

Stock Code:1307

# 2024 Annual Report

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## Notice to readers

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



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

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

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

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

Company:	No. 120, Tonghua St., Sanmin District,	(07)3712111
	Kaohsiung City	
Taipei Office:	10F, No. 96, Section 2, Zhongshan North	(02)27155441
	Road, Zhongshan District, Taipei City	
Taichung	33F, No. 213, Chaofu Rd., Xitun District,	(04)4632028
Office:	Taichung City	
Kaohsiung	No. 402, Fengren Rd., Renwu District,	(07)3712111
Office:	Kaohsiung City	
Kaohsiung	No. 402, Fengren Rd., Renwu District,	(07)3712111
Factory:	Kaohsiung City	

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

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

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

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

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

No overseas negotiable securities were issued

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

**VI. Company website: <https://www.sanfang.com>**

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## **Chapter 1. Letter to Shareholders**

### **Operation Achievements**

There were many challenges in the global industrial environment in 2024, but the challenges were also accompanied by new development opportunities. Some international brands have stagnated or are in decline. Meanwhile, the rapid rise of new brands has brought new life into the market. As the trend of athleisure continues to grow, consumer groups have become more diverse and further driven overall demand in the footwear industry.

We actively implemented a number of efficiency improvement plans to strengthen our management and competitiveness. Our consolidated net revenue for 2024 was NT\$10.78 billion, up approximately 7% compared to the NT\$10.09 billion in 2023. Our consolidated net profit after tax reached NT\$1.48 billion, up substantially by 95% compared to the NT\$760 million in 2023.

### **2025 Business Plan and Market Outlook**

Looking ahead to 2025, the sports shoes market is expected to continue to benefit from the trend of healthy lifestyles and outdoor activities. As brands actively launch lifestyle and functional product series, it will increase the demand for materials that are both functional and fashionable. Applications of waterproof breathable films and thermal transfer materials in garments will continue to grow with the trend of sustainable fashion and multi-functional fabrics.

However, the U.S. tariffs policy in 2025 is expected to put pressure on the restructuring of global supply chains. The artificial leather industry may also face a situation where opportunities and risks coexist due to customers transferring orders. The Company has deployed overseas production capacity in advance to respond to these changes, and continues to strengthen the resilience of production in Southeast Asia, in order to make the required adjustments in response to tariffs and meet the localized manufacturing needs of customers, thereby reducing operational risks. In 2025, sales of artificial leather are expected to reach 41,500 thousand yards, while film products are expected to reach 6,800 thousand yards, maintaining steady growth.

### **Technology and Product Strategy: Place Equal Emphasis on Innovative R&D and Environmental Sustainability**

In recent years, brands have set higher standards for product innovation and environmental responsibility, and the demand for artificial leather has grown steadily. We focus on developing diverse functional materials with different surface effects to meet the needs of designers and consumers on design and practicality at the same time.

As no-sew technology has become one of the mainstream shoemaking processes, we are actively expanding our product line of related materials and working even closer with brands. At the same

time, in response to the market's expectations for sustainable application of materials, we continue to develop fully recyclable materials to fulfill our commitment to recycling and environmental sustainability.

### **Response to the Company's Future Development Strategies and Impacts from the Competitive Environment, Regulatory Environment, and Overall Business Environment**

Looking towards the future, we are actively expanding garment applications. In addition to developing high-value products, we are also applying eco-friendly thermoplastic elastomer materials in the garment market, and focusing on functional materials, such as hot melt adhesives, waterproof breathable films, and thermal transfer adhesives, to meet the requirements of clothing companies on high-performance and eco-friendly materials. In addition, our subsidiary Bestac Advanced Material continues to focus on high-end application products, such as polishing and grinding pads, to enhance the value and niche of the overall product line.

The global economy continues to be impacted by multiple factors, such as climate change, geopolitical conflicts, tariff policy adjustments, China's low-price competition, and rising environmental costs, resulting in high uncertainty in the industry value chain and business performance. To this end, the Company will continue to implement the following strategies:

1. Expand overseas production bases: Diversify supply chain risks and strengthen the resilience of local supply and fast delivery capabilities.
2. Implement lean production: Implement TPS management and improve automation and digitalization to optimize production efficiency and reduce costs.
3. Strengthen raw materials supply chain management: Ensure stable supply and consistent quality of raw materials in response to price fluctuations and delivery risks.

San Fang has always been customer-oriented since it was founded in 1973, and has operated steadily for over five decades with technological innovation as its core philosophy. Our exceptional performance in 2024 would not have been possible without the efforts of all employees and the long-term support of shareholders.

Looking ahead to 2025, we will continue to face challenges with our high-quality products and sustainability strategies, create higher value, and grow together and share glory with all shareholders.

We sincerely wish you and your family good health and that everything goes well!

Chairman    Mun-Jin Lin

June 11, 2025

## Chapter 2. Corporate Governance Report

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

#### (I) Information on Directors

April 13, 2025

Title	Nationality or place of registration	Name	Gender Age	Date of election (appointment)	Term	Date first elected	Shares held when elected		Current Shareholding		Shares currently held by spouse and underage children		Shares held in the name of others		Experience (Education)	Other positions at the Company or elsewhere	Another managerial officer, director or supervisor who is the spouse or a relative within second degree			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chairman	R.O.C.	San Fang Investment Co., Ltd.		2024.06.19	2024.06.19~2027.06.18	2012.06.06	1,143,574	0.29%	1,143,574	0.29%	0	0	0	0	N/A	Chairman of the Company	N/A			N/A
Representative of institutional chairman	R.O.C.	Representative: Mun-Jin Lin	Male Between 60 and 69 years old	2024.06.19	2024.06.19~2027.06.18	2006.05.24	26,239,427	6.60%	26,239,427	6.60%	155,559	0.04%	1,143,574	0.29%	Chairman of San Fang Chemical Industry Co., Ltd. PhD in National Sun Yat-sen University Master, Johns Hopkins University					
Director	R.O.C.	Pou Chien Technology Co., Ltd.		2024.06.19	2024.06.19~2027.06.18	2015.06.09	36,549,118	9.19%	36,549,118	9.19%	0	0	0	0	N/A	Director of Pou Chen Corporation	N/A			N/A
Representative of institutional director	R.O.C.	Representative: Chin-Chun Lu	Male Between 70 and 75 years old	2024.06.19	2024.06.19~2027.06.18	2000.05.17	0	0	0	0	0	0	0	0	President and Director of Pou Chen Corporation MBA, National Chung Hsing University	Chairman of the Board of directors and Executive Director of Yue Yuen Industrial (Holdings) Ltd.				
Director	R.O.C.	Pou Chien Technology Co., Ltd.		2024.06.19	2024.06.19~2027.06.18	2015.06.09	36,549,118	9.19%	36,549,118	9.19%	0	0	0	0	N/A		N/A			N/A

Title	Nationality or place of registration	Name	Gender Age	Date of election (appointment)	Term	Date first elected	Shares held when elected		Current Shareholding		Shares currently held by spouse and underage children		Shares held in the name of others		Experience (Education)	Other positions at the Company or elsewhere	Another managerial officer, director or supervisor who is the spouse or a relative within second degree			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Representative of institutional director	R.O.C.	Representative: Wang-Chin Lin	Male Between 50 and 59 years old	2024.06.24	2024.06.24~2027.06.18	2024.06.24	0	0	0	0	0	0	0	0	Vice President, Chief Human Resource Officer, Pou Sheng International (Holdings) Limited Executive Assistant Vice President of Pou Chen Corporation Vice President, Global Supply Chain Management Headquarters, Pou Chen Corporation Master of Philosophy, Tunghai University	Executive Assistant Vice President of Pou Chen Corporation Director, Prime Asia China Director of Nan Pao Resins Chemical Co., Ltd.	N/A			N/A
Representative of institutional director	R.O.C.	Representative: Yuan-Huang Liao	Male Between 50 and 59 years old	2024.06.19	2024.06.19~2024.06.24	2022.08.30	0	0	0	0	0	0	0	0	Executive Assistant Vice President of Pou Chen Corporation, Executive Director of Pou Sheng International Limited (Hong Kong), and Director of Nan Pao Resins Chemical Co., Ltd. Master, University of Cambridge	N/A	N/A			N/A
Director	R.O.C.	Pou Chien Technology Co., Ltd.		2024.06.19	2024.06.19~2027.06.18	2015.06.09	36,549,118	9.19%	36,549,118	9.19%	0	0	0	0	N/A	Chairman of Tah Kong Fine Chemical (Kun-Shan) Co., Ltd. Chairman of Guangyou International Investment Co., Ltd. Director Chin Xin Investment Co., Ltd.	N/A			N/A



