was transferred to overseas subsidiaries, and the parent company was transformed into the development and production of key upstream basic raw materials with less manpower and process that can be automatically monitored and then supplied them to overseas factories, so to enhance the functional added value, expand the application in different markets, and create the competitiveness of industrial upgrading once more.

2. The relationship between upstream, midstream and downstream in the industry



3. Product trends

   A. Eco-friendly carbon reduction artificial leather.
   B. Eco-friendly materials for vehicles and daily life.
   C. Recyclable sustainable functional films and fiber materials.

4. Product competition

   A. Product: After years of skills buildup and R&D innovation, as well as an in-depth understanding of the brand's material usage trends, the Company has created diverse product lines and offers products with excellent properties for processing, functionality, and fashionable styles that satisfy the demands of varied markets and customers. In response to the sustainable development trend on the market, in recent years, we have actively deployed environmentally friendly products to satisfy the brand's environmental protection and low-carbon needs.

   B. Innovation aspect: We enjoy a strong collaborative partnership with top brands and possess an extensive and diverse production line as well as a well-equipped R&D department. In this way, we position ourselves as the preferred partner for brands in innovative development, allowing us to capture both market trends and brand customers’ innovative materials development trend.

   C. Delivery: The global supply chain has faced ongoing challenges from geopolitical influences in different regions, following the impact of lockdowns and supply chain disruptions during the epidemic. As a result, brands are placing greater emphasis on mitigating risks by diversifying production locations and improving flexibility in production lead time. For many years, the Company has been leading the way in anticipating customer development trends and establishing overseas production facilities in advance to align with customers' expectations of localization, short and flexible lead time, and risk diversification. Hence, we are the top choice as a long-term partner for numerous brands and customers.

   D. Quality: The Company has gathered years of expertise in production and technology to deliver products that meet quality standards; we have long-term cooperation with the world's leading brands and have established a complete quality control and inspection system.

E. Price: After long-term research and development and production technology improvement, in addition to providing customers with a competitive diversified product portfolio, we combine professional processing technology, trending elements, environmental protection features and functionality to improve product differentiation and increase product added value for customers.

(III) Overview of Technology and R&D

1. R&D expenses in the past year

Unit: Thousand NTD

Year Item	2023	2022	2024 Q1
R&D expenses	330,386	301,375	95,520

2. Successfully developed technologies and products

(1) Eco-friendly and carbon reduction process technology.
(2) High-value functional materials.
(3) Advanced process integration technology.
(4) Thin film materials for innovative applications.
(5) Recyclable functional textiles.

3. R&D projects and expected R&D expenses in the coming year

The Company allocates technical resources based on the production capacity of each production base, and enhances the product development ability of overseas locations to meet the application requirements of local customers. For technology R&D, we utilize development tools, strengthen our patent strategy, integrate upstream raw materials, and develop eco-friendly processes and raw materials, accurately controlling the quality of mass production to increase productivity and lower cost.

We optimized capabilities of the R&D team and production technologies for brands and different application markets. We transformed core technologies into technologies that can be scaled up for mass production and further applied in different markets. In the future, our R&D expenses are expected to account for 3-4% of our annual revenue. Future research and development plans are as follows:

R&D projects	Current progress	Expected mass production date
078	New specification development	2024.06
081	New specification development	2024.06
089	New color development	2024.06
092	New specification development	2024.12

R&D projects	Current progress	Expected mass production date
102	New technological development	2024.09

(IV) Long-term and short-term business development plans

1. Short-term business development plans

(1) With the epidemic subsiding, commercial activities and exhibitions are resuming in different locations. By actively scheduling customer visits across different regions and participating in exhibitions, we aim to expedite the promotion of new products and solidify customer relations. In addition, we employ remote communication techniques to enhance interactions and resolve issues with customers.

(2) We will continue to expand our digital marketing tools to provide customers with convenient and instant services, increasing customer stickiness and the opportunities for the Company products to be used.

(3) We will use the comprehensive production technologies and sales resources of various regions, and reinforce our collaboration and services to main customer development centers to increase our order share ratio.

(4) By leveraging our extensive R&D resources and top-notch product development expertise, we will meet customers' processing needs and deliver cutting-edge products that align with current fashion trends, thereby establishing an early-stage development advantages

(5) We will continue to invest resources and accelerate our expansion speed in markets besides the footwear business.

2. Long-term business development plans

(1) Monitor changes in brands and major customers, plan overseas production lines, product lines, and service teams, and improve local delivery time and service competitiveness to gain leading competitive advantage and spread supply risks.

(2) We will establish a complete market detection network and a rapid feedback mechanism to integrate markets and main brands' development trends, reinforce resource investments, and develop innovative products that meet market demands to gain a leading advantage.

(3) Environmentalism and sustainability have become the main market trend. We will continue to invest resources, accelerate the development of environment-friendly products and environment-friendly production processes, create a corporate culture and innovation skill of sustainable development, and stay ahead in seizing future market opportunities.

(4) Enhance strategic collaborations with brands, satisfy brands’ diverse and flexible product needs, and sustain a strong market share to successfully fend off rival companies.

(5) Speed up the expansion into new markets and diversify operations to broaden the sources of orders beyond shoe materials. Enhance the Company's production, operations, and market reach, optimize resource utilization to strengthen the business structure and performance, ultimately securing the sustainable growth and progress of the enterprise.

II. Market, production and sales overview

(I) Market analysis

1. Sales regions of main products

(1) Ratio of domestic sales and exports

Unit: Thousand NTD

Year / Sales amount / Product	2023			
	Domestic sales		Exports	
	Amount	Ratio	Amount	Ratio
Wet-processed synthetic leather	438,385	46%	5,774,146	63%
Dry-processed synthetic leather	313,837	33%	2,502,450	28%
Thin film	15,730	2%	114,958	1%
Other	185,896	19%	741,335	8%
Total	953,848	100%	9,132,888	100%

(2) Main sales regions for exports

Region	Ratio in 2023
Asia	86.67%
Other	10.63%
Total	97.30%

2. Market share

The Company has been dedicated to growing its presence in the sports shoes and casual shoes industries over the years; establishing long-term strategic partnerships with international brands. Our overseas capacity was boosted in line with customers’ plan to relocate production capacity, in order to fulfill their requirements for fast-paced development, flexible lead time, and local production.

We have established a complete sales and technology service system which effectively cultivate the source of the brand and secures sources for placing orders. We used leading production process technology and product innovation skills accumulate over the years to develop new product series every quarter according to market functionality, environment protection, and fashion development trends to satisfy customers' innovation and development demands. Our efforts help us obtain priority in development and usage opportunities, maintaining our stable market share in the footwear business.

The Company has cultivated strong and enduring partnerships with top global brands, understanding their development and usage requirements, and delivering innovative products to meet these requirements. This has built trust and loyalty among customers, erecting a high competitive threshold.

3. The future supply and demand situation and growth of the market

The global brand footwear market has faced a downturn and disruptions in the supply chain due to the pandemic, leading to imbalances in supply and demand. Brands encountered significant inventory overstock issues in 2022. Even though brand inventory decreased slowly in 2023, the global economic recovery was hindered by the unstable international political situation. Therefore, brands did not achieve anticipated sales. Many brands took a conservative approach to ordering in 2023, and shoe factory order fulfillment rates were not as bright as that in previous peak periods. Fortunately, orders have been placed in an incremental and consistent manner.

Major brands successfully reduced their inventory levels to normal in 2023 after facing high inventory challenges in 2022. Over the long term, the footwear market has demonstrated consistent growth. It is projected that market momentum will steadily improve in 2024. In response to the Red Sea attack, brands placed immense orders in advance to secure a steady supply, boosting shoe factory order fulfillment rates in the first half of 2024 and increasing market sales. It is expected that the peak season will resume in the second half of the year. In addition to high functionality, artificial leather is also versatile and rich surface changes, and meets the demands of designers. In recent years, its use in brands' new designs and retro shoes has increased, while NO SEW has become one of the mainstreams in the footwear industry development. We continue to expand the NO SEW material product line, combined with popular surface changes, and expand the source of product orders.

4. Competitive niche

Market operation: The Company has built long-term strategic partnerships with customers over the years, and established complete market channels for international brands.

Innovation value: Our continuous investment in R&D has enabled us to produce groundbreaking products that address customer needs, deliver valuable solutions, and set the pace for the industry.

Complete product line: We have a wide and diverse range of products that fully satisfy the market demand for various types of footwear at different price ranges, aligning with market trends.

Cost competitiveness: Our strategic vertical integration over the years has enabled us to efficiently manage costs and secure raw materials, allowing us to maintain profitable operations and competitive pricing.

Localized services: To meet the market's demand on localization and gain a competitive advantage from fast delivery and immediate service, we continue to expand our overseas production capacity and have formed production capacity, customer services, and technical teams.

5. Advantages and disadvantages of the Company's vision of development and response measures

(1) Favorable factors

A. We have established good cooperative relations with international major brands, and effectively grasped the future development trends and business opportunities of effective the market.

B. We have a highly experienced, complete R&D team and have invested our abundant R&D resources into building a superior R&D team with leading product processing technologies. We have developed a wide variety of products that meet the market's needs.

C. The long-term overseas development, customer service and technical support teams effectively improve the speed of customer development and the efficiency of problem solving.

D. The complete configuration of global production bases is in line with the strategy of international brands to spread risks and meet the needs of customers for localization and fast delivery, continuing to expand and complete the global production base and enhance competitive advantages.

E. After reducing the inventory of major brands, orders gradually return to stability in Q2, the production capacity of Asian production bases also gradually recovered, and we expanded the production capacity of multiple production bases to diversify risks. The overall market order volume gradually recovered its growth momentum.

F. Prominent multinational companies have boosted their marketing and development investments in the Chinese market. Coupled with gradual economic rebound in Greater China, brands have witnessed a sales growth, which is conductive to their long-term development.

(2) Unfavorable factors

A. Market requirements are becoming growingly strict. To respond to rapid market changes, the delivery time requested by the customers is becoming shorter, and the ratio of purchase orders for smaller quantities is rising, which increases the load on production capacity and operating costs.

B. Due to the labor shortage and rising labor costs, shoe manufacturers are more quickly moving to remote areas and countries with low wages, which increases the difficulty of providing customer services and increases service and transportation costs.

C. Artificial leather manufacturers are actively expanding their factories, and South Korean and China-owned PU factories are seizing market share with low prices, disrupting prices and competition in the international brand market.

D. Unstable international politics and economic environment are disadvantageous to stable market development.

E. The upward trend in labor wages across Asian countries is being exacerbated by factors like labor shortages and escalating land acquisition expenses in certain regions, leading to a rise in company operating costs.

F. Local brands in the Greater China market are gaining more power and influence with their products, putting the revenue growth of international brands at risk.

(3) Response measures

A. Make full use of the depth and breadth of distribution channels to capture development opportunities, collaborate extensively on new product development to accelerate new product promotion effectiveness, and strengthen our leading advantage.

B. Make good use of the complete production base layout to meet the customer's localized supply needs and increase the order share.

C. Keep concentrating on enhancing production efficiency, advocating for process optimization, and implementing automated production and digital management.

D. Enhance customer service and technical support capabilities to boost customer satisfaction and trouble-shooting efficiency, ultimately building stronger customer trust and loyalty and expanding market share.

E. Continue to strengthen our R&D teams' innovative skills, as we accelerate new product development to provide innovative products which meet the client's meet and maintain our leading advantage in the industry.

F. Utilize our core technologies to accelerate new product and new market development, creating new growth momentum.

G. Harness market operations and diversified product resources to form partnerships with domestic brands, tapping into the momentum of the Chinese market to boost order volumes.

(II) Important applications and production processes of main products

1. Important applications of major products

Main products	Application
PU synthetic leather	Shoe materials, furniture, balls, vehicle materials, and medical materials.
Film materials	Shoe materials, balls, and vehicle interior, apparel, and industrial usage.
Functional textiles	Shoe materials and packaging materials.

2. Production processes of main products

(1) Polyurethane leather

Release paper → Coating with type 1 liquid coating → Drying → Coating with type 2 liquid coating, base cloth bonding → Drying → Aging → Release → Printing, treatment → Inspection (packaging) → Finished product.

(2) Artificial leather

Base cloth → Coating with PU coating → Washing and drying → Inspection → Semi-finished product → Release paper → Coating with type 1 one coating → Drying → Coating with type 2 coating → Drying → Semi-finished product bonding → Aging → Release → Printing, treatment → Inspection (packaging) → Finished product.

(3) Microfiber artificial leather

Non-woven fabric→Impregnation→Solidification→Washing→
Desiccation→Fibrillation→Desiccation→
Semi-finished product → Dry process → Finished product .
→ Dyeing, finishing, and grinding process

(III) Supply status of primary raw materials

Name of raw material	Supply status
Dimethylformamide (DMF)	Imported and recycled; supply is stable
Methyl Ethyl Ketone (MEK)	Supplied by domestic vendors and importers; supply is stable
PU synthetic resin	Self-produced and supplied by domestic vendors; supply is stable
Thermoplastic Polyurethane	Self-produced and supplied by domestic vendors; supply is stable
Fiber chip	Supplied by domestic vendors; supply is stable
Pigment	Supplied by domestic vendors and importers; supply is stable

Name of raw material	Supply status
Release paper	Mainly imported from Europe, America, and Japan; supply is stable
Base cloth	Supplied by domestic vendors; supply is stable

(IV) Names of customers who contributed to more than 10% of total purchase (or sales) amount in one of the most recent two years and the corresponding purchase (or sales) amounts and percentages, as well as reasons for their changes (if applicable)

1. Information on key suppliers in the past 2 years:

Unit: Thousand NTD

Item	2023				2022				2024 Q1 (Note)			
	Name	Amount	Percentage of total net purchase (%)	Relationship with issuer	Name	Amount	Percentage of total net purchase (%)	Relationship with issuer	Name	Amount	Percentage of net purchases in the current year up to the previous quarter (%)	Relationship with issuer
1	A	603,769	11	General suppliers	A	515,149	8	General suppliers	A	138,854	10	General suppliers
2					B	508,277	8	General suppliers	Other			
3	Other	4,398,719	89		Other	5,331,830	84					
	Net purchase	5,002,488	100		Net purchase	6,355,256	100		Net purchase	1,422,054	100	

Description: 1. The fluctuations and changes between suppliers.

2. Audited by the CPAs.

2. Information on main customers during the past 2 years:

Unit: Thousand NTD

Item	2023				2022				2024 Q1 (Note)			
	Name	Amount	Percentage of net sales (%)	Relationship with issuer	Name	Amount	Percentage of net sales (%)	Relationship with issuer	Name	Amount	Percentage of net sales in the current year up to the previous quarter (%)	Relationship with issuer
1	A	1,727,772	17	Affiliated company of institutional director	A	1,729,679	16	Affiliated company of institutional director	A	472,181	18	Affiliated company of institutional director
2	B	1,058,160	10	Customer	B	1,270,157	12	Customer	B	268,246	10	Customer
3	Other	7,300,804	73		Other	7,763,663	72		Other			
	Net sales	10,086,736	100		Net sales	10,763,499	100		Net sales	2,604,110		

Description: 1. The increase and decrease in sales to Customer A and B is due to fluctuations in sales to customers.

2. Audited by the CPAs.

(V) Consolidated output volume and value for the last two years

Unit: 1,000 kg, 1,000 yards, NT$1,000

Year / Output quantity and value / Main products	2023			2022		
	Production capacity	Output volume	Output value	Production capacity	Output volume	Output value
Wet-processed synthetic leather		25,801	4,633,532		27,923	5,873,277
Dry-processed synthetic leather		10,022	2,058,250		11,381	2,585,246
Thin film		15,685	1,380,639		17,975	1,795,817
Other			5,403,537			7,671,315
Total	79,900	51,508	13,475,958	79,900	57,279	17,925,655

Note: The same machinery is used for the products above, so production capacity is combined.

(VI) Consolidated sales volumes and value for the last two years

Unit: 1,000 kg, 1,000 yards, NT$1,000

Year / Sales volume and value / Main products	2023				2022			
	Domestic sales		Exports		Domestic sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Wet-processed synthetic leather	1,553	438,385	22,856	5,774,146	1,667	445,348	24,718	5,951,794
Dry-processed synthetic leather	946	313,837	8,392	2,502,450	969	319,791	9,906	2,860,715
Thin film	369	15,730	2,497	114,958	239	25,960	1,399	355,239
Other		185,896		741,335		292,276		512,376
Total		953,848		9,132,888		1,083,375		9,680,124

III. The Group's employees in the last two years and up to the date of report

Year		December, 2023	December, 2022	The current year up to May 8, 2024
Number of employees	Direct employees	1,825	1,727	1,895
	Indirect employees	366	517	353
	Sales management personnel	414	373	411
	Total	2,605	2,617	2,659
Average age		36.25	35.92	36.31
Average years of service		9.07	8.06	9.09
Education background	Ph.D	1	1	1
	Master	55	50	55
	Bachelor	663	671	665
	Senior High School	1,662	1,668	1,714
	Below senior high school	224	227	224
	Total	2,605	2,617	2,659

IV. Information on environmental protection expenses

Losses sustained due to environmental protection (including compensation and violations of environmental protection laws found in environmental protection inspection results, specify the date of the penalty, letter number, article violated, provision violated, details of the penalty) in the most recent year and up to the date of report, and disclose current and future estimated amount and response measures.

Losses due to environmental pollution in the most recent year and as of the printing date of the annual report:

May 08, 2024

Date of the disciplinary action	No. of the disciplinary action	Violated regulation	Content of the violated regulation	Content of the disciplinary action	Amount of fine /Thousand NTD	Management solution
2023/01/03	20-112-010001	Article 24, Paragraph 2 of the Air Pollution Control Act	As the Company has commenced operations without obtaining a permit for operating a stationary pollution source, it constitutes a violation of the Air Pollution Control Act.	Same as on the left	1,600	The Company has filed the relevant applications and expects to receive the approval in accordance with the regulations.
2023/09/28	11271759800	Article 6, paragraph 1, subparagraph 5 of the Occupational Safety and Health Act	Workers operating hoisting equipment to engage in hoisting operations were not required to inspect the load's shape, size, materials, and other features to determine its weight, or to verify its actual weight, and to choose suitable hoisting equipment and use the correct hoisting technique.	Same as on the left	60	Install anti-fall systems on hoisting equipment.

Estimated amount for the present and future and response measures:

I. Current response measures

Refer to the management solution.

II. Future response measures

Set up a comprehensive management system, strengthen the operation and management mechanisms for air pollution equipment, implement the advance assessment and application regulation for the installation of machinery, and strengthen the training of relevant personnel to avoid future violations.

Currently, the company's various pollution prevention and control measures already meet the current national control standards. In view of the gradual rising environmental quality requirements, the Company continues to devote itself to the improvement of pollution emissions reduction, and is expected to invest another NT$11,700 thousand in various pollution prevention and control improvements.

V. Labor-management relations

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

1. Employee benefit measures
   (1) Employee clubs include: Mountain Climbing Club, Badminton Club, etc.
   (2) Cash gifts are given during Dragon Boat Festival, Mid-Autumn Festival, and Chinese New Year, and also during employees' birthday.
   (3) The Company organizes company trips either in Taiwan or overseas and organizes factory celebration events every year.
   (4) Complete insurance system: Labor insurance, health insurance, and group insurance.
   (5) The Company also provides childbirth subsidies, scholarships for employees and their children, subsidies for language courses, employee proposal bonuses, patent bonuses, cash gift for wedding, and consolation money for funeral and hospitalization.
   (6) The Company provides free parking for cars and scooters, and dormitories and cafeteria for foreign employees, providing accommodations and meals for foreign workers.
   (7) The Company implements one fixed day off and one flexible rest day, giving employees sufficient time for leisure and better quality of life. The Company also provides annual leave, paternity leave, and family care leave, and menstrual leave in accordance with the Labor Standards Act and Act of Gender Equality in Employment.
   (8) Employee health examinations are conducted on an annual basis in accordance with the Regulations of the Labor Health Protection.
   (9) In order to nurture and keep the Company's exceptional talents for the future and incentivize company managers to stay with the company for an extended period and utilize their skills to drive the company's performance, we employ employee stock ownership trusts. Based on last year's EPS, job rank, and individual performance evaluation results, we calculate the amount of company contributions that will be used to purchase company stocks. Such contributions were made in one single appropriation in May 2024.
2. Talent training and continuing education: Training sessions are regularly organized each year according to the annual education and training implementation plan, in order to enhance employees' abilities in coordination with the Company's development strategy. Training hours totaled 31,746.3 hours and training expenses was approximately NT$3,327 thousand in 2023. The training was mostly for work related expertise and also included stress relief courses.
   (1) Standard training hours for employees are determined based on the nature of direct and indirect employees.
   (2) Training courses are systematically organized by function and level.
   (3) General education on hazards, first aid training, and fire safety drills are regularly implemented in accordance with labor safety and health laws.

(4) External training expenses for each function are paid in full by the Company.

(5) Foreign language training is subsidized to improve employees' foreign language proficiency.

3. Retirement plan

(1) The Company complies with government laws and allocates 4% of employees' monthly salaries to a dedicated account at the Bank of Taiwan for employees applicable to the pension system set forth in the Labor Standards Act (old pension system), and pension payments are made from the account when employees retire. For all employees (including informal employees) applicable to the pension system set forth in the Labor Pension Act (new pension system), the Company contributes 6% of employees' monthly salaries to their dedicated labor pension account at the Bureau of Labor Insurance.

(2) The Company reported the establishment of a Supervisory Committee of Workers' Retirement Fund to government agencies in accordance with regulations. The Committee is responsible for allocating the labor retirement reserve.

(3) The Company established Labor Retirement Management Regulations, which is applicable to all full-time employees from the date they are hired. The criteria and procedures for employees to apply for retirement are briefly described below:

A. The Company's employees may apply for retirement if they meet any one of the following conditions:

- Has worked for 15 years or more and reached the age of 55.
- Has worked for 25 years or more.
- Has worked for 10 years or more and reached the age of 60.

B. The Company may force employees to retire if they meet any one of the following conditions:

- Reached the age of 65. The Company request the central competent authority to make adjustments for special work that is dangerous or requires strong physical abilities.
- No longer able to work due to insanity or physical disability.

C. Employee pension payment standards:

- Two basis points are given for each full year of work for employees applicable to the pension system set forth in the Labor Standards Act (old pension system), but only one basis point is given for each full year of work more than 15 years, and the total number of basis points is limited to 45. Any length of time shorter than six months is calculated as six months, and longer than six months is calculated as one year. An additional 20% is paid for employees forced to retire due to insanity or physical disability caused by performing their duties.
- For employees applicable to the pension system set forth in the Labor Pension Act (new pension system), the Company contributes 6% of the employees' monthly

salary to their personal dedicated pension account. Employees may voluntarily allocate their monthly salary to their pension account within the scope of 6%.

D. Pension payment procedures: Pension payments to employees applicable to the Labor Standards Act shall be paid within 30 days after employees retire. Employees may submit documentation to open a dedicated account at a financial institution, and use the account for depositing pension funds.

(4) The defined contribution system is used by overseas subsidiaries, and contributions are made according to local laws.

(5) For employees applicable to the pension system set forth in the Labor Standards Act (old pension system), the amount of labor retirement reserve reached NT$27,826 thousand as of the end of 2023. For employees applicable to the pension system set forth in the Labor Pension Act (new pension system), the Company contributed NT$23,222 thousand in 2023.

(6) The Company had 3 employees eligible for voluntary retirement in 2023 in accordance with Article 53 of the Labor Standards Act, and the employees have already completed retirement procedures according to related regulations.

(7) Other important agreements: None.

4. Freedom of association and collective bargaining agreement

The Company facilitates employees in forming trade unions and negotiating with the Company on relevant employee rights matters through various committees, working together to safeguard and protect employee rights. Welfare Committee meetings, labor-management meetings, meetings of the Supervisory Committee of Workers' Retirement Fund, labor safety meetings, and trade union congresses are all platforms that encourage communication, mutual trust, and cooperation on company operations and internal management issues. Union funds are sourced from the salaries of employees who choose to join the union, while the company plays a role in facilitating labor education by providing training resources to improve union members' understanding of labor laws. showcased the Company's commitment to fostering a harmonious and mutually beneficial labor-management relationship. 281 employees have signed up with the trade union, representing 48.7% of the total workforce up to 2023.

As of the publication date of this annual report, no collective bargaining agreement has been produced and executed, mostly because the Company's trade union has not initiated any formal talks regarding a collective bargaining agreement.

5. Employee Code of Conduct and Ethics: The Company has established "Ethical Corporate Management Best Practice Principles" and "Code of Ethics." Besides complying with local laws and regulations, we also referenced the Code of Conduct established by international brand customers and leading companies, and use them as the core standards for all employees when performing their work. The principles and code are announced on the company website.

6. Protective measures taken to ensure a safe working environment and maintain employees' personal safety:
   - (1) Established Environmental Protection, Safety, and Health Management Regulations.
   - (2) Establishment of a safety and health management unit and personnel:
     - A. The Company established a safety and health management unit in accordance with labor safety and health regulations.
     - B. First aid personnel are required at the worksite in accordance with labor safety and health regulations, and the personnel receive re-training according to regulations.
     - C. Personnel performing operations involving organic solvents, specific chemicals, hazardous machinery and equipment, and high pressure gas are required to have a training certificate and regularly receive re-training in accordance with labor safety and health regulations.
     - D. Environmental safety meetings are convened on a quarterly basis to discuss environmental safety related issues.
     - E. Fire drills are scheduled every six months.
   - (3) Fire safety and facility safety
     - A. A maintenance company is hired to maintain and conduct spot inspections of elevators each month, and a qualified inspection institution is commissioned to conduct an inspection once every year.
     - B. The Environmental Safety Office conducts spot inspections of fire safety equipment, and a qualified inspection institution is commissioned to conduct an inspection once every year.
     - C. The Engineering Department conducts spot inspections of high pressure gas equipment, and a qualified inspection institution is commissioned to conduct an inspection once every year.
   - (4) Sanitation
     - A. The work environment is inspected every six months.
     - B. Health examinations and special health examinations are conducted on an annual basis.
     - C. Factories have an infirmary with stationed nurses and visiting physicians to provide suitable medical assistance.
   - (5) Regular implementation of safety and health operations by employees in 2023:
     - A. All employees took part in an evacuation drill held in September 2023.
     - B. In November 2023, all factory personnel received trainings regarding safety and health standards, with the purpose of reinforcing their compliance with safety and health regulations.
     - C. We check personnel operations for safety compliance monthly.
     - D. A total of 66 first aid personnel have been trained in 2023.
     - E. There were no fire incidents in 2023.

7. Other important agreements: None.

8. Has the Company made it a policy to reflect business performance or results on employee compensation:
   (1) Percentage of employee bonuses specified in the Articles of Incorporation: Article 24 of the Articles of Incorporation (please see P.112).
   (2) The Company established "Employee Bonus Distribution Regulations", which sets for standards for individual employee bonuses based on employees' seniority, performance, and position.
   (3) The Company established "Efficiency Bonus Distribution Regulations" and distributes individual bonuses along with monthly salaries based on the Company's monthly business performance, the product yield and attainment of production goals by each department, and the base for each position.
   (4) Average employee salary adjustments in 2023 were disclosed on the MOPS.
   (5) The Company has already disclosed its 2023 employee welfare policies and rights protection measures on the MOPS.

(II) Any losses incurred as a result of labor disputes in the most recent fiscal year, and during the current fiscal year up to the publication date of the annual report (including any violations of the Labor Standards Act found in labor inspection, the disposition dates, reference numbers, the articles of law violated, the contents of law violated, and the content of the dispositions), and an estimate of possible expenses that could be incurred currently and in the future and countermeasures being or to be taken shall be disclosed. If a reasonable estimate cannot be made, an explanation shall be provided: The Company has not had any major labor-management disputes or conflicts in the past year and up to the date of report.

VI. Information security management

The Company utilizes electronic systems for group management, and set up a network information system at the group level to shorten the time for sending information and improve operational efficiency.

(I) Specification of the information security management structure, information security policy, specific management plan and resources invested in information security management

1. Information security risk management structure:

The responsible information security unit of the Company is the IT Office of the Administration Division, which is responsible for formulating information security policies and implementing various information security management requirements. Before the end of the year, a risk assessment for information security is carried out, a circular management is adopted, and various specific improvement plans are proposed according to the risk and hazard level, implementing the execution, work progress check, and the follow-up tracking and improvement, so as to achieve the goal of information security.

In addition, in view of the continuous emergence of new external threat technologies, an external professional information security team is appointed to strengthen defenses, objectively assess internal risks, take improvement measures for weaknesses and regularly track progress to reduce information security risks.

2. Information security policy and management plan of the Company:

Information security policy

It is established to ensure the security and management of the Company's internal electronic communication, computers, hosts, and network communication equipment to defend against threats posed by inappropriate internal operations and external information security that may lead to interruption or damage of equipment services, as well as the risk of data leaks, destruction, and damage that may affect the normal operations of the Company. Explain the Company's information security management policy, implement information security management regulations, protect the rights and interests of customers and the Company, and improve operational efficiency.

Goals of the Company's information security policy are as follows:

I. Ensure the continuous operation of the information process and the stable operation of the information service.

II. Implement information security laws and regulations, establish sound information security measures, and maintain the security of the information environment.

III. Maintain the confidentiality, integrity, and availability of the organization's commercial assets.

The specific management plan is carried out in three directions:

I. External information security team:

External threats are changing rapidly, and the professional information security team is introduced to help defense. The external information security team monitors the information security status of the host at all times according to the active detection and protection system, proposes improvement suggestions for internal and external threats, and takes individual measures according to different risk levels; if the risk is high, it immediately proposes improvement suggestions to be implemented internally and externally, which will be reported and tracked at any time during the process.

II. Internal active protection detection:

The IT Office adopts circular management for various risks, implements internal audits, and evaluates the risks of manual operation, natural disasters, and cyberattacks on information assets and services. The IT Office then establishes an information system structure with high service availability, information backup services, and data backup mechanisms based on the risk level. It formulates disaster recovery plans and periodically conducts drills to ensure the Company's business continuity. The internal audit unit also regularly conducts information security inspections and phishing email drills, and reports the drill results to the superiors, and also regularly submits relevant internal control audit reports to the board of directors. External accountants also inspect the management of information system risks, including evaluation of information risks such as system authority, data security management, physical and environmental safety management, and process auditing, and report deficiencies and improvement plans.

III. Employee information security training:

Promotion and requirements are made for the inadequacy of external equipment control and employee information security knowledge, and social engineering rehearsals are carried out regularly every year to enhance internal information security awareness. The part that cannot be implemented is listed as a risk, and effective improvement measures are proposed.

3. Resources invested in information security management

(1) Firewall device.

(2) Active detection device.

(3) Endpoint protection software.

(4) Email filtering mechanism and advanced protection.

(5) Dedicated backup host and remote backup.

(6) Twice a year social engineering rehearsals.

(7) Important host disaster recovery drill is held once a year.

(8) External information security maintenance services.

Implementation status of information security operations in 2023:

1. Implemented backup principles and backup policies, and performed regular restoration drills.	1-1. Aligned the core information systems with the backup principle. 1-2. Updated the core and backup equipment to ensure stable operation. 1-3. Carried out regular backup system cutover drills and restoration drills to ensure the availability of backup data.
2. Worked with external professional information security teams to improve internal information security preparedness.	2-1. Conducted active and passive detection and event analysis. 2-2. Updated versions and fixed vulnerabilities. 2-3. Enhanced internal network access control.
3. Introduced an advanced anti-phishing mechanism to mitigate the risk of a social engineering attack.	3-1. Improved phishing protection capabilities of our email system. 3-2. Adjusted network architecture and routing to comply with information security requirements.
4. Strengthen social engineering drills to develop internal information security awareness.	4-1. Regular social engineering drills and information security training. 4-2. Systematized drills and teaching to improve drill effectiveness.
5. Regularly evaluate the information security risk rating and propose specific improvement plans.	5-1. Assessed risks and scanned for vulnerabilities to manage high-risk activities and make improvements. 5-2. Performed tracking and made improvements to constantly enhance internal protection capability.

(IV) List the losses, possible impacts and countermeasures suffered due to major information security incidents in the most recent year and up to the date of publication of the annual report.

The Company did not have any information security issues in 2023 and as of the printing date of the annual report.

(V) The Company has appointed an information security management and information security staff on May 1, 2023 according to the "Regulations Governing Establishment of Internal Control Systems by Public Companies":

Carry out the planning, surveillance, and execution of information security management operations.

VII. Important contracts

Nature of contract	The Parties	Commencement date/expiration date	Content	Restrictive clauses
Loan agreements	CTBC Bank	2021/07~ 2026/07	The loan amount is NT$350 million repaid in full on the due date.	N/A
Loan agreements	Hua Nan Bank	2020/09~ 2025/09	The loan amount is NT$500 million with the principal repaid in 6 installments of NT$62,500 thousand every six months starting in March 2022.	N/A
Loan agreements	Hua Nan Bank	2023/08~ 2028/08	The loan amount is NT$100 million with the principal repaid in 20 installments every 3 months starting in November 2023, in which each installment is NT$5,000 thousand.	N/A
Loan agreements	Far Eastern International Bank	2023/12~ 2026/06	The loan amount is NT$300 million repaid in full million.	N/A
Loan agreements	FCB	2019/08~ 2024/08	The loan amount is NT$300 million with the principal repaid in 6 installments of NT$50,000 thousand every 6 months starting in February 2022.	Calculated at the floating interest rate for two-year time deposits plus 0.18%, exports (including inward remittance) must reach US$12,000,000 each year, imports (including outward remittance) must reach US$5,000,000 each year, and inward remittance from sales must reach the equivalent of NT$550,000,000 each year.
Loan agreements	CHB	2023/09~ 2028/03	The loan amount is NT$300 million with the principal evenly repaid in 8 installments every 6 months starting in September 2024, in which each installment is NT$37,500 thousand.	N/A
Loan agreements	Taiwan Cooperative Bank	2019/01~2024/01	The loan amount is NT$300 million with the principal evenly repaid in 6 installments every 6 months starting in July 2021.	N/A

Nature of contract	The Parties	Commencement date/expiration date	Content	Restrictive clauses
Loan agreements	Bank SinoPac	2019/02~2024/02	The loan amount is NT$300 million with the principal evenly repaid in 6 installments every 6 months starting in August 2021.	Consolidated current ratio may not be lower than 1.0 and consolidated debt ratio may not be higher than 1.5 during the drawdown period based on the latest consolidated financial statements.
Loan agreements	E.SUN Bank	2022/12~ 2025/12	The loan amount is NT$300 million with monthly interest payment and full repayment of the principal on the due date.	The maturity date for each drawdown must not exceed the due date of the first drawdown.
Loan agreements	Mega Bank	2019/12~2024/12	The loan amount is NT$500 million with the principal evenly repaid in 7 installments every 6 months starting in December 2021.	Average balance of deposits must reach NT$50,000,000 or above (inclusive), and foreign exchange transactions must reach US$15,000,000 or above (inclusive).
Loan agreements	Bank SinoPac	2022/08~ 2025/08	The loan amount is NT$150 million with the principal evenly repaid in 4 installments every 6 months starting in February 2024.	Consolidated current ratio may not be lower than 1.0 and consolidated debt ratio may not be higher than 1.5 during the drawdown period based on the latest consolidated financial statements.
Loan agreements	Taiwan Cooperative Bank	2021/07~ 2026/07	The loan amount is NT$300 million with the principal evenly repaid in 6 installments every 6 months starting in January 2024.	The registration of the pledged collaterals for the mortgage (plant buildings and land on No. 402, Fengren Rd., Renwu District, Kaohsiung City) may not be canceled before the full repayment of the loan.
Loan agreements	Bank of Taiwan	2022/06~ 2027/05	The loan amount is NT$300 million with the principal repaid in 6 installments of NT$50,000 thousand every six months starting in November 2024.	N/A

Chapter 6. Financial overview

I. Condensed Balance Sheet and Statement of Comprehensive Income

(I) Condensed Balance Sheet (Consolidated)

Unit: Thousand NTD

Year Item		2023	2022	2021	2020	2019	Financial data to March 31, 2024 (Note 1)
Current assets		9,267,099	9,081,731	8,373,259	8,959,289	8,337,017	9,904,310
Property, plant and equipment		5,150,904	4,886,692	5,270,711	5,861,061	6,203,791	5,317,780
Intangible assets		64,912	53,639	63,627	64,124	68,978	62,019
Other assets		1,148,056	1,377,988	1,032,520	456,415	526,285	1,173,705
Total assets		15,630,971	15,400,050	14,740,117	15,340,889	15,136,071	16,457,814
Current liabilities	Before distribution	3,795,592	3,869,277	3,520,982	3,765,507	3,712,278	3,957,925
	After distribution	4,392,319	4,187,532	3,719,891	3,964,416	3,911,187	4,554,652
Non-current liabilities		2,892,380	3,048,475	3,568,075	3,702,256	3,025,846	2,852,480
Total liabilities	Before distribution	6,687,972	6,917,752	7,089,057	7,467,763	6,305,595	6,810,405
	After distribution	7,284,699	7,236,007	7,287,966	7,666,672	6,504,504	7,407,132
Equity attributable to owners of parent		8,942,999	8,482,298	7,751,060	7,873,126	8,264,085	9,050,682
Share capital		3,978,181	3,978,181	3,978,181	3,978,181	3,978,181	3,978,181
Capital surplus		145,330	145,330	142,438	142,438	141,101	145,330
Retained earnings	Before distribution	4,900,100	4,458,227	4,179,012	4,266,335	4,130,784	5,314,065
	After distribution	4,303,373	4,139,972	3,980,103	4,067,426	3,931,875	4,717,338
Other equity interest		(80,612)	(99,400)	(648,571)	(513,828)	(211,680)	209,833
Treasury stock		0	0	0	0	0	0
Non-controlling interest		0	0	0	0	0	0
Total equity	Before distribution	8,942,999	8,482,298	7,651,060	7,873,126	8,216,613	9,647,409
	After distribution	8,346,272	8,164,043	7,452,151	7,674,217	8,017,704	9,050,682

Note 1: Audited by the CPAs.

(I) 1. Condensed Balance Sheet (Standalone)

Unit: Thousand NTD

Year Item		2023	2022	2021	2020	2019
Current assets		3,797,955	4,341,177	3,814,686	4,175,314	3,555,458
Property, plant and equipment		2,810,339	3,035,110	3,361,825	3,648,880	3,851,004
Intangible assets		8,731	17,301	27,118	27,441	32,967
Other assets		8,362,760	7,575,158	7,064,840	6,882,803	7,897,489
Total assets		14,979,296	14,968,746	14,268,469	14,734,438	15,336,918
Current liabilities	Before distribution	3,261,108	3,481,107	3,117,559	3,239,328	4,012,758
	After distribution	3,857,835	3,799,362	3,316,468	3,438,237	4,421,012
Non-current liabilities		2,775,189	3,005,341	3,499,850	3,621,984	2,970,075
Total liabilities	Before distribution	6,036,297	6,486,448	6,617,409	6,861,312	7,072,833
	After distribution	6,633,024	6,804,703	6,816,318	7,060,221	7,391,087
Equity attributable to owners of parent		8,942,999	8,482,298	7,651,060	7,873,126	8,264,085
Share capital		3,978,181	3,978,181	3,978,181	3,978,181	3,978,181
Capital surplus		145,330	145,330	142,438	142,438	141,101
Retained earnings	Before distribution	4,900,100	4,458,227	4,179,012	4,266,335	4,356,483
	After distribution	4,303,373	4,139,972	3,980,103	4,067,426	4,038,229
Other equity interest		(80,612)	(99,400)	(648,571)	(513,828)	(211,680)
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	8,942,999	8,482,298	7,651,060	7,873,126	8,264,085
	After distribution	8,346,272	8,164,043	7,452,151	7,674,217	7,945,831

Note 1: Audited by the accountant.

(II) Condensed Statement of Comprehensive Income (Consolidated)

Unit: Thousand NTD

Year / Item	2023	2022	2021	2020	2019	Financial data for the current year up to March 31, 2024 (Note 1)
Operating revenue	10,086,736	10,763,499	8,384,007	8,441,756	10,271,411	2,604,110
Operating margin	2,525,727	1,734,102	1,474,240	1,863,671	2,367,373	770,145
Operating income	987,075	293,331	240,999	498,351	651,090	334,992
Non-operating income and expenses	42,002	301,966	(94,651)	(154,098)	(10,444)	202,003
Pre-tax profit	1,029,077	595,297	146,348	344,253	640,646	536,995
Net income from continuing operations	760,274	470,114	115,933	218,012	430,420	413,965
Loss from discontinued operations	0	0	0	0	0	0
Net income (loss)	760,274	470,114	115,933	218,012	430,420	413,965
Other consolidated income (net after tax)	18,682	557,141	(139,090)	(292,054)	(185,112)	290,445
Total comprehensive income	778,956	1,027,255	(23,157)	(74,042)	245,308	704,410
Net income attributable to owners of the parent	760,274	470,114	115,933	218,012	430,420	413,965
Net income attributable to non-controlling interest	0	0	0	0	0	0
Total comprehensive income (loss) attributable to owners of the parent	778,956	1,027,255	(23,157)	(74,042)	245,308	704,410
Total comprehensive income (loss) attributable to non-controlling interest	0	0	0	0	0	0
EPS	1.91	1.18	0.29	0.55	1.08	1.04

Note 1: Audited by the CPAs.

