

Stock Code : 1307

# Handbook for the 2024 Annual General Shareholders' Meeting



SAN FANG CHEMICAL INDUSTRY CO., LTD.

## *Notice to readers*

*This English version handbook 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.*

**Held by Means: Physical Shareholders' Meeting.**

**Date: June 19, 2024**

**Location: No. 33, Sihwei 3rd Road Kaohsiung City, Taiwan**



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## **I. Meeting Procedure**

### **SAN FANG CHEMICAL INDUSTRY CO., LTD 2024 Annual General Shareholders' Meeting Procedure**

1. Call the Meeting to Order
2. Chairperson's Remarks
3. Report Items
4. Ratification Items
5. Election Matter
6. Extraordinary Motions
7. Meeting Adjourned

## II. Meeting Agenda

### **SAN FANG CHEMICAL INDUSTRY CO., LTD 2024 Annual General Shareholders' Meeting Agenda**

Date and Time: June 19, 2024 (Wednesday) at 9:00 a.m.

Held by means : physical shareholders' meeting.

Location: Han-Hsien International Hotel No. 33, Sihwei 3rd Road  
Kaohsiung City, Taiwan)

#### 1. Matters to Report

- (1) To report the business of 2023.
- (2) Audit Committee's review of 2023 audited Financial Statements.
- (3) To report on the 2023 Distribution of Employees' Compensation and Directors' Remuneration.
- (4) To report 2023 earnings distribution in cash dividends.

#### 2. Ratifications:

- (1) To approve 2023 Business Report and Financial Statements.
- (2) To approve the proposal for distribution of 2023 earnings.

#### 3. Election Matters

The 18th board of directors reshuffle.

#### 4. Extraordinary Motions

#### 5. Meeting Adjournment

## I. Report Items

### Report I

Summary : 2023 Business position

Explanations : Business Report is attached (please refer to p.11-13 of this handbook).

### Report II

Summary : Audit Committee's review report on the 2023 financial statements.

Explanations : Attached is the Audit Committee's Review Report (please refer to page 35 of this handbook).

### Report III

Summary : Distribution of 2023 remuneration to employees and directors.

Explanations :

- (1) Processed in accordance with Article 235-1 of the Company Act and Article 24 of the Company's Articles of Incorporation.
- (2) The Company's profit before tax for 2023 is NTD 900,708,349. In accordance with Article 24 of the Articles of Incorporation and in consideration of industry standards and employee benefits, the Company has appropriated 3.8% as remuneration to employees, NTD 36,412,000, and 2.2% as remuneration to directors, NTD 21,081,000, for 2023, both in the form of cash distribution.
- (3) The proposal has been approved by the 11th meeting of the 5th Remuneration Committee and is submitted to the Board of Directors for approval.
- (4) After approval by the Board of Directors, this proposal was submitted to the Shareholders' Meeting.

#### Report IV

Summary : Distribution of 2023 cash dividends.

Explanations :

- (1) In accordance with Paragraph 5, Article 240 of the Company Act and Article 24-1 of the Company's Articles of Incorporation, the Board of Directors of the Company approved the distribution of cash dividends of NTD 596,727,189 at NTD 1.5 per share. The cash dividends will be calculated to the nearest NTD. The remainder will be transferred into the account of other revenue of the company.
- (2) If the number of shares to be distributed by the Company subsequently changes and the dividend payout ratio changes, the Chairman is authorized to have full authority to handle such matters.
- (3) For cash dividends, a separate meeting of the Board of Directors is convened to determine the dividend distribution date, and the distribution shall be distributed according to the shareholders registered on the shareholder registry on that day and their shareholding ratios. The total amount of cash dividends distributed to each shareholder is round down to the nearest New Taiwan Dollar.

## 2. Ratification Items

### Proposal I

Submitted by the board of directors

Summary : 2023 Business Report and Financial Statements for ratification.

Explanations :

The Company's 2023 business report and the 2023 financial statements (including consolidated and parent company only balance sheet, comprehensive income statement, statement of changes in equity, and statement of cash flows) audited and verified by CPA Wu, Chiu-Yen and CPA Liu, Yu-Hsiang, please refer to the operating and financial reports (please refer to pages 11 to 33 of this handbook), all of which have been reviewed and approved by the Company's Audit Committee and a review report has been issued.

Resolution :

### Proposal II

Submitted by the board of directors

Summary : Please ratify the 2023 earnings distribution proposal.

Explanations :

- (1) The Company's 2023 earnings distribution has been reviewed and approved by the 13th meeting of the 2nd Audit Committee, for ratification by the shareholders' meeting.
- (2) The Company's 2023 earnings distribution table (please refer to p. 34 of this handbook).

Resolution:

### III. Election

Summary: The 18th board of directors reshuffle.

Submitted by the board of directors

Explanations :

- (1) The term of office of the Company's 17th Board of Directors will expire on August 17, 2024, and it is planned to hold a full re-election at the 2024 shareholders' meeting.
- (2) According to the Company's Articles of Incorporation, the Company shall have five to nine directors, of which the number of independent directors shall not be less than three persons and shall not be less than one-fifth of the board of directors. It is proposed that seven directors (including three independent directors) be elected for a term of three years. The new directors (including independent directors) will be inaugurated immediately after the re-election at the general shareholders' meeting, with a term of office from June 19, 2024 to June 18, 2027, the incumbent directors are dismissed after the re-election.
- (3) Reasons for nomination for independent directors who have served three terms:  
  
As an independent director of the Company, Mr. Li-Syuan Lin prudently evaluated various finance, audit and other proposals and the Company's internal control, and provided appropriate suggestions and guidance for the Company's operational finance and exchange rate risk control. It is hoped to draw on the expertise of Li-Syuan Lin for his continuous supervision on the Company's operations and to provide guidance on financial risk management.
- (4) The Company adopts a candidate nomination system for directors, and the shareholders' meeting elects directors from the list of director candidates. Independent directors and non-independent directors shall be elected together, and the elected seats shall be counted separately.
- (5) There are a total of 7 candidates for directors, and the list is as follows:



San Fang Chemical Industry Co., Ltd.  
List of candidates for directors (including independent directors)

Job Title	Name	Gender	Number of shares held (share)	Major education and experience
Director	San Fang Investment Enterprise Co., Ltd. Representative: Mun-Jin, Lin	Male	1,143,574	1. Chairman of San Fang Chemical Industry Co., Ltd. Education: Doctor of Management, National Sun Yat-Sen University Master's Degree, Johns Hopkins University
Director	POU CHIEN TECHNOLOGY CO., LTD. Representative: Chin-Chu, Lu	Male	36,549,118	1. Director of San Fang Chemical Industry Co., Ltd. 2. Chairman of the Board and Executive Director, Yue Yuen Industrial (Holdings) Ltd. 3. Director and President of Pou Chen Corporation Academic degree: Master of Business Administration, National Chung Hsing University
Director	POU CHIEN TECHNOLOGY CO., LTD. Representative: Yuan-Huang Liao	Male		1. Director of San Fang Chemical Industry Co., Ltd. 2. Executive Assistant Vice President of Pou Chen Corporation 3. Director of NAN PAO RESINS CHEMICAL CO., LTD. 4. Director, Prosperous Industrial (Holdings) Limited Education: Master's degree, University of Cambridge, UK
Director	POU CHIEN TECHNOLOGY CO., LTD. Representative: Chia-Hui, Teng	Male		1. Director of San Fang Chemical Industry Co., Ltd. 2. Chairman of TAH KONG CHEMICAL INDUSTRIAL CORP. 3. Chairman of TKC Global Investment Corp. 4. Director of Jiahui Investment Co., Ltd. Education: Master of Accounting, New York University, USA

**San Fang Chemical Industry Co., Ltd.**  
**List of candidates for directors (including independent directors)**

Job Title	Name	Gender	Number of shares held (share)	Major education and experience
Independent Director	Li-Syuan Lin	Male	0	1. Independent Director of San Fang Chemical Industrial Co., Ltd. 2. President of King's Town Bank 3. Vice President, Chase Bank 4. Vice President, Administration Department, SAMPO CORPORATION 5. Executive Director of Acosta Ventures (BVI) Limited 6. Independent Director of FONG CHIEN CONSTRUCTION CO., LTD.  Education: Master's degree, California State University
Independent Director	Chih-Lung Chou	Male	0	1. Certified Public Accountant of Wushi Accounting Firm 2. Independent Director and Remuneration Committee Member of SAN FANG CHEMICAL INDUSTRY CO., LTD. 3. Supervisor of St. Shine Optical Co., Ltd.  Academic degree: Master of Financial Management, Kaohsiung First University of Science and Technology
Independent Director	Yi-Ching Lin	Female	0	1. Practicing Accountant of Jing Cheng Accounting Firm 2. Independent Director of Contrel Technology Co., Ltd 3. Independent Director of CHANG WAH TECHNOLOGY CO., LTD 4. Independent Director of SUN RISE E&T CORPORATION 5. Independent Director of Revivegen Co., Ltd.  Education: Bachelor, Department of Accounting, Tunghai University

Results of the election :

#### **IV. Extraordinary Motions**

#### **V. Meeting Adjournment**

## Attachment A

# San Fang Chemical Industry Co., Ltd. 2023 Business Report



## I. Foreword

Looking back on 2023, the slowdown in the U.S. economy, China's weak economy, and cautious consumer spending due to inflation; the global economy was hampered by sluggish end market demand and industrial inventory adjustment, which slowed economic growth; and major brands were affected by the declining consumption power of the Chinese market. As well as high inventory pressure, it is planned to reduce the types of key product lines to control costs, and the orders in the artificial leather market show a declining trend.

Under various challenges, the Company strictly controlled operating costs, adjusted product strategies rapidly with the market, and actively discussed with customers on countermeasures to respond to market changes. Through diverse productions niche adjustment responding to the short and urgent order request of customers and jointly develop and create values with customers. The Company strives to reduce the impact of the operating environment on operations and business, responds prudently in all aspects, implements future development strategies at a steady pace, and benefits from the maintenance of raw material costs, which has contributed to the outstanding performance of the Company's overall operating results and profits. In 2023, the Company generated a consolidated net income of NTD 760 million, the net profit margin was 7.5%, and the earnings per share was NTD 1.91.

## II. Financial performance

### I. Sales

Consolidated sales of synthetic leather were NTD 9.558 billion, a decrease of approximately 6% from 2022; consolidated sales of films were NTD 332 million, a decrease of 13% from 2022; consolidated sales of fibers were NTD 195 million, an increase of 13% from 2022. The consolidated sales of fiber were NTD 195 million, an increase of 13% from 2022. The consolidated self-made raw materials were NTD 200 million. The consolidated operating revenue in 2023 was NTD 10.087 billion.

### II. Profits

The Company's standalone operating revenue of 2023 was NTD 7.587 billion, a decrease of 15.2% from 2022; the consolidated operating revenue was NTD 1.0087 billion, a decrease of 6.3% from 2022; the consolidated net income was NTD 987 million, an increase of 236.5% from 2022; consolidated net income after tax was NTD 760 million, an increase of 61.7% compared to 2022.

### III. Outlook and business objectives

With the popularization of technology and healthy lifestyle, international brands actively promote various sports, expand the sports population and skillfully combine fashion and innovation to keep the market scale of the footwear industry growing steadily. The Company develops professional items and makes market-differentiated products towards high-value and niche products, in order to enhance the competitive advantage and maintain orders. Apart from actively invest in shoe market development, steps were taken to accelerate the non-shoe business product developments and enlarge the market share, such as garment films, sports products, vehicle eco-friendly interior materials markets development. We will actively explore new customer sources and strive to diversify the customer structure to increase business activities.