Title	Nationality or place of registration	Name	Gender Age	Date of election (appointment)	Term	Date first elected	Shares held when elected		Current Shareholding		Shares currently held by spouse and underage children		Shares held in the name of others		Experience (Education)	Other positions at the Company or elsewhere	Another managerial officer, director or supervisor who is the spouse or a relative within second degree			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Representative of institutional director	R.O.C.	Representative: Chia-Hui Teng	Male Between 60 and 69 years old	2024.06.19	2024.06.19~2027.06.18	2018.06.12	5,368,891	1.35%	5,368,891	1.35%	20,442	0.01%	0	0	Chairman of Tah Kong Fine Chemical (Kun-Shan) Co., Ltd. Master of Accounting, New York University					
Independent director	R.O.C.	Li-Syuan Lin	Male Between 60 and 69 years old	2024.06.19	2024.06.19~2027.06.18	2015.06.09	0	0	0	0	0	0	0	0	President of King's Town Bank and former Vice President of Chase Bank Master, University of California	Executive Director of Acosta Ventures (BVI) Limited, Independent Director of Fong-Chien Construction Co., Ltd.		N/A		N/A
Independent director	R.O.C.	Chih-Long Chou	Male Between 50 and 59 years old	2024.06.19	2024.06.19~2027.06.18	2018.06.12	0	0	0	0	0	0	0	0	Accountant, Pragmatic CPA Firm and supervisor of St. Shine Optical Co., Ltd. Master of Financial Management, National Kaohsiung First University of Science and Technology	Member of the Company's Remuneration Committee		N/A		N/A
Independent director	R.O.C.	I-Ching Lin	Female Between 40 and 49 years old	2024.06.19	2024.06.19~2027.06.18	2024.06.19	0	0	0	0	0	0	0	0	Accountant, Jingcheng CPA Firm Independent Director, Contrel Technology Co., Ltd. Independent Director, Chang Wah Technology Co., Ltd. Independent Director, Sun Rise E&T Corporation Bachelor of Accounting, Tunghai University	Independent Director, Contrel Technology Co., Ltd. Independent Director, Chang Wah Technology Co., Ltd. Independent Director, Sun Rise E&T Corporation		N/A		N/A

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

Note 2: The Company held the 18th-term directors election on June 19, 2024. Independent Director Wan-Lin Hsu was dismissed and I-Ching Lin was appointed as the new independent director. Institutional director Pou Chien Technology Co. Ltd. appointed Director Wang-Chin Lin as its new representative on June 24, 2024.

## Major shareholders of institutional shareholders

April 13, 2025

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

## Main shareholders of institutional shareholders

April 13, 2025

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

Disclosure of professional qualifications of directors and independence of independent directors

Qualifications Name	Professional qualifications and experience	Independence criteria of independent director	Number of other public companies in which the individual is concurrently serving as an independent director
Chairman Mun-Jin Lin	1. As the President of the Company for about 12 years, having the work experience required for the Company's business. 2. Expertise in business administration, strategic planning, and corporate development. 3. Not having any of the situations set forth in Subparagraphs of Article 30 of the Company Act.	N/A	0
Director Chin-Chun Lu	1. President of Pou Chen Corporation for more than 10 years and Chairman of the Board of directors and Executive Director of Yue Yuen Industrial (Holdings) Ltd., with about 40 years of experience in the production of footwear and shoe materials. 2. Expertise in production management, operation management and corporate development. 3. Not having any of the situations set forth in Subparagraphs of Article 30 of the Company Act.	N/A	0
Director Wang-Chin Lin	1. Currently serves as an executive assistant vice president of Pou Chen Corporation; previously served as the vice president and chief human resource officer of Pou Sheng International (Holdings) Limited; concurrently holds the position of director of Top Units Developments Ltd. and Ka Yuen Rubber Factory Ltd. 2. Possesses knowledge of the industry and has expertise in human resources and business management. 3. Not having any of the situations set forth in Subparagraphs of Article 30 of the Company Act.	N/A	0
Director Chia-Hui Teng	1. As the Chairman of Tah Kong Chemical Industrial Corp. for more than 25 years, having the work experience required for the Company's business. 2. Expertise in corporate management, corporate development and accounting and auditing. 3. Not having any of the situations set forth in Subparagraphs of Article 30 of the Company Act.	N/A	0
Independent Director Li-Syuan Lin	1. Former President of King's Town Bank. 2. Former Vice President of Chase Bank. 3. Executive Director of Acosta Ventures (BVI) Limited. 4. As the member of the Audit Committee of the Company, having the expertise in finance. 5. Current Independent Director of Fong-Chien Construction Co., Ltd. 6. Not having any of the situations set forth in Subparagraphs of Article 30 of the Company Act.	The Company's independent directors do not have the following conditions and the independence criteria are met: 1. An employee of the Company or any of its	1

Independent Director Chih- Long Chou	<ol style="list-style-type: none"> <li>1. Accountant, Pragmatic CPA Firm.</li> <li>2. As the member of the Audit Committee of the Company, having the expertise in accounting and auditing.</li> <li>3. Former supervisor of St. Shine Optical Co., Ltd.</li> <li>4. Not having any of the situations set forth in Subparagraphs of Article 30 of the Company Act.</li> </ol>	<ol style="list-style-type: none"> <li>2. The independent directors and their spouses and relatives within second degree serve as directors, supervisors, or employees of the Company or any of its affiliates.</li> </ol>	0
Independent Director I- Ching Lin	<ol style="list-style-type: none"> <li>1. Accountant, Jingcheng CPA Firm</li> <li>2. Independent Director, Contrel Technology Co., Ltd.</li> <li>3. Independent Director, Chang Wah Technology Co., Ltd.</li> <li>4. Independent Director, Sun Rise E&amp;T Corporation</li> <li>5. Not having any of the situations set forth in Subparagraphs of Article 30 of the Company Act.</li> </ol>	<ol style="list-style-type: none"> <li>3. The independent directors and their spouses and relatives within second degree hold shares of the Company in their own names (or in any third party's name).</li> <li>4. The independent directors and their spouses and relatives within second degree serve as directors, supervisors, or employees of any company that has a specific relationship with the Company.</li> <li>5. The independent directors and their spouses and relatives within second degree received remuneration from providing business, legal, financial, or accounting service to the Company or any of its affiliates in the last two years.</li> </ol>	3

Board diversity and independence:

Board diversity:

The Company set forth its Board diversity policy in Article 23 of the "Corporate Governance Best Practice Principles", including the basic qualifications and values (e.g., gender, age, nationality, and culture) and professional knowledge and skills (e.g. Law, accounting, industry, finance, marketing, or technology) of Board members. The abilities that the Board of Directors should have as a whole to achieve the goals of corporate governance include the ability to make sound business judgments, ability to manage a business, ability to handle crisis management, knowledge of the industry, and financial accounting.

Specific management goals of the Company's board diversity policy, achievement of the goals, and implementation status of the policy: The goal of board diversity is to have two or more directors with expertise in accounting and auditing, which has been achieved by now.

The Company has a total of 7 directors in the 18th-term Board of Directors, in which 43% are directors who are not concurrently employees of the Company and independent directors. In addition, there is no spousal relationships or kinship within the second degree among the directors, and the members of the Board have rich experience in manufacturing, business management and other fields. The Company attaches importance to gender equality in board composition, and elected one female director in 2024. The Company plans to increase the number of female directors to three in the 19th-term Board of Directors that will be elected in 2027.

Core items of diversification Name of director	Gender	Age	Number years served as independent director	Highest degree	Industry experience	Academic experience	Field of expertise
San Fang Investment Co., Ltd. Representative: Mun-Jin Lin	Male	Between 60 and 69 years old	N/A	PhD in National Sun Yat-sen University Master, Johns Hopkins University	v		Business administration, strategic planning, and corporate development
Pou Chien Technology Co., Ltd. Representative: Chin-Chun Lu	Male	Between 70 and 75 years old	N/A	Master, College of Management, National Chung Hsing University	v		Production management and business administration
Pou Chien Technology Co., Ltd. Representative: Wang-Chin Lin	Male	Between 50 and 59 years old	N/A	Master of Philosophy, Tunghai University	v		Human resources and business management
Pou Chien Technology Co., Ltd. Representative: Chia-Hui Teng	Male	Between 60 and 69 years old	N/A	Master of Accounting, New York University	v		Business administration, accounting, and auditing
Independent Director Li-Syuan Lin	Male	Between 60 and 69 years old	9~10 years	Master, University of California	v		Finance
Independent Director Chih-Long Chou	Male	Between 50 and 59 years old	6~7 years	Master of Financial Management, National Kaohsiung First University of Science and Technology	v	v	Accounting and auditing
Independent Director I-Ching Lin	Female	Between 40 and 49 years old	0~1 years	Bachelor of Accounting, Tunghai University	v		Accounting and auditing

Reasons why female directors account for less than one-third of all directors and measures to be taken to improve gender diversity of directors:

The Company elected one female director on June 19, 2024. The Board of Directors is currently in the middle of a term. The Company plans to elect three female directors during the directors election in 2027 to respond to external policies, regulations, and expectations of society, strengthening the Company's corporate governance and improving decision-making quality and corporate image.

Measures taken to increase the gender diversity of directors:

1. Set clear gender diversity goals

- Action steps: Set a clear target for the percentage of female directors in the corporate governance policy, aiming to reach one-third within the next three years, and incorporate it into the sustainable development (ESG) plan.

2. Establish a diversified director nomination mechanism

- Action steps: Establish candidate selection criteria that include gender diversity as an important indicator and actively search for external female professional talent.

3. External cooperation to expand the talent pool

- Action steps: Partner with organizations or professional associations focused on gender equality to search for female director candidates with financial, legal, or technical backgrounds, increase connections between the Company and potential female directors, and increase the Company's gender diversity.