(II) 1. Condensed Statement of Comprehensive Income (Standalone)

Unit: Thousand NTD

Year / Item	2023	2022	2021	2020	2019
Operating revenue	7,586,555	8,941,654	7,248,812	6,786,846	8,048,054
Operating margin	1,128,327	1,271,940	1,089,732	1,177,134	1,334,047
Operating income	227,955	376,596	312,617	358,237	291,428
Non-operating income and expenses	672,753	198,632	(162,604)	(82,723)	244,144
Pre-tax profit	900,708	575,228	150,013	275,514	535,572
Net income from continuing operations	760,274	470,114	115,933	218,012	430,420
Loss from discontinued operations	0	0	0	0	0
Net income (loss)	760,274	470,114	115,933	218,012	430,420
Other consolidated income (net after tax)	18,682	557,141	(139,090)	(292,054)	(185,112)
Total comprehensive income	778,956	1,027,255	(23,157)	(74,042)	245,308
Net income attributable to owners of the parent	760,274	470,114	115,933	218,012	430,420
Net income attributable to non-controlling interest	0	0	0	0	0
Total comprehensive income (loss) attributable to owners of the parent	778,956	1,027,255	(23,157)	(74,042)	245,308
Total comprehensive income (loss) attributable to non-controlling interest	0	0	0	0	0
EPS	1.91	1.18	0.29	0.55	1.08

Note 1: Audited by the accountant.

(III) Name of CPA and auditors' opinions in the last five years

1. Name of CPA and auditors' opinions in the last five years

Year	Name of accounting firm	Name of CPA	Audit Opinion
2019	Deloitte Taiwan	Chiu-Yen Wu and Chia-Ling Chiang	Unqualified opinion
2020	Deloitte Taiwan	Chiu-Yen Wu and Chia-Ling Chiang	Unqualified opinion
2021	Deloitte Taiwan	Chiu-Yen Wu and Chia-Ling Chiang	Unqualified opinion
2022	Deloitte Taiwan	Chiu-Yen Wu and Chia-Ling Chiang	Unqualified opinion
2023	Deloitte Taiwan	Chiu-Yen Wu, Yu-Hsiang Liu	Unqualified opinion

Note 1: CPAs Chiu-Yen Wu and Chia-Ling Chiang were appointed as the Company's accountants in 2019 Q1 due to the CPA firm's internal rotation mechanism.

Note 2: CPAs Chiu-Yen Wu and Yu-Hsiang Liu were appointed as the Company's accountants in 2023 Q1 due to the CPA firm's internal rotation mechanism.

Note 3: CPAs Teng-Wei Wang and Yu-Hsiang Liu were appointed as the Company's attesting CPAs in 2024 Q1 due to the CPA firm's internal rotation mechanism.

II. Financial analysis of the last five years

(I) Financial analysis according to IFRS (consolidated):

Year Analysis item		2023	2022	2021	2020	2019	The current year up to March 31, 2024 (Note)
Financial structure (%)	Debt ratio	42.79	44.92	48.09	48.68	45.40	45.01
	Long-term fund to property, plant and equipment	229.77	235.96	212.86	197.50	181.98	223.84
Liquidity (%)	Current ratio	244.15	234.71	237.81	237.93	216.76	217.45
	Quick ratio	197.53	175.03	161.97	191.57	160.63	176.45
	Times interest earned	14.95	11.54	4.04	8.23	15.95	30.73
Operating ability	Receivables turnover (times)	7.48	8.11	6.84	6.53	6.84	7.31
	Average collection days	48.79	45.00	53.36	55.89	53.36	49.93
	Inventory turnover (times)	4.07	3.95	3.40	3.60	3.85	4.45
	Payables turnover (times)	17.37	17.35	12.03	10.96	12.37	16.27
	Average inventory turnover days	89.68	92.40	107.35	101.38	94.80	82.11
	Property, plant and equipment turnover (times)	2.01	2.12	1.51	1.40	1.65	1.99
	Total assets turnover (times)	0.65	0.71	0.56	0.55	0.69	0.65
Profitability	Return on assets (%)	5.28	3.42	1.03	1.68	3.13	10.68
	Return on equity (%)	8.73	5.83	1.49	2.70	5.22	18.40
	Pre-tax profit to paid-in capital ratio (%)	25.87	14.96	3.68	8.65	16.10	53.99
	Net margin (%)	7.54	4.37	1.38	2.58	4.19	15.90
	Earnings per share (NT$)	1.91	1.18	0.29	0.55	1.08	1.04
Cash flows	Cash flow ratio (%)	56.6	40.81	(13.78)	46.14	34.98	40.36
	Cash flow adequacy ratio (%)	123.38	72.84	53.59	93.84	97.08	42.99
	Cash reinvestment ratio (%)	8.39	4.49	(3.39)	7.05	5.90	8.25
Leverage	Operating leverage	3.21	15.58	9.83	5.22	4.73	2.62
	Financial leverage	1.08	1.24	1.25	1.11	1.07	1.06

Note: Audited by the CPAs.

There was a 20% spread between 2023 and 2022.

1. Increase in interest protection multiples, increase in return on assets, increase in return on equity, increase in ratio of pre-tax income to paid-in capital, increase in net profit margin, increase in earnings per share, and decrease in operating leverage:
   This is mainly due to (1) the drop in raw material prices in 2023, which resulted in a 16.26% decrease in operating costs compared to 2022; (2). an increase in interest income of NT$ 123,637 thousand compared to the same period last year due to increase in the Company's time deposits by approximately 69.3% compared to the same period last year, which increased the profit before tax by NT$ 433,780 thousand, or approximately 72.9%, compared with the same period last year; and (3). increase in net profit for the current period by NT$ 290,160 thousand, or approximately 61.7%, compared with the same period last year.
2. Increase in cash flow ratio, net cash flow adequacy ratio and cash reinvestment ratio:
   The primary factors are the NT$433,780 thousand rise in net profit before tax in 2023 compared to the previous year, the NT$36,666 thousand reduction in cash outflow for inventory procurement in 2023 compared to the same period last year, and the NT$105,432 thousand increase in interest cash inflows derived from increase in time deposits compared to the same period last year. Due to the above factors, the net cash inflow from operating activities rose by NT$569,254 thousand from the previous year.

(I) 1. Financial analysis according to IFRS (Standalone):

Analysis item	Year	2023	2022	2021	2020	2019
Financial structure (%)	Debt ratio	40.30	43.33	46.38	46.57	46.12
	Long-term fund to property, plant and equipment	416.97	378.49	331.69	315.03	291.27
Liquidity (%)	Current ratio	116.46	124.71	122.36	128.89	86.66
	Quick ratio	82.02	84.33	67.71	86.70	49.80
	Times interest earned	13.47	11.33	4.18	6.90	13.39
Operating ability	Receivables turnover (times)	7.81	8.69	7.55	7.27	7.07
	Average collection days	46.73	42.00	48.34	50.20	51.62
	Inventory turnover (times)	5.42	5.30	4.45	4.20	4.47
	Payables turnover (times)	15.09	15.34	11.37	6.98	6.31
	Average inventory turnover days	67.34	68.86	82.02	86.90	81.65
	Property, plant and equipment turnover (times)	2.60	2.80	2.07	1.81	2.12
	Total assets turnover (times)	0.51	0.61	0.50	0.45	0.53
Profitability	Return on assets (%)	5.46	3.52	1.06	1.70	3.05
	Return on equity (%)	8.73	5.83	1.49	2.70	5.22
	Pre-tax profit to paid-in capital ratio (%)	22.64	14.46	3.77	6.93	13.46
	Net margin (%)	10.02	5.26	1.60	3.21	5.35
	Earnings per share (NT$)	1.91	1.18	0.29	0.55	1.08
Cash flows	Cash flow ratio (%)	26.76	41.90	24.91	12.29	21.27
	Cash flow adequacy ratio (%)	151.45	76.55	53.78	56.73	57.36
	Cash reinvestment ratio (%)	3.26	7.68	3.54	0.51	4.21
Leverage	Operating leverage	5.98	3.74	4.46	4.38	5.78
	Financial leverage	1.46	1.17	1.18	1.15	1.17

There was a 20% spread between 2023 and 2022.

1. Increase in return on assets, increase in return on equity, increase in the ratio of pre-tax income to paid-in capital, increase in net profit margin, increase in earnings per share, and increase in the degree of operating leverage:
   This is mainly due to the easing of the epidemic in 2023 and corresponding decrease in raw material costs. As a result, the profit of subsidiaries in 2023 increased by NT$724,354 thousand compared with the same period last year, which drove up the Company’s investment recognized using the equity method, which in turn increased the net profit for the current period by NT$290,160 thousand, or about 61.72%, from the same period last year.
2. Decrease in cash flow ratio and cash reinvestment ratio: This is mainly due to the decrease in net cash inflows from operating activities by NT$585,764 thousand compared with the same period last year as a result of (1) an increase in NT$83,068 thousand of accounts payable in 2023 compared with the same period last year and (2) an increase in NT$325,480 thousand of net profit before tax in 2023 from 2022 (the profit before tax in 2023 was actually NT$199,357 thousand after netting the share of profit or loss in subsidiaries that does not impact cash flows, a decrease of NT$398,874 thousand from NT$598,231 thousand in 2022.)
3. Increase in cash flow adequacy ratio: The main reason for this is the significant increase in operating net cash flow over the past five years in the current period, which was NT$1,028,937 thousand higher than the previous year, resulting in a negative net cash flow from operating activities in 2018.

Formulas for financial analysis according to the IFRS:

1. Financial structure
   1. (1) Debt Ratio = Total Liabilities/Total Assets.
   2. (2) Long-term fund to property, plant and equipment ratio = (total equity + non-current liabilities)/net amount of real estate properties, plants and equipment.
2. Liquidity
   1. (1) Current ratio = Current assets/Current liabilities.
   2. (2) Quick ratio = (current assets - inventory - prepaid expense)/current liabilities.
   3. (3) Time interest earned = net income before income tax and interest expense/current interest expense.
3. Operating ability
   1. (1) Receivables (including accounts receivable arising from operation notes receivable) turnover ratio = net sales/average receivables (including accounts receivable arising from operation notes receivable) balances.
   2. (2) Average collection days = 365/Receivable turnover.
   3. (3) Inventory turnover ratio = Cost of goods sold/Average amount of inventory.
   4. (4) Payables (including accounts payable arising from operation notes payable) turnover ratio = cost of goods sold/average payables (including accounts payable arising from operation notes payable) balances.
   5. (5) Average inventory turnover days = 365/Average inventory turnover.
   6. (6) Property, plant and equipment turnover = Net sales/Average net property, plant and equipment.
   7. (7) Fixed assets turnover ratio = Net sales/Total average fixed assets.
4. Profitability
   1. (1) Return on assets = [net income + interest expense (1 - tax rate)]/average total assets.
   2. (2) Return on equity = Net income/Average equity.
   3. (3) Net profit margin = After-tax profit/Net operating income.
   4. (4) EPS = (income belonging to owner of parent company - stock dividend of preferred stocks)/weighted average number of issued shares.
5. Cash flows
   1. (1) Cash flow ratio = new cash flows from operating activities/current liabilities.
   2. (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years/(capital expenditures + inventory increase + cash dividend) for the most recent five years.
   3. (3) Cash reinvestment ratio = (net cash flows from operating activities - cash dividend)/(gross margin of property, plant and equipment + long-term investment + other non-current assets + working capital).
6. Leverage:
   1. (1) Operating leverage = (net operating income - variable operating cost and expenses)/operating income.
   2. (2) Financial leverage = operating profit/(operating profit - interest expense).

III. Audit Committee's review report in the most recent year

The Board of Directors has prepared and submitted the 2023 business report, financial statements, and dividend distribution proposal. The financial statements were audited by CPAs Chiu-Yen Wu and Yu-Hsiang Liu at Deloitte Taiwan, who prepared an audit report.

The business report, financial statements, and dividend distribution proposal have been reviewed by the Audit Committee and determined to be in compliance with related laws and regulations. The report above is in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Please verify

To

2024 annual shareholders' meeting of San Fang Chemical Industry Co., Ltd.

Convener of the Audit Committee:

March 8, 2024

Consolidated Financial Statement of Affiliates

Companies that must be included in the consolidated financial statements of affiliates according to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliates" are the same as those that must be included in the consolidated financial statements of parent company and subsidiaries according to IFRS 10 in 2023 (from 2023/1/1 to 2023/12/31). Information that must be disclosed in the consolidated financial statements of affiliates is already disclosed in the consolidated financial statements of the parent company and subsidiaries. Hence, the Company will not separately prepare consolidated financial statements of affiliates.

Hereby declared that

Company name: San Fang Chemical Industry Co., Ltd.

Legal Representative: Mun-Jin Lin

March 6, 2024

IV. Consolidated financial statements of the parent company and subsidiaries for the most recent year audited by the CPA

Independent Auditor's Report

To San Fang Chemical Industry Co., Ltd.:

Audit Opinion

We have audited the consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement, and consolidated notes to financial statements (including a summary of major accounting policies) of San Fang Chemical Industry Co., Ltd. and its subsidiaries (San Fang Group) for the years ended December 31, 2023 and 2022.

In our opinion, the consolidated financial statements above were prepared, in all material aspects, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, and explanations/interpretations approved and announced by FSC, and therefore are sufficient to present the financial position of the San Fang Group as at December 31, 2023 and 2022, as well as its consolidated financial performance and consolidated cash flow for the years ended December 31, 2023 and 2022.

Basis of Audit Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards. We will further explain our responsibilities under the regulations in the section on the independent auditor's responsibilities relating to consolidated financial statements. Personnel of our firm who are required to maintain independence according to the Code of Professional Ethics have maintained independence from the San Fang Group, and also fulfill other responsibilities set forth by the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are the most important matters in the 2023 consolidated financial statements of the San Fang Group determined based on our professional judgment. We have already responded to the matters in the process of auditing the consolidated financial statements and forming an audit opinion, and will not express opinions on individual matters.

Key audit matters in the 2023 consolidated financial statements of the San Fang Group are as follows:

Authenticity of sales revenue

The main source of revenue of San Fang Chemical Industry Group is the sales of artificial leather products and the sales revenue from specific customers had increased significantly compared with the previous year. Therefore, according to the provisions of the Statement of Auditing Standards on presetting revenue as a significant risk, the authenticity of sales revenue from such specific customers was thus listed as a key audit matter.

We have carried out the following audit procedures in response to the specific aspect described in Key Audit Matters above, including:

I. Understanding and testing internal controls related to the authenticity of revenue recognition, including whether or not purchase order and delivery related internal controls are effective, and if sales revenue is recognized accordingly.

II. Obtain detailed information on sales revenue of a specific customer, select appropriate samples, check shipping documents or attached customs clearance documents, etc., and check whether the amount and object of payment are consistent with the object of sales to confirm that the revenue has actually occurred.

Other Matters

San Fang Chemical Industry Co., Ltd. has prepared standalone financial statements for the years 2023 and 2022, on which we have issued an audit report containing an unqualified opinion for reference.

Management and the Governance Department's Responsibility for the Consolidated Financial Statements

The responsibility of management is to prepare fairly presented consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, and explanations/interpretations approved and announced by FSC, and to maintain necessary internal controls related to the preparation of consolidated financial statements, in order to ensure that the consolidated financial statements are free of material misstatements, whether due to fraud or error.

When preparing the consolidated financial statements, it is also the responsibility of management to evaluate the San Fang Group's ability to continue as a going concern, disclosures, and going concern basis of accounting, unless management intends to liquidate or permanently shut down the San Fang Group, or there are no feasible options other than liquidation or termination.

The governance department (including Audit Committee) of the San Fang Group is responsible for supervising the financial reporting process.

The Independent Auditor's Responsibility when Auditing the Consolidated Financial Statements

The purpose for auditing the consolidated financial statements is to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to fraud or error, and to issue an audit report. Reasonable assurance means high level of assurance. However, audits conducted according to auditing standards do not guarantee the detection of material misstatements in the consolidated financial statements. Material misstatements may be due to fraud or error. A misstatement is deemed material if the individual amount or total amount can be reasonably expected to affect the economic decision made by users of the consolidated financial statements.

We utilized our professional judgment and professional skepticism during the audit according to auditing standards. We also performed the following work:

I. Identified and evaluated material misstatements in the consolidated financial statements, whether due to fraud or error. Designed and implemented appropriate countermeasures for the risks that we evaluated. Obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion. Since fraud may involve conspiracy, falsification, intentional omission, false statements, or overriding internal controls, the risk of failing to detect material misstatements due to fraud is higher than the risk of failing to detect material misstatements due to error.

II. Designed appropriate audit procedures to gain necessary understanding of internal controls for the audit. However, the purpose is not to express any opinions on the effectiveness of the San Fang Group's internal controls.

III. Evaluated the appropriateness of management policies adopted by management, as well as the reasonableness of accounting estimates and related disclosures.

IV. Based on the audit evidence we obtained, we reached a conclusion on the appropriateness of management's going concern basis of accounting, and whether or not there are material uncertainties that will lead to events or situations that are cause for serious concern about the San Fang Group's ability to continue as a going concern. If we believe there are material uncertainties about such events or situations, we are required to provide a reminder in the audit report for users of the consolidated financial statements to pay attention to related disclosures, or modify our audit opinion when the disclosures are inappropriate. Our conclusion is based on the audit evidence we obtained as of the audit report date. However, future events or situations may cause the San Fang Group to no longer be able to continue as a going concern.

V. Evaluated the overall presentation, structure, and contents of the consolidated financial statements (including related notes), and whether or not the consolidated financial statements fairly present related transactions and events.

VI. Obtained sufficient and appropriate audit evidence of financial information on companies in the group, and expressed our opinion on the consolidated financial statements. We are responsible for guidance, supervision, and implementation of the audit, and for forming an audit opinion on the San Fang Group.

Matters we communicated with the governance department include the scope and time of the audit, as well as major findings in the audit (including significant deficiencies in internal control identified in the audit process).

We also provided the governance department with a statement that personnel of our firm who are required to maintain independence according to the Code of Professional Ethics have maintained independence, and communicated all relationships and other matters (including related preventive measures) that may affect the independence of auditors with the governance department.

Among the matters we communicated with the governance department, we decided on key audit matters in the 2023 consolidated financial statements of the San Fang Group. The matters are described in the audit report, unless they are specifically prohibited by law from being disclosed, or, under extremely rare circumstances, we decided not to disclose the matters in the audit report because the negative impact can reasonably be expected to be greater than the public benefit it will provide.

Deloitte Taiwan

CPA Chiu-Yen Wu	CPA Yu-Hsiang Liu
Securities and Futures Commission Approval No. Tai-Cai-Zheng(6)-Zi No. 0920123784	Financial Supervisory Commission Approval No. Jin-Guan-Zheng-Shen-Zi No. 1050024633

March 6, 2024

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Consolidated Balance Sheet
December 31, 2023 and 2022

Unit: Thousand NTD

		December 31, 2023		December 31, 2022	
Code	Assets	Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4 and 6)	$ 4,765,044	31	$ 4,830,365	31
1110	Current financial assets at fair value through profit or loss (Note 4 and 7)	100,589	1	94,324	1
1150	Notes receivable (Note 4 and 9)	24,507	-	14,387	-
1170	Net accounts receivable (Note 4 and 9)	1,000,724	6	1,089,221	7
1180	Accounts receivable – related parties (Note 4, 9 and 27)	295,079	2	273,712	2
1200	Other receivables (Note 4)	138,124	1	45,744	-
1220	Current income tax assets (Note 23)	15,201	-	61,392	1
130X	Inventories (Note 4, 5 and 10)	1,614,941	10	2,103,091	14
1410	Advance payments	154,562	1	206,217	1
1476	Other financial assets – current (Note 11 and 28)	1,123,678	7	337,810	2
1479	Other current assets	34,650	-	25,468	-
11XX	Total current assets	9,267,099	59	9,081,731	59
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income (Note 4 and 8)	119,687	1	75,175	-
1600	Property, plant and equipment (Note 4, 13 and 28)	5,150,904	33	4,886,692	32
1755	Right-of-use assets (Note 4 and 14)	159,703	1	159,085	1
1760	Investment properties (Note 4, 15 and 28)	109,189	1	110,056	1
1801	Other intangible assets (Note 4)	29,153	-	17,880	-
1805	Goodwill (Note 4)	35,759	-	35,759	-
1840	Deferred income tax assets (Note 4, 5 and 23)	94,242	1	81,587	1
1915	Advance payments for land and equipment (Note 13)	28,284	-	327,426	2
1920	Refundable deposits	26,238	-	26,408	-
1980	Other financial assets – noncurrent (Note 11)	604,889	4	595,350	4
1990	Other non-current assets	5,824	-	2,901	-
15XX	Total non-current assets	6,363,872	41	6,318,319	41
1XXX	Total assets	$ 15,630,971	100	$ 15,400,050	100
Code	Liabilities and equity interests				
	Current liabilities				
2100	Short-term borrowing (Note 16 and 28)	$ 1,490,000	10	$ 1,540,000	10
2110	Short-term notes and bills payable (Note 16)	49,967	-	-	-
2130	Current contract liabilities (Note 4 and 21)	13,776	-	5,574	-
2170	Accounts payable (Note 17)	377,049	2	493,322	3
2219	Other payables (Note 18)	830,216	5	736,627	5
2230	Current income tax liabilities (Note 23)	206,812	1	132,214	1
2280	Current lease liabilities (Note 4 and 14)	7,099	-	5,060	-
2320	Current portion of long-term liabilities (Note 16 and 28)	747,500	5	929,000	6
2399	Other current liabilities (Note 4)	73,173	1	27,480	-
21XX	Total current liabilities	3,795,592	24	3,869,277	25
	Non-current liabilities				
2540	Long-term borrowings (Note 16 and 28)	1,687,500	11	1,919,000	12
2570	Deferred income tax liabilities (Note 4, 5 and 23)	1,097,675	7	1,024,106	7
2580	Non-current lease liabilities (Note 4 and 14)	7,238	-	2,955	-
2640	Net defined benefit liability – non-current (Note 4 and 19)	87,221	1	89,619	1
2645	Guarantee deposits received	12,746	-	12,795	-
25XX	Total non-current liabilities	2,892,380	19	3,048,475	20
2XXX	Total liabilities	6,687,972	43	6,917,752	45
	Equity attributable to owners of the Company (Note 20)				
3110	Capital stock – common	3,978,181	25	3,978,181	26
3200	Capital surplus	145,330	1	145,330	1
	Retained earnings				
3310	Legal reserve	1,536,540	10	1,488,728	10
3320	Special reserve	504,790	3	648,571	4
3350	Undistributed earnings	2,858,770	18	2,320,928	15
3300	Total retained earnings	4,900,100	31	4,458,227	29
3400	Other equity interest	(80,612)	-	(99,440)	(1)
3XXX	Total equity	8,942,999	57	8,482,298	55
	Total liabilities and equity interests	$ 15,630,971	100	$ 15,400,050	100

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

Chairman: Mun-Jin Lin Manager: Chih-I Lin Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Consolidated Statement of Comprehensive Income
Years ended December 31, 2023 and 2022

Unit: Thousand NTD, EPS in NTD

		2023		2022	
Code		Amount	%	Amount	%
4000	Net operating revenues (Note 4, 21 and 27)	$ 10,086,736	100	$ 10,763,499	100
5000	Operating costs (Note 10 and 22)	7,561,009	75	9,029,397	84
5900	Operating margin	2,525,727	25	1,734,102	16
	Operating expenses (Note 9 and 22)				
6100	Selling expenses	543,785	5	525,236	5
6200	Administrative and general affairs expenses	667,167	7	612,360	5
6300	Research and development expenses	330,386	3	301,375	3
6450	Expected credit impairment loss (gain)	(2,686)	-	1,800	-
6000	Total operating expenses	1,538,652	15	1,440,771	13
6900	Operating net profit	987,075	10	293,331	3
	Non-operating income and expenses (Note 22)				
7100	Interest income	164,144	2	40,507	-
7010	Other income	30,834	-	91,878	1
7020	Other profits and losses	(79,183)	(1)	226,045	2
7050	Financial costs	(73,793)	(1)	(56,464)	-
7000	Total non-operating income and expenses	42,002	-	301,966	3
7900	Pre-tax profit	1,029,077	10	595,297	6
7950	Income tax expense (Note 4 and 23)	268,803	2	125,183	1
8200	Net profit for the year	760,274	8	470,114	5

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		2023		2022	
Code		Amount	%	Amount	%
	Other comprehensive income				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Remeasurements of the net defined benefit (Note 19)	($ 156)	-	$ 9,253	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Note 20)	44,512	-	1,033	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 23)	10	-	(1,243)	-
		44,366	-	9,043	-
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences arising from the translation of the financial statements of foreign operations (Note 20)	(25,684)	-	548,098	5
8300	Other consolidated income (net income after tax)	18,682	-	557,141	5
8500	Total comprehensive income	$ 778,956	8	$ 1,027,255	10
8600	Profit attributable to:				
8610	Owners of the company	$ 760,274	8	$ 470,114	4
8700	Comprehensive income attributable to:				
8710	Owners of the company	$ 778,956	8	$ 1,027,255	10
	EPS (Note 24)				
9750	Basic	$ 1.91		$ 1.18	
9850	Diluted	$ 1.90		$ 1.18	

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

Chairman: Mun-Jin Lin Manager: Chih-I Lin Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Consolidated Statement of Changes in Equity

Years ended December 31, 2023 and 2022

Unit: Thousand NTD

		Equity attributable to shareholders of the Company								
				Retained earnings			Other equity interests			
Code		Capital stock – common	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences arising from the translation of the financial statements of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Subtotal	Total equity
A1	Balance as at January 1, 2022	$3,978,181	$ 142,438	$1,477,569	$ 513,828	$2,187,615	($ 676,886)	$ 28,315	($ 648,571)	$7,651,060
	Appropriation and distribution of 2021 earnings (Note 20)									
B1	Legal reserve	-	-	11,159	-	(11,159)	-	-	-	-
B3	Allocation to special reserve	-	-	-	134,743	(134,743)	-	-	-	-
B5	Cash dividends	-	-	-	-	(198,909)	-	-	-	(198,909)
		-	-	11,159	134,743	(344,811)	-	-	-	(198,909)
C17	Dividends not collected by shareholders before the deadline	-	2,892	-	-	-	-	-	-	2,892
D1	Net profit - 2022	-	-	-	-	470,114	-	-	-	470,114
D3	Other comprehensive income after tax - 2022	-	-	-	-	8,010	548,098	1,033	549,131	557,141
D5	Total comprehensive income - 2022	-	-	-	-	478,124	548,098	1,033	549,131	1,027,255
Z1	Balance as at December 31, 2022	3,978,181	145,330	1,488,728	648,571	2,320,928	(128,788)	29,348	(99,440)	8,482,298
	Appropriation and distribution of 2022 earnings (Note 20)									
B1	Legal reserve	-	-	47,812	-	(47,812)	-	-	-	-
B3	Reversal of special reserve	-	-	-	(143,781)	143,781	-	-	-	-
B5	Cash dividends	-	-	-	-	(318,255)	-	-	-	(318,255)
		-	-	47,812	(143,781)	(222,286)	-	-	-	(318,255)
D1	Net profit - 2023	-	-	-	-	760,274	-	-	-	760,274
D3	Other comprehensive income after tax - 2023	-	-	-	-	(146)	(25,684)	44,512	18,828	18,682
D5	Total comprehensive income - 2023	-	-	-	-	760,128	(25,684)	44,512	18,828	778,956
Z1	Balance as at January 1, 2023	$3,978,181	$ 145,330	$1,536,540	$ 504,790	$2,858,770	($ 154,472)	$ 73,860	($ 80,612)	$8,942,999

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

Chairman: Mun-Jin Lin　　Manager: Chih-I Lin　　Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Consolidated Cash Flow Statement

Years ended December 31, 2023 and 2022

Unit: Thousand NTD

Code		2023	2022
	Cash flow from operating activities		
A10000	Net profit before tax	$1,029,077	$ 595,297
A20010	Revenues and expenses		
A20100	Depreciation expense	612,217	721,035
A20200	Amortization expense	10,851	9,991
A20300	Expected credit impairment loss (gain)	(2,686)	1,800
A20400	Net losses (gains) from financial instruments at fair value through profit or loss	(6,265)	8,345
A20900	Financial costs	73,793	56,464
A21200	Interest income	(164,144)	(40,507)
A21300	Dividend income	(2,167)	(2,961)
A22500	Net losses on disposal of property, plant and equipment	3,939	84,540
A23700	Impairment loss on property, plant and equipment	67,754	-
A23800	Gain on recovery on inventory devaluation	(77,696)	(164,840)
A29900	Loss on physical inventory	8,599	4,481
A29900	Other	37,077	1,257
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	(10,120)	(3,317)
A31150	Accounts receivable	91,187	(126,452)
A31160	Accounts receivable – related parties	(21,367)	27,216
A31180	Other receivables	(64,567)	(5,623)
A31200	Inventories	557,268	520,602
A31230	Advance payments	51,655	(4,568)
A31240	Other current assets	(9,182)	5,091
A32125	Contract liabilities	8,202	(973)
A32150	Accounts payable	(116,273)	(54,461)
A32180	Other payables	92,281	90,875
A32230	Other current liabilities	5,693	99
A32240	Net defined benefit liability	(2,554)	(20,700)
A33000	Cash generated from operating activities	2,172,572	1,702,691
A33100	Interest received	136,331	30,899
A33200	Dividend received	2,167	2,961
A33300	Interest paid	(75,731)	(56,451)
A33500	Income tax paid	(86,976)	(100,991)
AAAA	Net cash inflow from operating activities	2,148,363	1,579,109

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Code		2023	2022
	Cash flow from investing activities		
B02700	Acquisition of property, plant and equipment	($ 650,565)	($ 557,513)
B02800	Proceeds from disposal of property, plant and equipment	3,580	1,909
B03700	Increase in refundable deposits	-	(1,178)
B03800	Decrease in refundable deposits	170	-
B04500	Acquisition of intangible assets	(22,328)	-
B06500	Increase of other financial assets	(795,407)	-
B06600	Decrease of other financial assets	-	130,593
BBBB	Net cash outflow from investing activities	(1,464,550)	(426,189)
	Cash flow from financing activities		
C00100	Increase in short-term borrowings	-	160,000
C00200	Decrease in short-term borrowings	(50,000)	-
C00500	Increase in short-term notes and bills payable	50,000	-
C00600	Decrease in short-term notes and bills payable	-	(50,000)
C01600	Increase in long-term borrowing	540,000	660,000
C01700	Repayment of long-term borrowing	(953,000)	(949,000)
C03100	Decrease in guarantee deposits received	(49)	(6,617)
C04020	Repayments of lease liabilities	(7,135)	(7,559)
C04500	Distribution of cash dividends	(318,255)	(198,909)
C09900	Returned unclaimed dividends	-	2,892
CCCC	Net cash outflow from financing activities	(738,439)	(389,193)
DDDD	Effect of exchange rate changes on cash and cash equivalents	(10,695)	377,308
EEEE	Increase (decrease) in cash and cash equivalents	(65,321)	1,141,035
E00100	Cash and cash equivalents at beginning of period	4,830,365	3,689,330
E00200	Cash and cash equivalents at end of period	$4,765,044	$4,830,365

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

Chairman: Mun-Jin Lin   Manager: Chih-I Lin   Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
Years ended December 31, 2023 and 2022
(All amounts are in thousand NTD, unless otherwise specified)

I. Company History

San Fang Chemical Industry Co., Ltd. (hereinafter referred to as the "Company") was established in June 1973, and main business items include the manufacturing and sales of artificial leather, synthetic resin, and other materials.

The Company was approved to be listed on the Taiwan Stock Exchange in November 1985.

The consolidated financial statements are presented in the Company's functional currency NTD.

II. Date and Procedures of Approval of the Financial Statements

The consolidated financial statements were approved by the Board of Directors on March 6, 2024.

III. Application of New Standards, Amendments, and Interpretations

(I) Application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations, and SIC Interpretations (hereinafter collectively referred to as the "IFRS Accounting Standards") as endorsed and announced by the Financial Supervisory Commission (FSC) for the first time

The application of the amended IFRS Accounting Standards endorsed and announced by the FSC will not result in any major changes to the accounting policy of the Company and entities controlled by the Company (hereinafter referred to as the "Consolidated Entity").

(II) Application of the IFRS Accounting Standards as endorsed by the FSC in 2024

New, Revised or Amended Standards and Interpretations	Effective date of the International Accounting Standards Board (IASB) (Note 1)
Amendments to IFRS 16 "lease liability in a sale and leaseback"	January 1, 2024 (Note 2)
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2024
Amendments to IAS 1 "non-current liabilities with covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 17 “supplier finance arrangements”	January 1, 2024 (Note 3)

Note 1: Unless otherwise specified, the new, revised or amended standards and interpretations are effective at the beginning of the annual reporting period after the dates above.

Note 2: A seller-lessee applies the amendments of IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The first application of this amendment is exempted from certain disclosure requirements.

As of the date the consolidated financial statements were passed, the Consolidated Entity has determined that the abovementioned amendments to standards and interpretations will not have a material impact on its financial position and financial performance.

(III) New standards, interpretations, and amendments were issued by IASB but not yet included in the IFRS Accounting Standards as endorsed and announced by the FSC

New, Revised or Amended Standards and Interpretations	Effective date of the IASB (Note 1)
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Not determined
IFRS 17 Insurance Contracts	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "initial application of IFRS 17 and IFRS 9 - comparative information"	January 1, 2023
Amendments to IAS 21	January 1, 2025 (Note 2)

Note 1: Unless otherwise specified, the new, revised or amended standards and interpretations are effective at the beginning of the annual reporting period after the dates above.

Note 2: Applicable to the annual reporting period starting after January 1, 2025. For the initial application of the amendment, the effect is recognized in retained earnings on the date of initial application. When the Consolidated Entity uses non-functional currency as the presentation currency, the effect will be adjusted to the exchange difference of overseas operations under equity on the date of initial application.

As of the date this consolidated financial statements were passed, the Consolidated Entity had been continuing to evaluate the impact of the amendments to the abovementioned standards and interpretations on its financial position, financial performance, and the relevant impact will be disclosed when it is completed.

IV. Summarized Remarks on Significant Accounting Policies

(I) Statement of compliance

The consolidated financial statements were prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the IFRS Accounting Standards endorsed and announced by the FSC.

(II) Basis of preparation

Except for financial instruments measured at fair value and net defined benefit liability recognized at defined benefit liabilities less fair value of assets of the defined benefit plans, these consolidated financial statements have been prepared based on historical cost.

Fair value measurement can be divided into levels 1 to 3 based on the observability and importance of input values:

1. Level 1 input values: Refers to quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date.
2. Level 2 input values: Refers to directly (i.e., prices) or indirectly (i.e., derived from prices) observable input values of assets or liabilities other than level 1 quoted prices.

3. Level 3 input values: Refers to unobservable input values of assets or liabilities.

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

Current assets include:

1. Assets that are held mainly for trading purposes;
2. Assets that are expected to be realized within twelve months from the balance sheet date; and
3. Cash and cash equivalents (except those that are restricted as they will be swapped or used to repay liabilities more than 12 months after the balance sheet date)

Current liabilities include:

1. Liabilities that are held mainly for trading purposes;
2. Liabilities that are to be paid off within twelve months from the balance sheet date; and
3. Liabilities for which the repayment term cannot be extended unconditionally beyond 12 months after the balance sheet date.

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

(IV) Basis of consolidation

These consolidated financial statements include financial statements of the Company and entities (subsidiaries) controlled by the Company. Financial statements of subsidiaries have been appropriately adjusted to align their accounting policy with the Consolidated Entity's accounting policy. Transactions, account balances, gains, and losses between individual entities were eliminated when preparing the consolidated financial statements. Changes in the Consolidated Entity's ownership interest in a subsidiary that do not result in the loss of control over the subsidiary are equity transactions.

Please refer to Note 12, Table 6, and Table 7 for the detailed list, shareholding ratio, and business items of subsidiaries included in the consolidated financial statements.

(V) Foreign currencies

When each entity is preparing financial statements, transactions denominated in currencies other than the functional currency (i.e., foreign currencies) are recorded after conversion into the functional currency using the exchange rate on the transaction date.

Foreign currency-denominated monetary items are converted using the closing rate on each balance sheet date. The currency translation difference resulting from settlement or conversion of monetary items is recognized as income or loss in the current year.

Foreign currency-denominated non-monetary items carried at fair value are converted at exchange rates on the date of fair value measurement. Currency translation differences are also recognized in current profit or loss; for items that have fair value changes recognized in other comprehensive income, currency translation differences are recognized in other comprehensive income.

Foreign currency-denominated non-monetary items carried at historical costs are converted on the transaction date and are not re-converted.

When preparing the consolidated financial statements, assets and liabilities of overseas operations (including country of operations and subsidiaries that use different currencies than the Company) are converted to NTD using the exchange rate on each balance sheet date. Revenues and expenses/losses are converted using average exchange rate of the current period, with currency translation differences recognized in other comprehensive income.

(VI) Inventories

Inventory includes raw materials, raw materials, work in process, and finished goods. Inventories are measured at cost and net realizable value, whichever is lower. Unless the inventories are in the same category, the cost and net realizable value is compared for each individual item. Net realizable value is the estimated selling price under normal circumstances, less the estimated cost of completion and selling expenses. Inventories are usually calculated at standard cost, and then adjusted to its weighted average cost when settling accounts.

(VII) Property, plant and equipment

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

Property, plant and equipment under construction are recognized at cost after accumulated impairment losses. Costs include professional service fees and borrowing costs that meet the conditions for capitalization. Such assets are measured at the cost or net realizable value until they reach the expected state of use, whichever is lower, and their sales price and cost are recognized in profit or loss. When assets are completed and reach the expected state of use, they are classified to a suitable category under property, plant and equipment, and depreciation expenses are recognized.

Except for self-owned land, for which depreciation is not recognized, depreciation is separately recognized for each major part of property, plant and equipment on a straight line basis over its useful life. The Consolidated Entity reviews methods for estimating useful life in years, residual value, and depreciation, at a minimum, on the last day of each year, as well as the effect of prospective application of changes to accounting estimates.

When derecognizing property, plant and equipment, the difference between net disposal proceeds and the book value is recognized as gains or losses in the current period.

(VIII) Investment properties

Investment properties are real estate properties held for rental income or capital gain, or both.

Self-owned investment property is initially measured at cost (including transaction cost), and is subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation of investment property is recognized on a straight-line basis.

When property under property, plant and equipment is no longer for self-use, its book value is transferred to investment property.

When derecognizing investment property, the difference between net disposal proceeds and the book value is recognized as gains or losses.

(IX) Goodwill

With regard to goodwill obtained by San Fang Development from acquiring 40% of San Fang International's outstanding shares in 2003, the amount of goodwill recognized on the acquisition date is used as the cost. Goodwill is subsequently measured at cost less accumulated impairment loss.

The purpose of impairment testing is to allocate goodwill to cash-generating units or cash-generating groups (collectively referred to as "Cash-Generating Units") expected by the Consolidated Entity to benefit from synergistic effects of the merger.

Impairment testing is carried out by comparing the book value of a cash-generating unit to which goodwill has been allocated with its recoverable value each year (and when there are signs indicating that the unit may already be impaired). If the goodwill allocated to the cash-generating unit or cash-generating group was obtained from a merger that year, then impairment testing must be conducted for the unit or group before the end of the year. If the recoverable amount of a cash generating unit to which goodwill has been allocated falls below its book value, the impairment loss will first be charged against the book value of the goodwill that has been allocated, and any remaining impairment losses will then be allocated proportionally to reduce book values of all assets under the unit. Any impairment loss is directly recognized as loss in the current period. Goodwill impairment may not be reversed in subsequent periods.

When disposing of an operation in a cash-generating unit to which goodwill has been allocated, then the gain or loss from disposal of the operation is determined by including the amount of goodwill allocated to the operation in the book value of the operation.

(X) Other intangible assets

1. Independently acquired

   Independently acquired intangible assets (computer software and pollution rights) with a limited useful life is initially measured at cost, and subsequently measured at cost less accumulated amortization. Intangible assets are amortized on a straight-line basis during their useful life. The Consolidated Entity reviews methods for estimating useful life in years, residual value, and amortization, at a minimum, on the last day of each year, as well as the effect of prospective application of changes to accounting estimates.

2. Internal production – R&D expenses

   Research expenses are recognized as expenses when incurred.

3. Derecognition

When derecognizing intangible assets, the difference between net disposal proceeds and the book value is recognized as gains or losses in the current period.

(XI) Impairment of property, plant and equipment, right-of-use assets, investment properties and intangible assets (except for goodwill)

The Consolidated Entity evaluates if there are any signs of impairment of property, plant and equipment, right-of-use assets, investment properties and intangible assets (except for goodwill) on each balance sheet date. If any signs of impairment exist, then estimate the asset's recoverable amount. If the recoverable amount cannot be estimated on an individual basis, the Consolidated Entity will instead estimate recoverable amounts for the entire cash-generating unit. Depreciation of corporate assets may be allocated to the smallest identifiable cash-generating group with a reasonable and consistent basis.

Recoverable amounts are determined as the higher of "fair value less cost to sell" or the "utilization value." If the recoverable amount of an individual asset or cash-generating unit is expected to be lower than its book value, the Company will reduce the book value of the asset or cash-generating unit down to the recoverable amount and recognize impairment loss.

When impairment losses are reversed, the book value of the asset or cash-generating unit is increased to the revised recoverable amount. However, the increased book value may not exceed the asset or cash-generating unit's book value in the previous year before impairment loss was recognized (less depreciation or amortization). Reversal of impairment losses is listed in income.