#### **Description of the 2024 business plan:**

1. Strengthen manpower development: establish KM knowledge management, strengthen experience transfer and accumulation of knowledge and technology, and multi-specialty training, to cultivate compound talents; actively cultivate the new generation of overseas cadres, establish local management mindset, improve communication efficiency and employee cohesion, and create sustainable operations advantage.
2. Production digital upgrade: Accelerate the promotion of technology application and process transformation, introduce machine AI data management and data analysis, add automated quality monitoring equipment to automatically interpret abnormal feedback, continue to implement equipment automation and standardize the operation of various stages of the project, to avoid quality differences, increase product yield and per capita production value, in order to reduce production costs, and exert personnel and resource benefits.
3. Niches for capacity expansion: In line with the growth momentum of the brand, the Company's second phase of the construction of the Indonesian plant is expected to be completed in 2024. Through capacity planning and transfer of technology and experience, the output efficiency of the Indonesian plant can be improved to meet the order volume of international customers in Europe and the United States. To meet the demand for growth, and establish a flexible production mechanism among overseas factories.
4. Accelerate the promotion and marketing: In 2024, we promote the automotive materials market in overseas area and actively expanded overseas markets with local services and integration of local resources. Brand development and interaction, and establishment of differentiated service advantages, in order to obtain the first opportunity.

Looking forward to 2024, as the application of films in shoe materials gradually matures, the film is actively promoted to non-shoe material markets. It is expected that as customers' trial production is recognized by the market, it is expected that it will become SFC's core product and drive another wave of growth momentum. The Company enters the new era of environmental protection and the high-end application market by providing materials with high value, highly recycled content, and rapid market response. We are firmly convinced that all staff members will do their utmost to ensure achievement of the domestic and consolidated revenue goals set for 2024, spurred by the encouragement and close supervision by all our shareholders.

Chairman :



Manager :



Chief Accountant :



## 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

Code	Assets	December 31, 2023		December 31, 2022	
		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	<u>34,650</u>	<u>-</u>	<u>25,468</u>	<u>-</u>
11XX	Total current assets	<u>9,267,099</u>	<u>59</u>	<u>9,081,731</u>	<u>59</u>
	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	<u>5,824</u>	<u>-</u>	<u>2,901</u>	<u>-</u>
15XX	Total non-current assets	<u>6,363,872</u>	<u>41</u>	<u>6,318,319</u>	<u>41</u>
1XXX	Total assets	<u>\$ 15,630,971</u>	<u>100</u>	<u>\$ 15,400,050</u>	<u>100</u>
	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)	<u>73,173</u>	<u>1</u>	<u>27,480</u>	<u>-</u>
21XX	Total current liabilities	<u>3,795,592</u>	<u>24</u>	<u>3,869,277</u>	<u>25</u>
	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	<u>12,746</u>	<u>-</u>	<u>12,795</u>	<u>-</u>
25XX	Total non-current liabilities	<u>2,892,380</u>	<u>19</u>	<u>3,048,475</u>	<u>20</u>
2XXX	Total liabilities	<u>6,687,972</u>	<u>43</u>	<u>6,917,752</u>	<u>45</u>
	Equity attributable to owners of the Company (Note 20)				
3110	Capital stock – common	<u>3,978,181</u>	<u>25</u>	<u>3,978,181</u>	<u>26</u>
3200	Capital surplus	<u>145,330</u>	<u>1</u>	<u>145,330</u>	<u>1</u>
	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	<u>2,858,770</u>	<u>18</u>	<u>2,320,928</u>	<u>15</u>
3300	Total retained earnings	<u>4,900,100</u>	<u>31</u>	<u>4,458,227</u>	<u>29</u>
3400	Other equity interest	<u>( 80,612 )</u>	<u>-</u>	<u>( 99,440 )</u>	<u>( 1 )</u>
3XXX	Total equity	<u>8,942,999</u>	<u>57</u>	<u>8,482,298</u>	<u>55</u>
	Total liabilities and equity interests	<u>\$ 15,630,971</u>	<u>100</u>	<u>\$ 15,400,050</u>	<u>100</u>

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

Code		2023		2022	
		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)	<u>7,561,009</u>	<u>75</u>	<u>9,029,397</u>	<u>84</u>
5900	Operating margin	<u>2,525,727</u>	<u>25</u>	<u>1,734,102</u>	<u>16</u>
	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)	( <u>2,686</u> )	<u>-</u>	<u>1,800</u>	<u>-</u>
6000	Total operating expenses	<u>1,538,652</u>	<u>15</u>	<u>1,440,771</u>	<u>13</u>
6900	Operating net profit	<u>987,075</u>	<u>10</u>	<u>293,331</u>	<u>3</u>
	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	( <u>73,793</u> )	( <u>1</u> )	( <u>56,464</u> )	<u>-</u>
7000	Total non-operating income and expenses	<u>42,002</u>	<u>-</u>	<u>301,966</u>	<u>3</u>
7900	Pre-tax profit	1,029,077	10	595,297	6
7950	Income tax expense (Note 4 and 23)	<u>268,803</u>	<u>2</u>	<u>125,183</u>	<u>1</u>
8200	Net profit for the year	<u>760,274</u>	<u>8</u>	<u>470,114</u>	<u>5</u>

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Code		2023		2022	
		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)	<u>10</u>	<u>-</u>	( <u>1,243</u> )	<u>-</u>
		<u>44,366</u>	<u>-</u>	<u>9,043</u>	<u>-</u>
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)	( <u>25,684</u> )	<u>-</u>	<u>548,098</u>	<u>5</u>
8300	Other consolidated income (net income after tax)	<u>18,682</u>	<u>-</u>	<u>557,141</u>	<u>5</u>
8500	Total comprehensive income	<u>\$ 778,956</u>	<u>8</u>	<u>\$ 1,027,255</u>	<u>10</u>
8600	Profit attributable to:				
8610	Owners of the company	<u>\$ 760,274</u>	<u>8</u>	<u>\$ 470,114</u>	<u>4</u>
8700	Comprehensive income attributable to:				
8710	Owners of the company	<u>\$ 778,956</u>	<u>8</u>	<u>\$ 1,027,255</u>	<u>10</u>
	EPS (Note 24)				
9750	Basic	<u>\$ 1.91</u>		<u>\$ 1.18</u>	
9850	Diluted	<u>\$ 1.90</u>		<u>\$ 1.18</u>	