Board independence:

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

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

April 13, 2025

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

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

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

Note 3: Vice President Chin-Fa Chiu retired in February 2024, and Assistant Vice President Chen-Tai Cheng was dismissed and reappointed as a consultant in March 2025.

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



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

### (I) Director's remuneration

Unit: NT\$ thousand

Title	Name	Director's remuneration								Ratio of total remuneration (A+B+C+D) to net income after tax		Pay received as an employee								Ratio of total compensation (A+B+C+D+E+F+G) to net income after tax		Remuneration received from investee companies other than subsidiaries or the parent company
		Remuneration (A)		Severance pay and pension (B)		Directors' remuneration (C)		Business expense (D)				Salary, bonus and special allowance (E)		Severance pay and pension (F)		Employee bonuses (G)						
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company		All Consolidated Entities		The Company	All Consolidated Entities	
																Cash amount	Stock amount	Cash amount	Stock amount			
Chairman	San Fang Investment Co., Ltd. Representative: Mun-Jin Lin	1,092	1,092	0	0	24,400	24,400	720	720	26,212 1.77%	26,212 1.77%	0	0	0	0	0	0	0	0	26,212 1.77%	26,212 1.77%	N/A
Director	Pou Chien Technology Co., Ltd. Representative: Chin-Chun Lu																					
Director	Pou Chien Technology Co., Ltd. Representative: Yuan-Huang Liao																					
Director	Pou Chien Technology Co., Ltd. Representative: Wang-Chin Lin																					
Director	Pou Chien Technology Co., Ltd. Representative: Chia-Hui Teng																					
Independent director	Li-Syuan Lin	1,560	1,560	0	0	0	0	0	0	1,560 0.11%	1,560 0.11%	0	0	0	0	0	0	0	0	1,560 0.11%	1,560 0.11%	N/A
Independent director	Wan-Lin Hsu																					
Independent director	Chih-Long Chou																					
Independent director	I-Ching Lin																					

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

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

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

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

Note 5: The Company held the 18th-term directors election on June 19, 2024. Independent Director Wan-Lin Hsu was dismissed and I-Ching Lin was appointed as the new independent director. Institutional director Pou Chien Technology Co. Ltd. appointed Director Wang-Chin Lin as its new representative on June 24, 2024.

Note 6: The amount of directors' remuneration to be distributed was approved by the Board of Directors on March 07, 2025.

Note 7: The annual salary of the Company's full-time non-managerial employees averaged NT\$1,014,000 in the most recent year, up 20% year on year.

Range of remuneration chart

Remuneration scale applicable to the Company's directors	Name of director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All Consolidated Entities	The Company	All Consolidated Entities
Less than NT\$1,000,000	Li-Syuan Lin, Wan-Lin Hsu, Chih-Long Chou, I-Ching Lin	Li-Syuan Lin, Wan-Lin Hsu, Chih-Long Chou, I-Ching Lin	Li-Syuan Lin, Wan-Lin Hsu, Chih-Long Chou, I-Ching Lin	Li-Syuan Lin, Wan-Lin Hsu, Chih-Long Chou, I-Ching Lin
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)				
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	Pou Chien Technology Co., Ltd. Representative Yuan-Huang Liao Pou Chien Technology Co., Ltd. Representative Wang-Chin Lin	Pou Chien Technology Co., Ltd. Representative Yuan-Huang Liao Pou Chien Technology Co., Ltd. Representative Wang-Chin Lin	Pou Chien Technology Co., Ltd. Representative Yuan-Huang Liao Pou Chien Technology Co., Ltd. Representative Wang-Chin Lin	Pou Chien Technology Co., Ltd. Representative Yuan-Huang Liao Pou Chien Technology Co., Ltd. Representative Wang-Chin Lin
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)				
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	San Fang Investment Co., Ltd. Representative Mun-Jin Lin Pou Chien Technology Co., Ltd. Representative Chin-Chun Lu Pou Chien Technology Co., Ltd. Representative Chia-Hui Teng	San Fang Investment Co., Ltd. Representative Mun-Jin Lin Pou Chien Technology Co., Ltd. Representative Chin-Chun Lu Pou Chien Technology Co., Ltd. Representative Chia-Hui Teng	San Fang Investment Co., Ltd. Representative Mun-Jin Lin Pou Chien Technology Co., Ltd. Representative Chin-Chun Lu Pou Chien Technology Co., Ltd. Representative Chia-Hui Teng	San Fang Investment Co., Ltd. Representative Mun-Jin Lin Pou Chien Technology Co., Ltd. Representative Chin-Chun Lu Pou Chien Technology Co., Ltd. Representative Chia-Hui Teng
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)				
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)				
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)				
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)				
NT\$100,000,000 and above				
Total	9 persons	9 persons	9 persons	9 persons

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

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

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

(III) Remunerations to the president and vice presidents

Unit: NT\$ thousand

Title	Name	Salary (A)		Severance pay and pension (B)		Bonuses and allowances, etc. (C)		Employee bonuses (D)				Ratio of total remuneration (A+B+C+D) to net income after tax (%)		Remuneration received from investee companies other than subsidiaries or the parent company
		The Company	All Consolidate d Entities	The Company	All Consolidate d Entities	The Company	All Consolidate d Entities	The Company		All Consolidated Entities		The Company	All Consolidate d Entities	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Chih-I Lin	10,108	10,108	631	631	14,830	14,830	1,764	0	1,764	0	1.85%	1.85%	N/A
Vice President	Chin-Fa Chiu													
Vice President	Hsin-Hung Lin													
Vice President	Wei-Chu Chen													
Vice President	Kuo-Kuang Cheng													
Vice President	Li-Chuan Li													
Vice President	Liang-Chuan Hsu													

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

Note 2: Vice President Chin-Fa Chiu retired in February 2024, and Assistant Vice President Chen-Tai Cheng was reappointed as a consultant in March 2025.

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

Range of remuneration chart

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

(IV) Names of managerial officers that received employee bonuses and status of the distribution May 8, 2025

Unit: NT\$ thousand

	Title	Name	Stock amount	Cash amount	Total	Ratio of total amount to net income (%)
Managers	President	Chih-I Lin	No stock dividend was distributed	2,821	2,821	0.19%
	Vice President	Chin-Fa Chiu				
	Vice President	Wei-Chu Chen				
	Vice President	Kuo-Kuang Cheng				
	Vice President	Li-Chuan Li				
	Vice President and Financial Officer	Hsin-Hung Lin				
	Vice President	Liang-Chuan Hsu				
	Assistant Vice President	Chang I-Cheng				
	Assistant Vice President	Chin-Liang I				
	Assistant Vice President	Chen-Tai Cheng				
	Head of accounting	Hua-Hsing Wang				

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

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

Item	The Company				All Consolidated Entities			
	2024	%	2023	%	2024	%	2023	%
Director	27,772	1.88%	24,270	3.19%	27,772	1.88%	24,270	3.19%
President and vice presidents	27,333	1.85%	25,679	3.38%	27,333	1.85%	26,399	3.47%
Net profit after tax	1,479,402		760,274		1,479,402		760,274	

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

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

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

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

Article 21: The Board of Directors is authorized to determine the regular earnings of directors based on their participation in the Company's operations, value of contributions, and industry standards. Transportation allowance for directors shall be determined by the Board of Directors.

Independent directors receive fixed compensation and do not receive any variable compensation.

Before the amendment by the shareholders' meeting on June 11, 2025:

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

Pursuant to the amendment to Article 14, Paragraph 6 of the Securities and Exchange Act in Presidential Order Hua-Zong-Yi-Yi-Zi No. 11300069631 on August 7, 2024, the Articles of Incorporation must specify a certain percentage of annual earnings to be allocated for salary raises or bonuses of entry-level employees, and the Company thus amended Article 24 of the Articles of Incorporation.

After the amendment by the shareholders' meeting on June 11, 2025:

Article 24: The Company shall allocate 3-5% of its profit for the year (before tax and before distribution of employee bonuses and directors' remuneration) as employee bonuses (no less than 30% of the amount shall be allocated as bonuses for entry-level employees) and no more than 3% as remuneration of directors and supervisors.

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

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

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

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

(2) The procedures for setting remuneration:

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

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

- I. Ensure that the Company's overall remuneration is in compliance with the law and sufficient to attract outstanding talent.
- II. Performance evaluations and remuneration of directors and managerial officers should take into consideration industry standards, and the reasonableness of the connection with individual performance, the Company's business performance, and future risks.

- III. Do not guide directors and managers to engage in actions that exceed the Company's risk appetite for higher remuneration.
- IV. The percentage of remuneration distributed for the short-term performance of directors and senior executives and the time of payment for variable compensation shall be determined after considering industry characteristics and the nature of the Company's business.
- V. Committee members may not participate in discussions and voting on decisions regarding their individual remuneration.

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

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

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

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

A. Connection between performance evaluations and the remuneration of directors:

The policy, system, standard, and structure of remuneration to directors, and the correlation between duties, risk, and time input with the amount of remuneration:

The Company's institutional director receives a fixed transportation allowance and the Company's independent directors do not participate in the distribution of directors' remuneration to maintain their independence, and received fixed monthly salaries instead, regardless of their responsibilities, risks, time invested and other factors. The remuneration of the Audit Committee's convener is 1.25 times that of independent directors because the convener is responsible for convening and handling related matters of the Audit Committee and for approving audit reports.