(XII) Financial instruments

When the Consolidated Entity is a party to the contract, financial assets and financial liabilities are recognized in the consolidated balance sheet.

If financial assets and financial liabilities being recognized for the first time are not measured at fair value through profit or loss, then the are measured at fair value plus transaction costs that can be directly attributed to the acquisition or issuance of financial assets or financial liabilities. Transaction costs that can be directly attributed to the acquisition or issuance of financial assets or financial liabilities are immediately recognized as profit or loss.

1. Financial assets

   Regular transactions of financial assets are recognized and derecognized using transaction date accounting.

   (1) Type of measurement

   Financial assets held by the Consolidated Entity include financial assets at fair value through profit or loss, financial assets at amortized cost, and equity instruments measured at fair value through other comprehensive income.

   A. Financial assets at fair value through profit or loss

   Financial assets at fair value through profit or loss are financial assets for which the fair value is required to be measured through profit or loss.

   For financial assets at fair value through profit or loss, any interest accrued is recognized in interest income, and any profit or loss from the remeasurement of fair value is recognized in other profits and losses.

   B. Financial assets at amortized cost

   Financial assets that the Consolidated Entity invests in are classified as financial assets at amortized cost if they meet both of the conditions below:

   a. Held under a certain business model that aims to collect cash flow from the financial asset; and
   b. The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

   After recognizing financial assets at amortized cost (including cash and cash equivalents, notes and accounts receivable at amortized cost, other receivables, other financial assets, and refundable deposits), they are measured at book value determined using the effective interest rate method less any impairment losses. Any foreign exchange gains/losses are recognized in profit and loss. Interest income is calculated by multiplying the effective interest rate with the financial asset's total book value.

Credit-impaired financial assets mean that the debtor has encountered major financial difficulties, defaulted, may very likely declare bankruptcy or other financial restructuring, or an active market for the financial asset has disappeared due to financial difficulties.

Cash equivalents include highly liquid time deposits and bonds issued under repurchase agreement that can be converted into a specific amount of cash with low risk of value change within 3 months after being acquired. Cash equivalents are used to meet short-term cash commitments.

C. Investments in equity instruments measured at fair value through other comprehensive income

The Consolidated Entity may make an irreversible decision during initial recognition to measure equity instruments, which are not held for trading and not recognized from mergers and acquisitions, at fair value through other comprehensive income.

Investments in equity instruments measured at fair value through other comprehensive income are measured at fair value, and subsequent changes to fair value are listed in other comprehensive income and accumulated in other equity. When disposing of investments, accumulated gains is directly transferred to retained earnings and not reclassified as income.

Dividends from equity instruments measured at fair value through other comprehensive income are recognized in income when the Consolidated Entity is determined to have the right to receive the dividends, unless the dividends clearly represent the recovery of partial investment costs.

(2) Impairment of financial assets

The Consolidated Entity evaluates the impairment loss of financial assets at amortized cost (including notes and accounts receivable) using ECL on each balance sheet date.

A loss provision is recognized for lifetime ECL for notes and accounts receivables. For other financial assets, whether or not credit risk has significantly increased after the financial asset was recognized is first evaluated. If it has not significantly increased, then a loss provision is recognized for 12-month ECL. If it has significantly increased, then a loss provision is recognized for lifetime ECL.

ECL is the weighted average credit loss using the risk of default as weights. 12-Month ECL is the ECL from potential default on the financial instrument within 12 months after the reporting date. Lifetime ECL is the ECL from potential default during the expected lifetime of the financial instrument.

For the purpose of internal credit risk management, the Consolidated Entity may deem a financial asset to be in default if there is internal or external information showing that the debtor is no longer able to repay debts without considering collateral.

The impairment loss on all financial assets is recognized by lowering the book value of the loss provision.

(3) Derecognition of financial assets

The Consolidated Entity derecognizes financial assets when the contractual rights to the cash inflow from the financial asset are terminated or when the Consolidated Entity transfers the financial assets with substantially all the risks and rewards of ownership to other enterprises.

When derecognizing financial assets at amortized cost, the difference between book value and consideration received is recognized in gains or losses. When derecognizing investments in equity instruments at fair value through other comprehensive income, accumulated gains is directly transferred to retained earnings and not reclassified as income.

2. Equity instruments

Equity instruments issued by the Consolidated Entity are recognized at the price amount obtained less the direct flotation costs.

3. Financial liabilities

(1) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest rate method.

(2) Derecognition of financial liabilities

When a financial liability is derecognized, any difference between its carrying amount and the paid consideration (including any transferred non-cash assets or liabilities assumed) is recognized in income or loss.

(XIII) Provisions for liabilities

The amount recognized as provisions for liabilities takes into account the risks and uncertainties of the obligation and is the best estimate of the expenditure required to settle the obligation on the balance sheet date. Provision for liabilities is measured at the discounted value of the estimated cash flow of the obligation of settlement.

(XIV) Revenue recognition

After the Consolidated Entity identifies its contractual obligations with each customer, it allocates the transaction price to each contractual obligation, and then recognizes revenue when each contractual obligation is fulfilled.

1. Income from sale of merchandise

Income from sale of merchandise comes from the sale of synthetic leather. According to the contract, when synthetic leather is delivered to customers, customers have the right to set prices and use the products, and bear the responsibility of sales and risk of products becoming obsolete. The Consolidated Entity recognizes accounts receivable upon delivery. Unearned revenues from sale of goods is recognized as contract liabilities.

2. Service revenue

Service revenues from leather processing for customers are recognized when the provision of services.

(XV) Lease

On the date a contract is formed, the Consolidated Entity evaluates if the contract is (or includes) a lease.

1. Where the Consolidated Entity is the lessor

   A lease arrangement is classified as a finance lease if the terms involve a transfer of virtually all risks and returns associated with ownership to the lessee. All other lease arrangements are classified as operating lease.

   Under an operating lease arrangement, the proceeds received are recognized as income on a straight-line basis over the lease tenor.

2. Where the Company is the lessee

   Except for low value asset leases and short-term leases, for which lease payments are recognized as expenses on a straight-line basis over the lease tenor, other leases are all recognized as right-of-use assets and lease liabilities from the start date of the lease.

   Right-of-use assets are initially measured at cost, and are subsequently measured at cost less accumulated depreciation and accumulated impairment loss, with adjustments made to the remeasurement of lease liabilities. Right-of-use assets are independently presented in the consolidated balance sheet.

   Depreciation of right-of-use assets is recognized on a straight-line basis from the start date of the lease until the expiry of its useful life or lease tenor, whichever is earlier.

   Lease liabilities are initially measured at the present value of lease payments. If the interest rate implicit in a lease is easy to determine, then lease payments will be discounted using the interest rate. If the interest rate is not easy to determine, then the lessee's incremental borrowing rate of interest is used.

   In subsequent periods, lease liabilities is measured at amortized cost using the effective interest rate method, and interest expense is recognized over the lease term. Lease liabilities are independently presented in the consolidated balance sheet.

(XVI) Borrowing costs

Borrowing costs that can be directly attributed to the acquisition, construction, or production of qualified assets shall be recognized as a part of asset costs, until almost all necessary activities for the asset to reach its expected state of use or sale.

If a specific loan is used for a temporary investment and obtains investment gains before a qualified capital expenditure occurs, the gains shall be deducted from borrowing costs that qualify for capitalization.

All other borrowing costs are recognized as losses in the period they occur.

(XVII) Government subsidies

Government grants shall not be recognized until there is reasonable assurance that the Consolidated Entity will comply with the attached conditions and that the grants will be received.

If income-related government subsidies are provided in the period that the costs they intend to cover are recognized by the Consolidated Entity as expenses, they are systematically recognized by reducing the costs or recognized in other income.

If the government subsidies are compensation for expenses or losses that have already occurred, or aim to provide the Consolidated Entity with immediate financial support and do not have any related costs in the future, then they are recognized as income in the period they are received.

(XVIII) Employee benefits

1. Short-term employee benefits

   Short-term employee benefits-related liabilities are measured at the undiscounted amount of the benefits expected to be paid in exchange for employee services.

2. Post-employment benefit

   For defined contribution plans, pension contributions made by the Company over the course of employment are listed as expenses; net defined benefit liability is the deficit of contributions to defined benefit plans.

   The cost of defined benefits (including service cost, net interest, and number of remeasurement) for defined benefit plans is calculated using the projected unit credit method. Service costs (including service costs in the current and previous periods) and net interest accrued on net defined benefit liabilities (assets) are recognized as employee benefit expenses when they occur. The number of remeasurement (including calculation of income and losses, changes in asset limit effects, return on assets of the plans less interest) is recognized in other comprehensive income when it occurs and listed in retained earnings, and is not reclassified to profit or loss.

(XIX) Income tax

Income tax expense is the sum of current income tax and deferred income tax.

1. Current income tax

The Consolidated Entity determines current income (loss) according to the regulations enacted by each income tax reporting jurisdiction, and calculates the income tax payable (recoverable) on this basis.

Income tax on undistributed earnings is calculated in accordance with the Income Tax Act of the R.O.C. and recognized in the year the resolution is adopted by the shareholders' meeting.

An adjustment to the income tax payable in the previous year is listed as the current income tax.

2. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the book value of assets and liabilities on the consolidated financial statements from the taxable income that was calculated.

Deferred income tax liabilities are generally recognized based on the taxable temporary difference, and deferred income tax assets are recognized when there is likely to be taxable income to offset the temporary difference and income tax deductibles from losses carried forward.

Taxable temporary differences relating to subsidiaries are recognized as deferred income tax liabilities, except in cases where the Consolidated Entity is able to control the timing of which temporary differences are reversed, and that such temporary differences are highly unlikely to reverse in the foreseeable future. Deductible temporary differences relating to these investments are recognized as deferred income tax assets only to the extent that sufficient taxable income can be earned to offset the temporary differences, and that reversal is expected to occur in the foreseeable future.

The book value of deferred income tax assets is reexamined on each balance sheet date, and the book value is reduced if it is not very likely there will be sufficient taxable income to recover all or a part of the assets. Those that were not recognized as deferred income tax assets are also reexamined on each balance sheet date, and the book value is increased if it is very likely there will be sufficient taxable income to recover all or a part of the assets.

Deferred income tax assets and liabilities are measured using the tax rate in the period in which liabilities are expected to be paid off or assets are expected to be realized. The tax rate is based on the tax rate and tax law that has been enacted or substantially enacted on the balance sheet date. The measurement of deferred income tax liabilities and assets reflects on the tax effects of the ways the Consolidated Entity expects to recover or pay off the book value of its assets or liabilities on the balance sheet date.

3. Current and deferred income tax

Current and deferred income tax are recognized in profit or loss, except for items that are bound to be recognized under other comprehensive income or directly as other equity items.

V. Significant Accounting Judgments, Estimates and Main Uncertainty Assumptions

When the Consolidated Entity adopts an accounting policy, management must make judgments, estimates, and assumptions based on historical experience and other factors for information that is difficult to obtain from other sources. Actual results may be different from estimates.

The Consolidated Entity took the possible impact on the economic environment into consideration of cash flow estimates, growth rates, discount rates, profitability and other relevant major accounting estimates when developing major accounting estimates, and the management will continue to examine estimates and basic assumptions.

(I) Inventory impairments

Net realizable value of inventory is the estimated selling price during normal business operations, less the estimated cost of completion and selling expenses. The estimates are made based on the current market situation and previous sales experience of similar products. Changes in the market situation may have a material impact on the estimates.

(II) Income tax

The tax effect of subsidiaries and unused tax losses as well as deductible temporary differences not recognized as deferred income tax assets was NT$45,233 thousand and NT$38,109 thousand for the years ended December 31, 2023 and 2022. The realizability of deferred income tax assets mainly depends on whether or not there is sufficient profit or taxable temporary difference in the future. If actual profits exceed expectations, it may result in the recognition of significant deferred income tax assets and tax income.

With regard to taxable temporary differences related to investments in subsidiaries that were not recognized as deferred income tax liabilities, the effect on income tax was NT$546,819 thousand and NT$473,349 thousand for the years ended December 31, 2023 and 2022, respectively. If the taxable temporary difference is reversed in the future, it may result in major income tax liabilities, which are recognized as income tax expenses during the period that reversal occurs.

VI. Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and working capital	$ 2,088	$ 2,581
Bank check and demand deposits	2,399,376	3,282,892
Cash equivalents		
Time deposits within 3 months of its original maturity date	2,363,580	1,483,472
Bonds issued under repurchase agreement	-	61,420
	$ 4,765,044	$ 4,830,365

The market interest rate range for cash equivalents on the balance sheet date is as follows:

	December 31, 2023	December 31, 2022
Cash equivalents		
Time deposits within 3 months of its original maturity date (%)	0.59~5.6	0.48~4.8
Bonds issued under repurchase agreement	-	4.4~4.5

VII. Financial instruments at fair value through profit or loss - current

	December 31, 2023	December 31, 2022
Financial assets for which the fair value is required to be measured through profit or loss		
Fund beneficiary certification	$ 100,589	$ 94,324

VIII. Non-current financial assets at fair value through other comprehensive income

Investments in equity instruments measured at fair value through other comprehensive income	December 31, 2023	December 31, 2022
Listed stock in Taiwan	$ 114,914	$ 70,622
Unlisted stock in Taiwan	4,773	4,553
	$ 119,687	$ 75,175

IX. Notes and accounts receivable

Arising from operation	December 31, 2023	December 31, 2022
Notes receivable – unrelated parties		
Measured at amortized cost		
Total book value	$ 24,507	$ 14,387
Accounts receivable – unrelated parties		
Measured at amortized cost		
Total book value	$ 1,003,332	$ 1,094,519
Less: Loss provision	2,608	5,298
	$ 1,000,724	$ 1,089,221
Accounts receivable – related parties		
Measured at amortized cost		
Total book value	$ 295,079	$ 273,712

The Consolidated Entity's average credit period for sale of goods is open account 30~120 days. Designated personnel of the Consolidated Entity are responsible for deciding the credit limit, approval, and other monitoring procedures to mitigate credit risk and ensure that appropriate action has been taken to recover overdue receivables. Furthermore, the Consolidated Entity will verify the recoverable amount of receivables on the balance sheet date to ensure that unrecoverable receivables already properly listed as impairment losses. On this basis, management of the Consolidated Entity believes that its credit risk has significantly decreased.

The Consolidated Entity recognizes a loss provision for lifetime ECLs for accounts receivables. Lifetime expected credit losses are calculated using an provision matrix, which takes into consideration the customer's previous default record, current financial situation, industrial and economic trends, and industry outlook. Past experience of the Consolidated Entity relating to credit loss showed no significant difference in loss patterns between different customer groups. Hence, customers are not further divided into groups in the provision matrix, and expected credit loss rate is only set by the number of days receivables are overdue.

The aging analysis of the Consolidated Entity's receivables based on the overdue date and the loss provision are as follows:

December 31, 2023

	Not past due	1~90 days late	91~180 days late	181~360 days late	More than 361 days late	Total
Expected credit loss rate (%)	-	0~0.03	0.04~0.12	0.12~38	58~92	
Total book value	$1,090,714	$ 226,849	$ 1,571	$ 30	$ 3,754	$1,322,918
Loss provision (lifetime ECL)	-	(1)	-	-	(2,607)	(2,608)
Amortized cost	$1,090,714	$ 226,848	$ 1,571	$ 30	$ 1,147	$1,320,310

December 31, 2022

	Not past due	1~90 days late	91~180 days late	181~360 days late	More than 361 days late	Total
Expected credit loss rate (%)	-	0~0.02	0.02~0.12	0.12~41.6	58~100	
Total book value	$1,145,574	$ 219,559	$ 7,989	$ 3,411	$ 6,085	$1,382,618
Loss provision (lifetime ECL)	-	(16)	(5)	(1,158)	(4,119)	(5,298)
Amortized cost	$1,145,574	$ 219,543	$ 7,984	$ 2,253	$ 1,966	$1,377,320

Information on changes to loss provision for receivables is as follows:

	2023	2022		
	Accounts receivable	Accounts receivable	Other receivables	Total
Opening balance	$ 5,298	$ 4,523	$ -	$ 4,523
Allocated (reversed) in the current year	(2,686)	842	958	1,800
Actual write-offs in the current year	-	-	(958)	(958)
Net currency translation difference	(4)	(67)	-	(67)
Closing balance	$ 2,608	$ 5,298	$ -	$ 5,298

X. Inventories

	December 31, 2023	December 31, 2022
Raw materials	$ 784,555	$ 1,065,293
Supplies	33,524	29,356
Work in process	522,199	696,286
Finished goods	271,495	309,058
Inventory in transit	3,168	3,098
	$ 1,614,941	$ 2,103,091

Inventory-related operating costs amounted to NT$7,561,009 thousand in 2023 and NT$9,029,397 thousand in 2022, including:

	2023	2022
Gain on recovery on inventory devaluation	($ 77,696)	($ 164,840)
Loss on physical inventory	8,599	4,481
Income from sale of scraps	(8,555)	(7,930)
	($ 77,652)	($ 168,289)

The gain on recovery of inventory value was mainly due to the increase in net realizable value of inventory as a result of the increase in market price of inventory and the sales of inventory.

XI. Other financial assets

	December 31, 2023	December 31, 2022
Current		
Time deposits more than 3 months from its original maturity date	$ 1,113,634	$ 337,810
Pledged time deposits	10,044	-
	$ 1,123,678	$ 337,810
Annual interest rate (%)	0.55~5.55	3.35~4.6
Noncurrent		
Restricted bank deposits		
Time deposits	$ 604,889	$ 445,295
Demand deposits	-	150,055
	$ 604,889	$ 595,350
Annual interest rate (%)	4.9~5.55	4.35~4.9

(I) Restricted bank deposits are deposited into a designated foreign currency deposits account by the Consolidated Entity in accordance with the "Management, Utilization, and Taxation of Repatriated Offshore Funds Act". The use of funds is restricted by such Act.

(II) The counterparties of time deposits of the Consolidated Entity are banks with good credit quality. As such, there is no significant compliance concerns, and no expected credit losses were evaluated.

(III) Please refer to Note 28 for information on other financial assets pledged.

XII. Subsidiary

The consolidated financial statements mainly discloses on formation on the following entities:

Name of investment company	Name of subsidiary	Main Business Activities	Ownership (%) December 31, 2023	Ownership (%) December 31, 2022
The Company	San Fang Development Co., Ltd.	Investment	100	100
	San Fang Financial Holdings Co., Ltd.	Investment	100	100
	Grand Capital Limited (GCL)	Investment	100	100
	Forich Advanced Materials Co., Ltd.	Manufacturing and sales of chemical products	100	100
	Bestac Advanced Material Co., Ltd.	Manufacturing and sales of chemical products	100	100
San Fang Development	San Fang International Co., Ltd.	Investment	100	100
	Brave Business Holding Limited(BBH)	Investment	100	100
GCL	Grand International Investment Corporation Limited (GII)	Investment	100	100
	Java Ocean Business Limited(JOB)	Investment	100	100
San Fang International	Megatrade Profits Limited (MPL)	Investment	100	100
	Giant Tramp Limited (GTL)	Investment	100	100
MPL	Dongguan Baoliang Material Technology Co., Ltd.	Manufacturing and sales of artificial leather, synthetic resin, and other materials	36.84	36.84
GTL	Dongguan Baoliang	Manufacturing and sales of artificial leather, synthetic resin, and other materials	7.02	7.02
BBH	Dongguan Baoliang	Manufacturing and sales of artificial leather, synthetic resin, and other materials	56.14	56.14
GII	San Fang Vietnam Corporation Limited(SFV)	Material processing	100	100
JOB	PT. San Fang Indonesia(PTS)	Manufacturing and sales of artificial leather, synthetic resin, and other materials	99.99	99.99
GII	PTS	Manufacturing and sales of artificial leather, synthetic resin, and other materials	0.01	0.01

XIII. Property, plant and equipment

2023

	Self-owned land	Buildings and structures	Machinery and equipment	Other facilities	Construction in progress and equipment under acceptance	Total
Cost						
Balance as at January 1, 2023	$ 1,589,529	$ 3,334,816	$ 6,773,048	$ 2,508,356	$ 107,524	$ 14,313,273
Addition	237,579	98,089	44,409	124,902	447,941	952,920
Disposal	-	(3,842)	(41,809)	(67,711)	-	(113,362)
Net currency translation difference	1,991	(3,921)	(5,500)	(2,507)	(16,251)	(26,188)
Balance as at December 1, 2023	$ 1,829,099	$ 3,425,142	$ 6,770,148	$ 2,563,040	$ 539,214	$ 15,126,643
Accumulated depreciation and impairment						
Balance as at January 1, 2023	$ -	$ 2,025,759	$ 5,488,525	$ 1,912,297	$ -	$ 9,426,581
Disposal	-	(3,713)	(35,728)	(66,402)	-	(105,843)
Depreciation expense	-	100,718	346,956	151,857	-	599,531
Impairment losses recognized	-	-	53,355	14,399	-	67,754
Net currency translation difference	-	(4,333)	(5,478)	(2,473)	-	(12,284)
Balance as at December 1, 2023	$ -	$ 2,118,431	$ 5,847,630	$ 2,009,678	$ -	$ 9,975,739
Net amount as at December 31, 2023	$ 1,829,099	$ 1,306,711	$ 922,518	$ 553,362	$ 539,214	$ 5,150,904

2022

	Self-owned land	Buildings and structures	Machinery and equipment	Other facilities	Construction in progress and equipment under acceptance	Total
Cost						
Balance as at January 1, 2022	$ 1,581,300	$ 3,094,692	$ 6,997,362	$ 2,393,762	$ 176,726	$ 14,243,842
Addition	-	99,031	144,187	77,259	(75,904)	244,573
Disposal	-	(5,919)	(622,559)	(85,257)	(1,026)	(714,761)
Net currency translation difference	8,229	147,012	254,058	122,592	7,728	539,619
Balance as at December 31, 2022	$ 1,589,529	$ 3,334,816	$ 6,773,048	$ 2,508,356	$ 107,524	$ 14,313,273
Accumulated depreciation						
Balance as at January 1, 2022	$ -	$ 1,822,338	$ 5,430,617	$ 1,720,176	$ -	$ 8,973,131
Disposal	-	(5,851)	(549,591)	(72,870)	-	(628,312)
Depreciation expense	-	134,262	407,760	166,020	-	708,042
Net currency translation difference	-	75,010	199,739	98,971	-	373,720
Balance as at December 31, 2022	$ -	$ 2,025,759	$ 5,488,525	$ 1,912,297	$ -	$ 9,426,581
Net amount as at December 31, 2022	$ 1,589,529	$ 1,309,057	$ 1,284,523	$ 596,059	$ 107,524	$ 4,886,692

The Consolidated Entity evaluated in 2023 that due to the impact of changes in market demand for specific products, the Kaohsiung plant expected that the future economic benefits of the equipment used to produce specific products would decline, resulting in its recoverable amount being less than the book value. Therefore, an impairment loss of NT$67,754 thousand was provided and included in other profits and losses in the consolidated statement of comprehensive income.

The increase in property, plant and equipment and adjustments to payment amounts on the cash flow statement are as follows:

	2023	2022
Investing activities that affect both cash and non-cash items		
Increase in property, plant and equipment	$ 952,920	$ 244,573
Increase (Decrease) in advance payments for land and equipment	(299,142)	304,168
Decrease (Increase) in payables on equipment	(1,347)	9,525
Capitalization of interest	(1,866)	(753)
Payments in cash for the acquisition of property, plant and equipment	$ 650,565	$ 557,513

Depreciation of the Consolidated Entity's property, plant and equipment is recognized on a straight-line basis according to the following useful life in years:

Buildings and structures	
Factory and office building	20-50 years
Construction system and enclosure wall	15-28 years
Other	2-10 years
Machinery and equipment	
Embossing machine, grinding machine, and thermal oil boiler	20-30 years
Non-woven fabric machine and its auxiliary facilities	8-19 years
Other	1-9 years
Other facilities	
Pond and gardening	30-48 years
Pipelines	20-28 years
Other	1-15 years

The Board of Directors of the Consolidated Entity resolved in November 2022 to purchase land near the Indonesia Plant and plan for expansion of operations and construction of plant buildings. The Consolidated Entity signed four land transaction contracts in December 2022 and the total contract price (before tax) was approximately NT$287,975 thousand. As of December 31, 2022, it has paid approximately NT$277,639 thousand for the transaction (the amount is recognized as advance payments for land and equipment). It completed the registration transfer procedures for two of the land plots and recognized the payments as cost of land in 2023.

Please refer to Note 28 for property, plant and equipment pledged by the Consolidated Entity as collateral for loans.

XIV. Lease agreement

(I) Right-of-use assets

	December 31, 2023	December 31, 2022
Book value of right-of-use assets		
Land	$ 145,379	$ 151,947
Buildings	6,477	2,346
Transportation equipment	7,847	4,792
	$ 159,703	$ 159,085

	2023	2022
Addition of right-of-use assets	$ 13,457	$ 2,365
Depreciation expense of right-of-use assets		
Land	$ 5,548	$ 6,587
Buildings	2,341	1,083
Transportation equipment	3,930	4,456
	$ 11,819	$ 12,126

Other than the aforementioned new items and recognized depreciation expenses, there were no major subleases or impairment of the Consolidated Entity's right-of-use assets in 2023 and 2022.

(II) Lease liabilities

	December 31, 2023	December 31, 2022
Book value of lease liabilities		
Current	$ 7,099	$ 5,060
Noncurrent	$ 7,238	$ 2,955

The discount rate of lease liabilities is 1.05~2.00%.

(III) Important lease activities and clauses

Right-of-use assets include the land of the following subsidiaries, in which the right to use the land was obtained from the local government, details are as follows:

	Cost of land use rights		Years	Maturity date
SFV	USD	$4,023,000	36~48 years	June, 2051
Dongguan Baoliang	RMB	19,373,000	50 years	January, 2060

(IV) Other lease information

	2023	2022
Short term lease expenses	$ 2,952	$ 3,067
Lease expenses of low value assets	$ 949	$ 839
Total cash outflow from leases	$ 11,194	$ 11,591

XV. Investment properties

2023

	Completed investment properties
Cost	
Balance as at January 1 and December 31, 2023	$ 140,473
Accumulated depreciation	
Balance as at January 1, 2023	$ 30,417
Depreciation expense	867
Balance as at December 1, 2023	$ 31,284
Net amount as at December 31, 2023	$ 109,189

2022

	Completed investment properties
Cost	
Balance as at January 1 and December 31, 2022	$ 140,473
Accumulated depreciation	
Balance as at January 1, 2022	$ 29,550
Depreciation expense	867
Balance as at December 31, 2022	$ 30,417
Net amount as at December 31, 2022	$ 110,056

The lease term of investment property is 10 years. The tenant does not have right of first refusal over the investment property when the lease term expires.

The Consolidated Entity's investment properties consists of land, buildings, and structures in Songshan District, Taipei City. They are the Company's own equity, and depreciation of buildings and structures is recognized on a straight-line basis over a useful life of 60 years. Please refer to Note 28 for investment property provided as collateral for loans.

The sum of future lease payments for operating leases of investment property is as follows:

	December 31, 2023	December 31, 2022
1st year	$ 9,493	$ 9,351
2nd year	9,634	9,493
3rd year	9,634	9,634
4th year	9,778	9,634
5th year	9,922	9,778
Over 5 years	4,961	14,883
	$ 53,422	$ 62,773

The Consolidated Entity implements a general risk management policy to reduce the residual asset risk of buildings when the lease term expires.

The fair value of the Consolidated Entity's investment properties was approximately NT$370 million and NT$390 million for the years ended December 31, 2023 and 2022, in which the fair value was estimated by the Consolidated Entity's management after referring to transactions in the nearby housing market.

XVI. Borrowings

(I) Short-term borrowing

	December 31, 2023	December 31, 2022
Secured loans (Note 28)		
Bank borrowings	$ 780,000	$ 840,000
Unsecured loans		
Line of credit borrowings	710,000	700,000
	$ 1,490,000	$ 1,540,000
Annual interest rate (%)	1.47~1.96	1.07~1.8

(II) Short-term notes and bills payable - Only December 31, 2023

Details of commercial paper payable that have not yet matured are as follows:

Guarantor/Acceptance agency	Face value	Discounted amount	Book value	Interest Rate (%)
China Bills	$ 50,000	$ 33	$ 49,967	1.4

(III) Long-term borrowings

	December 31, 2023	December 31, 2022
Secured loans		
Bank borrowings – Reaches maturity before August 2028	$ 1,185,000	$ 1,488,000
Unsecured loans		
Bank borrowings – Reaches maturity before September 2028	$ 1,250,000	$ 1,360,000
	2,435,000	2,848,000
Less: Current portion	747,500	929,000
	$ 1,687,500	$ 1,919,000
Annual interest rate (%)	1.78~2.325	1.37~2.18

XVII. Accounts payable

The Consolidated Entity's accounts payable are all derived from its business and transaction terms are separately negotiated. The Consolidated Entity established a financial risk management policy to ensure all payables are repaid within the credit period agreed to in advance.

XVIII. Other payables

	December 31, 2023	December 31, 2022
Wages and salaries payable	$ 386,505	$ 329,814
Employee bonuses and director remuneration payable	57,589	35,179
Commissions payable	52,685	48,059
Payables on equipment	30,779	29,432
Utilities and fuel costs payable	25,584	31,569
Taxes payable	23,884	26,734
Import/export charges payable	21,499	26,786
Other	231,691	209,054
	$ 830,216	$ 736,627

XIX. Post-employment benefits plan

(I) Defined contribution plan

In the Consolidated Entity, the Company, Forich Advanced Materials Co., Ltd., and Bestac Advanced Material Co., Ltd. use the defined contribution plan managed by the government according to the Labor Pension Act, and contribute 6% of employees' monthly salaries to their individual pension account at the Bureau of Labor Insurance.

In the Consolidated Entity, Dongguan Baoliang, PTS, and SFV make pension contributions according to local laws and regulations, which are classified as a defined contribution plan.

(II) Defined benefit plan

The pension system implemented by the Company in the Consolidated Entity according to the Labor Standards Act of the R.O.C. is the defined benefit plan managed by the government. Payment of employee pensions is calculated based on the employee's years of service and 6-month average wage before the approved date of retirement. The Company makes monthly contributions equal to 4% of employees' monthly salaries and wages to a dedicated account at the Bank of Taiwan under the name of the Supervisory Committee of Workers' Retirement Reserve Fund. Before the end of each year, if the balance in the dedicated account is insufficient to pay the retirement benefits of employees who are eligible for retirement in the following year, the deficit will be funded in one appropriation before the end of March in the following year. The dedicated account is managed by the Bureau of Labor Funds, Ministry of Labor. The Company does not have any right to influence its investment management strategy.

PTS in the Consolidated Entity pays severance pay to qualified employees according to local laws and regulations, which is classified as a defined benefit plan.

The defined benefit plan amounts listed in the consolidated balance sheet is as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit liabilities	$ 115,047	$ 111,215
Fair value of assets of the plans	(27,826)	(21,596)
Net defined benefit liability	$ 87,221	$ 89,619

Changes in net defined benefit liabilities are as follows:

	Present value of defined benefit liabilities	Fair value of assets of the plans	Net defined benefit liability
Balance as at January 1, 2023	$ 111,215	($ 21,596)	$ 89,619
Service cost			
Service cost of the term	3,989	-	3,989
Interest expense (income)	2,583	(340)	2,243
Listed in income	6,572	(340)	6,232
Number of remeasurement			
Return on assets of the plans (except for amounts included in net interest)	-	(203)	(203)
Actuarial loss – Changes in financial assumption	3,499	-	3,499
Actuarial gains – experience adjustments	(3,140)	-	(3,140)
Recognized in other comprehensive income	359	(203)	156
Employer contributions	-	(8,726)	(8,726)
Benefits payment	(3,039)	3,039	-
Currency translation difference	(60)	-	(60)
Balance as at December 1, 2023	$ 115,047	($ 27,826)	$ 87,221

	Present value of defined benefit liabilities	Fair value of assets of the plans	Net defined benefit liability
Balance as at January 1, 2022	$ 135,375	($ 15,803)	$ 119,572
Service cost			
Service cost of the term	3,585	-	3,585
Service cost and settlement of benefits in the previous period	(10,108)	-	(10,108)
Interest expense (income)	1,725	(126)	1,599
Listed in income	(4,798)	(126)	(4,924)
Number of remeasurement			
Return on assets of the plans (except for amounts included in net interest)	-	(1,450)	(1,450)
Actuarial gains - Changes in financial assumption	(3,317)	-	(3,317)
Actuarial gains – experience adjustments	(4,486)	-	(4,486)
Recognized in other comprehensive income	(7,803)	(1,450)	(9,253)
Employer contributions	-	(18,079)	(18,079)
Benefits payment	(13,862)	13,862	-
Currency translation difference	2,303	-	2,303
Balance as at December 31, 2022	$ 111,215	($ 21,596)	$ 89,619

Summary of defined benefit plans recognized in income and loss by function:

	December 31, 2023	December 31, 2022
Operating costs	$ 4,381	($ 4,598)
Selling expenses	520	(377)
Administrative expenses	917	(108)
Research and development expenses	414	159
	$ 6,232	($ 4,924)

The Consolidated Entity is exposed to the following risks due to the pension system of the Labor Standards Act:

1. Investment risks

   The Bureau of Labor Funds (BLF), Ministry of Labor (MOL) invests the labor pension fund in domestic (overseas) equity securities, bonds, and bank deposits at its own discretion and through mandated investments. However, the distributable amount of assets may not be lower than gains calculated using the interest rate for 2-year time deposits at local banks.

2. Interest rate risk

   A decrease in bond interest rate will cause the present value of defined benefit liabilities to increase. However, the return on assets of defined benefit plans will also increase, and the effect of the two on defined benefit liabilities will offset each other.

3. Salary risk

   Calculation of the present value of defined benefit liabilities takes into consideration the future salaries of members of defined benefit plans. Hence, an increase in salaries of members of defined benefit plans will increase the present value of defined benefit liabilities.

The present value of defined benefit liabilities of the Consolidated Entity is calculated by a qualified actuary, and major assumptions on the measurement date are as follows:

	December 31, 2023	December 31, 2022
Discount rate (%)	1.25~6.99	1.5~7.26
Estimated salary growth ratio (%)	2.5~8	2.5~8

If a reasonable change to a significant actuarial assumption occurs while all other assumptions remain the same, the amount of increase (decrease) in the present value of defined benefit liabilities is as follows:

	December 31, 2023	December 31, 2022
Discount rate		
Increased 0.25%	($ 3,455)	($ 3,469)
Decreased 0.25%	$ 3,597	$ 3,616

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	December 31, 2023	December 31, 2022
Estimated salary growth ratio		
Increased 0.25%	$ 3,535	$ 3,554
Decreased 0.25%	($ 3,412)	($ 3,427)

Since actuarial assumptions may be related, it is unlikely that only one assumption will change at a time, so the sensitivity analysis above might not reflect on actual changes in present value of defined benefit liabilities.

	December 31, 2023	December 31, 2022
Amount expected to be allocated within 1 year	$ 2,238	$ 2,086
Average time to maturity of defined benefit liabilities	12.4-23.73 years	12.9~24.34 years

XX. Equity

(I) Capital stock – common

	December 31, 2023	December 31, 2022
Authorized shares (thousand shares)	460,000	460,000
Authorized share capital	$ 4,600,000	$ 4,600,000
Current outstanding shares (thousand shares)	397,818	397,818
Issued capital	$ 3,978,181	$ 3,978,181

The Company's common shares have a face value of NT$10. Each share is entitled to one voting right and the right to receive dividends.

(II) Capital surplus

	December 31, 2023	December 31, 2022
Contributed capital in excess of par	$ 135,000	$ 135,000
Gains on the disposal of fixed assets	2,497	2,497
Donated assets received	369	369
Other – Dividends not claimed by shareholders before the deadline	7,464	7,464
	$ 145,330	$ 145,330

Pursuant to the Company Act, capital surplus is from contributed capital in excess of par and donated assets received. Besides using capital surplus to offset losses, companies may also use capital surplus for distribution of cash dividends or capitalization. However, capitalization of capital surplus is limited to once a year. Capital surplus from gains on the disposal of fixed assets and unclaimed dividends may only be used to offset losses.

(III) Retained earnings and divided policy

Pursuant to the earnings distribution policy set forth in the Company's Articles of Incorporation, if there is a profit after year-end closing, the Company shall first set aside ten percent of such profits as a legal reserve after losses have been covered and all taxes and dues have been paid, and then allowance or reversal of a special reserve should be made in accordance with the law or the Company's operational needs; If there is still a surplus, it shall be distributed together with accumulated undistributed earnings after the Board of Directors makes a proposal for distribution of earnings to distribute in new shares; the proposal shall be submitted to the shareholders' meeting for approval before distribution. Meanwhile, the Board of Directors is authorized to distribute all or part of dividends and bonuses in cash by a majority vote in a Board meeting with at least two thirds of directors in attendance, and the decision shall be reported during a shareholders' meeting. Please refer to Note 22(7) for the employee bonus and directors' remuneration policy set forth in the Articles of Incorporation.

The Company's dividend policy takes into consideration the Company's current and future investment environment, funding requirements, and financial plans, as well as the interests of shareholders and balanced dividends. At least 10% of distributable earnings is allocated for distribution. However, if the dividend per share is lower than NT$0.5 when all distributable earnings is distributed, then the distributable earnings are retained and not distributed. Cash dividends may not be less than 10% of all dividends. However, cash dividends are not distributed when dividends per share is lower than NT$0.3 (inclusive), and stock dividends are distributed instead.

Pursuant to the Company Act, the amount of legal reserve must, at a minimum, equal the Company's total capital. The legal reserve may be used to offset losses. When the Company does not have any losses, the amount of legal reserve that surpasses 25% of paid-up capital may be capitalized and may also be distributed in cash.

The Company's cash dividends were approved by the board of directors in meetings on March 2023 and March 2022 respectively, and the remaining earning distribution items were also approved by the annual shareholders' meeting on June 13, 2023 and June 21, 2022 respectively. The 2022 and 2021 earnings distribution proposal is as below:

	Dividend distribution proposal		Dividends per share (NTD)	
	2022	2021	2022	2021
Legal reserve	$ 47,812	$ 11,159		
Provision (reversal) of special reserve	(143,781)	134,743		
Cash dividends	318,255	198,909	$ 0.8	$ 0.5

The Company passed the 2023 earnings distribution below in the Board meeting on March 6, 2024:

	Dividend distribution proposal	Dividends per share (NTD)
Legal reserve	$ 76,013	
Cash dividends	596,727	$ 1.5

The distribution of the above-mentioned cash dividends has been approved by the resolution of the board of directors, and the rest of the items are yet to be resolved at the general meeting of shareholders, which is expected to be held in June 2024.

(IV) Special reserve

When the Consolidated Entity adopted the IFRSs for the first time, it allocated NT$505,112 thousand from unrealized upward revaluation and cumulative translation adjustments of retained earnings to special reserve due to the transition to IFRSs. The reason for allocation was eliminated due to the subsequent sale of property, plant and equipment and reversed NT$322 thousand in 2013.

(V) Other equity interests

1. Exchange differences arising from the translation of the financial statements of foreign operations

	2023	2022
Opening balance	($ 128,788)	($ 676,886)
Currency translation difference resulting from the translation of assets of foreign operations	(25,684)	548,098
Closing balance	($ 154,472)	($ 128,788)

2. Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income

	2023	2022
Opening balance	$ 29,348	$ 28,315
Generated in the current year		
Equity instruments – unrealized gains	44,512	1,033
Closing balance	$ 73,860	$ 29,348

XXI. Revenues

	2023	2022
Revenue from contracts with customers		
Revenue from merchandise sales	$ 10,086,736	$ 10,763,396
Service revenue	-	103
	$ 10,086,736	$ 10,763,499

(I) Contract balance

	December 31, 2023	December 31, 2022	January 1, 2022
Net notes and accounts receivable (Note 9)	$ 1,320,310	$ 1,377,320	$ 1,275,542
Contract liabilities			
Merchandise sales	$ 13,776	$ 5,574	$ 6,547

Changes to contract assets and contract liabilities are mainly from the difference between the time contractual obligations are fulfilled and the customer makes payment. There are no other material changes.

The contract liabilities at the beginning of the year recognized as income of the current year are as follows:

	2023	2022
Contract liabilities at the beginning of the year		
Merchandise sales	$ 4,574	$ 6,536

(II) Detailed revenues from contracts with customers: Please refer to Note 32.

XXII. Pre-tax profit

Net income from continuing operations includes the following item:

(I) Interest income

	2023	2022
Cash in banks	$ 162,290	$ 38,748
Other	1,854	1,759
	$ 164,144	$ 40,507

(II) Other income

	2023	2022
Rental income	$ 9,977	$ 10,046
Dividend income	2,167	2,961
Government grants revenue	1,912	2,018
Revenues from claims (Note)	-	35,883
Other	16,778	40,970
	$ 30,834	$ 91,878

Note: In August 2021, a fire accident occurred in the second plant of the Company's Kaohsiung plant, resulting in damage to part of the inventories, buildings, and equipment. The fire loss was approximately NT$70,217 thousand, which was included in profit or loss of 2021. The Consolidated Entity received an insurance payout of NT$35,883 thousand in March 2022, which was recognized as non-operating income.