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					Other equity interests		Subtotal	Total equity
		Capital stock – common	Capital surplus	Retained 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		
Code				Legal reserve	Special reserve	Undistributed earnings				
A1	Balance as at January 1, 2022	<u>\$3,978,181</u>	<u>\$ 142,438</u>	<u>\$1,477,569</u>	<u>\$ 513,828</u>	<u>\$2,187,615</u>	<u>( \$ 676,886)</u>	<u>\$ 28,315</u>	<u>( \$ 648,571)</u>	<u>\$7,651,060</u>
	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	<u>3,978,181</u>	<u>145,330</u>	<u>1,488,728</u>	<u>648,571</u>	<u>2,320,928</u>	<u>( 128,788)</u>	<u>29,348</u>	<u>( 99,440)</u>	<u>8,482,298</u>
	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	<u>\$3,978,181</u>	<u>\$ 145,330</u>	<u>\$1,536,540</u>	<u>\$ 504,790</u>	<u>\$2,858,770</u>	<u>( \$ 154,472)</u>	<u>\$ 73,860</u>	<u>( \$ 80,612)</u>	<u>\$8,942,999</u>

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	<u>2,148,363</u>	<u>1,579,109</u>

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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	-	<u>130,593</u>
BBBB	Net cash outflow from investing activities	( <u>1,464,550</u> )	( <u>426,189</u> )
	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	-	<u>2,892</u>
CCCC	Net cash outflow from financing activities	( <u>738,439</u> )	( <u>389,193</u> )
DDDD	Effect of exchange rate changes on cash and cash equivalents	( <u>10,695</u> )	<u>377,308</u>
EEEE	Increase (decrease) in cash and cash equivalents	( 65,321)	1,141,035
E00100	Cash and cash equivalents at beginning of period	<u>4,830,365</u>	<u>3,689,330</u>
E00200	Cash and cash equivalents at end of period	<u>\$4,765,044</u>	<u>\$4,830,365</u>

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



## 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

Code	Assets	December 31, 2023		December 31, 2022	
		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	<u>3,797,955</u>	<u>25</u>	<u>4,341,177</u>	<u>29</u>
	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	<u>11,181,341</u>	<u>75</u>	<u>10,627,569</u>	<u>71</u>
1XXX	Total assets	<u>\$ 14,979,296</u>	<u>100</u>	<u>\$ 14,968,746</u>	<u>100</u>
	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	<u>3,261,108</u>	<u>22</u>	<u>3,481,107</u>	<u>23</u>
	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	<u>2,775,189</u>	<u>18</u>	<u>3,005,341</u>	<u>20</u>
2XXX	Total liabilities	<u>6,036,297</u>	<u>40</u>	<u>6,486,448</u>	<u>43</u>
	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	<u>8,942,999</u>	<u>60</u>	<u>8,482,298</u>	<u>57</u>
	Total liabilities and equity interests	<u>\$ 14,979,296</u>	<u>100</u>	<u>\$ 14,968,746</u>	<u>100</u>

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			
Code		2023		2022	
		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)	<u>6,458,228</u>	<u>85</u>	<u>7,669,714</u>	<u>86</u>
5900	Operating margin	1,128,327	15	1,271,940	14
5910	Realized (and unrealized) gains from subsidiaries	<u>63,815</u>	<u>1</u>	( <u>49,165</u> )	<u>-</u>
5950	Realized operating margin	<u>1,192,142</u>	<u>16</u>	<u>1,222,775</u>	<u>14</u>
	Operating expenses (Notes 9, 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)	( <u>2,379</u> )	<u>-</u>	<u>1,836</u>	<u>-</u>
6000	Total operating expenses	<u>964,187</u>	<u>13</u>	<u>846,179</u>	<u>10</u>
6900	Operating net profit	<u>227,955</u>	<u>3</u>	<u>376,596</u>	<u>4</u>
	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	<u>701,351</u>	<u>9</u>	( <u>23,003</u> )	<u>-</u>
7000	Total non-operating income and expenses	<u>672,753</u>	<u>9</u>	<u>198,632</u>	<u>2</u>

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Code		2023		2022	
		Amount	%	Amount	%
7900	Pre-tax profit	\$ 900,708	12	\$ 575,228	6
7950	Income tax expense (Note 4 and 23)	<u>140,434</u>	<u>2</u>	<u>105,114</u>	<u>1</u>
8200	Net profit for the year	<u>760,274</u>	<u>10</u>	<u>470,114</u>	<u>5</u>
	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)	<u>10</u>	<u>-</u>	( <u>1,243</u> )	<u>-</u>
8310		<u>44,366</u>	<u>-</u>	<u>9,043</u>	<u>-</u>
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)	( <u>25,684</u> )	<u>-</u>	<u>548,098</u>	<u>6</u>
8300	Other consolidated income (net income after tax)	<u>18,682</u>	<u>-</u>	<u>557,141</u>	<u>6</u>
8500	Total comprehensive income	<u>\$ 778,956</u>	<u>10</u>	<u>\$ 1,027,255</u>	<u>11</u>
	EPS (Note 24)				
9710	Basic	<u>\$ 1.91</u>		<u>\$ 1.18</u>	
9810	Diluted	<u>\$ 1.90</u>		<u>\$ 1.18</u>	