B. Connection between performance evaluations and the remuneration of the managers:

Remuneration to the Company's managers encompasses a fixed monthly salary, variable pay (employee compensation, year-end bonus, and other incentives), and a pension calculated and disbursed as per legal requirements. The fixed monthly salary is determined in relation to the job tasks, responsibilities, risks involved in decision-making, and salary standards within the industry. Variable pay is assessed according



to the Company's operating performance and managers' attainment of MBO performance indicators, which consist of objectives defined for different job roles, covering revenue targets, rate of profitability enhancement, talent preparedness, financial operations, and successful interest rate management.

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

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

### III. Implementation of Corporate Governance

#### (I) Status of Board operations

##### Information on Status of Board Operations

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

Title	Name	Attendance in person	Attendance by proxy	Attendance in person (%)	Remarks
Chairman	San Fang Investment Co., Ltd. Representative: Mun-Jin Lin	6	0	100%	June 19, 2024 Re-elected
Director	Pou Chien Enterprise Co., Ltd. Representative: Chin-Chun Lu	6	0	100%	June 19, 2024 Re-elected
Director	Pou Chien Technology Co., Ltd. Representative: Yuan-Huang Liao	2	2	50%	June 24, 2024 Institutional director appointed Old representative, required attendance: 4 times
Director	Pou Chien Technology Co., Ltd. Representative: Wang-Chin Lin	2	0	100%	June 24, 2024 Institutional director appointed New representative, required attendance: 2 times
Director	Pou Chien Technology Co., Ltd. Representative: Chia-Hui Teng	6	0	100%	June 19, 2024 Re-elected
Independent director	Li-Syuan Lin	6	0	100%	June 19, 2024 Re-elected
Independent director	Wan-Lin Hsu	3	0	100%	June 19, 2024 Election Old, required attendance: 3 times
Independent director	Chih-Long Chou	6	0	100%	June 19, 2024 Re-elected
Independent director	I-Ching Lin	3	0	100%	June 19, 2024 Election New, required attendance: 3 times

Other disclosures:

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

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

Date of Board meeting	Session	Agenda content	All independent directors' opinions	The Company's handling of independent directors' opinions
2024.01.23	17th meeting of the 17th-term	1. Proposal for the replacement of the CPA for the Company's financial statements. 2. Proposal to evaluate the 2024 CPA's independence and competence based on the Audit Quality Indicators (AQIs). 3. Proposed remuneration to the CPAs.	No dissenting or unqualified opinions	Approved as proposed
2024.03.06	18th meeting of the 17th-term	1. Proposed 2023 "Statement on Internal Control System".	No dissenting or unqualified opinions	Approved as proposed
2024.08.06	2nd meeting of the 18th-term	1. Proposal to revise the Company's Regulations Governing Establishment of Internal Control Systems. 2. Proposal to acknowledge endorsements/guarantees provided by the Company to subsidiaries. 3. The remuneration of the Company's independent directors who also serve concurrently as Audit Committee members. 4. Proposal to discuss the "Directors' remuneration in 2023" proposed by the Remuneration Committee.	1. When discussing the remuneration of the Company's independent directors who concurrently serve as Audit Committee members, after the chairman inquired all directors in attendance, except for Independent Director Li-Syuan Lin, Independent Director Chih-Long Chou, and Independent Director I-Ching Lin, who recused themselves due to a conflict of interest, all directors in attendance approved the proposal as proposed. 2. When discussing the 2023 directors' remuneration proposed by the Remuneration Committee, Chairman Mun-Jin Lin, Director Chin-Chun Lu, Director Wang-Chin Lin, and Director Chia-Hui Teng recused themselves due to a conflict of interest, Independent Director Li-Syuan Lin was authorized to serve as the acting chairman, and all independent directors in attendance approved the proposal as proposed. 3. There were no dissenting or unqualified opinions on other proposals.	Approved as proposed
2024.11.07	3rd meeting of the 18th-term	1. A loan of NT\$100 million to the wholly-owned subsidiary Bestac Advanced Material Co., Ltd. 2. Proposal to add the "Procedures for Preparation and Verification of Sustainability Reports" to the Company's internal controls. 3. Proposed 2025 audit plan.	No dissenting or unqualified opinions	Approved as proposed

Date of Board meeting	Session	Agenda content	All independent directors' opinions	The Company's handling of independent directors' opinions
2025.01.15	4th meeting of the 18th-term	1. Proposal to evaluate the 2025 CPA's independence and competence based on the Audit Quality Indicators (AQIs).	No dissenting or unqualified opinions	Approved as proposed
2025.03.07	5th meeting of the 18th-term	1. Proposed amendment to the Company's "Articles of Incorporation". 2. Proposed scope of the Company's entry-level employees. 3. Proposal to amend the Company's "Corporate Governance Best Practice Principles". 4. Proposed 2025 audit plan.	No dissenting or unqualified opinions	Approved as proposed

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

N/A.

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

Name of director	Agenda content	Reason for recusal	Voting situation
Independent Director Li-Syuan Lin Independent Director Chih-Long Chou Independent Director I-Ching Lin	The remuneration of the Company's independent directors who also serve concurrently as Audit Committee members.	When discussing the remuneration of the Company's independent directors who concurrently serve as Audit Committee members, after the chairman inquired all directors in attendance, except for Independent Director Li-Syuan Lin, Independent Director Chih-Long Chou, and Independent Director I-Ching Lin, who recused themselves due to a conflict of interest,	all directors in attendance approved the proposal as proposed.
Chairman Lin Meng Jing, Director Chin-Chun Lu, Director Yuan-Huang Liao, Director Chia-Hui Teng	Proposal to discuss the "Directors' remuneration in 2023" proposed by the Remuneration Committee.	When discussing the 2023 directors' remuneration proposed by the Remuneration Committee, Chairman Mun-Jin Lin, Director Chin-Chun Lu, Director Wang-Chin Lin, and Director Chia-Hui Teng recused themselves due to a conflict of interest.	Independent Director Li-Syuan Lin was authorized to serve as the acting chairman, and all independent directors in attendance approved the 2023 directors' remuneration as proposed.

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

The implementation status of the 2024 Board of Directors evaluation was reported in the 4th meeting of the 18th-term Board of Directors on January 15, 2025. Please see Table 2 (2) for the implementation status of the evaluations of the Board of Directors and functional committees.

- IV. Goals for enhancing Board functions in the current year and most recent year (such as establishing an Audit Committee and increasing information transparency) and evaluation of implementation status.
1. The Company's Board of Directors operates according to the "Rules of Procedure for Board of Directors Meetings" and complies with related laws and regulations. In 2024, all independent directors attended Board meetings personally for supervision, in order to understand the Company's financial position, business performance, and implementation of major business plans.
  2. The Company elected three independent directors during the 2024 shareholders' meeting to participate in Board operations to improve corporate governance and strengthen Board functions. The independent directors formed an Audit Committee.
  3. As of December 31, 2024, only one independent director has served for more than three consecutive terms, which is in compliance with the legal requirement that no more than half of all independent directors have served for three consecutive terms or more.
  4. Chairman of the Company shall not hold a managerial position.
  5. In May 2021, the Company resolved through the meeting of the board of directors to pass the appointment of the corporate governance supervisor to assist directors in performing their duties and enhancing board functions.

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

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

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items	Evaluation results
Once a year	2024.01.01~ 2024.12.31	Board of Directors	Board of Directors	A.Participation in the operation of the Company. B.Improvement of the Board of Directors' decision-making quality. C.Composition and structure of the Board of Directors. D.Selection and continuing education of directors. E. Internal control.	Items to be improved 1. Improvement plan of strengthen the management and control of various risks by the board of directors. Improvement plan 1. Strengthen the Board's management of various risks to improve the Company's ability to respond to crises, supervise and improve the accuracy of risk management through risk monitoring and risk analysis, and thereby improve the overall operational efficiency of the Board of Directors.
Once a year	2024.01.01~ 2024.12.31	Individual Board members	Self-evaluation by directors	A.Understanding of the Company's goals and mission. B.Understanding of directors' duties. C.Participation in the operation of the Company. D.Maintaining internal relationships and communication. E. The professional and continuing education of directors. F. Internal control.	Items to be improved 1. Improve the attendance rate at board meetings and shareholders' meetings. 2. Continue to implement the board diversity policy. Improvement plan 1. One month before the meeting, first contact the directors on the date of the next board meeting, so to facilitate the arranging to attend the board meeting of the directors. 2. The Company continues to arrange a variety of continuing education courses for board members, in order to improve the quality of their decisions, enhance their supervision ability, and further strengthen board competencies. In addition, we set the goal to for one third of all directors elected at the 2027 shareholders' meeting to be female.

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

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items	Evaluation results
Once a year	2024.01.01~ 2024.12.31	Audit Committee	Self-evaluation by directors	A.Participation in the operation of the Company. B.Understanding of the committee's duties. C.Improvement of committee decision-making quality. D.Composition of committee and member selection. E. Internal control.	Items to be improved 1. The Audit Committee is able to properly assess and supervise the Company's existing or potential risks, and effectively assess and supervise the effectiveness of the internal control system and risk management. Improvement plan 1. Monitor and improve the accuracy of risk management activities by implementing risk detection or risk analysis.
Once a year	2024.01.01~ 2024.12.31	Remuneration Committee	Committee members' self-evaluation	A.Participation in the operation of the Company. B.Understanding of the committee's duties. C.Improvement of committee decision-making quality. D.Composition of committee and member selection. E. Internal control.	Items to be improved 1. Improve the expertise of the Remuneration Committee required in the decision-making process. Improvement plan 1. Provide more complete and comprehensive information to the members of the Remuneration Committee, and invite relevant professionals to attend when necessary.