(III) Other profits and losses

	2023	2022
Net foreign exchange gains (losses)	($ 6,733)	$ 319,900
Impairment loss on property, plant and equipment	(67,754)	-
Net gains (losses) from financial instruments at fair value through profit or loss	6,265	(8,345)
Net losses on disposal of property, plant and equipment	($ 3,939)	($ 84,540)
Other	(7,022)	(970)
	($ 79,183)	$ 226,045

(IV) Financial costs

	2023	2022
Interest on bank borrowings	$ 75,501	$ 57,091
Interest on lease liabilities	158	126
Less: Costs of qualifying assets listed	(1,866)	(753)
	$ 73,793	$ 56,464

Information on capitalization of interest is as follows:

	2023	2022
Amount of interest capitalized	$ 1,866	$ 753
Interest capitalization rate (%)	1.65~2.21	1.02~1.88

(V) Depreciation and amortization

	2023	2022
Property, plant and equipment	$ 599,531	$ 708,042
Right-of-use assets	11,819	12,126
Investment properties	867	867
Other intangible assets	10,851	9,991
	$ 623,068	$ 731,026

Summary of depreciation expenses by function		
Operating costs	$ 554,169	$ 654,745
Operating expenses	58,048	66,290
	$ 612,217	$ 721,035

	2023	2022
Summary of amortization expenses by function		
Operating costs	$ 583	$ 473
Operating expenses	10,268	9,518
	$ 10,851	$ 9,991

(VI) Employee benefit expenses

	2023	2022
Short-term employee benefits	$1,501,484	$1,433,241
Post-employment benefit		
Defined contribution plan	60,710	60,467
Defined benefit plan (Note 19)	6,232	(4,924)
	66,942	55,543
	$1,568,426	$1,488,784
Summary by function		
Operating costs	$ 922,566	$ 957,162
Operating expenses	645,860	531,622
	$1,568,426	$1,488,784

(VII) Employee bonuses and directors' remuneration

Of the Company's pre-tax profit before distribution of employee bonuses and directors' remuneration, the Company allocates 3-5% as employee bonuses and no more than 3% as directors' remuneration in accordance with the Articles of Incorporation.

2023 and 2022 employee bonuses were estimated at 3.8% and 3.7% of pre-tax profit mentioned above. The potential amount of director remuneration is estimated based on past experience. Employee bonuses and directors' remuneration in 2023 and 2022 will be distributed in cash according to resolutions adopted by the Board of Directors on March 6, 2024 and March 9, 2023:

	2023	2022
Employee bonuses	$ 36,412	$ 22,600
Directors' remuneration	21,081	12,500

Any changes to amounts after the consolidated financial statements are passed and announced will be handled as changes to accounting estimates, and will be adjusted and recognized in the following year.

There were no deviations in the actual amount of employee bonuses and directors' remuneration distributed from the amounts recognized in the consolidated financial statements in 2022 and 2021.

For information on Board resolutions relating to employee bonuses and directors' remuneration, please go to the Market Observation Post System of the Taiwan Stock Exchange.

(VIII) Foreign exchange gains (losses)

	2023	2022
Total foreign exchange gains	$ 382,020	$ 755,886
Total foreign exchange losses	(388,753)	(435,986)
Net gains (loss)	($ 6,733)	$ 319,900

XXIII. Income tax from continuing operations

(I) Income tax recognized in profit or loss

Main income tax expenses are as follows:

	2023	2022
Current income tax		
Generated in the current period	$ 188,267	$ 120,430
Additional surtax on undistributed earnings	12,799	-
Adjustments in the previous year	6,699	(11,025)
	207,765	109,405
Deferred income tax		
Generated in the current year	61,038	15,778
Income tax expense recognized in profit or loss	$ 268,803	$ 125,183

Adjustments to accounting income and income tax expense are as follows:

	2023	2022
Pre-tax profit from continuing operations	$ 1,029,077	$ 595,297
Income tax expense on pre-tax profit calculated at the statutory tax rate	$ 198,632	$ 114,168
Tax effect of adjustments		
Non-deductible tax expenses	3,463	28,480
Effect of profits of subsidiaries on deferred income tax	63,000	(1,027)
Non-taxable income	(27,500)	(1,488)
Losses carried forward deducted	-	(8,237)
Unrecognized losses carried forward	11,710	4,312
Additional surtax on undistributed earnings	12,799	-
Adjustments in the previous year	6,699	(11,025)
Income tax expense recognized in profit or loss	$ 268,803	$ 125,183

The profit-seeking enterprise income tax rate applicable to the Company and its domestic subsidiaries is 20%.

Overseas subsidiaries pay taxes according to the tax rate prescribed by the local government, the tax rates are as follows:

	2023	2022
SFV	15%	15%
PTS	22%	22%
Dongguan Baoliang (Note)	15%	15%

Note: The subsidiary Dongguan Baoliang obtained the approval of the 15% preferential tax rate for high and new technology in December 2023 and January 2021 respectively, and it will be applicable for three years from 2023 and 2020 respectively in accordance with local tax laws.

(II) Income tax recognized in other comprehensive income

	2023	2022
Income (expenses) on deferred income tax		
Generated in the current year		
Remeasurements of the net defined benefit	$ 10	($ 1,243)

(III) Current income tax assets and liabilities

	December 31, 2023	December 31, 2022
Current income tax assets		
Tax refunds receivable	$ 15,201	$ 61,392
Current income tax liabilities		
Income tax payable	$ 206,812	$ 132,214

(IV) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2023

	Opening balance	Listed in income	Recognized in other comprehensive income	Effect of foreign exchange	Closing balance
Deferred income tax assets					
Temporary difference					
Defined benefit plan	$ 14,878	($ 1,297)	$ 10	$ -	$ 13,591
Inventory loss	18,653	(8,124)	-	-	10,529
Loss on disposal of property, plant and equipment	16,392	-	-	-	16,392
Impairment loss on property, plant and equipment	-	12,705	-	-	12,705
Unrealized gains from subsidiaries	27,686	(12,275)	-	-	15,411
Unrealized foreign exchange losses	-	11,555	-	-	11,555
Other	3,978	10,081	-	-	14,059
	$ 81,587	$ 12,645	$ 10	$ -	$ 94,242
Deferred income tax liabilities					
Temporary difference					
Overseas investment gains recognized under the equity method	$ 609,644	$ 63,000	$ -	$ -	$ 672,644
Provision for land value increment tax	414,430	-	-	-	414,430
Other	32	10,683	-	(114)	10,601
	$ 1,024,106	$ 73,683	$ -	($ 114)	$ 1,097,675

2022

	Opening balance	Listed in income	Recognized in other comprehensive income	Closing balance
Deferred income tax assets				
Temporary difference				
Defined benefit plan	$ 19,319	($ 3,198)	($ 1,243)	$ 14,878
Inventory loss	39,432	(20,779)	-	18,653
Loss on disposal of property, plant and equipment	-	16,392	-	16,392
Unrealized gains from subsidiaries	22,883	4,803	-	27,686
Other	17,970	(13,992)	-	3,978
	$ 99,604	($ 16,774)	($ 1,243)	$ 81,587
Deferred income tax liabilities				
Temporary difference				
Overseas investment gains recognized under the equity method	$ 610,671	($ 1,027)	$ -	$ 609,644
Provision for land value increment tax	414,430	-	-	414,430
Other	1	31	-	32
	$ 1,025,102	($ 996)	$ -	$ 1,024,106

(V) Items and amounts of deferred income tax assets not recognized in the consolidated balance sheet

	December 31, 2023	December 31, 2022
Losses carried forward		
Matures in 2023	$ -	$ 22,934
Matures in 2025	8,564	8,564
Matures in 2026	8,040	8,040
Matures in 2027	297	297
Matures in 2028	102	102
Matures in 2029	7,171	7,171
Matures in 2030	25,454	25,454
Matures in 2021	37,877	37,877
Matures in 2032	21,732	21,732
Matures in 2033	50,709	-
	$ 159,946	$ 132,171
Deductible temporary differences		
International investment impairment losses	$ 31,369	$ 31,369
Other	34,850	27,007
	$ 66,219	$ 58,376

(VI) Information on unused losses carried forward

As of December 31, 2023, information on losses carried forward is as follows:

Unused balance	Final year for the carry forward
$ 8,564	114
8,040	115
297	116
102	117
7,171	118
25,454	119
37,877	120
21,732	121
50,709	122
$ 159,946	

(VII) Temporary difference in unrecognized deferred income tax liabilities related to investments in subsidiaries

The taxable temporary difference of unrecognized deferred income tax liabilities related to investments in subsidiaries was NT$2,734,094 thousand and NT$2,366,744 thousand as at December 31, 2023 and 2022, respectively.

(VIII) Approval of income tax

The Company's profit-seeking income tax returns up to 2021 have been approved by the tax authority.

XXIV. EPS

Net profit and weighted average ordinary shares for the calculation of earnings per share are as below:

(I) Net profit for the year – Net income attributable to owners of the Company

	2023	2022
Net income	$ 760,274	$ 470,114

(II) Shares (thousand shares)

	2023	2022
Number of shares used to calculate basic EPS	397,818	397,818
Plus: Employee bonuses	1,605	1,155
Number of shares used to calculate diluted EPS	399,423	398,973

If the Consolidated Entity may choses to distribute employee bonuses in shares or cash, then it is assumed that all distribution will be in shares, which will dilute ordinary shares, and the diluted EPS is calculated based on the weighted-average number of ordinary shares outstanding. When calculating the diluted EPS before deciding to distribute employee bonuses in the following year, the potential dilution of ordinary shares will continue to be taken into consideration.

XXV. Capital risk management

The Consolidated Entity engages in capital management to ensure that companies in the group can maximize return for shareholders by optimizing the balance of liabilities and equity, under the premise that they are able to continue as a going concern.

The Consolidated Entity's capital structure consists of Consolidated Entity's net liabilities (i.e., loans less cash and cash equivalents) and equity attributable to owners of the Company (i.e., share capital, capital surplus, retained earnings, and other equity interests).

The Consolidated Entity's management periodically examines the group's capital structure, and takes into consideration the cost of various capital and related risks. The Consolidated Entity will balance its overall capital structure via dividend distribution, issuance of new shares, borrowing new debt, and repaying old debt according to recommendations of management.

The Consolidated Entity is not required to comply with other external capital related regulations.

XXVI. Financial instruments

(I) Information on fair value – Financial instruments not measured at fair value

Management of the Consolidated Entity believes that the book value of financial assets and financial liabilities not measured at fair value is near the fair value.

(II) Information on fair value – Financial instruments measured at fair value on a recurring basis

1. Fair value level

	Level 1	Level 2	Level 3	Total
December 31, 2023				
Financial assets at fair value through profit or loss				
Fund beneficiary certification	$ 100,589	$ -	$ -	$ 100,589
Financial assets at fair value through other comprehensive income				
Listed stock in Taiwan	$ 114,914	$ -	$ -	$ 114,914
Unlisted stock in Taiwan	-	-	4,773	4,773
	$ 114,914	$ -	$ 4,773	$ 119,687
December 31, 2022				
Financial assets at fair value through profit or loss				
Fund beneficiary certification	$ 94,324	$ -	$ -	$ 94,324
Financial assets at fair value through other comprehensive income				
Listed stock in Taiwan	$ 70,622	$ -	$ -	$ 70,622
Unlisted stock in Taiwan	-	-	4,553	4,553
	$ 70,622	$ -	$ 4,553	$ 75,175

There was no transfer of level 1 and level 2 fair value measurements in 2023 and 2022.

2. Financial instruments are adjusted at level 3 fair value measurement.

Financial assets at fair value through other comprehensive income	2023	2022
Opening balance	$ 4,553	$ 4,657
Recognized in other comprehensive income	220	(104)
Closing balance	$ 4,773	$ 4,553

3. Valuation technique and input values for level 3 fair value

When the Consolidated Entity is measuring the fair value of stocks without a quoted price, the fair value is determined by management after referencing the company's net worth.

(III) Financial instruments by category

	December 31, 2023	December 31, 2022
Financial assets		
Financial assets at amortized cost (Note 1)	$ 7,879,341	$ 7,179,080
Financial assets for which the fair value is required to be measured through profit or loss	100,589	94,324
Financial assets at fair value through other comprehensive income		
Equity instrument investments	119,687	75,175
Financial liabilities		
Measured at amortized cost (Note 2)	5,194,978	5,630,744

Note 1: The balance includes cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (excluding tax refunds receivable), other financial assets, refundable deposits, and other financial assets at amortized cost.

Note 2: The balance includes short-term borrowings, short-term notes and bills payable, accounts payable, other accounts payable, long-term borrowings (including those that mature within one year), deposit received, and other financial liabilities at amortized cost.

(IV) The purpose and policy of financial risk management

The Consolidated Entity's main financial instruments include cash and cash equivalents, notes and accounts receivable, other financial assets, accounts payable, short-term notes and bills payable, other payables, long-term and short-term borrowings, and lease liabilities. The Consolidated Entity's financial management department provides services to sales units, coordinates operations in domestic and international financial markets, and analyzes exposure based on the level and extent of risks, in order to supervise and manage financial risks related to the Consolidated Entity's operations. Risks include market risk (including foreign exchange risk, interest rate risk, and other price risk), credit risk, and liquidity risk.

1. Market Risk

The main financial risk of the Consolidated Entity due to business activities is the risk of changes in exchange rates (please refer to (1) below) and changes in interest rates (please refer to (2) below).

(1) Foreign exchange risk

The Company and several subsidiaries engage in sales and purchase of goods denominated in foreign currencies, which expose the Consolidated Entity to the risk of exchange rate changes. The Consolidated Entity manages its exposure to foreign exchange risk using FX swaps within the scope permitted by policy.

Please see Note 30 for the book value of the Consolidated Entity's monetary assets and liabilities not denominated in the functional currency on the balance sheet date (including monetary items not denominated in the functional currency on the consolidated financial statements).

Sensitivity analysis

The sensitivity analysis mainly calculates foreign currency-denominated monetary items during the financial reporting period. The Consolidated Entity is mainly affected by exchange rate fluctuations of USD, RMB, IDR, and VND.

The sensitivity ratio used in reports on foreign exchange risk for management of the Consolidated Entity is 1%, which also represents management's evaluation of the reasonable scope of fluctuations in exchange rates. The sensitivity analysis only includes outstanding foreign currency-denominated monetary items, and the conversion at the end of period is adjusted using 1% change in exchange rates. The positive number in the table below is the amount that pre-tax profit will increase (decrease) when the functional currency depreciates 1% against related foreign currencies. The effect on pre-tax profit will be negative (positive) the same amount when the functional currency appreciates 1% against related currencies.

	Effect on income 2023	Effect on income 2022
USD	$ 34,058	$ 32,839
RMB	1,034	475
IDR	(145)	(153)
VND	(305)	(167)

(2) Interest rate risk

The Consolidated Entity is exposed to interest rate risk when companies finance using both fixed and floating interest rates at the same time. The Consolidated Entity manages its interest rate risk by maintaining an appropriate portfolio of fixed and floating interest rates.

The book value of the Consolidated Entity's financial assets and liabilities that are exposed to interest rate risk on the balance sheet date is as follows:

	December 31, 2023	December 31, 2022
Has interest rate risk for cash flow		
Financial assets	$2,394,347	$3,421,562
Financial liabilities	2,635,000	3,048,000

The Consolidated Entity has also determined that the fair value risk of its fixed interest rate time deposits, bonds issued under repurchase agreement, short-term borrowings, short-term notes and bills payable, and lease liabilities is not material.

Sensitivity analysis

The following sensitivity analysis is determined based on the interest rate exposure of non-derivatives on the balance sheet date. The method for analyzing floating interest rate assets and liabilities assumes that the amount of assets and liabilities outstanding on the balance sheet date were outstanding throughout the reporting period.

The sensitivity ratio used in reports on interest rate risk for management of the Consolidated Entity is an increase or decrease of 1%, which also represents management's evaluation of the reasonable scope of fluctuations in interest rates.

If annual interest rate increases/decreases 1% while all other variables remain the same, Consolidated Entity's pre-tax profit will increase/decrease by NT$2,407 thousand and increase/decrease by NT$3,736 thousand in 2023 and 2022, respectively, which is mainly due to the floating interest rate bank deposits and loans of the Consolidated Entity.

(3) Other price risks

The Consolidated Entity is exposed to the risk of equity prices due to its investments in equity securities. The equity investments are strategic investments and not held for trading. The Consolidated Entity does not actively engage in such investments.

Sensitivity analysis

The following sensitivity analysis is conducted using the equity price on the balance sheet date.

If the price of equity increases/decreases by 1%, the net profit before tax in 2023 and 2022 will increase/decrease NT1,006 thousand and NT$943 thousand, respectively, due to the increase/decrease in fair value of financial assets at fair value through profit and loss.

If the price of equity increases/decreases by 1%, other comprehensive income in 2023 and 2022 will increase/decrease NT$1,197 thousand and NT$752 thousand, respectively, due to the increase/decrease in fair value of financial assets at fair value through other comprehensive income.

2. Credit risk

Credit risk refers to the risk of financial loss to the Group arising from default by counterparties. As of the balance sheet date, the Consolidated Entity's greatest credit risk exposure to financial losses caused by transaction counterparties failing to fulfill their obligations is in the book value of financial assets recognized on the consolidated balance sheet.

The Consolidated Entity's policy is to only engage in transactions with counterparties that have a good reputation, and also uses other financial information available to the public along with transaction records to evaluate major customers. The Consolidated Entity continues to monitor its exposure to credit risk and evaluates the credit of transaction counterparties, using annual credit limits with transaction counterparties to control credit risk exposure.

The consolidated Company's credit risk is mainly concentrated in accounts receivables of the following companies:

	December 31, 2023	December 31, 2022
Group A	$ 274,073	$ 255,576
Group B	114,411	92,554
Group C	70,503	71,320
Group D	45,125	97,931
	$ 504,112	$ 517,381

The abovementioned companies accounted for 39% and 38% of accounts receivable for the years ended December 31, 2023 and 2022, respectively.

3. Liquidity risk

The Consolidated Entity manages and maintains an adequate position of cash and cash equivalents to support the group's operations and mitigate the effect of cash flow fluctuations. Management of the Consolidated Entity supervises the usage of bank credit limit and ensures compliance with terms of loan agreements. Bank borrowings are an important source of the Consolidated Entity's liquidity. Unused long-term and short-term credit limits of the Consolidated Entity was NT$2,575,000 thousand and NT$2,315,000 thousand for the years ended December 31, 2023 and 2022, respectively.

Non-derivative financial liabilities and interest rate risk

Maturity analysis of remaining non-derivative financial liabilities is prepared based on the non-discounted cash flow (including principal and estimated interest) of financial liabilities up to the earliest date that the liabilities may need to be repaid by the Consolidated Entity. Hence, bank borrowings that the Consolidated Entity may be required to immediately repay are listed in the earliest period in the table below without considering the probability that the bank immediately exercises the right. Maturity analysis of other non-derivative financial liabilities is prepared according to the agreed repayment date.

For cash flow from interests paid using floating interest rates, the non-discounted amount of interest is estimated using the interest rate on the balance sheet date.

	Within 6 months	6 months to 1 year	1 year and above	Total
December 31, 2023				
Non-derivative financial liabilities				
No interest-bearing debt	$ 1,205,182	$ 2,083	$ 12,746	$ 1,220,011
Lease liabilities	4,000	3,304	7,351	14,655
Floating-rate tools	604,532	387,206	1,730,311	2,722,049
Fixed-rate tools	1,342,494	-	-	1,342,494
	$ 3,156,208	$ 392,593	$ 1,750,408	$ 5,299,209
December 31, 2022				
Non-derivative financial liabilities				
No interest-bearing debt	$ 1,228,069	$ 1,880	$ 12,795	$ 1,242,744
Lease liabilities	3,242	1,899	3,353	8,494
Floating-rate tools	464,522	710,694	1,968,858	3,144,074
Fixed-rate tools	1,340,038	-	-	1,340,038
	$ 3,035,871	$ 714,473	$ 1,985,006	$ 5,735,350

XXVII. Related Party Transactions

Transactions, account balances, gains, and losses between companies of the Consolidated Entity were eliminated and therefore not disclosed in this note. Transactions between the Consolidated Entity and related parties are as follows:

(I) Name and relationship of related parties

Name of related party	Relationship with the Consolidated Entity
Pou Chen Corporation	Parent company of investor with significant influence
Yue Yuen Industrial (Holdings) Ltd.	Investor with significant influence
Baoyuan Industrial (Group) Co., Ltd.	Subsidiary of investor with significant influence

(II) Operating revenue

General ledger account	Type/Name of related party	2023	2022
Sales revenue	Investor with significant influence		
	Yue Yuen Industrial (Holdings) Ltd.	$ 1,727,772	$ 1,729,679
	Parent company of investor with significant influence	59,450	98,430
		$ 1,787,222	$ 1,828,109

There are no significant differences in the prices of goods sold by the Consolidated Entity to the related parties above and terms of payment compared to other customers.

(III) Receivables from related parties

General ledger account	Type/Name of related party	December 31, 2023	December 31, 2022
Accounts receivable – related parties	Investor with significant influence		
	Yue Yuen Industrial (Holdings) Ltd.	$274,073	$255,576
	Parent company of investor with significant influence	21,006	18,136
		$295,079	$273,712

(IV) Compensation for management

	2023	2022
Short-term employee benefits	$ 53,691	$ 37,692
Post-employment benefit	724	535
	$ 54,415	$ 38,227

Remuneration of directors and management is decided by the Remuneration Committee based on individual performance and market trends.

XXVIII. Pledged Assets

The Consolidated Entity provided the following assets as collateral for bank borrowings:

	December 31, 2023	December 31, 2022
Other financial assets – current	$ 10,044	$ -
Property, plant and equipment – net	1,516,019	1,523,126
Investment properties – net	109,189	110,056
	$ 1,635,252	$ 1,633,182

XXIX. Significant Contingent Liabilities and Unrecognized Contractual Commitments

The Consolidated Entity made the following major commitments on the balance sheet date:

(I) Property, plant and equipment purchase contracts not listed by the Consolidated Entity are as follows:

	December 31, 2023	December 31, 2022
Acquisition of property, plant and equipment	$ 606,276	$ 181,310

XXX. Information on Foreign Currency Financial Assets and Liabilities with a Significant Impact

The following information is a summary of foreign currencies that are not the functional currency of companies in the Consolidated Entity, and the exchange rate disclosed is the exchange rate for converting foreign currencies to the functional currency. Foreign currency assets and liabilities with a significant impact are as follows:

Unit:

Foreign currencies (in thousands): Carrying amount in thousands/Exchange rate: NTD

	Foreign currencies	Exchange rate		Book value
December 31, 2023				
Monetary financial assets				
USD	$ 98,276	30.705	(USD: NTD)	$ 3,017,573
USD	22,470	7.12248	(USD: RMB)	689,931
RMB	9,588	0.1404	(RMB: USD)	41,335
RMB	21,530	4.311	(RMB: NTD)	92,818
IDR	535,521	0.00006	(IDR: USD)	1,060
VND	12,590,182	0.00004	(VND: USD)	15,738
Monetary financial liabilities				
USD	6,847	30.705	(USD: NTD)	210,232
USD	2,979	7.12248	(USD: RMB)	91,461
RMB	7,135	0.1404	(RMB: USD)	30,757
IDR	7,871,611	0.00006	(IDR: USD)	15,586
VND	36,951,405	0.00004	(VND: USD)	46,189
December 31, 2022				
Monetary financial assets				
USD	$ 106,508	30.71	(USD: NTD)	$ 3,270,852
USD	10,157	6.99226	(USD: RMB)	311,916
RMB	9,583	0.14302	(RMB: USD)	42,089
RMB	8,377	4.392	(RMB: NTD)	36,792
IDR	898,964	0.00006	(IDR: USD)	1,780
VND	13,449,383	0.00004	(VND: USD)	17,282
Monetary financial liabilities				
USD	7,080	30.71	(USD: NTD)	217,415
USD	2,654	6.99226	(USD: RMB)	81,497
RMB	7,135	0.14302	(RMB: USD)	31,335
IDR	8,607,217	0.00006	(IDR: USD)	17,042
VND	26,435,816	0.00004	(VND: USD)	33,970

The Consolidated mainly bears the foreign exchange risk above. The following information is a summary presented in the functional currency of individual companies that hold foreign currencies, and the exchange rate disclosed is the exchange rate for converting foreign currencies to the functional currency. Foreign exchange gain/loss (realized and unrealized) with a significant impact are as follows:

Functional currency	Functional currency to presentation currency		Net exchange gain (loss)
2023			
USD	31.155	(USD: NTD)	($ 9,635)
RMB	4.380	(RMB: NTD)	2,461
NTD	1	(NTD: NTD)	441
			($ 6,733)
2022			
USD	29.805	(USD: NTD)	($ 7,394)
RMB	4.406	(RMB: NTD)	24,988
NTD	1	(NTD: NTD)	302,306

Functional currency	Functional currency to presentation currency	Net exchange gain (loss)
2023		
		$ 319,900

XXXI. Supplementary Disclosures

(I) Information on major transactions and investees

1. Lending to others: See Table 1 for details.
2. Providing endorsements or guarantees to others: See Table 2 for details.
3. Holding of marketable securities at the end of the period (excluding investments in subsidiaries): See Table 3 for details.
4. Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of paid-in capital: None.
5. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.
7. Purchase or sale of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: See Table 4 for details.
8. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: See Table 5 for details.
9. Derivatives trading: None.
10. Other: The business relationship and major transactions between intra-group companies: See Table 8 for details.
11. Information on the investee: See Table 6 and Table 7 for details.

(II) Information on Investments in China

1. Name of investee in China, main business items, paid-in capital, investment style, outward/inward remittance, shareholding ratio, income on investment, book value of investments at end of period, income on investment remitted back to Taiwan, and limit on investments in China: See Table 7 for details.
2. Direct or indirect material transactions with investees in China through a third region, and the price, terms of payment, and unrealized gains:

(1) Amount and percentage of goods purchased and the ending balance and percentage of payables

	Purchase of goods		Accounts payable	
	Amount	As a percentage of the account (%)	Amount	As a percentage of the account (%)
Dongguan Baoliang	$ 286,591	6	$ 17,353	2

(2) Amount and percentage of goods sold and the ending balance and percentage of receivables

	Sales		Accounts receivable	
	Amount	As a percentage of the account (%)	Amount	As a percentage of the account (%)
Dongguan Baoliang	$ 495,552	7	$ 50,327	6

(3) Property transaction amount and the profit or loss amount: None.

(4) Ending balance and purpose of endorsements/guarantees or collateral: None.

(5) Highest balance, ending balance and interest rate range of financing and total interest in the current period: None.

(6) Other transactions, such as the providing or accepting services, that have a material impact on current profit or loss or financial position:

The income generated from purchasing raw materials for Dongguan Baoliang was NT$3,787 thousand in 2023, and other receivables from Donguan Baoliang was NT$3,436 thousand as of December 31, 2023.

(III) Information on major shareholders: Name of shareholder with 5% shareholding or above, number of shares held, and ratio: See Table 9 for details.

XXXII. Segment Information

Segment information is provided to the main decision-maker to allocate resources and assess segment performance. When preparing the consolidated financial statements, the Consolidated Entity considers region and products or services provided as factors for identifying operating segments, and views the operating segments as a single operating segment. The Consolidated Entity's operating segments are as follows, in which (I)~(IV) are reportable segments:

(I) San Fang Chemical Industry Co., Ltd. – Manufacturing and sales of artificial leather, synthetic resin, and other materials

(II) San Fang Development, BBH, San Fang International, and subsidiary MPL, Dongguan Baoliang, and GTL.

(III) GII and subsidiary SFV(GII).

(IV) JOB and subsidiary PTS (PTS).

(II)~(IV) above mainly engage in the production of PU synthetic leather and artificial leather, and the production and processing of synthetic resin and other materials.

(V) Bestac Advanced Material Co., Ltd.

(VI) Forich Advanced Materials Co., Ltd.

(V)~(VI) above is mainly in the business of chemical product manufacturing and sales.

(VII) San Fang Development, San Fang Financial Holdings, and GCL – Mainly in the financial holdings and investment business.

Department revenue and business results

The Consolidated Entity's revenue and operating results, as well as assets by reportable segment are analyzed below:

	San Fang Chemical Industry Co., Ltd.	San Fang Development	GII	PTS	Other	Adjustment and retired	Total
2023							
Revenue from customers other than the parent company and its subsidiaries	$ 5,683,072	$ 1,476,084	$ -	$ 2,653,121	$ 274,459	$ -	$10,086,736
Revenue from the parent company and its subsidiaries	1,903,483	265,634	1,034,432	-	90,042	(3,293,591)	-
Total revenue	$ 7,586,555	$ 1,741,718	$ 1,034,432	$ 2,653,121	$ 364,501	($ 3,293,591)	$10,086,736
Department income (loss)	$ 227,955	$ 256,956	$ 50,108	$ 478,275	($ 58,178)	$ 31,959	$ 987,075
Interest income							164,144
Other income							30,834
Other profits and losses							(79,183)
Financial costs							(73,793)
Pre-tax profit							1,029,077
Income tax expense							268,803
Net profit after tax							$ 760,274
Identifiable assets	$ 7,344,240	$ 2,146,030	$ 3,753,550	$ 2,506,070	$ 495,155	($ 834,350)	$15,410,695
Current financial assets at fair value through profit or loss							100,589
Non-current financial assets at fair value through other comprehensive income							119,687
Total assets							$15,630,971
2022							
Revenue from customers other than the parent company and its subsidiaries	$ 6,261,364	$ 1,562,542	$ -	$ 2,591,440	$ 348,153	$ -	$10,763,499
Revenue from the parent company and its subsidiaries	2,680,290	34,530	1,079,419	30,076	149,458	(3,973,773)	-
Total revenue	$ 8,941,654	$ 1,597,072	$ 1,079,419	$ 2,621,516	$ 497,611	($ 3,973,773)	$10,763,499
Department income (loss)	$ 376,596	($ 153,400)	$ 46,292	$ 12,161	($ 20,591)	$ 32,273	$ 293,331
Interest income							40,507
Other income							91,878
Other profits and losses							226,045
Financial costs							(56,464)
Pre-tax profit							595,297
Income tax expense							125,183
Net profit after tax							$ 470,114
Identifiable assets	$ 8,116,147	$ 1,885,156	$ 3,631,266	$ 2,119,962	$ 176,805	($ 698,785)	$15,230,551
Current financial assets at fair value through profit or loss							94,324
Non-current financial assets at fair value through other comprehensive income							75,175
Total assets							$15,400,050

Department income (loss) refers to the profits (losses) earned (generated) by each department, and does not include non-operating income and expenditure, as well as income tax expenses. This amount is mainly used by the primary business decision-maker for allocating resources to departments and evaluating their performance.

Furthermore, for the purpose of supervising segment performance and allocating resources to each segment, except for non-current financial assets at fair value through other comprehensive income, all assets are distributed to the department they should be reported by.

(I) Other segment information

	Depreciation and amortization	
	2023	2022
San Fang Chemical Industry Co., Ltd.	$ 328,754	$ 377,244
San Fang Development	38,791	73,571
GII	192,037	222,802
PTS	49,859	45,977
Other	13,627	11,432
	$ 623,068	$ 731,026

(II) Revenue from main products and services

Revenue from main products and services of the surviving company is analyzed below:

	2023	2022
Wet-processed synthetic leather	$ 6,212,530	$ 6,397,142
Dry-processed synthetic leather	2,816,287	3,180,506
Thin film	331,597	381,199
Other	726,322	804,652
	$ 10,086,736	$ 10,763,499

(III) Information by region

The Consolidated Entity's revenue from continuing operations of external customers is listed by the location of the customer's operations and the location of non-current assets:

	Revenue from external customers		Non-current assets	
	2023	2022	December 31, 2023	December 31, 2022
Taiwan	$ 272,338	$ 425,962	$ 3,152,066	$ 3,377,968
China and Hong Kong	1,904,720	2,070,944	246,133	237,366
Southeast Asia	6,836,972	7,117,692	2,084,858	1,888,706
Other	1,072,706	1,148,901	-	-
	$ 10,086,736	$ 10,763,499	$ 5,483,057	$ 5,504,040

Non-current assets include financial assets, deferred income tax assets, and goodwill.

(IV) Information on major customers

Individual customers that accounted for 10% and above of the Consolidated Entity's net operating revenues in 2023 and 2022 are as follows:

	2023		2022	
	Amount	As a percentage of net operating revenues (%)	Amount	As a percentage of net operating revenues (%)
Group A	$ 1,727,772	17	$ 1,729,679	16
Group B	1,058,160	10	1,270,157	12
	$ 2,785,932		$ 2,999,836	

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Lending to others

From January 1 to December 31, 2023

Table1

Unit: All amounts are in thousand NTD, unless otherwise specified

No.	Lender	Borrower	General ledger account	Is it a related party	Highest balance in the current period	Closing balance	Actual amount drawn down	Interest rate range (%)	Nature of loan	Amount of transaction	Reason for short-term financing	Provision for doubtful debts	Collateral		Limit on loans granted to a single party	Limit on total lending	Remarks
													Name	Value			
0	San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	Other receivables	Yes	$ 100,000	$ 100,000	$ 100,000	1.8	Short-term financing	$ -	Working capital	$ -	-	$ -	$ 894,300	$ 3,577,200	Note 1, Note 2, and Note 3
1	GII	SFV	Long-term accounts receivable	Yes	1,013,265	-	-	1	Short-term financing	-	Working capital	-	-	-	3,665,025	3,665,025	Note 1, Note 2, and Note 3
1	GII	PTS	Long-term accounts receivable	Yes	859,740	859,740	307,050	1.15~1.8	Short-term financing	-	Working capital	-	-	-	3,665,025	3,665,025	Note 1, Note 2, and Note 3

Note 1: Limit on lending to a single party: Lending due to business dealings may not exceed the total transaction amount in the most recent 1 year or in the current year up to the time the loan is approved. Lending to meet short-term financing needs may not exceed 10% of the company's net worth. If the Company directly or indirectly holds 100% of the overseas company's shares with voting rights, then the loan may not exceed the company's net worth.

Note 2: Limit on total lending: Total lending to a company may not exceed 40% of the company's net worth (lending due to business dealings may not exceed 30% of the company's net worth, short-term loans may not exceed 20% of the company's net worth). If the Company directly or indirectly holds 100% of the overseas company's shares with voting rights, then the loan may not exceed the company's net worth.

Note 3: Already written off when preparing the consolidated financial statements.

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Providing endorsements/guarantees to others

From January 1 to December 31, 2023

Table 2

Unit: All amounts are in thousand NTD, unless otherwise specified

No.	Name of company	Entity for which the endorsement/guarantee is made		Limit on endorsements/guarantees to a single enterprise	Maximum outstanding balance of endorsements/guarantees during the current period	Closing balance of endorsements/guarantees	Actual amount drawn down	Endorsed/Guaranteed amount with property as collateral	Cumulative endorsed/guaranteed amount as a percentage of the net worth in the most recent financial statements (%)	Maximum endorsed/guaranteed amount	Endorsement/Guarantee provided by parent company to subsidiary	Endorsement/Guarantee provided by subsidiary to parent company	Endorsement/Guarantee provided to China	Remarks
		Company name	Relationship											
0	San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	Subsidiary	$ 397,818	$ 153,071	$ 153,071	$ 30,000	$ -	1.71	$ 1,989,090	Y	N	N	Note 1 and Note 2

Note 1: The limit on guarantee to a single enterprise is paid-in capital × 10%.

Note 2: The limit on guarantees is paid-in capital × 50%.

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Detailed list of securities held at the end of period

December 31, 2023

Table 3

Unit: All amounts are in thousand NTD, unless otherwise specified

Securities held by	Type and name of security	Relationship with securities issuer	General ledger account	End of period				Remarks
				Number of shares or units	Book value	Shareholding ratio (%)	Market price (net value of equity)	
San Fang Chemical Industry Co., Ltd.	Stock							
	Yuanta Financial Holding Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	559,142	$ 15,432	-	$ 15,432	
	Yeashin International Development Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,952,737	69,029	0.38	69,029	
	Liyu Venture Capital	The Company is an institutional director of Liyu Venture Capital	Non-current financial assets at fair value through other comprehensive income	558,255	4,773	4.76	4,773	
					$ 89,234		$ 89,234	
	Funds							
	PineBridge Global ESG Quantitative Bond Fund N9 Acc	-	Current financial assets at fair value through profit or loss	103,755.99	$ 29,951		$ 29,951	
	Nomura Global Financial Bond (N) Acc	-	Current financial assets at fair value through profit or loss	101,664.05	28,861		28,861	
	PineBridge Multi-Income Fund (N) Acc	-	Current financial assets at fair value through profit or loss	67,369.59	23,526		23,526	
	Allianz Global Investors Income and Growth Fund (N) Monthly Distribution Class	-	Current financial assets at fair value through profit or loss	68,323.30	18,251		18,251	
					$ 100,589		$ 100,589	
San Fang Financial Holdings Co., Ltd.	Stock							
	Yentai Wanhua Microfibre Co., Ltd.	-	Noncurrent financial assets at fair value through profit or loss	4,000,000	$ -	8	$ -	
	Taihuangdao Fusheng Chemical and Leather-making Co., Ltd.	-	Noncurrent financial assets at fair value through profit or loss		-	7.29	-	
					$ -		$ -	
Forich Advanced Materials Co., Ltd.	Stock							
	Yeashin International Development Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	861,454	$ 30,453	0.17	$ 30,453	

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Purchase or sale of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

From January 1 to December 31, 2023

Table 4 | Unit: All amounts are in thousand NTD, unless otherwise specified

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/Seller	Counterparty	Relationship	Purchases (sales)	Amount	Percentage of total purchases (sales) (%)	Credit period	Unit price	Credit period	Balance	Percentage of total notes/accounts receivable (payable)	Remarks
San Fang Chemical Industry Co., Ltd.	PTS	Subsidiary	Sales	($ 1,404,057)	(19)	Open account 30~75 days	There are no general transaction terms for price comparison	The general transaction term is open account 30~90 days	$ 113,296	13	Note 1
	Dongguan Baoliang	Subsidiary	Sales	(495,552)	(7)	Open account 30-90 days	There are no general transaction terms for price comparison	General transaction terms	50,327	6	Note 1
	Dongguan Baoliang	Subsidiary	Purchase of goods	286,951	6	Open account 30~75 days	There are no general transaction terms for price comparison	General transaction terms	(17,353)	(2)	Note 1 and Note 2
	Yue Yuen (Group)	Investor with significant influence	Sales	(765,465)	(10)	Open account 30-90 days	General transaction terms	General transaction terms	87,850	10	-
PTS	San Fang Chemical Industry Co., Ltd.	Parent company	Purchase of goods	1,530,131	87	Open account 30~75 days	There are no general transaction terms for price comparison	The general transaction term is open account 30~90 days	(119,381)	(63)	Note 1 and Note 2
	Yue Yuen (Group)	Investor with significant influence	Sales	(693,305)	(26)	Open account 30-70 days	General transaction terms	The general transaction term is open account 30-75 days	132,120	37	-
Dongguan Baoliang	San Fang Chemical Industry Co., Ltd.	Parent company	Sales	(265,634)	(15)	Open account 30~75 days	There are no general transaction terms for price comparison	The general transaction term is open account 30~90 days	16,589	8	Note 1
	San Fang Chemical Industry Co., Ltd.	Parent company	Purchase of goods	552,341	54	Open account 30-90 days	There are no general transaction terms for price comparison	General transaction terms	(53,763)	(20)	Note 1 and Note 2
	Yue Yuen (Group)	Investor with significant influence	Sales	(269,002)	(15)	Open account 30-60 days	General transaction terms	The general transaction term is open account 30~90 days	54,103	27	-

Note 1: Already written off when preparing the consolidated financial statements.

Note 2: Includes the amount of raw materials purchased.

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

December 31, 2023

Table 5

Unit: All amounts are in thousand NTD, unless otherwise specified

Creditor	Counterparty	Relationship	Balance of receivables from related parties	Turnover rate	Overdue receivables from related parties		Amount of receivables from related parties collected subsequent to the balance sheet date	Provision for doubtful debts
					Amount	Action taken		
San Fang Chemical Industry Co., Ltd.	PTS	Subsidiary	$ 119,381 (Note 1 and Note 4)	14.33	$ -	-	$ 119,381	$ -
	Bestac Advanced Material Co., Ltd.	Subsidiary	152,934 (Note 2 and Note 4)	0.79	-	-	22,415	-
PTS	Yue Yuen (Group)	Investor with significant influence	132,120	7.71	-	-	95,553	-
GII	PTS	Subsidiary	307,344 (Note 3 and Note 4)	-	-	-	294	-

Note 1: Includes NT$113,296 thousand in accounts receivables and NT$6,085 thousand in other receivables.

Note 2: Includes NT$52 thousand in accounts receivables, NT$52,645 thousand in other receivables, and NT$100,237 thousand in other receivables from loans.

Note 3: Includes NT$294 thousand in other receivables, and NT$307,050 thousand in long-term receivables from loans.

Note 4: Already written off when preparing the consolidated financial statements.