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		Subtotal	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		
A1	Balance as at January 1, 2022	<u>\$3,978,181</u>	<u>\$ 142,438</u>	<u>\$1,477,569</u>	<u>\$ 513,828</u>	<u>\$2,187,615</u>	<u>(\$ 676,886)</u>	<u>\$ 28,315</u>	<u>(\$ 648,571)</u>	<u>\$7,651,060</u>
	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	<u>3,978,181</u>	<u>145,330</u>	<u>1,488,728</u>	<u>648,571</u>	<u>2,320,928</u>	<u>( 128,788)</u>	<u>29,348</u>	<u>( 99,440)</u>	<u>8,482,298</u>
	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	<u>\$3,978,181</u>	<u>\$ 145,330</u>	<u>\$1,536,540</u>	<u>\$ 504,790</u>	<u>\$2,858,770</u>	<u>(\$ 154,472)</u>	<u>\$ 73,860</u>	<u>(\$ 80,612)</u>	<u>\$8,942,999</u>

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 )

(Continued on the next page)

(Continued from the previous page)

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	<u>872,697</u>	<u>1,458,461</u>
	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	<u>( 496,490 )</u>	<u>( 282,663 )</u>
	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	<u>( 817,907 )</u>	<u>( 370,668 )</u>
EEEE	Increase (decrease) in cash and cash equivalents	( 441,700 )	805,130
E00100	Cash and cash equivalents at beginning of period	<u>1,560,873</u>	<u>755,743</u>
E00200	Cash and cash equivalents at end of period	<u>\$ 1,119,173</u>	<u>\$ 1,560,873</u>

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

## Attachment B


### SAN FANG CHEMICAL INDUSTRY CO., LTD.

#### 2023 Earnings Distribution Table


Unit:NTD

Item	Amount
Beginning unappropriated retained earnings	\$2,098,642,909
Add: Post-tax net income for the Current Year	\$760,273,392
Add: 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
Subtract: 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

Remark: The Shareholders' cash dividend was distributed at 2023 surplus of \$596,727,189

Chairman : 

Manager : 

Chief Accountant : 

## Attachment C

### **SAN FANG CHEMICAL INDUSTRY CO., LTD.**

#### **Audit Committee's Review Report**

The Board of Directors has prepared and submitted the Company's 2023 business report and financial statements. Commissioned by the Board of Directors, the CPA firm Deloitte & Touch, Chiu-Yen, Wu and Yu-Hsiang, Liu have audited the financial statements and issued an audit report relating to the Financial Statements.

These have been reviewed by the Audit Committee as conforming to relevant laws and regulations. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this Report.

To:  
2024 Annual General Shareholders' Meeting of SAN FANG CHEMICAL CO., LTD.

Audit Committee convener: : Li-Syuan, Lin

Date : March 8, 2024

## Appendix A

### SAN FANG CHEMICAL INDUSTRY CO., LTD.

#### Rules of Procedure for Shareholders Meetings

2022.06.21

1. The rules of procedures for SanFang's shareholders' meeting, except as otherwise provided by law or regulations, shall be as provided in these Rules.
2. This Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card or register on the virtual meeting platform in lieu of signing in. Shareholders shall register on the virtual meeting platform 30 minutes prior to the start of virtual shareholders meetings. Shareholders who complete registration shall be deemed present at the meeting.
3. Attendance and voting at shareholders meetings shall be calculated based on the number of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in, and the shares checked in on the virtual meeting platform, plus the number of shares whose voting rights are exercised by correspondence or electronically.
4. The venue for a shareholders meeting shall be the premises of SanFang, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.

The restrictions on the place of the meeting shall not apply when this Company convenes a virtual-only shareholders meeting.

When convening a virtual-only shareholders meeting, this Company shall provide appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders meeting online.

Changes to how this Company convenes its shareholders meeting shall be resolved by the board of directors, and shall be made no later than the mailing of the shareholders meeting notice.

5. If a shareholders meeting is convened by the BOD, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson in accordance with the Company Act. If a shareholders meeting is convened by a party with power to convene but other than the BOD, the convening party shall chair the meeting.

The reasons for convening a shareholders meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.

6. San Fang may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting. Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.

7. The preceding of the shareholders meeting shall make an uninterrupted audio or video, and shall be retained for at least one year.

8. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned. In the event of a virtual shareholders meeting, this Company shall also declare the meeting adjourned on the virtual meeting platform.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within one month. In the event of a virtual shareholders meeting, shareholders intending to attend the meeting online shall re-register to this Company two days in advance.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

9. If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting including extraordinary motion and amendments to original proposals shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

The provisions of the preceding paragraph apply *mutatis mutandis* to a shareholders meeting convened by a party with the power to convene that is not the board of directors. The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

10. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name.

The order in which shareholders speak will be set by the chair. A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

When an attending shareholder is speaking, other shareholders may not speak or interrupt

unless they have sought and obtained the consent of the chair and the shareholder that has the floor. The chair shall stop any violation.

11. Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech. Where a virtual shareholders meeting is convened, shareholders attending the virtual meeting online may raise questions in writing on the virtual meeting platform from the chair declaring the meeting open until the chair declares the meeting adjourned. No more than two questions for the same proposal may be raised. Each question shall contain no more than 200 words. Provisions not applicable to the preceding article and the two preceding paragraphs of this article.

12. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.

13. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

14. The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.

15. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of San Fang.

16. When a meeting is in progress, the chair may announce a break based on time considerations.

17. Except as otherwise provided in the Company Act and in this Corporation's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

In the event of a virtual shareholders meeting, this Company shall disclose real-time results of votes and election immediately after the end of the voting session on the virtual meeting platform according to the regulations, and this disclosure shall continue at least 15 minutes after the chair has announced the meeting adjourned.

18. When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals

will then be deemed rejected and no further voting shall be required.

19. The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."
20. On the day of a shareholders meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation, the number of shares represented by proxies and the number of shares represented by shareholders attending the meeting by correspondence or electronic means, and shall make an express disclosure of the same at the place of the shareholders meeting. In the event of a virtual shareholders meeting, the Company shall upload the above meeting materials to the virtual meeting platform at least 30 minutes before the meeting starts, and keep this information disclosed until the end of the meeting.

During this Company's virtual shareholders meeting, when the meeting is called to order, the total number of shares represented at the meeting shall be disclosed on the virtual meeting platform. The same shall apply whenever the total number of shares represented at the meeting and a new tally of votes is released during the meeting.