(III) Operation of the Audit Committee

Information on Operations of the Audit Committee

Key work items of the Audit Committee in 2024:

- I. Review of financial statements.
- II. The Company's Internal Control System Guidelines.
- III. The "Procedures for Preparation and Verification of Sustainability Reports" in the Company's internal control systems.
- IV. Proposal of the Company's "Corporate Governance Best Practice Principles".
- V. Proposal for the replacement of the CPA for the Company's financial statements.
- VI. Proposed remuneration to the CPAs.
- VII. Assessment of the effectiveness of the internal control system.
- VIII. Review the evaluation of the CPA's independence and competence based on AQIs.

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

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance rate (%) (B/A) (Note)	Remarks
Convener	Li-Syuan Lin	5	0	100%	Re-election on June 19, 2024 Re-elected
Committee Member	Wan-Lin Hsu	3	0	100%	Re-election on June 19, 2024 Old, required attendance: 3 times
Committee Member	Chih-Long Chou	5	0	100%	Re-election on June 19, 2024 Re-elected
Committee Member	I-Ching Lin	1	1	50%	Re-election on June 19, 2024 New, required attendance: 2 times



## Other disclosures

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

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

Date of Audit Committee meeting	Session	Agenda content	Are there any objections from independent directors or content of major proposed projects?	Resolutions of the Audit Committee	The Company's handling of Audit Committee opinions:
2024.01.22	12th meeting of the 2nd-term	1.Proposal for the replacement of the CPA for the Company's financial statements. 2.Proposal to evaluate the CPA's independence and competence based on the Audit Quality Indicators (AQIs) in 2024. 3.Proposed remuneration to the CPAs.	N/A	No dissenting or unqualified opinions	Approved as proposed
2024.03.05	13th meeting of the 2nd-term	1.Proposed 2023 business report and financial statements. 2.2023 Dividend distribution proposal. 3.2023 Statement on Internal Control System.	N/A	No dissenting or unqualified opinions	Approved as proposed
2024.08.05	1st meeting of 3rd-term	1.Proposal to revise the Company's Regulations Governing Establishment of Internal Control Systems. 2.Proposal to acknowledge endorsements/guarantees provided by the Company to subsidiaries.	N/A	No dissenting or unqualified opinions	Approved as proposed
2024.11.06	2nd meeting of 3rd-term	1.Proposal of a loan of NT\$100 million to the wholly-owned subsidiary Bestac Advanced Material Co., Ltd. 2.Proposal to add the "Procedures for Preparation and Verification of Sustainability Reports" to the Company's internal controls. 3.2025 audit plan proposed by the Audit Office of the Company.	N/A	No dissenting or unqualified opinions	Approved as proposed
2025.01.15	3rd meeting of 3rd-term	1.Proposal to evaluate the CPA's independence and competence based on the Audit Quality Indicators (AQIs) in 2025.	N/A	No dissenting or unqualified opinions	Approved as proposed
2025.03.06	4th meeting of 3rd-term	1.Proposed 2024 business report and financial statements. 2.2024 Dividend distribution proposal. 3.Proposed amendment to the Company's "Articles of Incorporation". 4.Proposed scope of the Company's entry-level employees. 5.Proposal to amend the Company's "Corporate Governance Best Practice Principles". 6.2024 Statement on Internal Control System.	N/A	No dissenting or unqualified opinions	Approved as proposed

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

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

Name of independent director	Agenda content	Reason for recusal	Participation in voting
Li-Syuan Lin Chih-Long Chou I-Ching Lin	The remuneration of the Company's independent directors who also serve concurrently as Audit Committee members.	When discussing the remuneration of the Company's independent directors who concurrently serve as Audit Committee members, independent directors recused themselves due to a conflict of interest.	After the chairman inquired all directors in attendance, except for Independent Director Li-Syuan Lin, Independent Director Chih-Long Chou, and Independent Director I-Ching Lin, who recused themselves due to a conflict of interest, all directors in attendance approved the proposal as proposed.

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

1. The Company's Audit Committee is formed by all independent directors and convenes meetings at least once a quarter. Meetings may be convened at any time when necessary.
2. Communication between the Audit Committee and the chief auditor
  - (1) Audit reports are completed each month according to the audit plan, and submitted to independent directors for review before the end of the month via e-mail or in person.
  - (2) Internal audit reports are submitted to the Audit Committee each quarter.
  - (3) Communication, instructions, and responses are provided irregularly via telephone, e-mail, or in person.
  - (4) Material special events are immediately reported to the Audit Committee.
3. Communication between the Audit Committee and accountants
  - (1) The Company's accountants explained key audit matters of the 2023 financial statements during the accountant meeting on March 5, 2024; explained audit results of the 2024 semi-annual financial statements during the accountant meeting on August 5, 2024; explained and communicated opinions on matters of communication required by the law, as well as the transparency report and independence report of the accounting firm, during the accountant meeting on November 6, 2024.
  - (2) Frequency of communication between accountants and the Audit Committee: At least twice a year.
  - (3) The Audit Committee may utilize a number of communication channels (e.g. telephone, e-mail, and in person) to discuss the financial statement audit situation and results of the Company's accountants.
  - (4) A meeting may be scheduled to exchange opinions on important matters.
4. The Company's independent directors have a variety of communication channels and maintain good communication with the chief internal auditor and accountant.

Independent directors communicate with the accountants and chief auditor at least twice a year.

Matters of communication between independent directors, the chief internal auditor, and the accountants in 2024:

Date	Method	Target of communication	Matters of communication	Results
2024.03.05	Reported during meeting with accountants	CPA	1. The accountants explained the financial position and profits/losses in 2023, and discussed issues with the applicability of some accounting principles. 2. The accountants discussed and communicated issues raised by attendees of the meeting.	Fully discussed and fully understood by independent directors. The 2023 financial statements were passed by the Audit Committee, and submitted to the Board of Directors for resolution.
	Reported during Audit Committee meeting	Chief auditor	1. 2023 Q4 internal audit report.	Fully discussed, passed by the Audit Committee, and reported to the Board of Directors.

Date	Method	Target of communication	Matters of communication	Results
2024.05.07	Reported during Audit Committee meeting	Chief auditor	1. 2024 Q1 internal audit report.	The replacement of the chief auditor was fully discussed, passed by the Audit Committee, and reported to the Board of Directors.
2024.08.05	Reported during meeting with accountants	CPA	1. The CPA explained the 2024 semi-annual financial statements. 2. The accountants discussed and communicated issues raised by attendees of the meeting.	Fully discussed and fully understood by independent directors. The 2024 semi-annual financial statements were passed by the Audit Committee, and submitted to the Board of Directors for resolution.
	Reported during Audit Committee meeting	Chief auditor	1. 2024 Q2 internal audit report.	Fully discussed, passed by the Audit Committee, and submitted to the Board of Directors for resolution.
2024.11.06	Reported during meeting with accountants	CPA	1. Communication of annual audit plans. 2. Key Audit Matters (KAM). 3. Promotion of recent laws and regulations 4. An introduction to IFRS Sustainable Disclosure Standards. 5. Accounting firm transparency report and independence report.	Fully discussed, CPA independence evaluation passed by the Audit Committee, and submitted to the Board of Directors for resolution.
	Reported during Audit Committee meeting	Chief auditor	1. 2024 Q3 internal audit report. 2. Submitted the 2025 internal audit plan.	Fully discussed, passed by the Audit Committee, and submitted to the Board of Directors for resolution.

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

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

Evaluation item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(IV) Does the company establish internal rules against insiders trading with undisclosed information?	✓		(IV) The Company established "Procedures for Handling Material Inside Information and Prevention of Insider Trading" and "Code of Ethics" to regulate ethical conduct.	No significant difference
III. Composition and duties of the board of directors (I) Does the Board of Directors develop and implement a diversified policy and specific management goals?	✓		(I) The Company set forth its Board diversity policy in Article 23 of the "Corporate Governance Best Practice Principles", including the basic qualifications and values (e.g., gender, age, nationality, and culture) and professional knowledge and skills (e.g. Law, accounting, industry, finance, marketing, or technology) of Board members. The abilities that the Board of Directors should have as a whole to achieve the goals of corporate governance include the ability to make sound business judgments, ability to manage a business, ability to handle crisis management, knowledge of the industry, and financial accounting. For the specific management goals of the Company's board diversity policy, the achievement status of the goals and the implementation status of the policy, please refer to Director Information (II), which has been disclosed on the Company's website. The Company has a total of 7 directors in the 18th-term Board of Directors, in which 43% are directors who are not concurrently employees of the Company and independent directors. In addition, there is no spousal relationships or kinship within the second degree among the directors, and the members of the Board have rich experience in manufacturing, business management and other fields. The goal of board diversity is to have two or more directors with expertise in accounting and auditing, which has been achieved by now.	No significant difference
(II) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and Audit Committee?	✓		(II) The Company has established a Remuneration Committee, an Audit Committee, and an ESG Development Committee in accordance with the law. The establishment of other functional committees will be evaluated based on the actual needs of the Company.	No significant difference
(III) Does the company establish standards and method for evaluating Board performance, conduct annual performance evaluations, submit	✓		(III) The Company established the "Rules for Board Performance Self-Evaluations and Peer Evaluations" in March 2020. Board performance evaluations must be conducted at least once a year, either through director self-evaluation and Board self-evaluation or evaluation by others. Results of Board performance evaluations are reported in the	No significant difference