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Information on the investee

From January 1 to December 31, 2023

Table 6

Unit: All amounts are in thousand NTD, unless otherwise specified

Name of investment company	Name of investee	Location	Main business items	Initial investment amount		Held at the end of period			Current profit (loss) of investee	Investment income (loss) recognized by the Company for the current period	Remarks
				End of the current year	End of last year	Number of shares	Percentage (%) up to the previous quarter	Book value			
San Fang Chemical Industry Co., Ltd.	San Fang Development	British Virgin Islands	Investment	$ 687,435	$ 687,435	20,000,000	100.00	$ 1,802,985	$ 279,608	$ 280,868	Note 1 and Note 12
San Fang Chemical Industry Co., Ltd.	GCL	GCL	Investment	656,053	656,053	19,750,000	100.00	5,480,361	475,194	474,421	Note 1 and Note 12
San Fang Chemical Industry Co., Ltd.	San Fang Financial Holdings Co., Ltd.	British Virgin Islands	Investment	20,150	20,150	604,113	100.00	10,266	23	23	Note 12
San Fang Chemical Industry Co., Ltd.	Forich Advanced Materials Co., Ltd.	Taiwan	Manufacturing and sales of chemical products	76,985	76,985	7,698,545	100.00	113,363	4,594	4,594	Note 12
San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	Taiwan	Manufacturing and sales of chemical products	200,000	200,000	20,000,000	100.00	38,257	(58,555)	(58,555)	Note 12
San Fang Development	San Fang International	British Virgin Islands	Investment	773,766	773,892	25,200,010	100.00	973,792	125,901	125,901	Note 2 and Note 12
San Fang Development	BBH	Hong Kong	Investment	521,985	522,070	17,000,000	100.00	614,586	147,268	147,268	Note 3 and Note 12
San Fang International	MPL	British Virgin Islands	Investment	276,345	276,390	9,000,001	100.00	410,237	96,528	96,528	Note 4 and Note 12
San Fang International	GTL	British Virgin Islands	Investment	195,962	195,994	1	100.00	122,307	17,418	17,418	Note 5 and Note 12
GCL	GII	GCL	Investment	620,241	620,342	20,200,000	100.00	3,665,025	107,081	107,081	Note 6 and Note 12
GCL	JOB	GCL	Investment	1,120,656	1,120,838	36,497,500	100.00	1,860,764	368,062	368,062	Note 7 and Note 12
JOB	PTS	Indonesia	Manufacturing and sales of artificial leather, synthetic resin, and other materials	1,074,598	1,074,773	34,997,500	99.99	1,678,598	368,105	368,105	Note 8 and Note 12
GII	SFV	Vietnam	Material processing	1,105,380	276,390	-	100.00	1,532,987	55,438	55,438	Note 9 and Note 12
GII	PTS	Indonesia	Manufacturing and sales of artificial leather, synthetic resin, and other materials	77	77	2,500	0.01	74	368,105	-	Note 10 and Note 12

Note 1: Investment gains (losses) recognized in the current period include unrealized investment gains from upstream transactions and adjustment of unrealized sales between intra-group companies according to the buyer's tax rate.

Note 2: The original investment amount was both US$25,200,010 at the beginning and end of the current period.

Note 3: The original investment amount was both US$17,000,000 at the beginning and end of the current period.

Note 4: The original investment amount was both US$9,000,001 at the beginning and end of the current period.

Note 5: The original investment amount was both US$6,382,096 at the beginning and end of the current period.

Note 6: The original investment amount was both US$20,200,000 at the beginning and end of the current period.

Note 7: The original investment amount was both US$36,497,500 at the beginning and end of the current period.

Note 8: The original investment amount was both US$34,997,500 at the beginning and end of the current period.

Note 9: The original investment amount was US$36,000,000 and US$9,000,000 at the end and beginning of the current period, respectively. The increase of US$27,000,000 in the investment in SFV was approved by the Investment Commission, MOEA in September 2023.

Note 10: The original investment amount was both US$2,500 at the beginning and end of the current period.

Note 11: Please see Table 7 for information on investees in China.

Note 12: Already written off when subsidiaries were preparing the consolidated financial statements.

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Information on Investments in China

From January 1 to December 31, 2023

Table 7

Unit: All amounts are in thousand NTD, unless otherwise specified

Name of investee in China	Main business items	Paid-in capital	Investment method	Accumulated investment amount remitted from Taiwan at the beginning of the period	Investment amount remitted from/to Taiwan in the current period		Accumulated investment amount remitted from Taiwan at the end of the period	Current profit (loss) of investee	Percentage of shares held directly or indirectly by the Company (%)	Investment income (loss) recognized by the Company in the current period	Closing book value of investments	Investment gains remitted back to Taiwan as of the end of the period	Remarks
					Remitted from Taiwan	Remitted back to Taiwan							
Taihuangdao Fusheng Chemical and Leather-making Co., Ltd.	Manufacturing and sales of artificial leather, synthetic resin, and other materials	$ 400,393	2	$ 33,020	$ -	$ -	$ 33,020	$ -	7.29	$ -	$ -	$ -	
Yentai Wanhua Microfibre Co., Ltd.	Production and sales of microfiber synthetic leather, PU synthetic leather, PU resin, and additives	215,550	2	21,274	-	-	21,174	-	8.00	-	-	-	
Dongguan Huangjiang Baoliang Shoe Factory	Material processing	58,801	2	62,893	-	-	62,893	-	-	-	-	-	Note 1, Note 2, and Note 4
Dongguan Baoliang Material Technology Co., Ltd.	Manufacturing and sales of artificial leather, synthetic resin, and other materials	829,035	2	-	-	-	-	260,804	100	260,804	1,035,285	88,801	Note 3 and Note 4

Name of investment company	Accumulated investment amount remitted from Taiwan to China at the end of the current period	Investment amount approved by the Investment Commission, MOEA	The Company's limit on investments in China (Note 5)
San Fang Chemical Industry Co., Ltd.	$ 117,087	$ 1,075,685	$ -

Note 1: The Company reported in 2010 that Megatrade Profits Limited, its investee in the British Virgin Islands, has provided non-price setting machinery and equipment worth HKD14,966 thousand to Dongguan Huangjiang Baoliang Shoes Material Factory since 1996, and gained approval from the Investment Commission, Ministry of Economic Affairs in March 2010.

Note 2: Megatrade Profits Limited holds 100% shares of Dongguan Huangjiang Baoliang Shoe Factory for its processing business, but it has not registered its shares.

Note 3: Megatrade Profits Limited (MPL) is an investee of San Fang International Co., Ltd., and then MPL invested US$3,484 thousand in cash and US$5,516 thousand in machinery to establish Dongguan Baoliang Material Technology Co., Ltd. Dongguan Baoliang acquired Dongguan Yuguo Shoe Materials Co., Ltd. in Q2 2018. Dongguan Yuguo then invested US$6,182 thousand in cash in Giant Tramp Limited (GTL), and indirectly obtained 100% shares of Dongguan Yuguo in China. The Investment Commission, MOEA approved the additional investment of US$16,000 thousand in Dongguan Baoliang in October 2019.

Note 4: Investment gains and losses are recognized in the Company's financial statements that were audited by a CPA.

Note 5: Pursuant to the amendment to Article 3 of the Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China, which was announced in Order Shen-Zi No. 0970460680 from the MOEA dated August 29, 2008, the Company obtained documentation of its head office's scope of business (Letter Jing-Shou-Gong-Zi No. 11020426410 dated July 28, 2021) issued by the Industrial Development Bureau, MOEA, and therefore has no limit on investments in China.

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Business Relationship and Major Transactions between the Parent Company and Subsidiaries

From January 1 to December 31, 2023

Table 8

Unit: All amounts are in thousand NTD, unless otherwise specified

				Transactions status			
No.	Company name	Counterparty	Relationship	Item	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (%)
0	San Fang Chemical Industry Co., Ltd.	Dongguan Baoliang	1	Sales revenue	$ 495,552	There are no general transaction terms for price comparison	5.00
0	San Fang Chemical Industry Co., Ltd.	Dongguan Baoliang	1	Accounts receivable	50,327	Open account 30~90 days	-
0	San Fang Chemical Industry Co., Ltd.	Dongguan Baoliang	1	Other receivables	3,436	Open account 30~90 days	-
0	San Fang Chemical Industry Co., Ltd.	PTS	1	Sales revenue	1,404,057	There are no general transaction terms for price comparison	14.00
0	San Fang Chemical Industry Co., Ltd.	PTS	1	Accounts receivable	113,296	Open account 30-75 days	1.00
0	San Fang Chemical Industry Co., Ltd.	PTS	1	Other receivables	6,085	Open account 30-75 days	-
0	San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	1	Sales revenue	131	There are no general transaction terms for price comparison	-
0	San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	1	Other income	24,759	There are no general transaction terms for price comparison	-
0	San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	1	Accounts receivable	52	Open account 30-120 days	-
0	San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	1	Other receivables	52,645	Open account 30-120 days	-
0	San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	1	Other receivables	100,237	Lending, according to the contract	1.00
0	San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	1	Interest income	912	According to the contract	-
0	San Fang Chemical Industry Co., Ltd.	Forich Advanced Materials Co., Ltd.	1	Sales revenue	3,743	There are no general transaction terms for price comparison	-
0	San Fang Chemical Industry Co., Ltd.	Forich Advanced Materials Co., Ltd.	1	Other receivables	2,157	Open account 30~90 days	-
0	San Fang Chemical Industry Co., Ltd.	SFV	1	Other receivables	1,164	Open account 30~90 days	-
1	San Fang International	Dongguan Baoliang	3	Other receivables	37,052	Open account 30~90 days	-
2	GII	SFV	3	Interest income	3,989	According to the contract	-
2	GII	PTS	3	Interest income	4,170	According to the contract	-
2	GII	PTS	3	Other receivables	294	According to the contract	-
2	GII	PTS	3	Long-term accounts receivable	307,050	Lending, according to the contract	2.00
3	SFV	San Fang Chemical Industry Co., Ltd.	2	Revenue from processing	1,034,432	There are no general transaction terms for price comparison	10.00
3	SFV	San Fang Chemical Industry Co., Ltd.	2	Accounts receivable	90,177	Open account 30 days	1.00
4	Forich Advanced Materials Co., Ltd.	San Fang Chemical Industry Co., Ltd.	2	Sales revenue	90,042	There are no general transaction terms for price comparison	1.00
4	Forich Advanced Materials Co., Ltd.	San Fang Chemical Industry Co., Ltd.	2	Other income	7,200	There are no general transaction terms for price comparison	-

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No.	Company name	Counterparty	Relationship	Transactions status			
				Item	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (%)
4	Forich Advanced Materials Co., Ltd.	San Fang Chemical Industry Co., Ltd.	2	Accounts receivable	$ 7,869	Open account 60 days	-
4	Forich Advanced Materials Co., Ltd.	San Fang Chemical Industry Co., Ltd.	2	Other receivables	630	Open account 60 days	-
5	PTS	San Fang Chemical Industry Co., Ltd.	2	Other receivables	3,131	Open account 30-60 days	-
5	PTS	Dongguan Baoliang	3	Other receivables	30	Open account 30-45 days	-
6	Dongguan Baoliang	San Fang Chemical Industry Co., Ltd.	2	Sales revenue	265,634	There are no general transaction terms for price comparison	3.00
6	Dongguan Baoliang	San Fang Chemical Industry Co., Ltd.	2	Accounts receivable	16,589	Open account 30-75 days	-
6	Dongguan Baoliang	San Fang Chemical Industry Co., Ltd.	2	Other receivables	764	Open account 30-75 days	-
6	Dongguan Baoliang	MPL	3	Other receivables	6,666	Open account 30~90 days	-
7	Bestac Advanced Material Co., Ltd.	San Fang Chemical Industry Co., Ltd.	2	Other receivables	905	Open account 60 days	-

San Fang Chemical Industry Co., Ltd.

Information on Major Shareholders

December 31, 2023

Table 9

Name of major shareholder	Shareholding	
	Shares Held (share)	Shareholding ratio (%)
i-Tech. Sporting Enterprise Ltd.	38,980,000	9.80
Pou Chien Enterprise Co., Ltd.	38,501,504	9.68
Yue Dean Technology Corporation	37,298,876	9.38
Pou Chien Technology Co., Ltd.	36,549,118	9.19
Investment account of Capital Securities Limited under the custody of Capital Securities Corporation	26,578,577	6.68
Mun-Jin Lin	26,239,427	6.60
Mun-Yon Lin	19,935,265	5.01

Note 1: Information on major shareholders in this table is based data from Taiwan Depository and Clearing Corporation, which calculated shareholders with 5% or more of the Company's non-physical ordinary shares on the last business day of the quarter. The share capital specified on the Company's consolidated financial statements may be different from the actual number of non-physical shares due to different calculation basis.

Note 2: If the shareholder in the data above put shares into a trust, it is listed as a separate trust account of the shareholder opened by the trustee. For shareholders who are reported as insiders in accordance with Securities and Exchange Act for holding more than 10% of shares, the shareholdings include the shares held by the shareholder plus shares placed in a trust in which the shareholder has control over trust assets. Please refer to the Market Observation Post System for data on reporting insider shareholding.

V. Financial statements of the Company for the most recent year audited by the CPA

Independent Auditor's Report

To San Fang Chemical Industry Co., Ltd.:

Audit Opinion

We have audited the balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement, and notes to financial statements (including a summary of major accounting policies) of San Fang Chemical Industry Co., Ltd. (hereinafter referred to as the "Company") for the years ended December 31, 2023 and 2022.

In our opinion, the standalone financial statements above were prepared, in all material aspects, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and therefore are sufficient to present the financial position of the Company as at December 31, 2023 and 2022, as well as its financial performance and cash flow for the years ended December 31, 2023 and 2022.

Basis of Audit Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards. We will further explain our responsibilities under the regulations in the section on the independent auditor's responsibilities relating to standalone financial statements. Personnel of our firm who are required to maintain independence according to the Code of Professional Ethics have maintained independence from the Company, and also fulfill other responsibilities set forth by the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are the most important matters in the 2023 standalone financial statements of the Company determined based on our professional judgment. We have already responded to the matters in the process of auditing the standalone financial statements and forming an audit opinion, and will not express opinions on individual matters.

Key audit matters in the 2023 standalone financial statements of the Company are as follows:

Authenticity of sales revenue

The main source of revenue of San Fang Chemical Industry Co., Ltd. is the sales of artificial leather products and the sales revenue from specific customers had increased significantly compared with the previous year. Therefore, according to the provisions of the Statement of Auditing Standards on presetting revenue as a significant risk, the authenticity of sales revenue from such specific customers was thus listed as a key audit matter.

We have carried out the following audit procedures in response to the specific aspect described in Key Audit Matters above, including:

I. Understanding and testing internal controls related to the authenticity of revenue recognition, including whether or not purchase order and delivery related internal controls are effective, and if sales revenue is recognized accordingly.

II. Obtain detailed information on sales revenue of a specific customer, select appropriate samples, check shipping documents or attached customs clearance documents, etc., and check whether the amount and object of payment are consistent with the object of sales to confirm that the revenue has actually occurred.

Management and the Governance Department's Responsibility for the Standalone Financial Statements

The responsibility of management is to prepare fairly presented standalone financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and to maintain necessary internal controls related to the preparation of standalone financial statements, in order to ensure that the standalone financial statements are free of material misstatements, whether due to fraud or error.

When preparing the standalone financial statements, it is also the responsibility of management to evaluate the Company's ability to continue as a going concern, disclosures, and going concern basis of accounting, unless management intends to liquidate or permanently shut down the Company, or there are no feasible options other than liquidation or termination.

The governance department (including Audit Committee) of the Company is responsible for supervising the financial reporting process.

The Independent Auditor's Responsibility when Auditing the Standalone Financial Statements

The purpose for auditing the standalone financial statements is to obtain reasonable assurance about whether the standalone financial statements are free of material misstatement, whether due to fraud or error, and to issue an audit report. Reasonable assurance means high level of assurance. However, audits conducted according to auditing standards do not guarantee the detection of material misstatements in the standalone financial statements. Material misstatements may be due to fraud or error. A misstatement is deemed material if the individual amount or total amount can be reasonably expected to affect the economic decision made by users of the standalone financial statements.

We utilized our professional judgment and professional skepticism during the audit according to auditing standards. We also performed the following work:

I. Identified and evaluated material misstatements in the standalone financial statements, whether due to fraud or error. Designed and implemented appropriate countermeasures for the risks that we evaluated. Obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion. Since fraud may involve conspiracy, falsification, intentional omission, false statements, or overriding internal controls, the risk of failing to detect material misstatements due to fraud is higher than the risk of failing to detect material misstatements due to error.

II. Designed appropriate audit procedures to gain necessary understanding of internal controls for the audit. However, the purpose is not to express any opinions on the effectiveness of the Company's internal controls.

III. Evaluated the appropriateness of management policies adopted by management, as well as the reasonableness of accounting estimates and related disclosures.

IV. Based on the audit evidence we obtained, we reached a conclusion on the appropriateness of management's going concern basis of accounting, and whether or not there are material uncertainties that will lead to events or situations that are cause for serious concern about the Company's ability to continue as a going concern. If we believe there are material uncertainties about such events or situations, we are required to provide a reminder in the audit report for users of the standalone financial statements to pay attention to related disclosures, or modify our audit opinion when the disclosures are inappropriate. Our conclusion is based on the audit evidence we obtained as of the audit report date. However, future events or situations may cause the Company to no longer be able to continue as a going concern.

V. Evaluated the overall presentation, structure, and contents of the standalone financial statements (including related notes), and whether or not the standalone financial statements fairly present related transactions and events.

VI. Obtained sufficient and appropriate audit evidence of financial information on the Company, and expressed our opinion on the standalone financial statements. We are responsible for guidance, supervision, and implementation of the audit, and for forming an audit opinion on the Company.

Matters we communicated with the governance department include the scope and time of the audit, as well as major findings in the audit (including significant deficiencies in internal control identified in the audit process).

We also provided the governance department with a statement that personnel of our firm who are required to maintain independence according to the Code of Professional Ethics have maintained independence, and communicated all relationships and other matters (including related preventive measures) that may affect the independence of auditors with the governance department.

Among the matters we communicated with the governance department, we decided on key audit matters in the 2023 standalone consolidated financial statements of the Company. The matters are described in the audit report, unless they are specifically prohibited by law from being disclosed, or, under extremely rare circumstances, we decided not to disclose the matters in the audit report because the negative impact can reasonably be expected to be greater than the public benefit it will provide.

Deloitte Taiwan
CPA Chiu-Yen Wu
CPA Yu-Hsiang Liu

Securities and Futures Commission Approval No.
Tai-Cai-Zheng(6)-Zi No. 0920123784

Financial Supervisory Commission Approval No.
Jin-Guan-Zheng-Shen-Zi No. 1050024633

March 6, 2024

San Fang Chemical Industry Co., Ltd.
Balance Sheet
December 31, 2023 and 2022

Unit: Thousand NTD

		December 31, 2023		December 31, 2022	
Code	Assets	Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4 and 6)	$ 1,119,173	8	$ 1,560,873	10
1110	Current financial assets at fair value through profit or loss (Note 4 and 7)	100,589	1	94,324	1
1150	Net notes receivable (Note 4 and 9)	24,507	-	14,387	-
1170	Net accounts receivable (Note 4 and 9)	611,828	4	704,915	5
1180	Net accounts receivable – related parties (Note 4, 9 and 27)	272,531	2	313,954	2
1200	Net other receivables (Note 4)	25,427	-	14,617	-
1210	Other receivables - related parties (Note 27)	165,724	1	223,527	1
130X	Inventories (Note 4, 5 and 10)	1,062,967	7	1,320,929	9
1410	Advance payments	60,184	-	84,600	1
1476	Other financial assets – current (Note 11)	347,799	2	-	-
1479	Other current assets	7,226	-	9,051	-
11XX	Total current assets	3,797,955	25	4,341,177	29
	Non-current assets				
1517	Non-current financial assets at fair value through other comprehensive income (Note 4 and 8)	89,234	-	57,215	-
1550	Investments recognized under the equity method (Note 4 and 12)	7,445,232	50	6,701,060	45
1600	Property, plant and equipment (Note 4, 13 and 28)	2,810,339	19	3,035,110	20
1755	Right-of-use assets (Note 4 and 14)	8,242	-	6,650	-
1760	Investment properties (Note 4, 15 and 28)	109,189	1	110,056	1
1801	Computer software – net (Note 4)	8,731	-	17,301	-
1840	Deferred income tax assets (Note 4 and 23)	92,853	1	81,172	1
1915	Advance payments for equipment	-	-	10,873	-
1920	Refundable deposits	12,632	-	12,782	-
1980	Other financial assets – noncurrent (Note 4 and 11)	604,889	4	595,350	4
15XX	Total non-current assets	11,181,341	75	10,627,569	71
1XXX	Total assets	$ 14,979,296	100	$ 14,968,746	100
Code	Liabilities and equity interests				
	Current liabilities				
2100	Short-term borrowing (Note 16 and 28)	$ 1,460,000	10	$ 1,530,000	10
2110	Short-term notes and bills payable (Note 16)	49,967	-	-	-
2130	Current contract liabilities (Note 4 and 21)	12,237	-	2,558	-
2170	Accounts payable (Note 17)	338,793	2	459,103	3
2180	Accounts payable - related parties (Note 17 and 27)	29,703	-	28,138	-
2219	Other payables (Note 18)	408,842	3	327,605	2
2220	Other payables - related parties (Note 18 and 27)	90,362	1	88,144	1
2230	Current income tax liabilities (Note 23)	70,982	1	106,765	1
2280	Current lease liabilities (Note 4 and 14)	4,588	-	3,838	-
2320	Current portion of long-term liabilities (Note 16 and 28)	727,500	5	915,000	6
2399	Other current liabilities (Note 4)	68,134	-	19,956	-
21XX	Total current liabilities	3,261,108	22	3,481,107	23
	Non-current liabilities				
2540	Long-term borrowings (Note 16 and 28)	1,612,500	11	1,900,000	13
2570	Deferred income tax liabilities (Note 4, 5 and 23)	1,087,074	7	1,024,106	7
2580	Non-current lease liabilities (Note 4 and 14)	3,645	-	2,829	-
2640	Net defined benefit liability (Note 4 and 19)	67,952	-	74,388	-
2645	Guarantee deposits received	4,018	-	4,018	-
25XX	Total non-current liabilities	2,775,189	18	3,005,341	20
2XXX	Total liabilities	6,036,297	40	6,486,448	43
	Equity (Note 20)				
3110	Capital stock – common	3,978,181	27	3,978,181	27
3200	Capital surplus	145,330	1	145,330	1
	Retained earnings				
3310	Legal reserve	1,536,540	10	1,488,728	10
3320	Special reserve	504,790	4	648,571	4
3350	Undistributed earnings	2,858,770	19	2,320,928	16
3300	Total retained earnings	4,900,100	33	4,458,227	30
3400	Other equity interest	(80,612)	(1)	(99,440)	(1)
3XXX	Total equity	8,942,999	60	8,482,298	57
	Total liabilities and equity interests	$ 14,979,296	100	$ 14,968,746	100

The accompanying notes are an integral part of these financial statements.

Chairman: Mun-Jin Lin　　Manager: Chih-I Lin　　Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd.

Statement of Comprehensive Income

Years ended December 31, 2023 and 2022

Unit: Thousand NTD, EPS in NTD

		2023		2022	
Code		Amount	%	Amount	%
4000	Net operating revenues (Note 4, 21 and 27)	$7,586,555	100	$8,941,654	100
5000	Operating costs (Note 10, 22 and 27)	6,458,228	85	7,669,714	86
5900	Operating margin	1,128,327	15	1,271,940	14
5910	Realized (and unrealized) gains from subsidiaries	63,815	1	(49,165)	-
5950	Realized operating margin	1,192,142	16	1,222,775	14
	Operating expenses (Notes9, 22 and 27)				
6100	Selling expenses	320,439	4	296,265	3
6200	Administrative expenses	397,252	5	320,523	4
6300	Research and development expenses	248,875	4	227,555	3
6450	Expected credit impairment loss (gain)	(2,379)	-	1,836	-
6000	Total operating expenses	964,187	13	846,179	10
6900	Operating net profit	227,955	3	376,596	4
	Non-operating income and expenses (Note 22 and 27)				
7100	Interest income	58,772	1	10,357	-
7010	Other income	47,656	1	83,565	1
7020	Other profits and losses	(62,778)	(1)	183,405	2
7050	Financial costs	(72,248)	(1)	(55,692)	(1)
7070	Share of profits (losses) of subsidiaries accounted for using equity method	701,351	9	(23,003)	-
7000	Total non-operating income and expenses	672,753	9	198,632	2

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Code		2023 Amount	2023 %	2022 Amount	2022 %
7900	Pre-tax profit	$ 900,708	12	$ 575,228	6
7950	Income tax expense (Note 4 and 23)	140,434	2	105,114	1
8200	Net profit for the year	760,274	10	470,114	5
	Other comprehensive income				
	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Remeasurements of the net defined benefit (Note 19)	(52)	-	6,215	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Note 20)	32,019	-	202	-
8330	Share of other comprehensive income of subsidiaries accounted for using equity method	12,389	-	3,869	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 23)	10	-	(1,243)	-
8310		44,366	-	9,043	-
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8380	Share of other comprehensive income of subsidiaries accounted for using equity method (Note 20)	(25,684)	-	548,098	6
8300	Other consolidated income (net income after tax)	18,682	-	557,141	6
8500	Total comprehensive income	$ 778,956	10	$ 1,027,255	11
	EPS (Note 24)				
9710	Basic	$ 1.91		$ 1.18	
9810	Diluted	$ 1.90		$ 1.18	

The accompanying notes are an integral part of these financial statements.

Chairman: Mun-Jin Lin Manager: Chih-I Lin Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd.

Statement of Changes in Equity

Years ended December 31, 2023 and 2022

Unit: Thousand NTD

Code		Capital stock – common	Capital surplus	Retained earnings			Other equity interests			Total equity
				Legal reserve	Special reserve	Undistributed earnings	Exchange differences arising from the translation of the financial statements of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Subtotal	
A1	Balance as at January 1, 2022	$3,978,181	$ 142,438	$1,477,569	$ 513,828	$2,187,615	($ 676,886)	$ 28,315	($ 648,571)	$7,651,060
	Appropriation and distribution of 2021 earnings (Note 20)									
B1	Legal reserve	-	-	11,159	-	(11,159)	-	-	-	-
B3	Allocation to special reserve	-	-	-	134,743	(134,743)	-	-	-	-
B5	Cash dividends	-	-	-	-	(198,909)	-	-	-	(198,909)
		-	-	11,159	134,743	(344,811)	-	-	-	(198,909)
C17	Dividends not collected by shareholders before the deadline	-	2,892	-	-	-	-	-	-	2,892
D1	Net profit - 2022	-	-	-	-	470,114	-	-	-	470,114
D3	Other comprehensive income after tax - 2022	-	-	-	-	8,010	548,098	1,033	549,131	557,141
D5	Total comprehensive income - 2022	-	-	-	-	478,124	548,098	1,033	549,131	1,027,255
Z1	Balance as at December 31, 2022	3,978,181	145,330	1,488,728	648,571	2,320,928	(128,788)	29,348	(99,440)	8,482,298
	Appropriation and distribution of 2022 earnings (Note 20)									
B1	Legal reserve	-	-	47,812	-	(47,812)	-	-	-	-
B3	Reversal of special reserve	-	-	-	(143,781)	143,781	-	-	-	-
B5	Cash dividends	-	-	-	-	(318,255)	-	-	-	(318,255)
		-	-	47,812	(143,781)	(222,286)	-	-	-	(318,255)
D1	Net profit - 2023	-	-	-	-	760,274	-	-	-	760,274
D3	Other comprehensive income after tax - 2023	-	-	-	-	(146)	(25,684)	44,512	18,828	18,682
D5	Total comprehensive income - 2023	-	-	-	-	760,128	(25,684)	44,512	18,828	778,956
Z1	Balance as at December 1, 2023	$3,978,181	$ 145,330	$1,536,540	$ 504,790	$2,858,770	($ 154,472)	$ 73,860	($ 80,612)	$8,942,999

The accompanying notes are an integral part of these financial statements.

Chairman: Mun-Jin Lin Manager: Chih-I Lin Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd.

Cash Flow Statement

Years ended December 31, 2023 and 2022

Unit: Thousand NTD

Code		2023	2022
	Cash flow from operating activities		
A10000	Net profit before tax	$ 900,708	$ 575,228
A20010	Revenues and expenses		
A20100	Depreciation expense	319,604	367,427
A20200	Amortization expense	9,150	9,817
A20300	Expected credit impairment loss (gain)	(2,379)	1,836
A20400	Net losses (gains) from financial instruments at fair value through profit or loss	(6,265)	8,345
A20900	Financial costs	72,248	55,692
A21200	Interest income	(58,772)	(10,357)
A21300	Dividend income	(1,639)	(2,300)
A22400	Share of profits (losses) of subsidiaries accounted for using equity method	(701,351)	23,003
A22500	Net losses (gains) on disposal of property, plant and equipment	(616)	84,840
A23700	Impairment loss on property, plant and equipment	67,754	-
A23800	Gain on recovery on inventory devaluation	(56,995)	(104,781)
A24100	Realized (and unrealized) gains from subsidiaries	(63,815)	49,165
A29900	Loss (profit) on physical inventory	3,891	(595)
A29900	Other	40,000	-
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	(10,120)	(3,378)
A31150	Accounts receivable	95,466	(116,826)
A31160	Accounts receivable – related parties	41,423	110,396
A31180	Other receivables	(1,655)	1,451
A31190	Other receivables - related parties	58,040	82,574
A31200	Inventories	311,066	359,801
A31230	Advance payments	24,416	43,759
A31240	Other current assets	1,825	(3,031)
A32125	Contract liabilities	9,679	343
A32150	Accounts payable	(120,310)	(37,242)
A32160	Accounts payable - related parties	1,565	11,985
A32180	Other payables	76,140	55,762
A32190	Other payables - related parties	2,218	24,083
A32230	Other current liabilities	8,178	(2,868)

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Code		2023	2022
A32240	Net defined benefit liability	($ 6,488)	($ 15,993)
A33000	Cash generated from operating activities	1,012,966	1,568,136
A33100	Interest received	49,380	9,445
A33200	Dividend received	9,338	14,310
A33300	Interest paid	(74,067)	(55,620)
A33500	Income tax paid	(124,920)	(77,810)
AAAA	Net cash inflow from operating activities	872,697	1,458,461
	Cash flow from investing activities		
B02700	Acquisition of property, plant and equipment	(140,062)	(124,208)
B04300	Other receivables - increase of related parties	(100,000)	(100,000)
B04400	Other receivables - decrease of related parties	100,000	-
B02800	Proceeds from disposal of property, plant and equipment	1,340	285
B03800	Decrease in refundable deposits	150	-
B04500	Acquisition of intangible assets	(580)	-
B06500	Increase of other financial assets	(357,338)	(58,740)
BBBB	Net cash outflow from investing activities	(496,490)	(282,663)
	Cash flow from financing activities		
C00100	Increase in short-term borrowings	-	160,000
C00200	Decrease in short-term borrowings	(70,000)	-
C00500	Increase in short-term notes and bills payable	50,000	-
C00600	Decrease in short-term notes and bills payable	-	(50,000)
C01600	Increase in long-term borrowing	440,000	660,000
C01700	Repayment of long-term borrowing	(915,000)	(935,000)
C03100	Decrease in guarantee deposits received	-	(4,494)
C04020	Repayments of lease liabilities	(4,652)	(5,157)
C04500	Distribution of cash dividends	(318,255)	(198,909)
C09900	Returned unclaimed dividends	-	2,892
CCCC	Net cash outflow from financing activities	(817,907)	(370,668)
EEEE	Increase (decrease) in cash and cash equivalents	(441,700)	805,130
E00100	Cash and cash equivalents at beginning of period	1,560,873	755,743
E00200	Cash and cash equivalents at end of period	$ 1,119,173	$ 1,560,873

The accompanying notes are an integral part of these financial statements.

Chairman: Mun-Jin Lin Manager: Chih-I Lin Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd.
Notes to Financial Statements
Years ended December 31, 2023 and 2022
(All amounts are in thousand NTD, unless otherwise specified)

I. Company History

San Fang Chemical Industry Co., Ltd. (hereinafter referred to as the "Company") was established in June 1973, and main business items include the manufacturing and sales of artificial leather, synthetic resin, and other materials.

The Company was approved to be listed on the Taiwan Stock Exchange in November 1985.

The standalone financial statements are presented in the Company's functional currency NTD.

II. Date and Procedures of Approval of the Financial Statements

The standalone financial statements were approved by the Board of Directors on March 6, 2024.

III. Application of New Standards, Amendments, and Interpretations

(I) Application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations, and SIC Interpretations (hereinafter collectively referred to as the "IFRS Accounting Standards") as endorsed and announced by the Financial Supervisory Commission (FSC) for the first time

The application of the amended IFRS Accounting Standards endorsed and announced by the FSC will not result in any major changes to the accounting policy of the Company.

(II) Application of the IFRS Accounting Standards as endorsed by the FSC in 2024

New, Revised or Amended Standards and Interpretations	Effective date of the International Accounting Standards Board (IASB) (Note 1)
Amendments to IFRS 16 "lease liability in a sale and leaseback"	January 1, 2024 (Note 2)
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2024
Amendments to IAS 1 "non-current liabilities with covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 17 “supplier finance arrangements”	January 1, 2024 (Note 3)

Note 1: Unless otherwise specified, the new, revised or amended standards and interpretations are effective at the beginning of the annual reporting period after the dates above.

Note 2: A seller-lessee applies the amendments of IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The first application of this amendment is exempted from certain disclosure requirements.

As of the date the standalone financial statements were passed, the Company has determined that the abovementioned amendments to standards and interpretations will not have a material impact on its financial position and financial performance.

(III) New standards, interpretations, and amendments were issued by IASB but not yet included in the IFRS Accounting Standards as endorsed and announced by the FSC

New, Revised or Amended Standards and Interpretations	Effective date of the IASB(Note 1)
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Not determined
IFRS 17 Insurance Contracts	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "initial application of IFRS 17 and IFRS 9 - comparative information"	January 1, 2023
Amendments to IAS 21	January 1, 2025 (Note 2)

Note 1: Unless otherwise specified, the new, revised or amended standards and interpretations are effective at the beginning of the annual reporting period after the dates above.

Note 2: Applicable to the annual reporting period starting after January 1, 2025. For the initial application of the amendment, the effect is recognized in retained earnings on the date of initial application. When the Company uses non-functional currency as the presentation currency, the effect will be adjusted to the exchange difference of overseas operations under equity on the date of initial application.

As of the date the standalone financial statements were passed, the Company had been continuing to evaluate the impact of the amendments to the abovementioned standards and interpretations on its financial position, financial performance, and the relevant impact will be disclosed when it is completed.

IV. Summarized Remarks on Significant Accounting Policies

(I) Statement of compliance

The consolidated financial statements were prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

(II) Basis of preparation

Except for financial instruments measured at fair value and net defined benefit liability recognized at defined benefit liabilities less fair value of assets of the defined benefit plans, these standalone financial statements have been prepared based on historical cost.

Fair value measurement can be divided into levels 1 to 3 based on the observability and importance of input values:

1. Level 1 input values: Refers to quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date.
2. Level 2 input values: Refers to directly (i.e., prices) or indirectly (i.e., derived from prices) observable input values of assets or liabilities other than level 1 quoted prices.
3. Level 3 input values: Refers to unobservable input values of assets or liabilities.

The Company used the equity method for subsidiaries when preparing the standalone financial statements. For profit/loss, other comprehensive income, and equity in the current year in the standalone financial statements to match the profit/loss, other comprehensive income, and equity attributable to owners of the Company in the consolidated financial statements, "investments recognized under the equity method," "share of profits/losses of subsidiaries under the equity method," "share of other comprehensive income of subsidiaries under the equity method," and related equity items were adjusted for several accounting differences between the standalone and consolidated basis.

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

Current assets include:

1. Assets that are held mainly for trading purposes;
2. Assets that are expected to be realized within twelve months from the balance sheet date; and
3. Cash and cash equivalents (except those that are restricted as they will be swapped or used to repay liabilities more than 12 months after the balance sheet date)

Current liabilities include:

1. Liabilities that are held mainly for trading purposes;
2. Liabilities that are to be paid off within twelve months from the balance sheet date; and
3. Liabilities for which the repayment term cannot be extended unconditionally beyond 12 months after the balance sheet date.

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

(IV) Foreign currencies

When the Company was preparing the standalone financial statements, transactions denominated in currencies other than the functional currency (i.e., foreign currencies) are recorded after conversion into the functional currency using the exchange rate on the transaction date.

Foreign currency-denominated monetary items are converted using the closing rate on each balance sheet date. The currency translation difference resulting from settlement or conversion of monetary items is recognized as income or loss in the current period.

Foreign currency-denominated non-monetary items carried at fair value are converted at exchange rates on the date of fair value measurement. Currency translation differences are also recognized in current profit or loss; for items that have fair value changes recognized in other comprehensive income, currency translation differences are recognized in other comprehensive income.

Foreign currency-denominated non-monetary items carried at historical costs are converted on the transaction date and are not re-converted.

When preparing the standalone financial statements, assets and liabilities of overseas operations (including country of operations and subsidiaries that use different currencies than the Company) are converted to NTD using the exchange rate on each balance sheet date. Revenues and expenses/losses are converted using average exchange rate of the current period, with currency translation differences recognized in other comprehensive income.

(V) Inventories

Inventory includes raw materials, raw materials, work in process, and finished goods. Inventories are measured at cost and net realizable value, whichever is lower. Unless the inventories are in the same category, the cost and net realizable value is compared for each individual item. Net realizable value is the estimated selling price under normal circumstances, less the estimated cost of completion and selling expenses. Inventories are usually calculated at standard cost, and then adjusted to its weighted average cost when settling accounts.

(VI) Investment subsidiary

The Company handles investments in subsidiaries using the equity method. A subsidiary refers to an entity in which the Company exercises control.

Under the equity method, investments are originally recognized at cost, and then its book value increases along with the Company's share of profits, losses and other comprehensive income of subsidiaries and profit distribution. Furthermore, changes to other equity interests of subsidiaries are recognized according to the Company's shareholding ratio.

Changes in the Company's ownership interest in a subsidiary that do not result in the loss of control over the subsidiary are equity transactions. The difference between the book value of investments and the fair value of the consideration paid or received is directly recognized in equity.

Unrealized gains from downstream transactions between the Company and subsidiaries are eliminated from the standalone financial statements. Gains/losses arising from upstream transactions between the Company and subsidiaries and transactions among subsidiaries were not within the scope of control exercised by the Company over subsidiaries, and were thus recognized in the standalone financial statements.

(VII) Property, plant and equipment

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

Property, plant and equipment under construction are recognized at cost after accumulated impairment losses. Costs include professional service fees and borrowing costs that meet the conditions for capitalization. Such assets are measured at the cost or net realizable value until they reach the expected state of use, whichever is lower, and their sales price and cost are recognized in profit or loss. When assets are completed and reach the expected state of use, they are classified to a suitable category under property, plant and equipment, and depreciation expenses are recognized.

Except for self-owned land, for which depreciation is not recognized, depreciation is separately recognized for each major part of property, plant and equipment on a straight line basis over its useful life. The Company reviews methods for estimating useful life in years, residual value, and depreciation, at a minimum, on the last day of each year, as well as the effect of prospective application of changes to accounting estimates.

When derecognizing property, plant and equipment, the difference between net disposal proceeds and the book value is recognized as gains or losses.

(VIII) Investment properties

Investment properties are real estate properties held for rental income or capital gain, or both.

Self-owned investment property is initially measured at cost (including transaction cost), and is subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation of investment property is recognized on a straight-line basis.

When property under property, plant and equipment is no longer for self-use, its book value is transferred to investment property.

When derecognizing investment property, the difference between net disposal proceeds and the book value is recognized as gains or losses.

(IX) Intangible assets

1. Independently acquired

   Independently acquired intangible assets (computer software) with a limited useful life is initially measured at cost, and subsequently measured at cost less accumulated amortization. Intangible assets are amortized on a straight-line basis during their useful life. The Company reviews methods for estimating useful life in years, residual value, and amortization, at a minimum, on the last day of each year, as well as the effect of prospective application of changes to accounting estimates.

2. Internal production – R&D expenses

   Research expenses are recognized as expenses when incurred.

3. Derecognition

   When derecognizing intangible assets, the difference between net disposal proceeds and the book value is recognized as gains or losses in the current period.

(X) Impairment of property, plant and equipment, right-of-use assets, investment properties and intangible assets

The Company evaluates if there are any signs of impairment of property, plant and equipment, right-of-use assets, investment properties and intangible assets on each balance sheet date. If any signs of impairment exist, then estimate the asset's recoverable amount. If the recoverable amount cannot be estimated on an individual basis, the Company will instead estimate recoverable amounts for the entire cash-generating unit. Depreciation of corporate assets is allocated to the smallest identifiable cash-generating group with a reasonable and consistent basis.

Recoverable amounts are determined as the higher of "fair value less cost to sell" or the "utilization value." If the recoverable amount of an individual asset or cash-generating unit is expected to be lower than its book value, the Company will reduce the book value of the asset or cash-generating unit down to the recoverable amount and recognize impairment loss.

When impairment losses are reversed, the book value of the asset, cash-generating unit, or contract cost related asset is increased to the revised recoverable amount. However, the increased book value may not exceed the asset, cash-generating unit, or contract cost related asset's book value in the previous year before impairment loss was recognized (less depreciation and amortization). Reversal of impairment losses is listed in income.

(XI) Financial instruments

When the Company is a party to the contract, financial assets and financial liabilities
are recognized in the standalone balance sheet.

If financial assets and financial liabilities being recognized for the first time are not measured at fair value through profit or loss, then the are measured at fair value plus transaction costs that can be directly attributed to the acquisition or issuance of financial assets or financial liabilities. Transaction costs that can be directly attributed to the acquisition or issuance of financial assets or financial liabilities are immediately recognized as profit or loss.