21. In the event of a virtual shareholders meeting, if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents or other force majeure events before the chair has announced the meeting adjourned, and the obstruction continues for more than 30 minutes, the meeting shall be postponed to or resumed on another date within five days, in which case Article 182 of the Company Act shall not apply.
22. The resolutions adopted at the shareholders' meeting shall be made into minutes, which shall be signed by or affixed with seal of the chairperson of the meeting and distributed to all shareholders within 20 days after the meeting. The distribution of the shareholders' meetings minutes may be done by way of electronic transmission.

The Company may distribute the shareholders' meetings minutes under the preceding paragraph by public announcement on the MOPS website.

Minutes of the meeting shall include the date and place of the meeting, the name of the chairperson at the meeting, the method for adopting the resolutions, and summary and results of the proceedings. Minutes of the meetings shall be kept for as long as the Company is in existence.

23. These Rules, and any amendments hereto, shall be implemented after adoption by shareholders' meetings.

These Rules takes effect on June 9th, 2020 1st amendment made on June 21st, 2022.



## **Appendix B**

# **Articles of Incorporation of SAN FANG CHEMICAL INDUSTRY CO., LTD.**

## **Section I General Provisions**

### **Article1**

The name of the company is SAN FANG CHEMICAL INDUSTRY CO., LTD.(三芳化學工業股份有限公司) (the“Company”), which is duly organized as a company limited by shares under the Company Act of Taiwan.

### **Article2**

The business to be operated by the company is as follow:

1. C805010 Plastic Sheets, Pipes and Tubes Manufacturing
2. C801100 Synthetic Resin & Plastic Manufacturing
3. C801120 Manmade Fiber Manufacturing
4. C303010 Non-woven Fabrics Mills
5. C305010 Printing, Dyeing, and Finishing Mills
6. C401030 Leather and Furriery Manufacturing
7. C801990 Other Chemical Materials Manufacturing
8. F401010 International trade
9. F107200 Wholesale of Chemistry Raw Material
10. ZZ99999 All business not prohibited or restricted by law, except for those subject to special approval.

### **Article2-1**

The total amount of its investments in such other companies shall exceed forty percent of the amount of its own paid-up capital.

### **Article3**

The headquarters of the Company is located in Kaohsiung City, Taiwan. The Company may establish branches or subsidiaries in Taiwan or overseas as the Company may require upon resolution by the Board of Directors of the Company (“Board or “Board of Directors”).

### **Article4**

The Company may act as a guarantor for companies in the same industry.

## **Section II Shares**

### **Article5**

The registered capital of the Company shall be four billion six hundred million New Taiwan Dollars (NT\$4,600,000,000), divided into forty-six hundred million (460,000,000) shares, with a par value of ten New Taiwan Dollars (NT\$10) per share. Board of Directors authorizes the shares which are unissued that govern the issue of new shares by installments for the purpose of company’s business.

NT\$100 million of the capital has been retained for the issuance of employee stock option certificates and employee restricted stock, a total of 10 million shares, NT\$10 per share, which can be issued in accordance with the board of directors resolutions.

#### **Article5-1**

Recipients of these employee stock options and restricted stock awards include employees of controlled companies or subsidiaries that meet the criteria stipulated by the board of directors or its authorized persons.

#### **Article6**

The Company's shares shall be registered and numbered, and shall bear the signatures or personal seals of at least three Directors, and be issued upon approvals from relevant competent authorities in accordance with the law.

##### **Article6-1**

For the new shares to be issued by the company, the issuing company may print a consolidated share certificate representing the total number of the new shares to be issued at the same time of issue, and the issued shares may be exempt from printing.

The issued shares certificate in accordance with the provision of the preceding paragraph shall register and hold in the custody with a centralized securities depository enterprise. It may also issue large-denominated securities in a consolidated manner at the request of a centralized securities depository.

#### **Article 7**

Shareholders should send their seals to the company for future reference. When the shareholders receive dividends from the company or exercise their equity in writing, the seals kept by the company. For other affairs related to stocks, it shall be governed by Regulations Governing the Administration of Shareholder Services of Public Companies.

#### **Article 8**

Registration for the transfer of shares shall be completed sixty (60) days before the date of each annual meeting, thirty (30) days before the date of each special meeting, or five (5) days before the date on which dividends, bonus, or any other distributions will be paid or made by the Company.

### **Section III Shareholders' Meeting**

#### **Article 9**

There are two types of shareholders' meeting of the Company, the annual meeting and special meeting. Annual meetings shall be convened by the Board of Directors annually within six (6) months after the end of each fiscal year. Notice shall be given to the shareholders by mail or electronic transmission at least thirty (30) days prior to an annual meeting, and, at least fifteen (15) days prior to a special meeting.

The company's shareholders' meetings can be held by means of video conference or other methods promulgated by the central competent authority.

#### **Article 10**

A shareholder who is unable to attend the shareholders' meeting may authorize another person to attend as proxy using the form provided by the Company affixed with the seal that such shareholder left in the Company's safekeeping. When a person who acts as the proxy for two or more shareholders, the number of voting power represented by him/her shall not exceed 3% of the total number of voting shares of the company, otherwise, the portion of excessive voting power shall not be counted.

Unless otherwise provided by the Company Act, shall comply under "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" in accordance with the regulations to be prescribed by the competent authority.

#### **Article 11**

The shareholders' meetings shall be presided by the Chairman of the Board. If the Chairman of the Board is on leave or unable to exercise his powers and duties for any reason, the chairperson of the meetings shall be appointed pursuant to Article 208 of the Company Act.

#### **Article 12**

Unless otherwise provided for in the Company Act, a meeting of shareholders shall proceed only if attended by shareholders representing more than one-half of the total outstanding capital stock of the Company. Resolutions of a shareholders meeting shall be made at the meeting with the concurrence of a majority of the votes held by the shareholders present at the meeting.

#### **Article 13**

The resolutions adopted at the shareholders' meeting shall be made into minutes, which shall be signed by or affixed with seal of the chairperson of the meeting and distributed to all shareholders within 20 days after the meeting.