Evaluation item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
performance evaluation results to the Board, and use the results as a basis for determining the remuneration and nomination of individual directors?			<p>first Board meeting after the end of the fiscal year.</p> <p>The criteria for Board performance evaluations include the following five aspects:</p> <ol style="list-style-type: none"> <li>(1) Participation in the operation of the Company.</li> <li>(2) Improvement of the Board of Directors' decision-making quality.</li> <li>(3) Composition and structure of the Board of Directors.</li> <li>(4) The selection and continuing education of directors.</li> <li>(5) Internal control.</li> </ol> <p>The criteria for Board member performance evaluation include the following six aspects:</p> <ol style="list-style-type: none"> <li>(1) Understanding of the Company's goals and mission.</li> <li>(2) Understanding of directors' duties.</li> <li>(3) Participation in the operation of the Company.</li> <li>(4) Maintaining internal relationships and communication.</li> <li>(5) The professional and continuing education of directors.</li> <li>(6) Internal control.</li> </ol> <p>The criteria for performance evaluation of the Remuneration Committee and Audit Committee include the following five aspects:</p> <ol style="list-style-type: none"> <li>(1) Participation in the operation of the Company.</li> <li>(2) Understanding of the committee's duties.</li> <li>(3) Improvement of committee decision-making quality.</li> <li>(4) Composition of committee and member selection.</li> <li>(5) Internal control.</li> </ol> <p>An evaluation was conducted in December 2024 via self-evaluation by the Board of Directors, self-evaluation by individual Board members, and self-evaluation by the Remuneration Committee and Audit Committee. The evaluation results were reported in the Board meeting held on January 15, 2025, and would be used as a reference for individual directors' remuneration and nomination for re-appointment, and the status of Board evaluation has been announced.</p>	

Evaluation item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons																													
	Yes	No	Summary																														
(IV) Does the company regularly evaluate the independence of CPAs?	✓		<p>(IV) The Company evaluates the independence and competency of accountants by the Audit Committee and the Board resolution. Before appointing the CPA, the Company first reviews their independence and requires accountants to provide a "Declaration of Total Independence." The Company has verified that there are no financial interests and business relationships with the accountants other than fees for attestation and tax cases, and that family members of the accountants do not violate independence requirements. The independence and competency of CPAs Teng-Wei Wang and Yu-Hsiang Liu was reviewed and approved by the Audit Committee and evaluated and approved by the Board of Directors in 2024.</p> <p>The independence and competency of CPA Teng-Wei Wang and CPA Yu-Hsiang Liu, who were substituted in the first quarter of 2024 as the Company's attesting CPAs, was deemed qualified, as per the AQIs-based evaluation stated in the review of Audit Committee meeting dated January 15, 2025 and the resolution of the Board of Directors meeting.</p> <p>The competence evaluation items based on the Audit Quality Indicators (AQIs):</p> <table><tr><th>Evaluate category</th><th>Evaluation item</th><th>Meet the independence and competency criteria</th></tr><tr><td rowspan="4">Professionalism</td><td>1.Audit experience</td><td>Yes</td></tr><tr><td>2.Training hours</td><td>Yes</td></tr><tr><td>3.Turnover rate</td><td>Yes</td></tr><tr><td>4.Professional support</td><td>Yes</td></tr><tr><td rowspan="4">Quality management</td><td>1.Workload of the CPA</td><td>Yes</td></tr><tr><td>2.Audit engagement</td><td>Yes</td></tr><tr><td>3.Case quality management and review</td><td>Yes</td></tr><tr><td>4.Quality management and support capabilities</td><td>Yes</td></tr><tr><td rowspan="2">Independency</td><td>1.Non-audit service</td><td>Yes</td></tr><tr><td>2.Familiarity with customers</td><td>Yes</td></tr><tr><td>Supervisory</td><td>1.Deficiencies in external inspections and penalties</td><td>Yes</td></tr></table>	Evaluate category	Evaluation item	Meet the independence and competency criteria	Professionalism	1.Audit experience	Yes	2.Training hours	Yes	3.Turnover rate	Yes	4.Professional support	Yes	Quality management	1.Workload of the CPA	Yes	2.Audit engagement	Yes	3.Case quality management and review	Yes	4.Quality management and support capabilities	Yes	Independency	1.Non-audit service	Yes	2.Familiarity with customers	Yes	Supervisory	1.Deficiencies in external inspections and penalties	Yes	<p>No significant difference</p> <p>No significant difference</p>
Evaluate category	Evaluation item	Meet the independence and competency criteria																															
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Evaluation item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons																													
	Yes	No	Summary																														
			<table><tr><td></td><td>2.Competent authority issues letters to request improvements</td><td>Yes</td></tr><tr><td>Innovation</td><td>1.Innovative plans or initiatives</td><td>Yes</td></tr></table>		2.Competent authority issues letters to request improvements	Yes	Innovation	1.Innovative plans or initiatives	Yes	No significant difference																							
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			<table><tr><th>CPA independence evaluation</th><th>Evaluation results</th><th>Meet the independence criteria</th></tr><tr><td>1.Do the accountants have direct or material indirect financial interests in the Company?</td><td>No</td><td>Yes</td></tr><tr><td>2.Have the accountants engaged in any loans or guarantees with the Company's directors?</td><td>No</td><td>Yes</td></tr><tr><td>3.Do the accountants have a close business relationship or potential employment relationship with the Company?</td><td>No</td><td>Yes</td></tr><tr><td>4.Did the accountants and their audit team members serve as director, managerial officer, or position with significant influence on audit work at the Company in the past two years, or are they currently holding such a position?</td><td>No</td><td>Yes</td></tr><tr><td>5.Are the accountants providing non-audit services to the Company that may directly affect audit work?</td><td>No</td><td>Yes</td></tr><tr><td>6.Are the accountants brokering the stock or other securities issued by the Company?</td><td>No</td><td>Yes</td></tr><tr><td>7.Are the accountants serving as the Company's defense attorney or represent the Company in handling a conflict with a third party?</td><td>No</td><td>Yes</td></tr><tr><td>8.Are the accountant's relatives of the Company's directors, managers, or persons holding a position with significant influence on audit work?</td><td>No</td><td>Yes</td></tr></table>			CPA independence evaluation	Evaluation results	Meet the independence criteria	1.Do the accountants have direct or material indirect financial interests in the Company?		No	Yes	2.Have the accountants engaged in any loans or guarantees with the Company's directors?	No	Yes	3.Do the accountants have a close business relationship or potential employment relationship with the Company?	No	Yes	4.Did the accountants and their audit team members serve as director, managerial officer, or position with significant influence on audit work at the Company in the past two years, or are they currently holding such a position?	No	Yes	5.Are the accountants providing non-audit services to the Company that may directly affect audit work?	No	Yes	6.Are the accountants brokering the stock or other securities issued by the Company?	No	Yes	7.Are the accountants serving as the Company's defense attorney or represent the Company in handling a conflict with a third party?	No	Yes	8.Are the accountant's relatives of the Company's directors, managers, or persons holding a position with significant influence on audit work?	No	Yes
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Evaluation item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
IV. Does the public company have a suitable number of competent corporate governance personnel, and has it appointed a corporate governance supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their duties, assisting directors and supervisors with regulatory compliance, handling matters related to Board meetings and shareholders' meetings, and preparing proceedings for Board meetings and shareholders' meetings)?	✓		<p>On May 11, 2021, the Company resolved in the 18th meeting of the 16th-term board of directors to pass the appointment of Wei-Chu Chen, Vice President of the Company, as the corporate governance supervisor. Vice President Chen has served as the head of the auditing unit of the Company for more than three years. He has met the qualifications required to be a corporate governance supervisor and has completed course hours according to the Company's regulations on corporate governance officer training.</p> <p><b>Scope of authority</b></p> <ol style="list-style-type: none"> <li>1. Assist independent directors and general directors to perform their duties, provide required information and arrange further education for directors: <ol style="list-style-type: none"> <li>(1) Providing the directors with necessary company information and improving the smooth communication among the directors and various business managers.</li> <li>(2) Arranging communication meetings between the independent directors and the head of internal audit or CPAs.</li> <li>(3) Assisting independent directors and general directors and arranging courses based on the characteristics of the Company's industry and the education and experience of the directors.</li> </ol> </li> </ol>	No significant difference
			<ol style="list-style-type: none"> <li>2. Assist in the meeting procedures and resolutions of the board of directors and shareholders' meetings on legal compliance matters: <ol style="list-style-type: none"> <li>(1) Reporting to the board of directors and the Audit Committee on the status of corporate governance practices in the Company, and checking if the shareholders meetings and board meetings are convened in compliance with the applicable laws and corporate governance principles.</li> <li>(2) Assist and remind directors of the laws and regulations to be complied with when performing duties or making resolutions of the board of directors.</li> <li>(3) After the meeting, be responsible for reviewing the material information disclosure of the important resolutions passed by the board of directors in order to ensure the</li> </ol> </li> </ol>	No significant difference