1. Financial assets

Regular transactions of financial assets are recognized and derecognized using transaction date accounting.

(1) Type of measurement

Financial assets held by the Company include financial assets at fair value through profit or loss, financial assets at amortized cost, and equity instruments measured at fair value through other comprehensive income.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets for which the fair value is required to be measured through profit or loss.

For financial assets at fair value through profit or loss, any interest accrued is recognized in interest income, and any profit or loss from the remeasurement of fair value is recognized in other profits and losses.

B. Financial assets at amortized cost

Financial assets that the Company invests in are classified as financial assets at amortized cost if they meet both of the conditions below:

a. Held under a certain business model that aims to collect cash flow from the financial asset; and

b. The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After recognizing financial assets at amortized cost (including cash and cash equivalents, notes and accounts receivable at amortized cost (including related parties), other receivables (including related parties), other financial assets, and refundable deposits), they are measured at book value determined using the effective interest rate method less any impairment losses. Any foreign exchange gains/losses are recognized in profit and loss. Interest income is calculated by multiplying the effective interest rate with the financial asset's total book value.

Credit-impaired financial assets mean that the debtor has encountered major financial difficulties, defaulted, may very likely declare bankruptcy or other financial restructuring, or an active market for the financial asset has disappeared due to financial difficulties.

Cash equivalents include highly liquid time deposits and bonds issued under repurchase agreement that can be converted into a specific amount of cash with low risk of value change within 3 months after being acquired. Cash equivalents are used to meet short-term cash commitments.

C. Investments in equity instruments measured at fair value through other comprehensive income

The Company may make an irreversible decision during initial recognition to measure equity instruments, which are not held for trading and not recognized from mergers and acquisitions, at fair value through other comprehensive income.

Investments in equity instruments measured at fair value through other comprehensive income are measured at fair value, and subsequent changes to fair value are listed in other comprehensive income and accumulated in other equity. When disposing of investments, accumulated gains is directly transferred to retained earnings and not reclassified as income.

Dividends from equity instruments measured at fair value through other comprehensive income are recognized in income when the Company is determined to have the right to receive the dividends, unless the dividends clearly represent the recovery of partial investment costs.

(2) Impairment of financial assets

The Company evaluates the impairment loss of financial assets at amortized cost (including notes and accounts receivable) using ECL on each balance sheet date.

A loss provision is recognized for lifetime ECL for notes and accounts receivables. For other financial assets, whether or not credit risk has significantly increased after the financial asset was recognized is first evaluated. If it has not significantly increased, then a loss provision is recognized for 12-month ECL. If it has significantly increased, then a loss provision is recognized for lifetime ECL.

ECL is the weighted average credit loss using the risk of default as weights. 12-Month ECL is the ECL from potential default on the financial instrument within 12 months after the reporting date. Lifetime ECL is the ECL from potential default during the expected lifetime of the financial instrument.

For the purpose of internal credit risk management, the

Company may deem a financial asset to be in default if there is internal or external information showing that the debtor is no longer able to repay debts without considering collateral.

The impairment loss on all financial assets is recognized by lowering the book value of the loss provision.

(3) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights to the cash inflow from the financial asset are terminated or when the Company transfers the financial assets with substantially all the risks and rewards of ownership to other enterprises.

When derecognizing a financial asset at amortized cost, the difference between book value and consideration received is recognized in gains or losses. When derecognizing investments in equity instruments at fair value through other comprehensive income, accumulated gains is directly transferred to retained earnings and not reclassified as income.

2. Equity instruments

Equity instruments issued by the Company are recognized at the price amount obtained less the direct flotation costs.

3. Financial liabilities

(1) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest rate method.

(2) Derecognition of financial liabilities

When a financial liability is derecognized, any difference between its carrying amount and the paid consideration (including any transferred non-cash assets or liabilities assumed) is recognized in income or loss.

(XII) Provisions for liabilities

The amount recognized as provisions for liabilities takes into account the risks and uncertainties of the obligation and is the best estimate of the expenditure required to settle the obligation on the balance sheet date. Provision for liabilities is measured at the discounted value of the estimated cash flow of the obligation of settlement.

(XIII) Revenue recognition

After the Company identifies its contractual obligations with each customer, it allocates the transaction price to each contractual obligation, and then recognizes revenue when each contractual obligation is fulfilled.

Income from sale of merchandise

Income from sale of merchandise comes from the sale of synthetic leather. According to the contract, when synthetic leather is delivered to customers, customers have the right to set prices and use the products, and bear the responsibility of sales and risk of products becoming obsolete. The Company recognizes accounts receivable upon delivery. Unearned revenues from sale of goods is recognized as contract liabilities.

(XIV) Lease

On the date a contract is formed, the Company evaluates if the contract is (or includes) a lease.

1. Where the Company is the lessor

A lease arrangement is classified as a finance lease if the terms involve a transfer of virtually all risks and returns associated with ownership to the lessee. All other lease arrangements are classified as operating lease.

When the Company is sub-leasing right-of-use assets, the sub-lease category is determined based on the right-of-use asset (and not the underlying asset). However, if the primary lease is a short-term lease that the Company is exempted from recognition, then the sub-lease is classified as an operating lease.

Under an operating lease arrangement, the proceeds received are recognized as income on a straight-line basis over the lease tenor.

2. Where the Company is the lessee

Except for low value asset leases and short-term leases, for which lease payments are recognized as expenses on a straight-line basis over the lease tenor, other leases are all recognized as right-of-use assets and lease liabilities from the start date of the lease.

Right-of-use assets are initially measured at cost, and are subsequently measured at cost less accumulated depreciation and accumulated impairment loss, with adjustments made to the remeasurement of lease liabilities. Right-of-use assets are independently presented in the standalone balance sheet.

Depreciation of right-of-use assets is recognized on a straight-line basis from the start date of the lease until the expiry of its useful life or lease tenor, whichever is earlier.

Lease liabilities are initially measured at the present value of lease payments. If the interest rate implicit in a lease is easy to determine, then lease payments will be discounted using the interest rate. If the interest rate is not easy to determine, then the lessee's incremental borrowing rate of interest is used.

In subsequent periods, lease liabilities is measured at amortized cost using the effective interest rate method, and interest expense is recognized over the lease term. Lease liabilities are independently presented in the standalone balance sheet.

(XV) Borrowing costs

Borrowing costs that can be directly attributed to the acquisition, construction, or production of qualified assets shall be recognized as a part of asset costs, until almost all necessary activities for the asset to reach its expected state of use or sale.

If a specific loan is used for a temporary investment and obtains investment gains before a qualified capital expenditure occurs, the gains shall be deducted from borrowing costs that qualify for capitalization.

All other borrowing costs are recognized as losses in the period they occur.

(XVI) Government subsidies

Government grants shall not be recognized until there is reasonable assurance that the Company will comply with the attached conditions and that the grants will be received.

If income-related government subsidies are provided in the period that the costs they intend to cover are recognized by the Company as expenses, they are systematically recognized by reducing the costs or recognized in other income.

If the government subsidies are compensation for expenses or losses that have already occurred, or aim to provide the Company with immediate financial support and do not have any related costs in the future, then they are recognized as income in the period they are received.

(XVII) Employee benefits

1. Short-term employee benefits

Short-term employee benefits-related liabilities are measured at the undiscounted amount of the benefits expected to be paid in exchange for employee services.

2. Post-employment benefit

For defined contribution plans, pension contributions made by the Company over the course of employment are listed as expenses; net defined benefit liability is the deficit of contributions to defined benefit plans.

The cost of defined benefits (including service cost, net interest, and number of remeasurement) for defined benefit plans is calculated using the projected unit credit method. Service costs (including service costs in the current period) and net interest accrued on net defined benefit liabilities (assets) are recognized as employee benefit expenses when they occur. The number of remeasurement (including calculation of income and losses, changes in asset limit effects, return on assets of the plans less interest) is recognized in other comprehensive income when it occurs and listed in retained earnings, and is not reclassified to profit or loss.

(XVIII) Income tax

Income tax expense is the sum of current income tax and deferred income tax.

1. Current income tax

The Company determines current income (loss) according to the regulations enacted by the R.O.C. and calculates the income tax payable (recoverable) on this basis.

Income tax on undistributed earnings is calculated in accordance with the Income Tax Act of the R.O.C. and recognized in the year the resolution is adopted by the shareholders' meeting.

An adjustment to the income tax payable in the previous year is listed as the current income tax.

2. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the book value of assets and liabilities on the standalone financial statements from the taxable income that was calculated.

Deferred income tax liabilities are generally recognized based on the taxable temporary difference, and deferred income tax assets are recognized when there is likely to be taxable income to offset the temporary difference.

Taxable temporary differences relating to subsidiaries are recognized as deferred income tax liabilities, except in cases where the Company is able to control the timing of which temporary differences are reversed, and that such temporary differences are highly unlikely to reverse in the foreseeable future. Deductible temporary differences relating to these investments and equity are recognized as deferred income tax assets only to the extent that sufficient taxable income can be earned to offset the temporary differences, and that reversal is expected to occur in the foreseeable future.

The book value of deferred income tax assets is reexamined on each balance sheet date, and the book value is reduced if it is not very likely there will be sufficient taxable income to recover all or a part of the assets. Those that were not recognized as deferred income tax assets are also reexamined on each balance sheet date, and the book value is increased if it is very likely there will be sufficient taxable income to recover all or a part of the assets.

Deferred income tax assets and liabilities are measured using the tax rate in the period in which liabilities are expected to be paid off or assets are expected to be realized. The tax rate is based on the tax rate and tax law that has been enacted or substantially enacted on the balance sheet date. The measurement of deferred income tax liabilities and assets reflects on the tax effects of the ways the Company expects to recover or pay off the book value of its assets or liabilities on the balance sheet date.

3. Current and deferred income tax

Current and deferred income tax are recognized in profit or loss, except for items that are bound to be recognized under other comprehensive income or directly as other equity items.

V. Significant Accounting Judgments, Estimates and Main Uncertainty Assumptions

When the Company adopts an accounting policy, management must make judgments, estimates, and assumptions based on historical experience and other factors for information that is difficult to obtain from other sources. Actual results may be different from estimates.

The Company took the possible impact on the economic environment into consideration of cash flow estimates, growth rates, discount rates, profitability and other relevant major accounting estimates when developing major accounting estimates, and the management will continue to examine estimates and basic assumptions.

(I) Inventory impairments

Net realizable value of inventory is the estimated selling price during normal business operations, less the estimated cost of completion and selling expenses. The estimates are made based on the current market situation and previous sales experience of similar products. Changes in the market situation may have a material impact on the estimates.

(II) Income tax

With regard to taxable temporary differences related to investments in subsidiaries that were not recognized as deferred income tax liabilities, the effect on income tax was NT$546,819 thousand and NT$473,349 thousand for the years ended December 31, 2023 and 2022, respectively. If the taxable temporary difference is reversed in the future, it may result in major income tax liabilities, which are recognized as income tax expenses during the period that reversal occurs.

VI. Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and working capital	$ 436	$ 907
Bank check and demand deposits	995,917	1,304,184
Cash equivalents		
Time deposits within 3 months of its original maturity date	122,820	194,362
Bonds issued under repurchase agreement	-	61,420
	$ 1,119,173	$ 1,560,873

The market interest rate range for cash equivalents on the balance sheet date is as follows:

	December 31, 2023	December 31, 2022
Cash equivalents		
Time deposits within 3 months of its original maturity date (%)	5.3~5.6	2.2~4.8
Bonds issued under repurchase agreement	-	4.4~4.5

VII. Financial instruments at fair value through profit or loss - current

	December 31, 2023	December 31, 2022
Financial assets for which the fair value is required to be measured through profit or loss		
Fund beneficiary certification	$ 100,589	$ 94,324

VIII. Non-current financial assets at fair value through other comprehensive income

Investments in equity instruments measured at fair value through other comprehensive income	December 31, 2023	December 31, 2022
Listed stock in Taiwan	$ 84,461	$ 52,662
Unlisted stock in Taiwan	4,773	4,553
	$ 89,234	$ 57,215

IX. Notes and accounts receivable

Arising from operation	December 31, 2023	December 31, 2022
Notes receivable – unrelated parties		
Measured at amortized cost		
Total book value	$ 24,507	$ 14,387
Accounts receivable – unrelated parties		
Measured at amortized cost		
Total book value	$ 614,225	$ 709,691
Less: Loss provision	2,397	4,776
	$ 611,828	$ 704,915
Accounts receivable – related parties		
Measured at amortized cost		
Total book value	$ 272,531	$ 313,954

The Company's average credit period for sale of goods is open account 30-90 days. Designated personnel of the Company are responsible for deciding the credit limit, approval, and other monitoring procedures to mitigate credit risk and ensure that appropriate action has been taken to recover overdue receivables. Furthermore, the Company will verify the recoverable amount of receivables on the balance sheet date to ensure that unrecoverable receivables already properly listed as impairment losses. On this basis, management of the Company believes that its credit risk has significantly decreased.

The Company recognizes a loss provision for lifetime ECLs for accounts receivables. Lifetime expected credit losses are calculated using an provision matrix, which takes into consideration the customer's previous default record, current financial situation, industrial and economic trends, and industry outlook. Past experience of the Company relating to credit loss showed no significant difference in loss patterns between different customer groups. Hence, customers are not further divided into groups, and expected credit loss rate is only set by the number of days receivables are overdue.

The aging analysis of the Company's receivables based on the overdue date and the loss provision are as follows:

December 31, 2023

	Not past due	1~90 days late	91~180 days late	181~360 days late	More than 361 days late	Total
Expected credit loss rate (%)	-	0~0.02	0.04~0.12	0.12	72	
Total book value	$ 791,785	$ 115,678	$ 460	$ 30	$ 3,310	$ 911,263
Loss provision (lifetime ECL)	-	(1)	-	-	(2,396)	(2,397)
Amortized cost	$ 791,785	$ 115,677	$ 460	$ 30	$ 914	$ 908,866

December 31, 2022

	Not past due	1~90 days late	91~180 days late	181~360 days late	More than 361 days late	Total
Expected credit loss rate (%)	-	0.01~0.07	0.09~0.69	1.01~37.4	66	
Total book value	$ 884,777	$ 142,397	$ 2,274	$ 3,147	$ 5,437	$1,038,032
Loss provision (lifetime ECL)	-	(16)	(1)	(1,152)	(3,607)	(4,776)
Amortized cost	$ 884,777	$ 142,381	$ 2,773	$ 1,995	$ 1,830	$1,033,256

Information on changes to loss provision for receivables is as follows:

	2023	2022		
	Accounts receivable	Accounts receivable	Other receivables	Total
Opening balance	$ 4,776	$ 3,898	$ -	$ 3,898
Allocated (reversed) in the current year	(2,379)	878	958	1,836
Write-offs in the current year	-	-	(958)	(958)
Closing balance	$ 2,397	$ 4,776	$ -	$ 4,776

X. Inventories

	December 31, 2023	December 31, 2022
Raw materials	$ 497,964	$ 687,875
Supplies	26,502	16,610
Work in process	402,390	454,306
Finished goods	130,761	153,722
Inventory in transit	5,350	8,416
	$ 1,062,967	$ 1,320,929

Inventory-related operating costs amounted to NT$6,458,228 thousand in 2023 and NT$7,669,714 thousand in 2022, including:

	2023	2022
Gain on recovery on inventory devaluation	($ 56,995)	($ 104,781)
Loss (profit) on physical inventory	3,891	(595)
Income from sale of scraps	(7,047)	(7,765)
	($ 60,151)	($ 113,141)

The gain on recovery of inventory value was mainly due to the increase in net realizable value of inventory as a result of the increase in market price of inventory and the sales of inventory.

XI. Other financial assets

	December 31, 2023	December 31, 2022
Current		
Time deposits more than 3 months from its original maturity date	$ 337,755	$ -
Pledged time deposits	10,044	-
	$ 347,799	$ -
Annual interest rate of time deposits (%)	0.55~5.55	-
Noncurrent		
Restricted bank deposits		
Time deposits	$ 604,889	$ 445,295
Demand deposits	-	150,055
	$ 604,889	$ 595,350
Annual interest rate of time deposits (%)	4.9~5.55	4.35~4.9

(I) Restricted bank deposits are deposited into a designated foreign currency deposits account by the Company in accordance with the "Management, Utilization, and Taxation of Repatriated Offshore Funds Act". The use of funds is restricted by such Act.

(II) The counterparties of time deposits of the Company are banks with good credit quality. As such, there is no significant compliance concerns, and no expected credit losses were evaluated.

(III) Please refer to Note 28 for information on other financial assets pledged.

XII. Investments recognized under the equity method

Investment subsidiary

	December 31, 2023		December 31, 2022	
	Amount	Shareholding ratio (%)	Amount	Shareholding ratio (%)
San Fang Development Co., Ltd.	$ 1,802,985	100	$ 1,515,492	100
Grand Capital Limited (GCL)	5,480,361	100	4,974,538	100
San Fang Financial Holdings Co., Ltd.	10,266	100	10,243	100
Forich Advanced Materials Co., Ltd.	113,363	100	103,975	100
Bestac Advanced Material Co., Ltd.	38,257	100	96,812	100
	$ 7,445,232		$ 6,701,060	

See Table 6 and Table 7 for a brief description of long-term investments.

Share of profits/losses and other comprehensive income of subsidiaries under the equity method were recognized based on the subsidiaries' 2023 and 2022 financial statements audited by an independent auditor.

XIII. Property, plant and equipment

	December 31, 2023	December 31, 2022
Self-use	$ 2,706,923	$ 2,941,932
Operating lease	103,416	93,178
	$ 2,810,339	$ 3,035,110

(I) Self-use

2023

Cost	Self-owned land	Buildings and structures	Machinery and equipment	Other facilities	Construction in progress and equipment under acceptance	Total
Balance as at January 1, 2023	$1,467,428	$1,229,508	$3,027,472	$ 954,548	$ 67,438	$6,746,394
Addition	-	87,931	9,081	30,035	(4,226)	122,821
Disposal	-	(3,449)	(1,985)	(24,597)	-	(30,031)
Balance as at December 1, 2023	$1,467,428	$1,313,990	$3,034,568	$ 959,986	$ 63,212	$6,839,184
Accumulated depreciation and impairment						
Balance as at January 1, 2023	$ -	$ 838,932	$2,339,938	$ 625,592	$ -	$3,804,462
Disposal	-	(3,321)	(1,985)	(24,001)	-	(29,307)
Depreciation expense	-	42,296	181,903	65,153	-	289,352
Impairment loss provided	-	-	53,355	14,399	-	67,754
Balance as at December 1, 2023	$ -	$ 877,907	$2,573,211	$ 681,143	$ -	$4,132,261
Net amount as at December 31, 2023	$1,467,428	$ 436,083	$ 461,357	$ 278,843	$ 63,212	$2,706,923

2022

Cost	Self-owned land	Buildings and structures	Machinery and equipment	Other facilities	Construction in progress and equipment under acceptance	Total
Balance as at January 1, 2022	$1,467,428	$1,227,376	$3,545,196	$ 997,636	$ 86,469	$7,324,105
Addition	-	11,236	71,511	36,914	(18,005)	101,656
Disposal	-	(5,628)	(582,510)	(79,202)	(1,026)	(668,366)
Transferred to assets leased under an operating lease	-	(3,476)	(6,725)	(800)	-	(11,001)
Balance as at December 31, 2022	$1,467,428	$1,229,508	$3,027,472	$ 954,548	$ 67,438	$6,746,394
Accumulated depreciation						
Balance as at January 1, 2022	$ -	$ 803,318	$2,640,611	$ 617,755	$ -	$4,061,684
Disposal	-	(5,561)	(510,852)	(66,828)	-	(583,241)
Transferred to assets leased under an operating lease	-	(1,213)	(6,725)	(657)	-	8,595
Depreciation expense	-	42,388	216,904	75,322	-	334,614
Balance as at December 31, 2022	$ -	$ 838,932	$2,339,938	$ 625,592	$ -	$3,804,462
Net amount as at December 31, 2022	$1,467,428	$ 390,576	$ 687,534	$ 328,956	$ 67,438	$2,941,932

Depreciation of the Company's property, plant and equipment is recognized on a straight-line basis according to the following useful life in years:

Buildings and structures	
Factory and office building	30-50 years
Construction system and enclosure wall	15-28 years
Other	7-10 years
Machinery and equipment	
Embossing machine, grinding machine, and thermal oil boiler	20-30 years
Non-woven fabric machine and its auxiliary facilities	8-19 years
Other	3-9 years
Other facilities	
Pond and gardening	30-34 years
Pipelines	20-28 years
Other	1-15 years

The Company evaluated in 2023 that due to the impact of changes in market demand for specific products, the Kaohsiung plant expected that the future economic benefits of the equipment used to produce specific products would decline, resulting in its recoverable amount being less than the book value. Therefore, an impairment loss of NT$67,754 thousand was provided and included in other profits and losses in the statement of comprehensive income.

Please refer to Note 28 for property, plant and equipment pledged by the Company as collateral for loans.

(II) Operating lease

2023

	Buildings and structures	Machinery and equipment	Other facilities	Total
Cost				
Balance as at January 1, 2023	$ 223,217	$ 804,337	$ 178,896	$ 1,206,450
Addition	6,748	3,118	25,131	34,997
Disposal	-	-	(4,848)	(4,848)
Balance as at December 1, 2023	$ 229,965	$ 807,455	$ 199,179	$ 1,236,599
Accumulated depreciation				
Balance as at January 1, 2023	$ 177,541	$ 778,747	$ 156,984	$ 1,113,272
Disposal	-	-	(4,848)	(4,848)
Depreciation expense	5,079	13,274	6,406	24,759
Balance as at December 1, 2023	$ 182,620	$ 792,021	$ 158,542	$ 1,133,183
Net amount as at December 31, 2023	$ 47,345	$ 15,434	$ 40,637	$ 103,416

2022

	Buildings and structures	Machinery and equipment	Other facilities	Total
Cost				
Balance as at January 1, 2022	$ 201,849	$ 831,531	$ 178,096	$ 1,211,476
From self-use assets	3,476	6,725	800	11,001
Addition	18,182	-	-	18,182
Disposal	(290)	(33,919)	-	(34,209)
Balance as at December 31, 2022	$ 223,217	$ 804,337	$ 178,896	$ 1,206,450
Accumulated depreciation				
Balance as at January 1, 2022	$ 171,638	$ 790,206	$ 150,228	$ 1,112,072
Disposal	(290)	(33,919)	-	(34,209)
From self-use assets	1,213	6,725	657	8,595
Depreciation expense	4,980	15,735	6,099	26,814
Balance as at December 31, 2022	$ 177,541	$ 778,747	$ 156,984	$ 1,113,272
Net amount as at December 31, 2022	$ 45,676	$ 25,590	$ 21,912	$ 93,178

The Company leased buildings, machinery and equipment, other equipment, and right-of-use assets - transportation equipment to related parties under operating leases (Note 27) with a lease term to December 2024. The tenant does not have preemptive rights over the asset when the lease term expires. The sum of lease payments for operating leases in the coming year is NT$22,680 thousand.

Depreciation expenses is calculated on a straight-line basis over the useful years below:

Buildings and structures	
Plant	7-35 years
Machinery and equipment	6-21 years
Other facilities	1-28 years

Please refer to Note 28 for property, plant and equipment pledged by the Company as collateral for loans.

The increase in property, plant and equipment and adjustments to payment amounts on the cash flow statement are as follows:

	2023	2022
Investing activities that affect both cash and non-cash items		
Increase in property, plant and equipment	$ 157,818	$ 119,838
Increase (Decrease) in advance payments for equipment	(10,873)	4,620
Decrease (Increase) in payables on equipment	(5,228)	409
Capitalization of interest	(1,655)	(659)
Payments in cash for the acquisition of property, plant and equipment	$ 140,062	$ 124,028

XIV. Lease agreement

(I) Right-of-use assets

2023

	Buildings and structures	Transportation equipment	Total
Cost			
Balance as at January 1, 2023	$ 6,497	$ 8,124	$ 14,621
Addition	-	6,218	6,218
Disposal	-	(2,465)	(2,465)
Balance as at December 1, 2023	$ 6,497	$ 11,877	$ 18,374
Accumulated depreciation			
Balance as at January 1, 2023	$ 4,151	$ 3,820	$ 7,971
Disposal	-	(2,465)	(2,465)
Depreciation expense	1,083	3,543	4,626
Balance as at December 1, 2023	$ 5,234	$ 4,898	$ 10,132
Net amount as at December 31, 2023	$ 1,263	$ 6,979	$ 8,242

2022

	Buildings and structures	Transportation equipment	Total
Cost			
Balance as at January 1, 2022	$ 6,497	$ 11,541	$ 18,038
Addition	-	2,365	2,365
Disposal	-	(5,782)	(5,782)
Balance as at December 31, 2022	$ 6,497	$ 8,124	$ 14,621
Accumulated depreciation			
Balance as at January 1, 2022	$ 3,068	$ 5,553	$ 8,621
Disposal	-	(5,782)	(5,782)
Depreciation expense	1,083	4,049	5,132
Balance as at December 31, 2022	$ 4,151	$ 3,820	$ 7,971
Net amount as at December 31, 2022	$ 2,346	$ 4,304	$ 6,650

(II) Lease liabilities

	December 31, 2023	December 31, 2022
Book value of lease liabilities		
Current	$ 4,588	$ 3,838
Noncurrent	$ 3,645	$ 2,829

The discount rate of lease liabilities is 1.2-2%.

(III) Sub-lease: See Note 13 for details.

(IV) Other lease information

	2023	2022
Short term lease expenses	$ 1,364	$ 1,221
Lease expenses of low value assets	$ 547	$ 550
Total cash outflow from leases	$ 6,657	$ 7,019

The Company chooses not to recognize right-of-use assets and lease liabilities from short-term leases and low value asset leases that the Company is exempted from recognizing.

XV. Investment properties

2023

	Completed investment properties
Cost	
Balance as at January 1 and December 31, 2023	$ 140,473
Accumulated depreciation	
Balance as at January 1, 2023	$ 30,417
Depreciation expense	867
Balance as at December 1, 2023	$ 31,284
Net amount as at December 31, 2023	$ 109,189

2022

	Completed investment properties
Cost	
Balance as at January 1 and December 31, 2022	$ 140,473
Accumulated depreciation	
Balance as at January 1, 2022	$ 29,550
Depreciation expense	867
Balance as at December 31, 2022	$ 30,417
Net amount as at December 31, 2022	$ 110,056

The lease term of investment property is 10 years. The tenant does not have right of first refusal over the investment property when the lease term expires.

The Company's investment properties consists of land, buildings, and structures in Songshan District, Taipei City. They are the Company's own equity, and depreciation of buildings and structures is recognized on a straight-line basis over a useful life of 60 years. Please refer to Note 28 for investment property provided as collateral for loans.

The sum of future lease payments for operating leases of investment property is as follows:

	December 31, 2023	December 31, 2022
1st year	$ 9,493	$ 9,351
2nd year	9,634	9,493
3rd year	9,634	9,634
4th year	9,778	9,634
5th year	9,922	9,778
Over 5 years	4,961	14,883
	$ 53,422	$ 62,773

The Company implements a general risk management policy to reduce the residual asset risk of buildings when the lease term expires.

The fair value of the Company's investment properties was approximately NT$370 million and NT$390 million for the years ended December 31, 2023 and 2022, in which the fair value was estimated by the Company's management after referring to transactions in the nearby housing market.

XVI. Borrowings

(I) Short-term borrowing

	December 31, 2023	December 31, 2022
Secured loans (Note 28)		
Bank borrowings	$ 780,000	$ 830,000
Unsecured loans		
Line of credit borrowings	680,000	700,000
	$ 1,460,000	$ 1,530,000
Annual interest rate (%)	1.47~1.82	1.07~1.8

(II) Short-term notes and bills payable - Only December 31, 2023

Details of commercial paper payable that have not yet matured are as follows:

Guarantor/Acceptance agency	Face value	Discounted amount	Book value	Interest Rate (%)
China Bills	$ 50,000	$ 33	$ 49,967	1.4

(III) Long-term borrowings

	December 31, 2023	December 31, 2022
Secured loans		
Bank borrowings – Reaches maturity before May 2027	$ 1,090,000	$ 1,455,000
Unsecured loans		
Bank borrowings – Reaches maturity before September 2028	$ 1,250,000	$ 1,360,000
	2,340,000	2,815,000
Less: Current portion	727,500	915,000
	$ 1,612,500	$ 1,900,000
Annual interest rate (%)	1.78~2.325	1.37~2.18

XVII. Accounts payable

The Company's accounts payable are all derived from its business and transaction terms are separately negotiated. The Company established a financial risk management policy to ensure all payables are repaid within the credit period agreed to in advance.

XVIII. Other payables (including related parties)

	December 31, 2023	December 31, 2022
Wages and salaries payable	$ 195,947	$ 151,311
Processing expenses payable	90,177	87,382
Employee bonuses and director remuneration payable	57,493	35,100
Commissions payable	52,685	48,059
Payables on equipment	20,321	15,093
Other	82,581	78,804
	$ 499,204	$ 415,749

XIX. Post-employment benefits plan

(I) Defined contribution plan

The Company uses the defined contribution plan managed by the government according to the Labor Pension Act, and contributes 6% of employees' monthly salaries to their individual pension account at the Bureau of Labor Insurance.

(II) Defined benefit plan

The pension system implemented by the Company according to the Labor Standards Act of the R.O.C. is the defined benefit plan managed by the government. Payment of employee pensions is calculated based on the employee's years of service and 6-month average wage before the approved date of retirement. The Company makes monthly contributions equal to 4% of employees' monthly salaries and wages to the pension fund, which is then deposited into to a dedicated account at the Bank of Taiwan under the name of the Supervisory Committee of Workers' Retirement Reserve Fund. Before the end of each year, if the balance in the dedicated account is insufficient to pay the retirement benefits of employees who are eligible for retirement in the following year, the deficit will be funded in one appropriation before the end of March in the following year. The dedicated account is managed by the Bureau of Labor Funds, Ministry of Labor. The Company does not have any right to influence its investment management strategy.

The defined benefit plan amounts listed in the standalone balance sheet is as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit liabilities	$ 95,778	$ 95,984
Fair value of assets of the plans	(27,826)	(21,596)
Net defined benefit liability	$ 67,952	$ 74,388

Changes in net defined benefit liabilities are as follows:

	Present value of defined benefit liabilities	Fair value of assets of the plans	Net defined benefit liability
Balance as at January 1, 2023	$ 95,984	($ 21,596)	$ 74,388
Service cost			
Service cost of the term	1,138	-	1,138
Interest expense (income)	1,440	(340)	1,100
Listed in income	2,578	(340)	2,238
Number of remeasurement			
Return on assets of the plans (except for amounts included in net interest)	-	(203)	(203)
Actuarial loss – Changes in financial assumption	2,886	-	2,886
Actuarial gains – experience adjustments	(2,631)	-	(2,631)
Recognized in other comprehensive income	255	(203)	52
Employer contributions	-	(8,726)	(8,726)
Benefits payment	(3,039)	3,039	-
Balance as at December 1, 2023	$ 95,778	($ 27,826)	$ 67,952
Balance as at January 1, 2022	$112,399	($ 15,803)	$ 96,596
Service cost			
Service cost of the term	1,369	-	1,369
Interest expense (income)	843	(126)	717
Listed in income	2,212	(126)	2,086

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	Present value of defined benefit liabilities	Fair value of assets of the plans	Net defined benefit liability
Number of remeasurement			
Return on assets of the plans (except for amounts included in net interest)	$ -	($ 1,450)	($ 1,451)
Actuarial gains - Changes in financial assumption	(3,317)	-	(3,317)
Actuarial gains – experience adjustments	(1,448)	-	(1,448)
Recognized in other comprehensive income	(4,765)	(1,450)	(6,215)
Employer contributions	-	(18,079)	(18,079)
Benefits payment	(13,862)	13,862	-
Balance as at December 31, 2022	$ 95,984	($ 21,596)	$ 74,388

Summary of defined benefit plans recognized in income and loss by function:

	2023	2022
Operating costs	$ 1,072	$ 1,217
Selling expenses	201	172
Administrative expenses	606	433
Research and development expenses	359	264
	$ 2,238	$ 2,086

The Company is exposed to the following risks due to the pension system of the Labor Standards Act:

1. Investment risks

The Bureau of Labor Funds (BLF), Ministry of Labor (MOL) invests the labor pension fund in domestic (overseas) equity securities, bonds, and bank deposits at its own discretion and through mandated investments. However, the distributable amount of assets may not be lower than gains calculated using the interest rate for 2-year time deposits at local banks.

2. Interest rate risk

A decrease in bond interest rate will cause the present value of defined benefit liabilities to increase. However, the return on assets of defined benefit plans will also increase, and the effect of the two on defined benefit liabilities will offset each other.

3. Salary risk

Calculation of the present value of defined benefit liabilities takes into consideration the future salaries of members of defined benefit plans. Hence, an increase in salaries of members of defined benefit plans will increase the present value of defined benefit liabilities.

The present value of defined benefit liabilities of the Company is calculated by a qualified actuary, and major assumptions on the measurement date are as follows:

	December 31, 2023	December 31, 2022
Discount rate (%)	1.25	1.50
Estimated salary growth ratio (%)	2.50	2.50

If a reasonable change to a significant actuarial assumption occurs while all other assumptions remain the same, the amount of increase (decrease) in the present value of defined benefit liabilities is as follows:

	December 31, 2023	December 31, 2022
Discount rate		
Increased 0.25%	($ 2,886)	($ 3,010)
Decreased 0.25%	$ 3,006	$ 3,139
Estimated salary growth ratio		
Increased 0.25%	$ 2,914	$ 3,050
Decreased 0.25%	($ 2,813)	($ 2,940)

Since actuarial assumptions may be related, it is unlikely that only one assumption will change at a time, so the sensitivity analysis above might not reflect on actual changes in present value of defined benefit liabilities.

	December 31, 2023	December 31, 2022
Amount expected to be allocated within 1 year	$ 2,238	$ 2,086
Average time to maturity of defined benefit liabilities	12.4 years	12.9 years

XX. Equity

(I) Capital stock – common

	December 31, 2023	December 31, 2022
Authorized shares (thousand shares)	460,000	460,000
Authorized share capital	$ 4,600,000	$ 4,600,000
Current outstanding shares (thousand shares)	397,818	397,818
Issued capital	$ 3,978,181	$ 3,978,181

The Company's common shares have a face value of NT$10. Each share is entitled to one voting right and the right to receive dividends.

(II) Capital surplus

	December 31, 2023	December 31, 2022
Contributed capital in excess of par	$ 135,000	$ 135,000
Gains on the disposal of fixed assets	2,497	2,497
Donated assets received	369	369
Other – Dividends not claimed by shareholders before the deadline	7,464	7,464
	$ 145,330	$ 145,330

Pursuant to the Company Act, capital surplus is from contributed capital in excess of par and donated assets received. Besides using capital surplus to offset losses, companies may also use capital surplus for distribution of cash dividends or capitalization. However, capitalization of capital surplus is limited to once a year. Capital surplus from gains on the disposal of fixed assets and unclaimed dividends may only be used to offset losses.

(III) Retained earnings and divided policy

Pursuant to the earnings distribution policy set forth in the Company's Articles of Incorporation, if there is a profit after year-end closing, the Company shall first set aside ten percent of such profits as a legal reserve after losses have been covered and all taxes and dues have been paid, and then allowance or reversal of a special reserve should be made in accordance with the law or the Company's operational needs; If there is still a surplus, it shall be distributed together with accumulated undistributed earnings after the Board of Directors makes a proposal for distribution of earnings to distribute in new shares; the proposal shall be submitted to the shareholders' meeting for approval before distribution. Meanwhile, the Board of Directors is authorized to distribute all or part of dividends and bonuses in cash by a majority vote in a Board meeting with at least two thirds of directors in attendance, and the decision shall be reported during a shareholders' meeting. Please refer to Note 22(7) for the employee bonus and directors' remuneration policy set forth in the Articles of Incorporation.

The Company's dividend policy takes into consideration the Company's current and future investment environment, funding requirements, and financial plans, as well as the interests of shareholders and balanced dividends. At least 10% of distributable earnings is allocated for distribution. However, if the dividend per share is lower than NT$0.5 when all distributable earnings is distributed, then the distributable earnings are retained and not distributed. Cash dividends may not be less than 10% of all dividends. However, cash dividends are not distributed when dividends per share is lower than NT$0.3 (inclusive), and stock dividends are distributed instead.

Pursuant to the Company Act, the amount of legal reserve must, at a minimum, equal the Company's total capital. The legal reserve may be used to offset losses. When the Company does not have any losses, the amount of legal reserve that surpasses 25% of paid-up capital may be capitalized and may also be distributed in cash.

The Company's cash dividends were approved by the board of directors in meetings on March 2023 and March 2022 respectively, and the remaining earning distribution items were also approved by the annual shareholders' meeting on June 13, 2023 and June 21, 2022 respectively. The 2022 and 2021 earnings distribution proposal is as below:

	Dividend distribution proposal		Dividends per share (NTD)	
	2022	2021	2022	2021
Legal reserve	$ 47,812	$ 11,159		
Provision (reversal) of special reserve	(143,781)	134,743		
Cash dividends	318,255	198,909	$ 0.8	$ 0.5

The Company passed the 2023 earnings distribution below in the Board meeting on March 6, 2024:

	Dividend distribution proposal	Dividends per share (NTD)
Legal reserve	$ 76,013	
Cash dividends	596,727	$ 1.5

The distribution of the above-mentioned cash dividends has been approved by the resolution of the board of directors, and the rest are yet to be resolved at the general meeting of shareholders, which is expected to be held in June 2024.

(IV) Special reserve

When the Company adopted the IFRSs for the first time, it allocated NT$505,112 thousand from unrealized upward revaluation and cumulative translation adjustments of retained earnings to special reserve due to the transition to IFRSs. The reason for allocation was eliminated due to the subsequent sale of property, plant and equipment and reversed NT$322 thousand of special reserve in 2013.

(V) Other equity interests

1. Exchange differences arising from the translation of the financial statements of foreign operations

	2023	2022
Opening balance	($ 128,788)	($ 676,886)
Currency translation difference resulting from the translation of assets of foreign operations	(25,684)	548,098
Closing balance	($ 154,472)	($ 127,788)

2. Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income

	2023	2022
Opening balance	$ 29,348	$ 28,315
Generated in the current year		
Equity instruments – unrealized gains	32,019	202
Share of subsidiaries accounted for using equity method	12,493	831
Closing balance	$ 73,860	$ 29,348

XXI. Revenues

	2023	2022
Revenue from contracts with customers		
Revenue from merchandise sales	$ 7,586,555	$ 8,941,654

(I) Contract balance

	December 31, 2023	December 31, 2022	January 1, 2022
Net notes and accounts receivable (Note 9)	$ 908,866	$ 1,033,256	$ 1,024,326
Contract liabilities			
Merchandise sales	$ 12,237	$ 2,558	$ 2,215

Changes to contract liabilities are mainly from the difference between the time contractual obligations are fulfilled and the customer makes payment. There are no other material changes.

The contract liabilities at the beginning of the year recognized as income of the current year are as follows:

	2023	2022
Contract liabilities at the beginning of the year		
Merchandise sales	$ 2,521	$ 2,205

(II) Detailed revenues from contracts with customers

	2023	2022
Revenue from main products and services		
Wet-processed synthetic leather	$ 3,162,656	$ 3,212,754
Dry-processed synthetic leather	1,477,381	1,980,231
Leather work in progress	1,020,233	1,369,966
Other	1,926,285	2,378,703
	$ 7,586,555	$ 8,941,654

XXII. Pre-tax profit

Net income from continuing operations includes the following item:

(I) Interest income

	2023	2022
Cash in banks	$ 56,090	$ 8,248
Other (Note 27)	2,682	2,109
	$ 58,772	$ 10,357

(II) Other income

	2023	2022
Rental income (Note 27)	$ 34,361	$ 36,472
Dividend income	1,639	2,300
Government grants revenue	317	338
Revenues from claims (Note)	-	35,883
Other	11,339	8,572
	$ 47,656	$ 83,565

Note: In August 2021, a fire accident occurred in the second plant of the Company's Kaohsiung plant, resulting in damage to part of the inventories, buildings, and equipment. The fire loss was approximately NT$70,217 thousand, which was included in profit or loss of 2021. The

Company received an insurance payout of NT$35,883 thousand in March 2022, which was recognized as non-operating income.

(III) Other profits and losses

	2023	2022
Net foreign exchange gains	$ 1,412	$ 277,534
Net gains (losses) on disposal of property, plant and equipment	616	(84,840)
Net gains (losses) from financial instruments at fair value through profit or loss	6,265	(8,345)
Impairment loss on property, plant and equipment (Note 13)	(67,754)	-
Other	(3,317)	(944)
	($ 62,778)	$ 183,405

(IV) Financial costs

	2023	2022
Interest on bank borrowings	$ 73,809	$ 56,260
Interest on lease liabilities	94	91
Less: Costs of qualifying assets listed	(1,655)	(659)
	$ 72,248	$ 55,692

Information on capitalization of interest is as follows:

	2023	2022
Amount of interest capitalized	$ 1,655	$ 659
Interest capitalization rate (%)	1.65~1.93	1.02~1.56

(V) Depreciation and amortization

	2023	2022
Property, plant and equipment	$ 314,111	$ 361,428
Right-of-use assets	4,626	5,132
Investment properties	867	867
Computer software	9,150	9,817
	$ 328,754	$ 377,244
Summary of depreciation expenses by function		
Operating costs	$ 289,128	$ 333,208
Operating expenses	30,476	34,219
	$ 319,604	$ 367,427

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	2023	2022
Summary of amortization expenses by function		
Operating costs	$ 331	$ 331
Operating expenses	8,819	9,486
	$ 9,150	$ 9,817

(VI) Employee benefit expenses

	2023	2022
Short-term employee benefits	$ 744,196	$ 710,217
Post-employment benefit		
Defined contribution plan	21,358	22,549
Defined benefit plan (Note 19)	2,238	2,086
	$ 767,792	$ 734,852
Summary by function		
Operating costs	$ 338,771	$ 399,795
Operating expenses	429,021	335,057
	$ 767,792	$ 734,852

(VII) Employee bonuses and directors' remuneration

Of the Company's pre-tax profit before distribution of employee bonuses and directors' remuneration, the Company allocates 3-5% as employee bonuses and no more than 3% as directors' remuneration.