The distribution of the meeting minutes shall comply with the Company Act.

Minutes of the meeting shall include the date and place of the meeting, the name of the chairperson at the meeting, the method for adopting the resolutions, and summary and results of the proceedings. Minutes of the meetings shall be kept for as long as the Company is in existence.

The attendance register and proxy forms shall be kept for at least one year; provided, however, records concerning an action initiated by a shareholder pursuant to Article 189 of the Company Act shall be kept until the conclusion of the lawsuit.

### **Section IV Directors**

#### **Article 14**

The Company shall have five to nine Directors, who shall be elected from legally competent persons at the shareholders' meeting and hold office for three years; re-elected Directors may serve consecutive terms.

There shall be at least three independent Directors among the number of Directors to be elected referred to in the preceding paragraph, and the independent Directors shall represent at least one-fifth of the Board. The independent Directors shall be elected at the shareholders' meeting using the candidate nomination system and from among a list of candidates. The restrictions on professional qualifications, share ownership, concurrent positions held, the manner of nomination, the election of the independent Directors, and other related matters shall comply with applicable laws and regulations prescribed by the competent authority.

## **Article15**

In case that the vacancies in the office of Directors reach one-third of the Board, the Board of Directors shall convene a special meeting of the shareholders to elect new Directors to fill the vacancies. A director elected to fill such vacancy shall hold office for the unexpired term of the director whose office was vacant.

## **Article16**

The board of directors is organized by the directors, the Board of Directors shall elect a chairman of the board Directors from among the Directors by a majority vote at a meeting attended by over two-thirds of the Directors, and may also elect in the same manner a vice chairman of the board in accordance with the provisions of the Articles of Incorporation. The company's director represents the company in its external affairs and determine the guidelines and execute the supervision plan in its internal.

## **Article17**

The Chairman of the Board shall preside at all meetings of the Board of Directors. If the Chairman of the Board is on leave or cannot exercise his powers and duties for any reason, a chairperson shall be appointed pursuant to Article 208 of the Company Act.

## **Article17-1**

In calling a meeting of the Board of Directors, the meeting notice may be given in writing, email or electronic form in accordance with the Article 204 of Company Act.

## **Article18**

The Board of the Directors determine the operating strategy and other important matters. Unless otherwise provided for in Company Act, it shall be decided by a resolution to be adopted by a majority vote of the directors at a meeting of the board of directors attended by at least a majority of the entire directors of the company. Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting

## **Article19**

Each director shall attend the meeting of the Board of Directors in person,  
In case a meeting of the Board of Directors is proceeded via visual communication network, then the Directors taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.  
In case a director appoints another director to attend a meeting of the Board of Directors in his/her behalf, he/she shall, in each time, issue a written proxy and state therein the scope of authority with reference to the subjects to be discussed at the meeting.  
A director may accept the appointment to act as the proxy referred to in the preceding Paragraph of one other director only.

## **Article20**

As pursuant to the provisions of Article 14-4, of the Securities and Exchange Act; the audit committee shall be composed of the entire number of independent Directors. The audit committee and members shall implement of the Company Law, the Securities Exchange Law and other laws provides for the duties and powers of the supervisors.

## **Article21**

The directors are remunerated regularly, authorizing the board of directors to agree on the level of their participation in the company's operations and the value of their contributions, and with reference to the standard of the same trade concerned. The Board of Directors determine Directors' transportation allowance.

## **Section V Staff**

## **Article22**

The company shall be one general manager and several vice general managers, upon approval by a majority of the Directors at a meeting attended by half or more of the total number of the Directors for the appointment.

## **Section VI Accounting**

## **Article23**

The company shall hold an accounting year annually from January 1 to December 31 each year, and closing of accounts one time at the end of the year.

1. Business report
2. Financial statement
3. Proposals for distribution of profits or covering of losses

## **Article24**

The Company shall set aside between 3% to 5% of its pre-tax income as bonus to employees of the Company and set aside 3% (inclusive) or less of its pre-tax income as bonus to Directors.

The distribution of bonus to employees and Directors may be made by way of cash or shares. A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of Directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

However, the Company's accumulated losses shall have been covered first. Employee and Directors' compensation shall be provided according to the proportions in the preceding paragraph.

## **Article24-1**

A company shall, after its losses have been covered and all taxes and dues have been paid and at the time of allocating surplus profits, first set aside ten percent of such profits as a legal reserve. For the purpose of operation needs, if there are surplus earnings, the company shall appropriate another sum as a special reserve, accumulate undistributed surplus and propose the surplus earning distribution by Board of Directors. The remaining profit shall be distributed as Shareholders' dividends upon subject to the approval of the shareholders meeting.

According to the law of Company Act, a public company may explicitly stipulate in the Articles of Incorporation to authorize the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of Directors; and in addition thereto a report

of such distribution shall be submitted to the shareholders' meeting.

The company's dividend policy must be based on the company's current and future investment environment, capital requirements, financial planning and other factors, and take into account the interests of shareholders and balance dividends, and allocate more than 10% of the available earnings. However, In the current period, the total amount of distributable shareholders' dividends calculated in the form of appropriation of dividends shall be fully reserved and not distributable when the amount per share is less than NT\$0.5.

Among the proposed dividends, the cash dividends shall not be less than 10% of the total shareholders' dividends, but the cash dividends per share may not be paid if it is less than NT\$0.3 (inclusive), to substitute stock dividends for cash dividends.

## **Section VII Supplementary Provisions**

### **Article25**

Matters not specified in this Articles of Incorporation shall be governed by the Company Act.

### **Article26**

The organizational charter and by-laws of the Company shall be separately adopted by the Board of Directors.