Evaluation item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
Does the public company have a suitable number of competent corporate governance personnel, and has it appointed a corporate governance supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their duties, assisting directors and supervisors with regulatory compliance, handling matters related to Board meetings and shareholders' meetings, and preparing proceedings for Board meetings and shareholders' meetings)?			<p>legality and accuracy of said material information.</p> <p>(4) Report the results of its compliance review of the qualifications of independent directors with the relevant laws and regulations at the time of their nomination and election and during their term of office on the Board of Directors.</p> <p>3. Draft the agenda of the board of directors, notify the directors seven days in advance, and provide the meeting materials. Remind beforehand if recusal is required for any proposals and complete the minutes of the board of directors within 20 days after the meeting.</p> <p>4. Handle the pre-registration of the date of the shareholders' meeting in accordance with the law, prepare the notice of the meeting, the agenda, the minutes of the meeting, and handle the registration of changes upon the election of directors within the statutory time limit.</p>	
			<p><b>2024 business implementation key points</b></p> <p>1. Handle matters related to Board meetings and shareholders' meetings according to the law. A total of 4 Remuneration Committee meetings, 5 Audit Committee meetings, and 6 Board meetings were convened in 2024.</p> <p>2. Prepare the minutes of the board of directors and shareholders' meetings.</p> <p>3. Provide board members with relevant laws and regulations on corporate governance and update them regularly.</p> <p>4. Arrange the continuing education courses for the board members.</p> <p>5. Provide directors with the information they need to perform their duties.</p> <p>6. Assist directors in complying with laws and regulations.</p> <p>7. Assess the purchase of liability insurance for the Group's directors.</p> <p>8. Arrange communication meetings between the independent directors and CPAs or the head of internal audit.</p> <p>9. Organize investor conferences and handle investor related affairs.</p>	No significant difference

Evaluation item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			10 Report to the Board of Directors that the qualifications of independent directors were compliant with relevant laws and regulations during their term of office. 11.Election of the 18th-term Board of Directors in 2024.	
V. Does the Company have communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), a stakeholder section on the Company website, and properly respond to important CSR issues of concern to stakeholders?	✓		(I) The Company has a spokesperson and acting spokesperson, and contact information and financial information are all announced on the Market Observation Post System (MOPS) in accordance with regulations, in order to establish good communication channels with investors.  (II) The Company communicates with stakeholders based on the principle of good faith. Related departments contact the parties involved, the President's Office assists in properly responding to important CSR issues that stakeholders are concerned about, and the Audit Office is responsible for supervision. There is a stakeholders section in the Company profile on the MOPS and on the company website, in order to provide smooth communication channels.  (III) The board of directors receives an annual update on the communication status with stakeholders. The communication status for 2024 was officially reported to the board in January 2025.	No significant difference   <

Evaluation item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, creating a spokesperson system, webcasting investor conference on company website)?</p> <p>(III) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?</p>	✓		(III) The Company announces and reports Q1, Q2, and Q3 financial statements and monthly operation results within the prescribed time limit, but the 2024 financial statements were not announced within two months after the end of the fiscal year.	<p>difference</p> <p>No significant difference</p>
VIII. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		<p>1. The Company's directors select suitable courses based on their personal schedule and background, and training information is announced on the MOPS. All agenda items are carefully reviewed during every Board meeting, and the operational risks to the Company are properly evaluated. The Company has purchased liability insurance for directors in 2025 and 2024, and reported to the meeting of the Board of Directors in May each year.</p> <p>2. The Company's material information is handled in accordance with the "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities", in order to protect the interests of shareholders, stakeholders, and investors.</p> <p>3. The Company established the "Risk Management Policies and Procedures" which were approved and passed by the Board of Directors. The implementation of risk management policies and risk measurement standards is as follows: The Company's</p>	No significant difference

Evaluation item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>major business decisions, investment plans, endorsements and guarantees, lending to others, bank loans, and information security are evaluated and analyzed by the responsible department based on their assignments and decided by the Board of Directors. Each department prevents risks based on risk self-assessment results and improvement measures.</p> <p>The implementation status of the important risk management evaluation for 2024 was reported to the board meeting in January 2025.</p> <p>4. Implementation of employee rights and care for employees: Please refer to V. Labor-management relations of the Annual Report for details.</p> <p>5. Investor relations: The Company has set up a spokesperson and investor relations service window and established a two-way communication channel with investors in order to enhance the transparency and symmetry of information disclosure.</p> <p>6. Implementation of supplier relations: Please refer to the Status on Sustainable Development of the Annual Report (VI) from page 74 to 77.</p>	
<p>IX. Specify the improvement of corporate governance with reference to the evaluation of corporate governance by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year, and the measures prioritized for issues that require improvement.</p> <p>Improvements already made:</p> <ol style="list-style-type: none"> <li>1. ESG report (English Version).</li> <li>2. Announce the quarterly financial statements (English version).</li> <li>3. Staff the board with one female director.</li> </ol> <p>Improvements not yet made that will be given priority:</p> <ol style="list-style-type: none"> <li>1. Disclose Scope 3 and annual emissions in 2024.</li> <li>2. Disclose the impact of implementing internal carbon pricing and estimate the impact of climate change on the Company's financial position and business performance.</li> <li>3. Disclose the Company's employee satisfaction survey and implementation status.</li> <li>4. Hold two investor conferences every year.</li> </ol>				

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

Name of director	Date of continuing education	Organizer	Course Name	Hours	Education hours in 2024
Mun-Jin Lin	2024/10/30	The Institute of Internal Auditors, R.O.C.	Seminar on annual business plan and budget preparation audit practices	6	15
	2024/10/29	The Institute of Internal Auditors, R.O.C.	Production cycle practices and key audit matters	6	
	2024/07/11	Securities & Futures Institute	New trend of ChatGPT changing industries	3	
Chin-Chun Lu	2024/08/14	Taiwan Corporate Governance Association	How boards of directors monitor ESG risks and prevent workplace gender equality disputes	3	6
	2024/04/12	Taiwan Academy of Banking and Finance	Corporate Governance and Sustainability Workshop	3	
Chia-Hui Teng	2024/07/03	Taiwan Stock Exchange Corporation (TWSE)	2024 Cathay Sustainable Finance and Climate Change Summit	6	6
Wang-Chin Lin	2024/11/18	Taipei Foundation of Finance	Corporate Governance - Sustainable Finance	3	12
	2024/09/06	Securities & Futures Institute	2024 Insider Trading Prevention Dissemination Meeting	3	
	2024/07/03	Taiwan Stock Exchange Corporation (TWSE)	2024 Cathay Sustainable Finance and Climate Change Summit	6	
Li-Syuan Lin	2024/10/26	Accounting Research and Development Foundation	Legal liabilities related to competition for management right and case study	3	6
	2024/10/24	Securities & Futures Institute	New Trends in ESG Labor-Management Relations - Case Study on the Management of Workers' Human Rights in Sustainable Supply Chains	3	
Chih-Long Chou	2024/11/29	CPA Associations of the R.O.C.	International standards and domestic laws for anti-money laundering, countering the financing of terrorism, and countering proliferation	3	6
	2024/04/02	CPA Associations of the R.O.C.	Anti-money laundering development trends and case analysis	3	
I-Ching Lin	2024/07/19	Accounting Research and Development Foundation	Common deficiencies in "Financial Statement Reviews" and practical analysis of important internal control regulations	6	9
	2024/04/02	CPA Associations of the R.O.C.	Anti-money laundering development trends and case analysis	3	

Title	Date of continuing education	Organizer	Course Name	Hours
Wei-Chu Chen Corporate governance supervisor	2024/09/20	Securities & Futures Institute	2024 Insider Trading Prevention Dissemination Meeting	3
	2024/09/23	Taipei Foundation Of Finance	Corporate Governance - Artificial Intelligence	3
	2024/09/30	Taipei Foundation Of Finance	Enterprise Information Security Management and Protection Strategies	3
	2024/11/08	Securities & Futures Institute	2024 Insider Equity Transaction Legal Compliance Awareness Briefing	3
Hua-Hsing Wang Head of accounting	2024/08/17~ 2024/08/17	Accounting Research and Development Foundation	Continuing education course for accounting officers of issuers, securities firms, and securities exchanges	12

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

1. Profile of Remuneration Committee members

May 8, 2025

Qualifications		Professional qualifications and experience	Independence criteria	Number of other public companies in which the member also serves as a member of their Remuneration Committee
Position	Name			
Independent Director Convener of the Remuneration Committee	Chih-Long Chou	Please refer to relevant content in Table 1 on P.9 for directors information	<p>Members of the Company's Remuneration Committee do not have the following conditions:</p> <ol style="list-style-type: none"> <li>1. An employee of the Company or any of its affiliates.</li> <li>2. The independent directors and their spouses and relatives within second degree serve as directors, supervisors, or employees of the Company or any of its affiliates.</li> <li>3. The independent directors and their spouses and relatives within second degree hold shares of the Company in their own names (or in any third party's name).</li> <li>4. The independent directors and their spouses and relatives within second degree serve as directors, supervisors, or employees of any company that has a specific relationship with the Company.</li> <li>5. The independent directors and their spouses and relatives within second degree received remuneration from providing business, legal, financial, or accounting service to the Company or any of its affiliates in the last two years.</li> </ol>	0
Independent director	I-Ching Lin	Please refer to relevant content in Table 1 on P.9 for directors information		3
Other	Po-Jen Hu	<ol style="list-style-type: none"> <li>1. Accountant, Hua Han Joint CPA Firm.</li> <li>2. Director, Logah Technology Corporation.</li> <li>3. Director, DingZing Advanced Materials Inc.</li> <li>4. Expertise in audit, accounting and Securities and Exchange Act related laws and regulations.</li> <li>5. Not having any of the situations set forth in Subparagraphs of Article 30 of the Company Act.</li> </ol>		1