2023 and 2022 employee bonuses were estimated at 3.8% and 3.7% of pre-tax profit mentioned above. The potential amount of director remuneration is estimated based on past experience. Employee bonuses and directors' remuneration in 2023 and 2022 will be distributed in cash according to resolutions adopted by the Board of Directors on March 6, 2024 and March 9, 2023:

	2023	2022
Employee bonuses	$ 36,412	$ 22,600
Directors' remuneration	21,081	12,500

Any changes to amounts after the standalone financial statements are passed and announced will be handled as changes to accounting estimates, and will be adjusted and recognized in the following year.

There were no deviations in the actual amount of employee bonuses and directors' remuneration distributed from the amounts recognized in the standalone financial statements in 2022 and 2021.

For information on Board resolutions relating to employee bonuses and directors' remuneration, please go to the Market Observation Post System of the Taiwan Stock Exchange.

(VIII) Foreign exchange gains (losses)

	2023	2022
Total foreign exchange gains	$ 311,812	$ 650,804
Total foreign exchange losses	(310,400)	(373,270)
Net gain	$ 1,412	$ 277,534

XXIII. Income tax from continuing operations

(I) Main income tax expenses recognized in profit or loss

	2023	2022
Current income tax		
Generated in the current period	$ 62,925	$ 107,489
Additional surtax on undistributed earnings	12,792	-
Adjustments in the previous year	13,420	(13,325)
	89,137	94,164
Deferred income tax		
Generated in the current period	51,297	10,950
Income tax expense recognized in profit or loss	$ 140,434	$ 105,114

Adjustments to accounting income and income tax expense are as follows:

	2023	2022
Pre-tax profit from continuing operations	$ 900,708	$ 575,228
Income tax expense on pre-tax profit calculated at the statutory tax rate (20%)	$ 180,142	$ 115,046
Tax effect of adjustments		
Non-deductible tax expenses	52	348
Non-taxable income	(349)	(528)
Unrecognized taxable temporary difference	(73,470)	-
Earnings from investments in domestic subsidiaries not recognized as income	10,792	2,567
Other	(2,945)	1,006
Additional surtax on undistributed earnings	12,792	-
Adjustments in the previous year	13,420	(13,325)
Income tax expense recognized in profit or loss	$ 140,434	$ 105,114

(II) Income tax recognized in other comprehensive income

	2023	2022
Income (expenses) on deferred income tax		
Generated in the current year		
Remeasurements of the net defined benefit	$ 10	($ 1,243)

(III) Current income tax liabilities

	December 31, 2023	December 31, 2022
Current income tax liabilities		
Income tax payable	$ 70,982	$ 106,765

(IV) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2023

	Opening balance	Listed in income	Recognized in other comprehensive income	Closing balance
Deferred income tax assets				
Temporary difference				
Defined benefit plan	$ 14,878	($ 1,297)	$ 10	$ 13,591
Inventory loss	17,873	(8,605)	-	9,268
Loss on disposal of property, plant and equipment	16,392	-	-	16,392
Impairment loss on property, plant and equipment	-	12,705	-	12,705
Unrealized gains from subsidiaries	28,139	(12,763)	-	15,376
Unrealized foreign exchange losses	-	11,555	-	11,555
Other	3,890	10,076	-	13,966
	$ 81,172	$ 11,671	$ 10	$ 92,853

	Opening balance	Listed in income	Recognized in other comprehensive income	Closing balance
Deferred income tax liabilities				
Temporary difference				
Overseas investment gains recognized under the equity method	$ 609,644	$ 63,000	$ -	$ 672,644
Provision for land value increment tax	414,430	-	-	414,430
Other	32	(32)	-	-
	$ 1,024,106	$ 62,968	$ -	$ 1,087,074

2022

	Opening balance	Listed in income	Recognized in other comprehensive income	Closing balance
Deferred income tax assets				
Temporary difference				
Defined benefit plan	$ 19,319	($ 3,198)	($ 1,243)	$ 14,878
Inventory loss	38,829	(20,956)	-	17,873
Unrealized gains from subsidiaries	18,306	9,833	-	28,139
Loss on disposal of property, plant and equipment	-	16,392	-	16,392
Other	17,906	(14,016)	-	3,890
	$ 94,360	($ 11,945)	($ 1,243)	$ 81,172

	Opening balance	Listed in income	Recognized in other comprehensive income	Closing balance
Deferred income tax liabilities				
Temporary difference				
Overseas investment gains recognized under the equity method	$ 610,671	($ 1,027)	$ -	$ 609,644
Provision for land value increment tax	414,430	-	-	414,430
Other	-	32	-	32
	$ 1,025,101	($ 995)	$ -	$ 1,024,106

(V) Items and amounts of deferred income tax assets not recognized in the balance sheet

	December 31, 2023	December 31, 2022
Deductible temporary differences		
International investment impairment losses	$ 31,369	$ 31,369

(VI) Temporary difference in unrecognized deferred income tax liabilities related to investments in subsidiaries

The taxable temporary difference of unrecognized deferred income tax liabilities related to investments in subsidiaries was NT$2,734,094 thousand and NT$2,366,744 thousand as at December 31, 2023 and 2022, respectively.

(VII) Approval of income tax

The Company's profit-seeking income tax returns up to 2021 have been approved by the tax authority.

XXIV. EPS

EPS and weighted average ordinary shares are calculated below:

(I) Net profit for the year

	2023	2022
Net income	$ 760,274	$ 470,114

(II) Shares (thousand shares)

	2023	2022
Number of shares used to calculate basic EPS	397,818	397,818
Plus: Employee bonuses	1,605	1,155
Number of shares used to calculate diluted EPS	399,423	398,973

If the Company choses to distribute employee bonuses in shares or cash, then it is assumed that all distribution will be in shares, which will dilute ordinary shares, and the diluted EPS is calculated based on the weighted-average number of ordinary shares outstanding. When calculating the diluted EPS before deciding to distribute employee bonuses in the following year, the potential dilution of ordinary shares will continue to be taken into consideration.

XXV. Capital risk management

The Company engages in capital management to ensure that it can maximize return for shareholders by optimizing the balance of liabilities and equity, under the premise that it is able to continue as a going concern.

The Company's capital structure consists of net liabilities (i.e., loans less cash and cash equivalents) and equity attributable to owners of the Company (i.e., share capital, capital surplus, retained earnings, and other equity interests).

The Company's management periodically examines the group's capital structure, and takes into consideration the cost of various capital and related risks. The Company will balance its overall capital structure via dividend distribution, issuance of new shares, borrowing new debt, and repaying old debt according to recommendations of management.

The Company is not required to comply with other external capital related regulations.

XXVI. Financial instruments

(I) Information on fair value – Financial instruments not measured at fair value

Management of the Company believes that the book value of financial assets and financial liabilities not measured at fair value is near the fair value.

(II) Information on fair value – Financial instruments measured at fair value on a recurring basis

1. Fair value level

	Level 1	Level 2	Level 3	Total
December 31, 2023				
Financial assets at fair value through profit or loss				
Fund beneficiary certification	$ 100,589	$ -	$ -	$ 100,589
Financial assets at fair value through other comprehensive income				
Listed stock in Taiwan	$ 84,461	$ -	$ -	$ 84,461
Unlisted stock in Taiwan	-	-	4,773	4,773
	$ 84,461	$ -	$ 4,773	$ 89,234
December 31, 2022				
Financial assets at fair value through profit or loss				
Fund beneficiary certification	$ 94,324	$ -	$ -	$ 94,324

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	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Listed stock in Taiwan	$ 52,662	$ -	$ -	$ 52,662
Unlisted stock in Taiwan	-	-	4,553	4,553
	$ 52,662	$ -	$ 4,553	$ 57,215

There was no transfer of level 1 and level 2 fair value measurements in 2023 and 2022.

2. Financial assets are adjusted at level 3 fair value measurement.

Financial assets at fair value through other comprehensive income	2023	2022
Opening balance	$ 4,553	$ 4,657
Recognized in other comprehensive income	220	(104)
Closing balance	$ 4,773	$ 4,553

3. Valuation technique and input values for level 3 fair value

When the Company is measuring the fair value of stocks without a quoted price, the fair value is determined by management after referencing the company's net worth.

(III) Financial instruments by category

Financial assets	December 31, 2023	December 31, 2022
Financial assets at amortized cost (Note 1)	$ 3,180,331	$ 3,438,374
Financial assets for which the fair value is required to be measured through profit or loss	100,589	94,324
Financial assets at fair value through other comprehensive income		
Equity instrument investments	89,234	57,215
Financial liabilities		
Measured at amortized cost (Note 2)	4,721,685	5,252,008

Note 1: The balance includes cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (excluding tax refunds receivable), other accounts receivable from related parties, other financial assets, refundable deposits, and other financial assets at amortized cost.

Note 2: The balance includes short-term borrowings, short-term notes and bills payable, accounts payable (including related parties), other accounts payable (including related parties), long-term borrowings (including those that mature within one year), deposit received, and other financial liabilities at amortized cost.

(IV) The purpose and policy of financial risk management

The Company's main financial instruments include cash and cash equivalents, notes and accounts receivable, other receivables, accounts payable, short-term notes and bills payable, other payables, long-term and short-term borrowings, and lease liabilities. The Company's financial management department provides services to sales units, coordinates operations in domestic and international financial markets, and analyzes exposure based on the level and extent of risks, in order to supervise and manage financial risks related to the Company's operations. Risks include market risk (including foreign exchange risk, interest rate risk, and other price risk), credit risk, and liquidity risk.

1. Market Risk

The main financial risk of the Company due to business activities is the risk of changes in exchange rates (please refer to (1) below) and changes in interest rates (please refer to (2) below).

(1) Foreign exchange risk

The Company engages in sales and purchase of goods denominated in foreign currencies, which expose the Company to the risk of exchange rate changes. The Company manages its exposure to foreign exchange risk using FX options and swaps within the scope permitted by policy.

Please see Note 30 for the book value of the Company's monetary assets and liabilities not denominated in the functional currency on the balance sheet date.

Sensitivity analysis

The sensitivity analysis mainly calculates foreign currency-denominated monetary items during the financial reporting period. The Company is mainly affected by exchange rate fluctuations of USD.

The sensitivity ratio used in reports on foreign exchange risk for management of the Company is 1%, which also represents management's evaluation of the reasonable scope of fluctuations in exchange rates. The sensitivity analysis only includes outstanding foreign currency-denominated monetary items, and the conversion at the end of the year is adjusted using 1% change in exchange rates.

When NTD (functional currency) depreciates (appreciates)1% against USD, the Company's 2023 and 2022 pre-tax profit will increase (decrease) by NT$25,795 thousand and NT$28,169 thousand.

(2) Interest rate risk

The Company is exposed to interest rate risk when it finances using both fixed and floating interest rates at the same time. The Company manages its interest rate risk by maintaining an appropriate portfolio of fixed and floating interest rates.

The book value of the Company's financial assets and liabilities that are exposed to interest rate risk on the balance sheet date is as follows:

	December 31, 2023	December 31, 2022
Has interest rate risk for cash flow		
Financial assets	$ 990,888	$1,442,855
Financial liabilities	2,540,000	3,015,000

The Company has also determined that the fair value risk of its fixed interest rate time deposits, bonds issued under repurchase agreement, short-term borrowings, short-term notes and bills payable, and lease liabilities is not material.

Sensitivity analysis

The following sensitivity analysis is determined based on the interest rate exposure of non-derivatives on the balance sheet date. The method for analyzing floating interest rate assets and liabilities assumes that the amount of assets and liabilities outstanding on the balance sheet date were outstanding throughout the reporting period.

The sensitivity ratio used in reports on interest rate risk for management of the Company is an increase or decrease of 1%, which also represents management's evaluation of the reasonable scope of fluctuations in interest rates.

If annual interest rate increases/decreases 1% while all other variables remain the same, the Company's pre-tax profit will decrease/increase NT$15,491 thousand and NT$15,721 thousand in 2023 and 2022, respectively, and is mainly due to the Company's floating interest rate bank deposits and loans.

(3) Other price risks

The Company is exposed to the risk of equity prices due to its investments in equity securities. The equity investments are strategic investments and not held for trading. The Company does not actively engage in such investments.

Sensitivity analysis

The following sensitivity analysis is conducted using the equity price on the balance sheet date.

If the price of equity increases/decreases by 1%, the net profit before tax in 2023 and 2022 will increase/decrease NT1,006 thousand and NT$943 thousand, respectively, due to the increase/decrease in fair value of financial assets at fair value through profit and loss.

If the price of equity increases/decreases by 1%, other comprehensive income in 2023 and 2022 will increase/decrease NT$892 thousand and NT$572 thousand, respectively, due to the increase/decrease in fair value of financial assets at fair value through other comprehensive income.

2. Credit risk

Credit risk refers to the risk of financial loss to the Company arising from default by counterparties. As of the balance sheet date, the Company's greatest credit risk exposure to financial losses caused by transaction counterparties failing to fulfill their obligations is mainly from:

(1) Book value of financial assets recognized on the standalone balance sheet.

(2) Amount of contingent liabilities from guarantees provided by the Company.

The Company's policy is to only engage in transactions with counterparties that have a good reputation, and also uses other financial information available to the public along with transaction records to evaluate major customers. The Company continues to monitor its exposure to credit risk and evaluates the credit of transaction counterparties, using annual credit limits with transaction counterparties to control credit risk exposure.

The Company's credit risk is mainly concentrated in accounts receivables of the following companies:

	December 31, 2023	December 31, 2022
Group A	$ 87,850	$ 77,541
Group B	79,359	65,928
Group C	70,503	82,152
Group D	45,125	102,264
	$ 282,837	$ 327,885

The abovementioned groups accounted for 32% of accounts receivable for the years ended December 31, 2023 and 2022.

3. Liquidity risk

The Company manages and maintains an adequate position of cash to support the group's operations and mitigate the effect of cash flow fluctuations. Management of the Company supervises the usage of bank credit limit and ensures compliance with terms of loan agreements. Bank borrowings are an important source of the Company's liquidity. Unused long-term and short-term credit limits of the Company was

NT$2,485,000 thousand and NT$2,275,000 thousand for the years ended December 31, 2023 and 2022, respectively.

Non-derivative financial liabilities and interest rate risk

Maturity analysis of remaining non-derivative financial liabilities is prepared based on the non-discounted cash flow (including principal and estimated interest) of financial liabilities up to the earliest date that the liabilities may need to be repaid by the Company. Hence, bank borrowings that the Company may be required to immediately repay are listed in the earliest period in the table below without considering the probability that the bank immediately exercises the right. Maturity analysis of other non-derivative financial liabilities is prepared according to the agreed repayment date.

For cash flow from interests paid using floating interest rates, the non-discounted amount of interest is estimated using the interest rate on the balance sheet date.

	Within 6 months	6 months to 1 year	1 year and above	Total
December 31, 2023				
Non-derivative financial liabilities				
No interest-bearing debt	$ 867,700	$ -	$ 4,018	$ 871,718
Lease liabilities	2,664	2,031	3,702	8,397
Floating-rate tools	593,480	376,270	1,651,906	2,621,656
Fixed-rate tools	1,312,355	-	-	1,312,355
Guarantee liabilities	$ 30,000	$ -	$ -	$ 30,000
	$2,806,199	$ 378,301	$1,659,626	$4,844,126
December 31, 2022				
Non-derivative financial liabilities				
No interest-bearing debt	$ 902,990	$ -	$ 4,018	$ 907,008
Lease liabilities	2,194	1,701	2,848	6,743
Floating-rate tools	457,220	703,460	1,949,561	3,110,241
Fixed-rate tools	1,330,021	-	-	1,330,021
Guarantee liabilities	10,000	-	-	10,000
	$2,702,425	$ 705,161	$1,956,427	$5,364,013

XXVII. Related Party Transactions

Transactions between the Company and related parties are as follows:

(I) Name and relationship of related parties

Name of related party	Relationship with the Company
Pou Chen Corporation	Parent company of investor with significant influence

Yue Yuen Industrial (Holdings) Ltd.	Investor with significant influence
Dongguan Baoliang Material Technology Co., Ltd.	Subsidiary
Grand International Investment Co., Ltd. (GII)	Subsidiary
San Fang Vietnam Corporation Limited (SFV)	Subsidiary
PT. San Fang Indonesia (PTS)	Subsidiary
Forich Advanced Materials Co., Ltd.	Subsidiary
Bestac Advanced Material Co., Ltd.	Subsidiary

(II) Business transaction

1. Operating revenue

General ledger account	Type/Name of related party	2023	2022
Sales revenue	Subsidiary		
	PTS	$ 1,404,057	$ 1,879,374
	Dongguan Baoliang	495,552	787,570
	Other	3,874	13,346
	Investor with significant influence		
	Yue Yuen Industrial (Holdings) Ltd.	765,465	906,309
	Parent company of investor with significant influence		
	Pou Chen Corporation	59,450	98,430
		$ 2,728,398	$ 3,685,029

The Company sells goods to the related parties mentioned above. Except for the fact that prices cannot be compared because subsidiaries do not sell the same types of goods to non-related parties, there are no significant differences when compared with non-related parties. The terms of payment for related parties is open account 30~120 days, and for regular customers it is open account 30~90 days.

2. Purchase of goods

Type/Name of related party	2023	2022
Subsidiary		
Dongguan Baoliang	$ 286,591	$ 44,770
Forich Advanced Materials Co., Ltd.	90,042	149,458
PTS	20,973	54,872
	$ 397,606	$ 249,100

The Company purchases goods from subsidiaries, but does not purchase the same types of goods from non-related parties, so prices cannot be compared. There are no significant differences in terms of payment compared with regular vendors.

3. Contracted processing

The Company commissions subsidiary SFV to process artificial leather, and processing expenses were NT$1,034,432 thousand and NT$1,079,419 thousand in 2023 and 2022, respectively, and are listed under operating costs. Prices cannot be compared because the Company does not engage in similar transactions with non-related parties, and the terms of payment is open account 30 days.

4. Purchase of raw materials

The amounts of raw materials purchased by the Company on for subsidiaries in 2023 and 2022 are as follows:

Type/Name of related party	2023	2022
Subsidiary		
PTS	$ 126,074	$ 131,934
Dongguan Baoliang	56,789	56,429
Bestac Advanced Material Co., Ltd.	29,158	100,471
Forich Advanced Materials Co., Ltd.	13,717	9,500
	$ 225,738	$ 298,334

The Company's profit from purchasing raw materials for subsidiaries was NT$14,769 thousand and NT$14,242 thousand in 2023 and 2022, and the profits are listed as a contra item for cost of goods sold.

The credit period for the transactions above is 30~120 days, and is open account 60~120 days for sale of goods to regular customers.

5. Technology research expenses

The Company signed a technology transfer agreement with the subsidiary Forich Advanced Materials Co., Ltd. for the subsidiary to provide technical consulting services for resin production and paid a fee of NT$7,200 thousand and NT$5,400 thousand in 2023 and 2022, which was recognized as operating expenses.

6. Receivables from related parties (excluding loans to related parties)

General ledger account	Type/Name of related party	December 31, 2023	December 31, 2022
Accounts receivable - Related party	Subsidiary		
	PTS	$ 113,296	$ 147,656
	Dongguan Baoliang	50,327	70,446
	Other	52	175
	Investor with significant influence		
	Yue Yuen Industrial (Holdings) Ltd.	87,850	77,541
	Parent company of investor with significant influence		
	Pou Chen Corporation	21,006	18,136
		$ 272,531	$ 313,954
Other receivables - Related party	Subsidiary		
	Bestac Advanced Material Co., Ltd.	$ 52,645	$ 58,537
	PTS	6,085	53,403
	Other	6,757	11,587
		$ 65,487	$ 123,527

Other receivables are mainly purchases of raw materials and payments on behalf of subsidiaries.

No collateral was collected for outstanding receivables from related parties.

7. Accounts payable to related parties

General ledger account	Type/Name of related party	December 31, 2023	December 31, 2022
Accounts payable - related parties	Subsidiary		
	Dongguan Baoliang	$ 17,353	$ 12,177
	Forich Advanced Materials Co., Ltd.	8,499	4,565
	PTS	3,131	11,164
	Other	720	232
		$ 29,703	$ 28,138
Other payables - Related party	Subsidiary		
	SFV	$ 90,177	$ 87,382
	Other	185	762
		$ 90,362	$ 88,144

No collateral was provided for outstanding payables to related parties.

(III) Loans from related parties (including principal and interest)

General ledger account	Type/Name of related party	December 31, 2023	December 31, 2022
Other receivables	Subsidiary - Bestac Advanced Material Co., Ltd.	$ 100,237	$ 100,000
Interest income	Subsidiary - Bestac Advanced Material Co., Ltd.	$ 912	$ 350

The Company's loans are all unsecured loans. The loan period in 2023 and 2022 is from November 2023 to November 2024 and August 2022 to August 2023 respectively and the interest is 1.80% and 1.12% respectively. No expected credit losses were found in the evaluations of such loans.

(IV) Lease agreements

The Company leased buildings, machinery and equipment, and other equipment, and leased right-of-use assets – transportation equipment to subsidiary Bestac Advanced Material Co., Ltd. Under an operating lease (Note 13) with a lease term to December 2024. Rental income of NT$24,759 thousand and NT$26,873 thousand were recognized in 2023 and 2022.

(V) Providing endorsements/guarantees to others

Type/Name of related party	December 31, 2023	December 31, 2022
Subsidiary		
Guarantee amount	$ 153,071	$ 50,000
Actual amount drawn down	$ 30,000	$ 10,000

(VI) Compensation for management

	2023	2022
Short-term employee benefits	$ 50,605	$ 36,091
Post-employment benefit	630	464
	$ 51,235	$ 36,555

Remuneration of directors and management is decided by the Remuneration Committee based on individual performance and market trends.

XXVIII. Pledged Assets

The Company provided the following assets as collateral for bank borrowings:

	December 31, 2023	December 31, 2022
Other financial assets – current	$ 10,044	$ -
Property, plant and equipment – net	1,357,017	1,360,286
Investment properties – net	109,189	110,056
	$ 1,476,250	$ 1,470,342

XXIX. Significant Contingent Liabilities and Unrecognized Contractual Commitments

In addition to those described in Note 27(5), the Company also has the following major commitments on the balance sheet date:

(I) Property, plant and equipment purchase contracts not listed by the Company are as follows:

	December 31, 2023	December 31, 2022
Acquisition of property, plant and equipment	$ 40,606	$ 92,170

XXX. Information on Foreign Currency Financial Assets and Liabilities with a Significant Impact

Information on non-functional currency-denominated financial assets and liabilities that have a significant impact on the Company is provided below:

Unit: Foreign currencies (in thousands): Exchange rate: NTD

	Foreign currencies	Exchange rate	Book value
December 31, 2023			
Monetary financial assets			
USD	$ 90,856	30.705	$ 2,789,722
Monetary financial liabilities			
USD	6,847	30.705	210,232
December 31, 2022			
Monetary financial assets			
USD	98,805	30.71	3,034,297
Monetary financial liabilities			
USD	7,080	30.71	217,415

The Company's foreign exchange net loss (including realized and unrealized) was a net gain of NT$1,412 thousand in 2023 and a net gain of NT$277,534 thousand in 2022. Due to the large number of foreign currencies used for transactions, foreign exchange gain/loss cannot be individually disclosed for foreign currencies with a material impact.

XXXI. Supplementary Disclosures

(I) Information on major transactions and investees

1. Lending to others: See Table 1 for details.
2. Providing endorsements or guarantees to others: See Table 2 for details.
3. Holding of marketable securities at the end of the period (excluding investments in subsidiaries): See Table 3 for details.
4. Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of paid-in capital: None.
5. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.
7. Purchase or sale of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: See Table 4 for details.

8. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: See Table 5 for details.
9. Derivatives trading: None.
10. Information on the investee: See Table 6 and Table 7 for details.

(II) Information on Investments in China

1. Name of investee in China, main business items, paid-in capital, investment style, outward/inward remittance, shareholding ratio, income on investment, book value of investments at end of period, income on investment remitted back to Taiwan, and limit on investments in China: See Table 7 for details.
2. Direct or indirect material transactions with investees in China through a third region, and the price, terms of payment, and unrealized gains:

(1) Amount and percentage of goods purchased and the ending balance and percentage of payables

	Purchase of goods		Accounts payable	
	Amount	As a percentage of the account (%)	Amount	As a percentage of the account (%)
Dongguan Baoliang	$ 286,591	6	$ 17,353	2

(2) Amount and percentage of goods sold and the ending balance and percentage of receivables

	Sales		Accounts receivable	
	Amount	As a percentage of the account (%)	Amount	As a percentage of the account (%)
Dongguan Baoliang	$ 495,552	7	$ 50,327	6

(3) Property transaction amount and the profit or loss amount: None.

(4) Ending balance and purpose of endorsements/guarantees or collateral: None.

(5) Highest balance, ending balance and interest rate range of financing and total interest in the current period: None.

(6) Other transactions, such as the providing or accepting services, that have a material impact on current profit or loss or financial position:

The income generated from purchasing raw materials for Dongguan Baoliang was NT$3,787 thousand in 2023, and other receivables from Donguan Baoliang was NT$3,436 thousand as of December 31, 2023.

(III) Information on major shareholders: Name of shareholder with 5% shareholding or above, number of shares held, and ratio: See Table 8 for details.

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Lending to others

From January 1 to December 31, 2023

Table1

Unit: All amounts are in thousand NTD, unless otherwise specified

No.	Lender	Borrower	General ledger account	Is it a related party	Highest balance in the current period	Closing balance	Actual amount drawn down	Interest rate range (%)	Nature of loan	Amount of transaction	Reason for short-term financing	Provision for doubtful debts	Collateral		Limit on loans granted to a single party	Limit on total lending	Remarks
													Name	Value			
0	San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	Other receivables	Yes	$ 100,000	$ 100,000	$ 100,000	1.8	Short-term financing	$ -	Working capital	$ -	-	$ -	$ 894,300	$ 3,577,200	Note 1 and Note 2
1	GII	SFV	Long-term accounts receivable	Yes	1,013,265	-	-	1	Short-term financing	-	Working capital	-	-	-	3,665,025	3,665,025	Note 1 and Note 2
1	GII	PTS	Long-term accounts receivable	Yes	859,740	859,740	307,050	1.15~1.8	Short-term financing	-	Working capital	-	-	-	3,665,025	3,665,025	Note 1 and Note 2

Note 1: Limit on lending to a single party: Lending due to business dealings may not exceed the total transaction amount in the most recent 1 year or in the current year up to the time the loan is approved. Lending to meet short-term financing needs may not exceed 10% of the company's net worth. If the Company directly or indirectly holds 100% of the overseas company's shares with voting rights, then the loan may not exceed the company's net worth.

Note 2: Limit on total lending: Total lending to a company may not exceed 40% of the company's net worth (lending due to business dealings may not exceed 30% of the company's net worth, short-term loans may not exceed 20% of the company's net worth). If the Company directly or indirectly holds 100% of the overseas company's shares with voting rights, then the loan may not exceed the company's net worth.

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Providing endorsements/guarantees to others

From January 1 to December 31, 2023

Table 2

Unit: All amounts are in thousand NTD, unless otherwise specified

No.	Name of company	Entity for which the endorsement/guarantee is made		Limit on endorsements/ guarantees to a single enterprise	Maximum outstanding balance of endorsements/ guarantees during the current period	Closing balance of endorsements/ guarantees	Actual amount drawn down	Endorsed/Guaranteed amount with property as collateral	Cumulative endorsed/guaranteed amount as a percentage of the net worth in the most recent financial statements (%)	Maximum endorsed/guaranteed amount	Endorsement/ Guarantee provided by parent company to subsidiary	Endorsement/ Guarantee provided by subsidiary to parent company	Endorsement/ Guarantee provided to China	Remarks
		Company name	Relationship											
0	San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	Subsidiary	$ 397,818	$ 153,071	$ 153,071	$ 30,000	$ -	1.71	$ 1,989,090	Y	N	N	Note 1 and Note 2

Note 1: The limit on guarantee to a single enterprise is paid-in capital × 10%.

Note 2: The limit on guarantees is paid-in capital × 50%.

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Detailed list of securities held at the end of period
December 31, 2023

Table 3

Unit: All amounts are in thousand NTD, unless otherwise specified

				End of period				
Securities held by	Type and name of security	Relationship with securities issuer	General ledger account	Number of shares or units	Book value	Shareholding ratio (%)	Market price (net value of equity)	Remarks
San Fang Chemical Industry Co., Ltd.	Stock							
	Yuanta Financial Holding Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	559,142	$ 15,432	-	$ 15,432	
	Yeashin International Development Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,952,737	69,029	0.38	69,029	
	Liyu Venture Capital	The Company is an institutional director of Liyu Venture Capital	Non-current financial assets at fair value through other comprehensive income	558,255	4,773	4.76	4,773	
					$ 89,234		$ 89,234	
	Funds							
	PineBridge Global ESG Quantitative Bond Fund N9 Acc	-	Current financial assets at fair value through profit or loss	103,755.99	$ 29,951		$ 29,951	
	Nomura Global Financial Bond (N) Acc	-	Current financial assets at fair value through profit or loss	101,664.05	28,861		28,861	
	PineBridge Multi-Income Fund (N) Acc	-	Current financial assets at fair value through profit or loss	67,369.59	23,526		23,526	
	Allianz Global Investors Income and Growth Fund (N) Monthly Distribution Class	-	Current financial assets at fair value through profit or loss	68,323.30	18,251		18,251	
					$ 100,589		$ 100,589	
San Fang Financial Holdings Co., Ltd.	Stock							
	Yentai Wanhua Microfibre Co., Ltd.	-	Noncurrent financial assets at fair value through profit or loss	4,000,000	$ -	8	$ -	
	Taihuangdao Fusheng Chemical and Leather-making Co., Ltd.	-	Noncurrent financial assets at fair value through profit or loss		-	7.29	-	
					$ -		$ -	
Forich Advanced Materials Co., Ltd.	Stock							
	Yeashin International Development Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	861,454	$ 30,453	0.17	$ 30,453	

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Purchase or sale of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

From January 1 to December 31, 2023

Table 4

Unit: All amounts are in thousand NTD, unless otherwise specified

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/Seller	Counterparty	Relationship	Purchases (sales)	Amount	Percentage of total purchases (sales) (%)	Credit period	Unit price	Credit period	Balance	Percentage of total notes/accounts receivable (payable)	Remarks
San Fang Chemical Industry Co., Ltd.	PTS	Subsidiary	Sales	($ 1,404,057)	(19)	Open account 30~75 days	There are no general transaction terms for price comparison	The general transaction term is open account 30~90 days	$ 113,296	13	-
	Dongguan Baoliang	Subsidiary	Sales	(495,552)	(7)	Open account 30-90 days	There are no general transaction terms for price comparison	General transaction terms	50,327	6	-
	Dongguan Baoliang	Subsidiary	Purchase of goods	286,591	6	Open account 30~75 days	There are no general transaction terms for price comparison	General transaction terms	(17,353)	(2)	Note
	Yue Yuen (Group)	Investor with significant influence	Sales	(765,465)	(10)	Open account 30-90 days	General transaction terms	General transaction terms	87,850	10	-
PTS	San Fang Chemical Industry Co., Ltd.	Parent company	Purchase of goods	1,530,131	87	Open account 30~75 days	There are no general transaction terms for price comparison	The general transaction term is open account 30~90 days	(119,381)	(63)	Note
	Yue Yuen (Group)	Investor with significant influence	Sales	(693,305)	(26)	Open account 30-70 days	General transaction terms	The general transaction term is open account 30-75 days	132,120	37	-
Dongguan Baoliang	San Fang Chemical Industry Co., Ltd.	Parent company	Sales	(265,634)	(15)	Open account 30~75 days	There are no general transaction terms for price comparison	The general transaction term is open account 30~90 days	16,589	8	-
	San Fang Chemical Industry Co., Ltd.	Parent company	Purchase of goods	552,341	54	Open account 30-90 days	There are no general transaction terms for price comparison	General transaction terms	(53,763)	(20)	Note
	Yue Yuen (Group)	Investor with significant influence	Sales	(269,002)	(15)	Open account 30-60 days	General transaction terms	The general transaction term is open account 30~90 days	54,103	27	-

Note: Includes the amount of raw materials purchased.

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

December 31, 2023

Table 5

Unit: All amounts are in thousand NTD, unless otherwise specified

Creditor	Counterparty	Relationship	Balance of receivables from related parties	Turnover rate	Overdue receivables from related parties		Amount of receivables from related parties collected subsequent to the balance sheet date	Provision for doubtful debts
					Amount	Action taken		
San Fang Chemical Industry Co., Ltd.	PTS	Subsidiary	$119,381 (Note 1)	14.33	$ -	-	$119,381	$ -
	Bestac Advanced Material Co., Ltd.	Subsidiary	152,934 (Note 2)	0.79	-	-	22,415	-
PTS	Yue Yuen (Group)	Investor with significant influence	132,120	7.71	-	-	95,553	-
GII	PTS	Subsidiary	307,344 (Note 3)	-	-	-	294	-

Note 1: Includes NT$113,296 thousand in accounts receivables and NT$6,085 thousand in other receivables.

Note 2: Includes NT$52 thousand in accounts receivables, NT$52,645 thousand in other receivables, and NT$100,237 thousand in other receivables from loans.

Note 3: Includes NT$294 thousand in other receivables, and NT$307,050 thousand in long-term receivables from loans.

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Information on the investee

From January 1 to December 31, 2023

Table 6

Unit: All amounts are in thousand NTD, unless otherwise specified

Name of investment company	Name of investee	Location	Main business items	Initial investment amount		Held at the end of period			Current profit (loss) of investee	Investment income (loss) recognized by the Company for the current period	Remarks
				End of the current year	End of last year	Number of shares	Percentage (%) up to the previous quarter	Book value			
San Fang Chemical Industry Co., Ltd.	San Fang Development	British Virgin Islands	Investment	$ 687,435	$ 687,435	20,000,000	100.00	$ 1,802,985	$ 279,608	$ 280,868	Note 1
San Fang Chemical Industry Co., Ltd.	GCL	GCL	Investment	656,053	656,053	19,750,000	100.00	5,480,361	475,194	474,421	Note 1
San Fang Chemical Industry Co., Ltd.	San Fang Financial Holdings Co., Ltd.	British Virgin Islands	Investment	20,150	20,150	604,113	100.00	10,266	23	23	-
San Fang Chemical Industry Co., Ltd.	Forich Advanced Materials Co., Ltd.	Taiwan	Manufacturing and sales of chemical products	76,985	76,985	7,698,545	100.00	113,363	4,594	4,594	-
San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	Taiwan	Manufacturing and sales of chemical products	200,000	200,000	20,000,000	100.00	38,257	(58,555)	(58,555)	-
San Fang Development	San Fang International	British Virgin Islands	Investment	773,766	773,892	25,200,010	100.00	973,792	125,901	125,901	Note 2
San Fang Development	BBH	Hong Kong	Investment	521,985	522,070	17,000,000	100.00	614,586	147,268	147,268	Note 3
San Fang International	MPL	British Virgin Islands	Investment	276,345	276,390	9,00,001	100.00	410,237	96,528	96,528	Note 4
San Fang International	GTL	British Virgin Islands	Investment	195,962	195,994	1	100.00	122,307	17,418	17,418	Note 5
GCL	GII	GCL	Investment	620,241	620,342	20,200,000	100.00	3,665,025	107,081	107,081	Note 6
GCL	JOB	GCL	Investment	1,120,656	1,120,838	36,497,500	100.00	1,860,764	368,062	368,062	Note 7
JOB	PTS	Indonesia	Manufacturing and sales of artificial leather, synthetic resin, and other materials	1,074,598	1,074,773	34,997,500	99.99	1,678,598	368,105	368,105	Note 8
GII	SFV	Vietnam	Material processing	1,105,380	276,390	-	100.00	1,532,987	55,438	55,438	Note 9
GII	PTS	Indonesia	Manufacturing and sales of artificial leather, synthetic resin, and other materials	77	77	2,500	0.01	74	368,105	-	Note 10

Note 1: Investment gains (losses) recognized in the current period include unrealized investment gains from upstream transactions and adjustment of unrealized sales between intra-group companies according to the buyer's tax rate.

Note 2: The original investment amount was both US$25,200,010 at the beginning and end of the current period.

Note 3: The original investment amount was both US$17,000,000 at the beginning and end of the current period.

Note 4: The original investment amount was both US$9,000,001 at the beginning and end of the current period.

Note 5: The original investment amount was both US$6,382,096 at the beginning and end of the current period.

Note 6: The original investment amount was both US$20,200,000 at the beginning and end of the current period.

Note 7: The original investment amount was both US$36,497,500 at the beginning and end of the current period.

Note 8: The original investment amount was both US$34,997,500 at the beginning and end of the current period.

Note 9: The original investment amount was US$36,000,000 and US$9,000,000 at the end and beginning of the current period, respectively. The increase of US$27,000,000 in the investment in SFV was approved by the Investment Commission, MOEA in September 2023.

Note 10: The original investment amount was both US$2,500 at the beginning and end of the current period.

Note 11: Please see Table 7 for information on investees in China.

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Information on Investments in China

From January 1 to December 31, 2023

Table 7

Unit: All amounts are in thousand NTD, unless otherwise specified

Name of investee in China	Main business items	Paid-in capital	Investment method	Accumulated investment amount remitted from Taiwan at the beginning of the period	Investment amount remitted from/to Taiwan in the current period		Accumulated investment amount remitted from Taiwan at the end of the period	Current profit (loss) of investee	Percentage of shares held directly or indirectly by the Company (%)	Investment income (loss) recognized by the Company in the current period	Closing book value of investments	Investment gains remitted back to Taiwan as of the end of the period	Remarks
					Remitted from Taiwan	Remitted back to Taiwan							
Taihuangdao Fusheng Chemical and Leather-making Co., Ltd.	Manufacturing and sales of artificial leather, synthetic resin, and other materials	$ 400,393	2	$ 33,020	$ -	$ -	$ 33,020	$ -	7.29	$ -	$ -	$ -	
Yentai Wanhua Microfibre Co., Ltd.	Production and sales of microfiber synthetic leather, PU synthetic leather, PU resin, and additives	215,550	2	21,274	-	-	21,174	-	8.00	-	-	-	
Dongguan Huangjiang Baoliang Shoe Factory	Material processing	58,801	2	62,893	-	-	62,893	-		-	-	-	Note 1, Note 2, and Note 4
Dongguan Baoliang Material Technology Co., Ltd.	Manufacturing and sales of artificial leather, synthetic resin, and other materials	829,035	2	-	-	-	-	260,804	100	260,804	1,035,285	88,801	Note 3 and Note 4

Name of investment company	Accumulated investment amount remitted from Taiwan to China at the end of the current period	Investment amount approved by the Investment Commission, MOEA	The Company's limit on investments in China (Note 5)
San Fang Chemical Industry Co., Ltd.	$ 117,087	$ 1,075,685	$ -

Note 1: The Company reported in 2010 that Megatrade Profits Limited, its investee in the British Virgin Islands, has provided non-price setting machinery and equipment worth HKD14,966 thousand to Dongguan Huangjiang Baoliang Shoes Material Factory since 1996, and gained approval from the Investment Commission, Ministry of Economic Affairs in March 2010.

Note 2: Megatrade Profits Limited holds 100% shares of Dongguan Huangjiang Baoliang Shoe Factory for its processing business, but it has not registered its shares.

Note 3: Megatrade Profits Limited (MPL) is an investee of San Fang International Co., Ltd., and then MPL invested US$3,484 thousand in cash and US$5,516 thousand in machinery to establish Dongguan Baoliang Material Technology Co., Ltd. Dongguan Baoliang acquired Dongguan Yuguo Shoe Materials Co., Ltd. in Q2 2018. Dongguan Yuguo then invested US$6,182 thousand in cash in Giant Tramp Limited (GTL), and indirectly obtained 100% shares of Dongguan Yuguo in China. The Investment Commission, MOEA approved the additional investment of US$16,000 thousand in Dongguan Baoliang in October 2019.

Note 4: Investment gains and losses are recognized in the Company's financial statements that were audited by a CPA.

Note 5: Pursuant to the amendment to Article 3 of the Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China, which was announced in Order Shen-Zi No. 0970460680 from the MOEA dated August 29, 2008, the Company obtained documentation of its head office's scope of business (Letter Jing-Shou-Gong-Zi No. 11020426410 dated July 28, 2021) issued by the Industrial Development Bureau, MOEA, and therefore has no limit on investments in China.

San Fang Chemical Industry Co., Ltd.