### **Article27**

The original Articles of Incorporation were adopted on May 12, 1973. Amended thereafter on January 8, 1975; December 12, 1975; June 20, 1977; January 6, 1979; April 5, 1980; May 20, 1981; July 15, 1981; April 30, 1982; March 23, 1983; April 30, 1984; April 30, 1985; June 15, 1985; April 16, 1986; April 21, 1987; April 30, 1988; April 28, 1989; May 8, 1990; April 20, 1991; April 23, 1992; May 12, 1993; April 28, 1994; May 2, 1995; May 22, 1996; April 23, 1998; May 17, 2000; May 25, 2001; May 30, 2002; May 13, 2003; May 25, 2005; May 24, 2006; June 13, 2008; June 15, 2010; June 15, 2011; June 6, 2012; June 25, 2014 ; June 13, 2016; June 8, 2017; June 12, 2018; June 12, 2019; June 21, 2022.

## **Appendix 3**

# **San Fang Chemical Industry CO., LTD**

## **Rule for Director Elections**

### **Article 1.**

The elections of the directors for the Company, except as otherwise provided by law, regulation, or the articles of incorporation, shall be subject to this rule.

### **Article 2.**

For the election of the directors for the Company, each share shall have voting rights in a number equal to the directors or supervisors to be elected, and may be cast for a single candidate or split among multiple candidates.

### **Article 3.**

Before the election begins, the chairperson shall designate a number of scrutineers and tellers to perform various related duties.

### **Article 4.**

The election of the directors for the Company shall adopt the candidate nomination system. The shareholders shall elect the number of persons designated by the Article of Incorporation from the list of the candidates. According to the statistical results from the electronic communication platform and the ballots, those persons whose received votes representing the highest number of voting rights will be elected as independent directors and non-independent directors in turn. Independent directors and non-independent directors shall be elected at the same time, but in separately calculated numbers. When two or more persons receive the same voting rights and result in an excess of the number of persons to be elected, they shall draw lots to determine and the chairperson shall draw lots on behalf of the absent persons.

### **Article 5.**

The board of directors shall print the number of the ballots that are the same as the number of directors to be elected, add the number of voting right and distribute them to the shareholders who will attend the shareholders' meeting. The elections of the directors for the Company, shall vote on the recall through open ballot.

**Article 6.**

Provided that an electee is a shareholder, the shareholder shall fill in the account name and the shareholder's account number of an electee in the column of "electee" of ballot; if not, the name and identity card or tax ID number of an electee shall be filled in. However, when a government or a legal person shareholder is the electee, the name of such government or legal person shall be filled in the column of the account name of electee of the ballot; it also may be filled in the name of such government or legal person and its representative; provided that there are several representatives, the names of the representatives should be added respectively.

**Article 7.**

The ballots shall be invalid under any of the following circumstances:

(I) A ballot that does not comply with the regulation of this rule.

(II) A ballot that is blank to be put into ballot box.

(III) A ballot with illegible writing or being altered.

(IV) Provided that an electee is a shareholder, the account name and shareholder's account number are different from the shareholder register; or in case an electee is not a shareholder, the name and identity card or tax ID number are checked to make sure there are no discrepancies.

(V) Other words are entered in addition to filling in the electee's account name (name) or shareholder's account number (identity card or tax ID number) and the allocated number of voting rights.

(VI) A ballot filled in for 2 or more electees.

**Article 8.**

If the company has established an audit committee, the supervisors shall not be elected.

**Article 9.**

The ballots shall be counted on site after the voting is completed, and the results of voting shall be announced by the chairperson on site, including the list of persons elected as directors and the numbers of votes with which they were elected, shall be announced by the chair on the site. The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody



for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

**Article 10.**

The board of directors shall issue the notifications to the elected directors respectively.

**Article 11.**

These Rules shall take effect after having been submitted to and approved by a shareholders meeting. Subsequent amendments thereto shall be effected in the same manner.

**Article 12.**

The original Articles of Incorporation were adopted on April 30, 1985. Amended thereafter on May 22, 1996; May 25, 2001; May 24, 2002; June 25, 2014; June 8, 2017; June 12, 2018.

## Appendix D

## SAN FANG CHEMICAL INDUSTRY CO., LTD.

### Shareholdings of All Directors

Effective Date: April 21, 2024

Job title	Name	Dates when elected	Number of shares held when elected			Number of shares currently hold			Remarks
			Categories	Number of shareholding	% to the current outstanding shares	Categories	Number of shareholding	% to the current outstanding shares	
Chairman	San Fang Investment Company Ltd. (Representative: Mun- Jin, Lin)	Aug 18, 2021	common shares	1,143,574	0.29%	common shares	1,143,574	0.29%	
Director	Pou Chien Technology Corporation (Representative: Chin-Chu, Lu)	Aug 18, 2021	common shares	36,549,118	9.18%	common shares	36,549,118	9.18%	
Director	Pou Chien Technology Corporation (Representative: YUAN-HUANG, LIAO)								
Director	Pou Chien Technology Corporation (Representative: Chia-Hui, Teng)								
Independent Director	Wan-Lin, Hsu	Aug 18, 2021	common shares	0	0.00%	common shares	0	0.00%	
Independent Director	Li- Syuan, Lin	Aug 18, 2021	common shares	0	0.00%	common shares	0	0.00%	
Independent Director	Chih-Long, Chou	Aug 18, 2021	common shares	0	0.00%	common shares	0	0.00%	
Total			common shares	37,692,692		common shares	37,692,692		

Total of outstanding common shares as of August 18 2021: 397,818,126 shares

Total of outstanding common shares as of April 21, 2024: 397,818,126 shares

Note: The statutory minimum shareholding requirement for all Directors: 15,912,725 shares.

As of April 21, 2024, the shareholding by number 37,692,692 shares

Where the Company has set up the Audit Committee, the shareholding requirements for supervisors are not applicable.

© The number of shares held by independent directors is excluded from shareholding of directors.

## **Appendix E**

### **The Impact of Stock dividend Issuance on Business Performance, EPS, and Shareholder Return Rate**

The Company has no plan for the free allotment of shares for this fiscal year.  
This item does not apply.



三芳化學工業股份有限公司

SAN FANG CHEMICAL INDUSTRY CO., LTD.