Information on Major Shareholders

December 31, 2023

Table 8

Name of major shareholder	Shareholding	
	Shares Held (share)	Shareholding ratio (%)
i-Tech. Sporting Enterprise Ltd.	38,980,000	9.80
Pou Chien Enterprise Co., Ltd.	38,501,504	9.68
Yue Dean Technology Corporation	37,298,876	9.38
Pou Chien Technology Co., Ltd.	36,549,118	9.19
Investment account of Capital Securities Limited under the custody of Capital Securities Corporation	26,578,577	6.68
Mun-Jin Lin	26,239,427	6.60
Mun-Yon Lin	19,935,265	5.01

Note 1: Information on major shareholders in this table is based data from Taiwan Depository and Clearing Corporation, which calculated shareholders with 5% or more of the Company's non-physical ordinary shares on the last business day of the quarter. The share capital specified on the Company's standalone financial statements may be different from the actual number of non-physical shares due to different calculation basis.

Note 2: If the shareholder in the data above put shares into a trust, it is listed as a separate trust account of the shareholder opened by the trustee. For shareholders who are reported as insiders in accordance with Securities and Exchange Act for holding more than 10% of shares, the shareholdings include the shares held by the shareholder plus shares placed in a trust in which the shareholder has control over trust assets. Please refer to the Market Observation Post System for data on reporting insider shareholding.

§List of Significant Accounting Items§

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San Fang Chemical Industry Co., Ltd.

Detailed list of cash and cash equivalents

December 31, 2023

List 1

Unit: All amounts are in thousand NTD, unless otherwise specified

Item	Amount
Cash on hand and working capital	$ 436
Cash in banks	
Cheque deposits	5,029
Demand deposits	147,875
Foreign currency demand deposits	
USD 27,175,240	834,416
JPY 27,303,478	5,930
RMB 299,347	1,291
EUR 40,487	1,376
Cash equivalents	
Time deposits (USD 4,000,000; Annual interest of 5.3%-5.6%)	122,820
	$ 1,119,173

Note: USD 1 = NTD 30.705.

JPY 1 = NTD 0.2172.

RMB 1 = NTD 4.311.

EUR 1 = NTD 33.98.

San Fang Chemical Industry Co., Ltd.

Financial assets at fair value through profit or loss - current detailed list

December 31, 2023

List 2

Unit: Thousand NTD

(Unless otherwise specified)

Name	Summary	Unit (shares)	Initial investment amount	Unit price (USD)	Fair value
PineBridge Global ESG Quantitative Bond Fund N9 (Acc) (USD)	Open end funds	103,755.99	$ 30,533	$ 9.40	$ 29,951
Nomura Global Financial Bond (N) Acc USD	Open end funds	104,664.05	28,880	9.25	28,861
PineBridge Multi-Income Fund (N) Acc USD	Open end funds	67,369.59	21,661	11.37	23,526
Allianz Global Investors Income and Growth Fund (N) Monthly Distribution Class USD	Open end funds	68,323.30	21,661	8.70	18,251
			$ 102,735		$ 100,589

San Fang Chemical Industry Co., Ltd.

Detailed list of notes receivable

December 31, 2023

List 3 Unit: Thousand NTD

Name of customer	Summary	Amount
Non-related party		
Peng Dar Industrial Co., Ltd.	Sales proceeds	$ 14,049
Cortina United Corporation	Sales proceeds	9,401
Other (Note)	Sales proceeds	1,057
		$ 24,507

Note: None of the balances exceed 5% of the balance for this item.

San Fang Chemical Industry Co., Ltd.

Detailed list of accounts receivable

December 31, 2023

List 4 Unit: Thousand NTD

Name of customer	Summary	Amount
Related party		
PTS	Sales proceeds	$113,296
Yue Yuen Industrial (Holdings) Ltd.	Sales proceeds	87,850
Dongguan Baoliang	Sales proceeds	50,327
Other (Note 1)	Sales proceeds	21,058
Net accounts receivable – related parties		272,531
Non-related party		
OIA Global Logistics Scm, Lnc.	Sales proceeds	46,435
FORWARD SPORTS (PVT) LTD.	Sales proceeds	34,409
CAN SPORTS VIETNAM CO., LTD.	Sales proceeds	31,694
Other (Note 1 and Note 2)	Sales proceeds	501,687
		614,225
Less: Loss provision		2,397
Net accounts receivable – non-related party		611,828
		$884,359

Note 1: None of the balances exceed 5% of the balance for this item.

Note 2: The Company's accounts receivable that are overdue for one year or longer amount to NT$3,310 thousand.

San Fang Chemical Industry Co., Ltd.

Detailed list of other accounts receivable

December 31, 2023

List 5 Unit: Thousand NTD

Name/Item	Amount
Related party	
Bestac Advanced Material Co., Ltd. (Note 1)	$152,882
Other (Note 2)	12,842
	165,724
Non-related party	
Interest income receivable	10,067
Income from sale of scrap receivable	6,866
Business tax refunds receivable	4,179
Other (Note 2)	4,315
	25,427
	$191,151

Note 1: Loans, collections, payments, and purchases of raw materials for third parties.

Note 2: None of the balances exceed 5% of the balance for this item.

San Fang Chemical Industry Co., Ltd.

Detailed list of inventories

December 31, 2023

List 6

Unit: Thousand NTD

Item	Amount	
	Book value	Net realizable value (Note)
Raw materials	$ 497,964	$ 500,004
Supplies	26,502	26,502
Work in process	402,390	743,972
Finished goods	130,761	189,259
Inventory in transit	5,350	5,350
	$1,062,967	$1,465,087

Note: Please refer to Note 4 Summarized Remarks on Significant Accounting Policies for the method for determining net realizable value.

San Fang Chemical Industry Co., Ltd.

Detailed list of changes to non-current financial assets at fair value through other comprehensive income

2023

List 7

Unit: All amounts are in thousand NTD, unless otherwise specified

Name	Opening balance		Increase in the current year (Note)		Decrease in the current year		Closing balance		Guarantee or collateral provided
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	
Stock									
Yuanta Financial Holding Co., Ltd.	550,879	$11,954	8,263	$ 3,478	-	$ -	559,142	$15,432	N/A
Yeashin International Development Co., Ltd.	1,837,848	40,708	114,889	28,321	-	-	1,952,737	69,029	N/A
Liyu Venture Capital	558,255	4,553	-	220	-	-	558,255	4,773	N/A
		$57,215		$32,019		$ -		$89,234	

Note: Valuation of unrealized profit was adjusted to NT$32,019 thousand

San Fang Chemical Industry Co., Ltd.

Detailed list of changes to investments recognized under the equity method

2023

List 8

Unit: All amounts are in thousand NTD, unless otherwise specified

	Amount at beginning of year		Increase in the current year (Note 1)		Decrease in the current year (Note 2)		Closing balance			Net value of equity (Note 3)		Guarantee or collateral provided
Name of investee	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Shareholding %	Amount	Unit price (NTD)	Total Amount	
San Fang Development	20,000,000	$ 1,515,492	-	$ 306,052	-	$ 18,559	20,000,000	100	$ 1,802,985	$ 91.28	$ 1,825,539	N/A
Grand Capital Limited	19,750,000	4,974,538	-	513,052	-	7,229	19,750,000	100	5,480,361	280.24	5,534,651	N/A
San Fang Financial Holdings Co., Ltd.	604,113	10,243	-	23	-	-	604,113	100	10,266	16.99	10,266	N/A
Forich Advanced Materials Co., Ltd.	7,698,545	103,975	-	17,087	-	7,699	7,698,545	100	113,363	14.73	113,363	N/A
Bestac Advanced Material Co., Ltd.	20,000,000	96,812	-	-	-	58,555	20,000,000	100	38,257	1.91	38,257	N/A
		$ 6,701,060		$ 836,214		$ 92,042			$ 7,445,232		$ 7,522,076	

Note 1: The increase this year includes investment gains in the amount of NT$759,906 thousand, unrealized gains from financial assets measured at fair value through other comprehensive income in the amount of NT$12,493 thousand and realized gains from subsidiaries in the amount of NT$63,815 thousand.

Note 2: The decrease this year includes investment losses in the amount of NT$58,555 thousand, foreign translation adjustment in the amount of NT$25,684 thousand, actuarial loss in the amount of NT$104 thousand from the defined benefit plans, and cash dividends in the amount of NT$7,699 thousand from investees.

Note 3: The net value of equity is calculated based on the investee's financial statements audited by an independent auditor and the Company's shareholding ratio.

San Fang Chemical Industry Co., Ltd.

Detailed list of other financial assets

December 31, 2023

List 9 Unit: Thousand NTD

(Unless otherwise specified)

Name	Annual interest rate (%)	Period	Amount	Remarks
Other financial assets – current				
E.SUN Bank - time deposits	4.8~5.5	2023.05.23~2024.12.12	$ 153,525	
Mizuho Bank, Ltd. (Japan) - time deposits	5.5~5.55	2023.09.18~2024.06.19	122,820	
First Commercial Bank - time deposits	5.42	2023.12.18~2024.06.18	61,410	
First Commercial Bank - time deposits	0.62	2023.12.22~2024.03.22	7,000	Note 1
Mega International Commercial Bank - time deposits	0.55	2023.11.10~2024.02.10	3,044	Note 1
			$ 347,799	
Other financial assets – noncurrent				
Restricted bank deposits				
CTBC Bank - time deposits	5.47~5.5	2023.11.08~2024.12.26	$ 245,640	Note 2
Mizuho Bank, Ltd. (Japan) - time deposits	5.31~5.55	2023.11.08~2024.11.08	184,230	Note 2
Bank SinoPac - time deposits	5.5	2023.10.12~2024.01.12	92,115	Note 2
Mega International Commercial Bank - time deposits	4.9~5.1	2023.08.10~2024.05.10	82,904	Note 2
			$ 604,889	

Note 1: NTD credit limit of NTD time deposits pledged.

Note 2: Dedicated account for the remittance of offshore funds back to Taiwan.

San Fang Chemical Industry Co., Ltd.
Detailed list of short-term borrowings
December 31, 2023

List 10

Unit: All amounts are in thousand NTD, unless otherwise specified

Type of borrowings and creditors	Loan period	Annual interest rate (%)	Balance	Credit limit	Collateral or guarantee
Secured loans					
Mega International Commercial Bank	2024.01~2024.03	1.75	$ 300,000	$ 310,000	Land and buildings
CTBC Bank	2024.01~2024.03	1.55	200,000	350,000	Land and buildings
Bank of Taiwan	2024.02	1.8	280,000	500,000	Land and buildings
			780,000		
Unsecured loans					
Bank SinoPac	2024.03	1.8113	150,000	285,000	N/A
Mizuho Bank, Ltd.	2024.03	1.78	30,000	540,000	N/A
Export-Import Bank of the Republic of China	2024.06	1.47~2.0	200,000	200,000	N/A
First Commercial Bank	2024.01	1.82	200,000	300,000	N/A
Far Eastern International Bank	2024.02	1.82	100,000	300,000	N/A
			680,000		
			$ 1,460,000		

San Fang Chemical Industry Co., Ltd.

Detailed list of accounts payable

December 31, 2023

List 11 Unit: Thousand NTD

Name of Supplier	Amount
Related party	
Dongguan Baoliang	$ 17,353
Forich Advanced Materials Co., Ltd.	8,499
PTS	3,131
Other (Note)	720
	29,703
Non-related party	
Eefa Steel & Pipe Supply Co., Ltd.	31,716
Tah Kong Chemical Industrial Corporation	20,615
BASF	19,436
Liang Hongsheng	18,260
Other (Note)	248,766
	338,793
	$368,496

Note: None of the balances exceed 5% of the balance for this account.

San Fang Chemical Industry Co., Ltd.

Detailed list of long-term borrowings

December 31, 2023

List 12

Unit: Thousand NTD

Creditor bank	Deadline and repayment rules	Annual interest rate (%)	Amount Expiring within one year	 Expiring beyond one year	 Total	Collateral or guarantee
Secured loans						
CTBC Bank	Repaid upon maturity in July 2026	1.78	$ -	$ 350,000	$ 350,000	Land and buildings
Taiwan Cooperative Bank	Repayment every six months from July 2021 to January 2024	1.783	50,000	-	50,000	Land and buildings
Bank of Taiwan	Repayment every six months from November 2024 to May 2027	1.876	50,000	250,000	300,000	Land and buildings
Mega International Commercial Bank	Repayment every six months from December 2021 to December 2024	1.78	140,000	-	140,000	Land and buildings
Hua Nan Commercial Bank	Repayment every six months from March 2022 to September 2025	1.90	125,000	125,000	250,000	Land and buildings
			365,000	725,000	1,090,000	
Unsecured loans						
Far Eastern International Bank	Repaid upon maturity in June 2026	2.325	-	300,000	300,000	N/A
Chang Hwa Commercial Bank	Repayment every six months from September 2024 to September, 2028	1.95	37,500	12,500	50,000	N/A
First Commercial Bank	Repayment every six months from February 2022 to August 2024	1.95	100,000	-	100,000	N/A
Bank SinoPac	Repayment every six months from August 2021 to February 2024	2.242	50,000	-	50,000	N/A
Bank SinoPac	Repayment every six months from February 2024 to August 2025	2.122	75,000	75,000	150,000	N/A
E.SUN Bank	Repaid upon maturity in December 2025	1.90	-	300,000	300,000	N/A
Taiwan Cooperative Bank	Repayment every six months from January 2024 to July 2026	1.853	100,000	200,000	300,000	N/A
			362,500	887,500	1,250,000	
			$ 727,500	$ 1,612,500	$ 2,340,000	

San Fang Chemical Industry Co., Ltd.

Detailed list of operating revenue

2023

List 13 Unit: Thousand NTD

Item	Quantity	Amount
Total sales revenue		
Wet-processed synthetic leather	13,821 thousand yards	$3,243,357
Dry-processed synthetic leather	5,172 thousand yards	1,545,760
Leather work in progress	9,500 thousand yards	1,020,232
Other (Note)		1,978,885
		7,788,234
Less: Sales return	392 thousand yards	116,163
Sales discounts		85,516
Net sales revenue		$7,586,555

Note: None of the balances exceed 10% of the balance for this item.

San Fang Chemical Industry Co., Ltd.

Detailed list of operating costs

2023

List 14 Unit: Thousand NTD

Item	Amount
Direct raw materials	
Raw materials at the beginning of the year	$ 687,875
Plus: Purchased in the current year	4,298,093
Other	356
Less: Transferred to expenses	64,205
Raw materials at the end of the year	497,964
	4,424,155
Direct labor	183,034
Manufacturing overhead	1,030,770
Manufacturing costs	5,637,959
Plus: Work in process at the beginning of the year	454,306
Purchased in the current year	483,007
Other	38,237
Less: Transferred to expenses	22,375
Work in process at the end of the year	402,390
Costs of finished goods	6,188,744
Plus: Finished goods at the beginning of the year	153,722
Purchased in the current year	282,579
Less: Other	18,131
Finished goods at the end of the year	130,761
Cost of production and sales	6,476,153
Loss on physical inventory	3,891
Income from sale of scraps	(7,047)
Raw materials plus profit (Note 27)	(14,769)
Operating costs	$6,458,228

San Fang Chemical Industry Co., Ltd.

Detailed list of operating expenses

2023

List 15 Unit: Thousand NTD

Item	Selling expenses	Administrative expenses	Research and development expenses	Total
Payroll expenses (including director's remuneration)	$ 60,400	$ 213,832	$ 105,240	$ 379,472
Advertising	84,321	480	-	84,801
Commission expenses	69,768	-	-	69,768
Laboratory materials	-	-	67,427	67,427
Travel expenses	23,223	16,009	7,550	46,782
Depreciation	4,642	13,236	12,598	30,476
Miscellaneous expenses	7,889	21,385	851	30,125
Labor and health insurance premiums	4,398	11,373	7,578	23,349
Information related fees	671	21,470	1,019	23,160
Taxes	22,576	(660)	59	21,975
Other	42,551	100,127	46,553	189,231
Subtotal	$ 320,439	$ 397,252	$ 248,875	966,566
Expected credit impairment gain				(2,379)
				$ 964,187

San Fang Chemical Industry Co., Ltd.

Summary of employee benefits, depreciation and amortization expenses by function

2023 and 2022

List 16 Unit: Thousand NTD

	2023			2022		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expenses						
Salary expenses	$293,367	$355,681	$649,048	$341,138	$278,077	$619,215
Labor and health insurance premiums	23,217	23,349	46,566	29,774	20,141	49,915
Pension expenses	10,843	12,753	23,596	13,730	10,905	24,635
Director's remuneration	-	23,791	23,791	-	15,185	15,185
Other employee benefit expenses	11,344	13,447	24,791	15,153	10,749	25,902
	$338,771	$429,021	$767,792	$399,795	$335,057	$734,852
Depreciation expense	$289,128	$ 30,476	$319,604	$333,208	$ 34,219	$367,427
Amortization expense	331	8,819	9,150	331	9,486	9,817

Note 1: The Company had an average of 617 and 734 employees in 2023 and 2022, respectively, as well as 7 directors who were not concurrently employees in both periods.

Note 2:
1. Average employee benefit expenses [(Total employee benefit expenses – Total director's remuneration)/(Number of employees - Number of directors who not concurrently employees)] were NT$1,220 thousand and NT$990 thousand in 2023 and 2022, respectively.
2. Average employee salary expenses [(Total employee salary expenses/Number of employees – Number of directors who not concurrently employees)] were NT$1,064 thousand and NT$852 thousand in 2023 and 2022, respectively.
3. Adjustments and changes to average employee salary expenses [(Average employee salary expenses in the current year – Average employee salary expenses in the previous year)/Average employee salary expenses in the previous year]: 24.88%.
4. The Company does not have any supervisors.

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5. The Company's remuneration policy (including directors, managers, and employees) is as follows:
   (1) Ensure that the Company's overall remuneration policy is in compliance with the law and sufficient to attract outstanding talent needed for the Company's development.
   (2) Set the percentage allocated as directors' remuneration each year after referencing shareholders' equity, the Company's dividends over the years, and industry standards.
   (3) The remuneration policy for the president, vice presidents, and managers in equivalent positions is recommended by the Remuneration Committee after taking into consideration the Company's business strategy, profitability, performance, and the individual's contribution, as well as salary levels in the market and offered by competitors. The remuneration policy is implemented after being approved by the Board of Directors.
   (4) The remuneration policy for employees is designed to encourage employees to achieve better work performance. In addition to salaries, the individual performance of employees is evaluated based on the production, business, and other performance goals set by the Company, and various performance bonuses are distributed to personnel who serve specific functions, such as production, business, and R&D. Depending on the profits each year, year-end bonuses and other bonuses are distributed to reward employees.
   (5) The remuneration of directors, managers, and employees must be strongly correlated with business performance or results.

VI. Financial difficulties of the Company and its affiliated enterprises in the most recent year and up to the date of report: None.

Chapter 7. Review and analysis of financial status, financial performance, and risk management

I. Comparative analysis of financial status

Unit: Thousand NTD

Year / Item	2023	2022	Difference	
			Amount	%
Current assets	9,267,099	9,081,731	185,368	2.04%
Property, plant and equipment	5,150,904	4,886,692	264,212	5.41%
Other assets	1,212,968	1,431,627	-218,659	-15.27%
Total assets	15,630,971	15,400,050	230,921	1.50%
Current liabilities	3,795,592	3,869,277	-73,685	-1.90%
Non-current liabilities	2,892,380	3,048,475	-156,095	-5.12%
Total liabilities	6,687,972	6,917,752	-229,780	-3.32%
Share capital	3,978,181	3,978,181	0	0.00%
Capital surplus	145,330	145,330	0	0.00%
Retained earnings	4,900,100	4,458,227	441,873	9.91%
Total equity	8,942,999	8,482,298	460,701	5.43%

Main reasons and impact of any material change in the Company's assets, liabilities, or shareholders' equity during the last two years and future response plan.

1. Main reason for changes reaching 20% and above:
   Items that not changes reaching 20%.
2. Impacts: No significant impact.
3. Future response plans: N/A.

II. Comparative analysis of financial performance

Unit: Thousand NTD

Year Item	2023	2022	Amount of change	Percentage of change (%)
Total operating revenue	10,335,269	11,002,451	-667,182	-6.06%
Sales return and discounts	248,533	238,952	9,581	4.01%
Net operating revenues	10,086,736	10,763,499	-676,763	-6.29%
Operating costs	7,561,009	9,029,397	-1,468,388	-16.26%
Operating expenses	1,538,652	1,440,771	97,881	6.79%
Operating profits	987,075	293,331	693,744	236.51%
Non-operating income and expenses	42,002	301,966	-259,964	-86.09%
Pre-tax profit from continuing operations	1,029,077	595,297	433,780	72.87%
Income tax expense	268,803	125,183	143,620	114.73%
Net profit after tax from continuing operations	760,274	470,114	290,160	61.72%

1. Main reason for changes reaching 20% and above:

   Increase in operating profit, net profit before tax from continuing operations, income tax expense and net profit after tax from continuing operations;

   Mainly due to the increase in net profit before tax compared with the same period last year as a result of (1) a decrease in operating costs by 16% from the same period last year due to declined raw material costs in 2023 compared with 2022 and (2) an increase in NT$123,637 thousand of foreign currency deposit interest revenue from the same period last year.

   Decrease in net non-operating revenue and expenditures:

   This is mainly due to the appreciation of TWD against USD at the end of 2023, and due to decrease in foreign exchange loss by NT326,633 thousand as a result of the depreciation of TWD against USD in 2022, as the Company mainly trades in USD.
2. Expected sales volume and its basis:

   The Company sets sales targets for the coming year (2024) based on the Company's current production plan. As brand customers decreased inventory in 2023, purchase orders have decreased. As the decreasing inventory has been completed in the third quarter, we expect the number of purchase orders to return to normal in 2024. As major sports events are gradually recovering, sales are expected to continue to increase.
3. Potential impact on the Company's future financial position and business performance:

   We expect to see an upward trend in our financial position and business performance in 2024.
4. Future response plans: N/A.

III. Analysis of cash flows

Analysis of changes in the Company's cash flow in the most recent year, improvement plan for insufficient liquidity, and liquidity analysis for the coming year:

Year Item	2023	2022	Percentage of increase (decrease) (%)
Cash flow ratio	56.60%	40.81%	38.69%
Cash flow adequacy ratio	123.38%	72.84%	69.38%
Cash reinvestment ratio	8.39%	4.49%	86.86%

Analysis of changes in cash flow in the most recent year:

1. Increase in cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio:
   The primary factors are the NT$433,780 thousand rise in net profit before tax in 2023 compared to the previous year, the NT$36,666 thousand reduction in cash outflow for inventory procurement in 2023 compared to the same period last year, and the NT$105,432 thousand increase in interest cash inflows derived from increase in time deposits compared to the same period last year. Due to the above factors, the net cash inflow from operating activities rose by NT$569,254 thousand from the previous year.
2. Improvement plan for insufficient liquidity: N/A.
3. Liquidity analysis for the coming year:

Unit: Thousand NTD

Cash balance at beginning of period	Net cash inflow from operating activities	Cash outflow for the entire year	Cash surplus (shortage)	Remedial measures for expected cash deficit	
				Investment plan	Financial plan
4,765,044	1,791,090	(1,775,505)	4,780,629	-	-

1. Analysis of cash flow changes in the current year:
   (1) Operating activities: Net cash inflow in the amount of NT$1,791,090 thousand.
   (2) Investing activities: Net cash outflow from investing activities, such as purchase of fixed assets, was NT$878,778 thousand.
   (3) Financing activities: Net cash outflow in the amount of NT$896,727 thousand due to the distribution of dividends and repayment of loans.
2. Remedial measures for cash shortage and liquidity analysis: N/A.

IV. Impact of major capital expenditures in recent years on the Company's financial position and business: Capital expenditures in 2023 were all necessary investments for the Company's business.

V. Reinvestment policy in the most recent year, main reason for profit or loss, improvement plan, and investment plan for the coming year:

(I) Reinvestment policy in the most recent year:

The Company's reinvestments are for capacity expansion in hopes of increasing revenue and profits.

(II) Main reason for profits from reinvestments and improvement plans:

The Company's gains in investment recognized using the equity method in 2023 were NT$701,351 thousand. In 2023, benefiting from the decline in raw material costs and the resumption of major brands' inventory to its normal levels in the second half of 2023, operating income in the fourth quarter of 2023 increased compared with the same period last year. Hence, the footwear market is expected to exhibit consistent growth in the long run, with market momentum projected to increase in 2024.

The Company's improvement plan is to monitor domestic and overseas industry trends, and actively improve internal processes and the cost structure to increase growth momentum.

(III) Investment plans for the coming year:

The Company will carefully evaluate investment plans from a long-term strategic perspective, in order to respond to future market demand and needs for production capacity expansion, and continue to enhance the Company's global competitiveness.

VI. Risks and assessment

1. Impact of interest rate and exchange rate changes and inflation on Company's profit and response measures:

Item	2023 (NT$1,000)
Interest expenses	73,793
Foreign exchange losses	6,733

The Company regularly evaluates the interest rates of its bank borrowings, and maintains close contact with banks to obtain preferential interest rates. As for exchange rates, the Company's financial personnel stay in touch with foreign exchange banks, and will hedge the cost and position of the Company's foreign currency-denominated assets when there are relatively large exchange rate fluctuations.

2. Policies of engaging in high-risk, high-leverage investments, lending to others, providing endorsement and guarantee, and derivatives transactions, profit/loss analysis, and future response measures:

Implementation status of endorsements/guarantees to affiliated enterprises:

San Fang Chemical Industry Co., Ltd.
Details of endorsements/guarantees to affiliated enterprises
December 31, 2023

Thousand NTD

Company name	Total amount of endorsements/guarantees	Actual amount drawn down	Remarks
Bestac Advanced Material Co., Ltd.	153,071	30,000	Calculated as follows according to the Company's Procedure for Endorsements and Guarantees: 1. The total amount of endorsements/guarantees to other enterprises is NT$1,989,090,000. 2. The limit on endorsements/guarantees to a single enterprise is NT$397,818,000.
Total	153,071	30,000	

In principle, the Company's endorsements and guarantees are provided between parent company and subsidiary, and mainly for loans and import letter of credit. Affiliated enterprises all have a sound financial position, so the Company has not sustained any losses due to endorsements and guarantees. The Company did not engage in high risk, high leverage investments in 2023.

The Company did not extend loans to others this year, and only extended loans to subsidiaries or subsidiaries extended loans to each other. All of the loans were in accordance with the "Procedures for Extending Loans to Others" and were reviewed by the highest level supervisor and approved by the Board of Directors. The current balance of loans is NT$959,740 thousand and limit on loans is NT$7,242,225 thousand.

The Company did not engage in any derivatives transaction in 2023. As a rule, the Company engages in derivatives transactions mainly for hedging against exchange rate fluctuations.

The Company currently does not use hedge accounting, and current operations are all simple swaps and options to sell USD. Hence, hedge accounting is not necessary.

3. Future R&D projects and expected R&D expenses

Please see "Chapter 5. Business Overview I. (III) Overview of Technology and R&D" (P.117) of the annual report) for the Company's future R&D projects: In the future, our R&D expenses will account for approximately 3% of our annual revenue.

4. The effect of changes in important domestic and foreign policies and laws on the Company's financial position and business operations, and response measures:

The Company has always complied with government laws and monitors changes in policies and laws in Taiwan and overseas to formulate response strategies. The effect of changes in important domestic and foreign policies and laws does not affect on the Company's financial position and business operations in the most recent year.

5. Impact of technological changes (including information security risks) and market changes on finance and business of the Company, and response measures:

The industry's upstream raw materials supply mainly involves solvent processes, and the suppliers are gradually developing towards solvent-free raw materials processes or processing technologies in response to the requirements set forth in environmental protection laws and regulations. This technology has achieved eco-friendly materials through cross-industry cooperation. As a result, the unit price of upstream environmental protection raw materials has increased, which directly compressed profit margins. Therefore, orders for solvent-based labor-intensive products that maintain lower costs are transferred overseas, while developing and self-replacing front-end solvent-free raw materials with high unit price and introducing technologies for automated process equipment. The Company is engaged in development cooperation with multinational companies and cooperation projects with research institutes to strengthen the core technologies mastered independently, and the mass production and sales have gradually increased profit margins.

Furthermore, we will first expand the application of processes and products using recycled materials in response to the global trend of circular economy, and will obtain GRS certification. In another aspect, we will incorporate technologies developed for recycled materials in a circular economy into our current raw materials and process equipment. During the raw materials transition process until it becomes profitable, we will rapidly enter existing markets with considerable scale to maintain our working capital, and also strengthen materials for application in functional products used in new lifestyles to increase our revenue.

The responsible information security unit of the Company is the IT Office of the Administration Division, which is responsible for formulating information security policies and implementing various information security management requirements. Before the end of the year, a risk assessment for information security is carried out, and specific improvement plans are proposed for the high risk level. In addition, in view of the continuous emergence of new external threat technologies, an external professional information security team is appointed to strengthen defenses, objectively assess internal risks, take improvement measures for weaknesses and regularly track progress to reduce information security risks.

6. Impact of corporate image change on risk management and response measures: None.
7. Expected benefits and potential risks of merger and acquisition and response measures: The Company currently does not have any plans for merger and acquisition.
8. Expected benefits and potential risks of capacity expansion and response measures: Our subsidiary PT. San Fang Indonesia purchased 52,215 square meters of nearby land for its operation expansion.

   Expected benefits

   The factory expansion plans will add TCM production line in batches, and related auxiliary equipment will also be upgraded. The main production lines will be increased from the existing four lines to eight lines one by one according to the order demand. The output is estimated to increase by 250,000 to 300,000 yards per month for each additional machine. (about 25% of existing production capacity).

   Potential risks and response measures:

   In response to the uncertain factors of subsequent orders, which will affect the machine utilization rate and cause the risk of capital expenditure burden, the machine expansion will be reasonably expanded in batches to stabilize the machine utilization rate and efficiency.
9. Risks associated with over-concentration in purchase or sale and response measures: The Company's main suppliers and customers are as disclosed in this report and have worked with the Company for many years. With consideration to future operations and the industry's growth trends, in addition to the continued growth of current suppliers and customers, the Company will seek to work with new suppliers and customers to diversify its purchase and sales, in hopes of maintaining balanced and stable business performance.
10. Impact of mass transfer of equity by or change of directors or shareholders holding more than 10% interest on the Company, associated risks, and response measures: Even though directors, supervisors, and major shareholders have changed or transferred their shares since the Company was established, the Company's steady management team has maintained solid business performance and gradually enhanced the Company's competitiveness in the industry.
11. The effect of changes in management right on the Company, risks, and response measures: None.

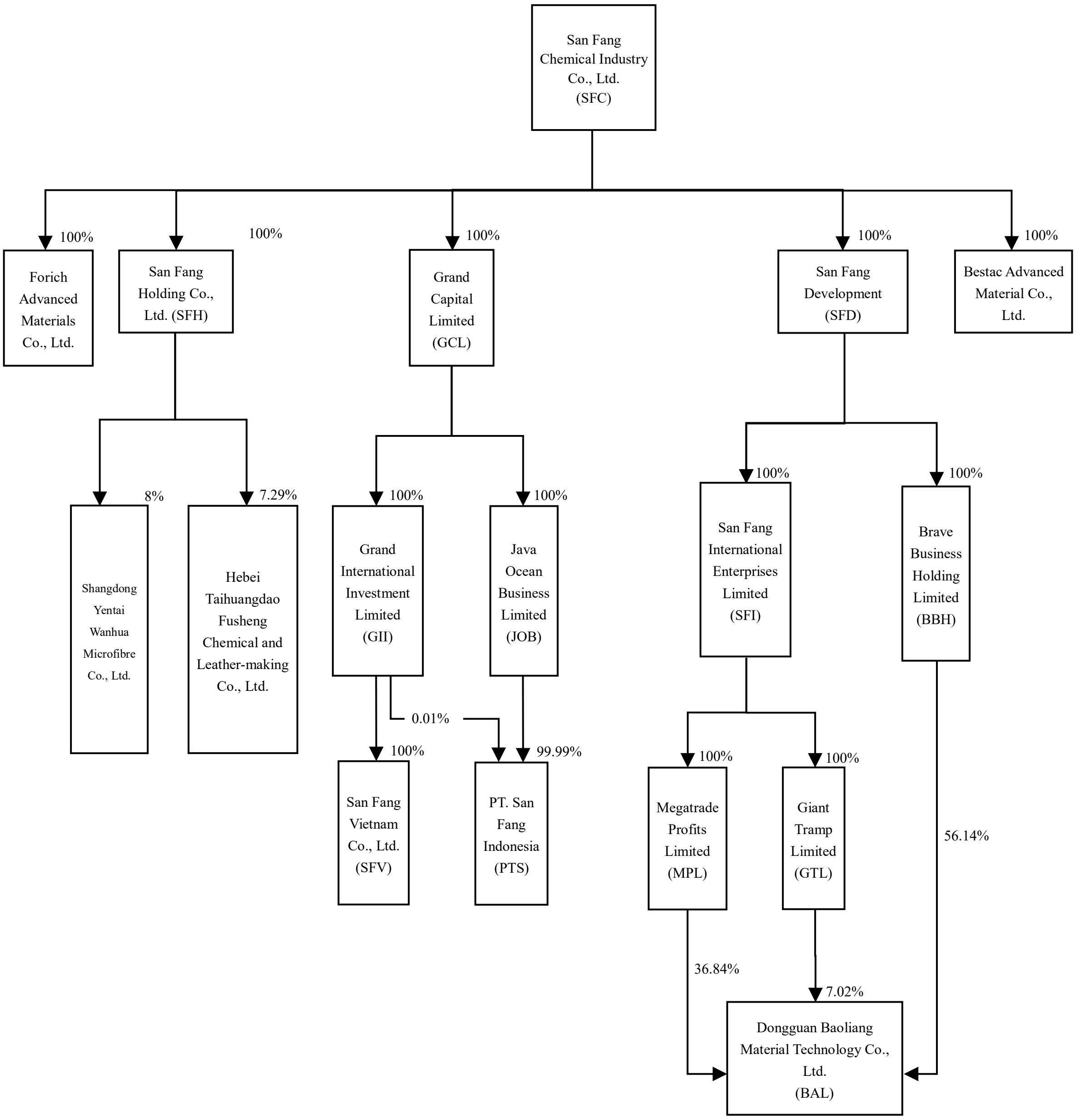
12. For litigious and non-litigious events, if the result of major litigious, non-litigious events, or administrative disputes, either concluded or ongoing, involving the company and its directors, supervisors, president, de facto responsible person, major shareholders with more than 10% shares, or subsidiaries may have a material impact on shareholders' equity or stock prices, disclose the facts in contention, amount, start date of litigation, main parties involved, and progress up to the date of report: None.
13. Other important risks and response measures: None.

VII. Other important matters: None.

Chapter 8. Special notes

I. Profiles of affiliates enterprises

(I) Organization chart of affiliated enterprises



(II) Profile of affiliates

Unit: Thousand NTD, foreign currencies are in dollars

Name of enterprise	Date acquired	Registered address	Paid-in capital	Main business items
San Fang Development Co., Ltd.	2000/07	OMC Chambers, Wickhams Cay1, Road Town, Tortola, British Virgin Islands	687,435	Investment
San Fang Holding Co., Ltd.	1998/04	OMC Chambers, Wickhams Cay1, Road Town, Tortola, British Virgin Islands	20,150	Investment
Grand Capital Limited (GCL)	2004/10	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	656,053	Investment
Forich Advanced Materials Co., Ltd.	2001/06	No. 2, Lane 140, Niaosong 3rd St., Yongkang District, Tainan City	76,985	Manufacturing and sales of chemical products
Bestac Advanced Material Co., Ltd.	2006/01	No. 88, Lane 180, Xinhe Rd., Sanhe Village, Longtan District, Taoyuan City	200,000	Manufacturing and sales of chemical products
San Fang International Co., Ltd.	2000/07	Vist Corporate Sevices Centra, Wickhams Cay П, Road. Town, Tortola, VG1110, British Virgin Islands	USD 25,200,010	Investment
Brave Business Holding Limited (BBH)	2009/11	Room 1901, 19/F, Lee Garden One 33 Hysan Avenue, Causeway Bay, Hong Kong	USD17,000,000	Investment
Grand International Investment Corporation Limited (GII)	2003/03	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa.	USD 20,200,000	Investment
Java Ocean Business Limited (JOB)	2009/09	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 36,497,500	Investment
Megatrade Profits Limited(MPL)	2004/10	Vistra Corporate Services Centre, Wickhams CayП, Town, Torola, VG1110, British Virgin Islands	USD 9,000,001	Investment
San Fang Vietnam Co., Ltd(SFV)	2003/03	LOT II-4 MY XUAN INDUSTRIAL PARK, TAN THANH DISTRICT, BA RIA VUNG TAU PROVINCE, VIETNAM	USD 36,000,000	Material processing
PT. San Fang Indonesia (PTS)	2010/01	JL MODERN INDUSTRI CIKANDE IV NO.10.12.16.NAMBO ILIR KIBIN, SERANG. BANTEN	USD 35,000,000	Manufacturing and sales of synthetic leather, synthetic resin, and other materials
Dongguan Baoliang Material Technology Co., Ltd.	2016/01	No. 1, Yueyuan 2nd Rd., Yue Yuan Industrial Park, Huangjiang Township, Dongguan City	USD 27,000,000	Manufacturing and sales of synthetic leather, synthetic resin, and other materials
Giant Tramp Limited(GTL)	2017/10	Vistra Corporate Services Centra, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	USD 1	Investment

(III) Information on identical shareholders of companies presumed to have control and subsidiary relationship: None.

(IV) Information on directors, supervisors, and presidents of affiliates

Name of enterprise	Title	Name or representative	Shares held	
			Number of shares held	Shareholding ratio (%)
SFH	Director	Chih-I Lin	0	0
SFD	Director	Chih-I Lin	0	0
GCL	Director	Chih-I Lin	0	0
SFI	Director	Chih-I Lin	0	0
MPL	Director	Chih-I Lin	0	0
GII	Director	Chih-I Lin	0	0
JOB	Director	Chih-I Lin	0	0
BBH	Director	Chih-I Lin	0	0
SFV	Director	Liang-Chuan Hsu	0	0
PTS	Director	Liang-Chuan Hsu	0	0
Dongguan Baoliang	Director	Lung-Chuan Wang	0	0
GTL	Director	Chih-I Lin	0	0
Bestac Advanced Material Co., Ltd.	Director	I-Peng Yao, Representative of San Fang Chemical Industry Co., Ltd.	20,000,000 shares	100%
Forich Advanced Materials Co., Ltd.	Director	Wu-Tsang Tsai, Representative of San Fang Chemical Industry Co., Ltd.	7,698,545 shares	100%

(V) Business overview of affiliated enterprises (2023):

Unit: Thousand NTD

Name of enterprise	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profits	Income/loss for the current period (after tax)	Earnings per share (NT$) (after tax)
San Fang Holding Co., Ltd.	20,150	10,266	0	10,266	0	(86)	23	0.04
San Fang Development Co., Ltd.	687,435	1,802,985	0	1,802,985	0	(96)	279,608	13.98
Forich Advanced Materials Co., Ltd.	76,985	135,344	21,981	113,363	90,066	(2,483)	4,594	0.60
San Fang International Co., Ltd.	773,766	1,008,265	34,473	973,792	0	(3,219)	125,901	5.00
Grand International Investment Co., Ltd.	620,241	3,665,025	0	3,665,025	0	(148)	107,081	5.30
Grand Capital Limited	656,053	5,542,153	61,792	5,480,361	0	(45)	475,194	24.06
San Fang Vietnam Co., Ltd.	1,105,380	1,621,509	88,522	1,532,987	1,033,660	49,379	55,438	-
Bestac Advanced Material Co., Ltd.	200,000	372,771	334,514	38,257	274,434	(55,563)	(58,555)	(2.93)
Java Ocean Business Limited	1,120,656	1,864,804	4,040	1,860,764	0	(59)	368,062	10.08
Brave Business Holding Limited	521,985	614,586	0	614,586	0	(87)	147,268	(3.55)
PT. SAN FANG	1,074,675	2,319,773	641,101	1,678,672	2,657,821	480,180	368,105	10.52
Megatrade Profits Limited	276,345	481,654	71,417	410,237	0	(94)	96,528	10.73
Giant Tramp Limited	195,962	122,307	0	122,307	0	(890)	17,418	17,418,000
Dongguan Baoliang Material Technology Co., Ltd.	829,035	1,323,616	288,331	1,035,285	1,742,765	262,028	260,804	9.66

II. Status of private placement of negotiable securities: None.

III. Holding or disposal of stocks of the Company by subsidiaries in the past year and up to the date of report: None.

IV. Other supplemental information:

1. The Company established "Ethical Corporate Management Best Practice Principles", Code of Ethics, and Guidelines for Whistleblowing on Illegal or Unethical Conduct for the ethical conduct of directors and employees. Related data can be accessed on the company website.
2. The Company established "Procedures for Handling Material Inside Information and Prevention of Insider Trading", and regularly provides promotional materials on insider trading issued by the competent authority to managerial officers, so as to prevent them from violating related laws and regulations. Related data can be accessed on the company website.

Chapter 9. Matters with material impact

Matters, if any, that may affect shareholders' equity or securities price as defined in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act in the most recent year and as of the printing date of the annual report: None.

San Fang Chemical Industry Co., Ltd. 三芳化學工業股份有限公司

Chairman Mun-Jin Lin 林孟經印

三芳化學工業股份有限公司
SAN FANG CHEMICAL INDUSTRY CO., LTD.