## 2. Information on Operations of the Remuneration Committee

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

- I. The Remuneration Committee was established on December 27, 2011 with three members.
- II. Current term of office: From June 19, 2024 to June 18, 2027. The Remuneration Committee convened 4 meetings (A) in the most recent year, and the members' qualifications and attendance are as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance rate % (B/A)	Remarks
Convener	Chih-Long Chou	4	0	100%	Re-election on June 19, 2024 Re-elected
Committee Member	Wan-Lin Hsu	2	0	100%	Re-election on June 19, 2024 Old, required attendance: 2 times
Committee Member	Po-Jen Hu	4	0	100%	Re-election on June 19, 2024 Newly appointed
Committee Member	I-Ching Lin	2	0	100%	Re-election on June 19, 2024 Re-elected, required attendance: 2 times

her disclosures:

- I. If the Board of Directors does not accept or revises the Remuneration Committee's recommendation, specify the date of the Board meeting, session, contents of the agenda item, resolution of the Board of Directors, and the Company's response to the Remuneration Committee's opinions (if the remuneration passed by the Board of Directors is higher than the recommendation of the Remuneration Committee, specify the discrepancy and reason):  
Currently not applicable.
- II. If for any resolution of the Remuneration Committee, any member has a dissenting or qualified opinion that is on record or stated in a written statement, describe the date of the Remuneration Committee meeting, term of the committee, agenda item, opinions of all members, and actions taken by the company in response to the opinion of members:  
Currently not applicable.



Important resolutions of the Remuneration Committee in 2024 and as of the printing date of the annual report:

Date of Remuneration Committee meeting	Session	Agenda content	All Remuneration Committee members' opinions	The Company's handling of Remuneration Committee opinions
2024.01.22	10th meeting of the 5th-term	<ol style="list-style-type: none"> <li>1. Proposed 2024 work plan of the Remuneration Committee.</li> <li>2. Review the proposal to review regulations related to the remuneration of the Company's directors and managerial officers, director and managerial officer performance evaluation standards regularly reviewed by the Committee in accordance with Article 4 of the "Remuneration Committee Charter", and the remuneration policy, system, and structure.</li> <li>3. Proposal to review the Company's 2023 year-end bonus distribution plan for managerial officers.</li> <li>4. Proposal to review the Company's allocation of employee bonuses and directors' remuneration in 2024.</li> </ol>	Approved	Approved as proposed
2024.03.05	11th meeting of the 5th-term	<ol style="list-style-type: none"> <li>1. Proposal to review the Company's distribution of employee bonuses and directors' remuneration in 2023.</li> </ol>	Approved	Approved as proposed
2024.08.05	1st meeting of the 6th-term	<ol style="list-style-type: none"> <li>1. Election of the convener of the Remuneration Committee.</li> <li>2. Review of the remuneration of the Company's independent directors who also serve concurrently as Audit Committee members.</li> <li>3. Proposal to review the Company's distribution of remuneration to directors in 2023.</li> <li>4. Proposal to review the Company's distribution of remuneration to managerial in 2023.</li> <li>5. Review of the manager's salary adjustment plan of the Company.</li> </ol>	<ol style="list-style-type: none"> <li>1. All committee members in attendance unanimously elected Chih-Long Chou as the convener of the committee.</li> <li>2. (1) When discussing the remuneration of Independent Director Li-Syuan Lin, who concurrently serves as the convener of the Audit Committee, all members in attendance approved when inquired by the chairman, and it was submitted to the board of directors for a resolution. (2) When discussing Independent Director Chih-Long Chou concurrently serving as an Audit Committee member, Committee Member Chou recused himself due to a conflict of interest and authorized Committee Member Hu to serve as acting chairman. All members in attendance approved and it was submitted to the board of directors for a resolution. (3) When discussing the</li> </ol>	<ol style="list-style-type: none"> <li>1. When discussing the remuneration of the Company's independent directors who concurrently serve as Audit Committee members, after the chairman inquired all directors in attendance, except for Independent Director Li-Syuan Lin, Independent Director Chih-Long Chou, and Independent Director I-Ching Lin, who recused themselves due to a conflict of interest, all directors in attendance approved the proposal as proposed.</li> <li>2. When discussing the 2023 directors' remuneration proposed by the Remuneration Committee, Chairman Mun-Jin Lin, Director Chin-Chun Lu, Director Wang-Chin Lin, and Director</li> </ol>

Date of Remuneration Committee meeting	Session	Agenda content	All Remuneration Committee members' opinions	The Company's handling of Remuneration Committee opinions
			remuneration of Independent Director I-Ching Lin, who concurrently serves as an Audit Committee member, Committee Member Lin recused herself due to a conflict of interest. All members in attendance approved when inquired by the chairman, and it was submitted to the board of directors for a resolution. 3. Other proposals were approved by all members in attendance.	Chia-Hui Teng recused themselves due to a conflict of interest, Independent Director Li-Syuan Lin was authorized to serve as the acting chairman, and all independent directors in attendance approved the proposal as proposed. 3. Other proposals were approved by all directors in attendance.
2024.11.06	2nd meeting of the 6th-term	1. Proposal to review articles on the Company contribution portion in the "San Fang Chemical Industry Co., Ltd. Employee Stock Ownership Committee Charter."	Approved	Approved as proposed
2025.01.15	3rd meeting of the 6th-term	1. Proposed 2025 work plan of the Remuneration Committee. 2. Review the proposal to review regulations related to the remuneration of the Company's directors and managerial officers, director and managerial officer performance evaluation standards regularly reviewed by the Committee in accordance with Article 4 of the "Remuneration Committee Charter", and the remuneration policy, system, and structure. 3. Proposal to review the Company's 2024 year-end bonus distribution plan for managerial officers. 4. Proposal to review the Company's allocation of employee bonuses and directors' remuneration in 2025.	Approved	Approved as proposed
2025.03.06	4th meeting of the 6th-term	1. Proposal to review the Company's distribution of employee bonuses and directors' remuneration in 2024.	Approved	Approved as proposed

### 3. The Remuneration Committee's duties

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

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

- I. Regularly review the Charter and recommend amendments.
- II. Establish and regularly review the performance evaluation standards for directors and managerial officers, annual and long-term performance goals, and the remuneration policy, system, standards, and structure.
- III. Regularly evaluate and establish the performance goals for directors and managerial officers, and determine the contents and amounts of their individual remuneration.

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

- I. Ensure that the Company's overall remuneration is in compliance with the law and sufficient to attract outstanding talent.
- II. Performance evaluations and remuneration of directors and managerial officers should take into consideration industry standards, and the reasonableness of the connection with individual performance, the Company's business performance, and future risks.
- III. Do not guide directors and managers to engage in actions that exceed the Company's risk appetite for higher remuneration.
- IV. The percentage of remuneration distributed for the short-term performance of directors and senior executives and the time of payment for variable compensation shall be determined after considering industry characteristics and the nature of the Company's business.
- V. Committee members may not participate in discussions and voting on decisions regarding their individual remuneration.

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

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

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

by the Committee.

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

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

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

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

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
I. Has the company established a fully (or partially) dedicated unit to promote sustainable development governance structure? Does the Board of Directors authorize the senior management to manage such matters and the supervision status of the Board?	✓		Following the Company's vision and missions in its ESG policies, we established the "ESG Development Committee" in 2022 as the highest-ranking unit for making sustainable development decisions within the Company. The ESG Development Committee under the general manager is responsible for promoting and promoting sustainable development matters. The Committee is divided into separate groups based on their functions in the Company's organization. The Vice Presidents lead teams to review the Company's core operating capabilities, formulate medium to long-term sustainable development plans, identify risk opportunities, and set targets. The committee is convened every quarter to discuss the implementation progress, regularly report their progress and effectiveness to decision-making management personnel regularly each month and report the progress of climate change management to the Board of Directors at least once each year. The implementation status in 2024 was reported to the board meeting on January 15, 2025.	No significant difference
II. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	✓		1. The information discloses the Company's performance in sustainable development at major business premises in 2024. The boundary of risk assessment is mainly based on the Company, and the bases in Taiwan, China, Vietnam, and Indonesia. Based on the relevance to the operation of the industry and the degree of impact on major issues, the subsidiaries Dongguan Baoliang Material Co., Ltd., San Fang Vietnam Co., Ltd., and PT. San Fang Indonesia are included in the scope. 2. The Sustainable Development Committee conducts analysis based on the materiality principle of the sustainability report. They communicate with internal and external stakeholders, and reviews domestic and foreign research reports and documents and integrate the evaluation information given by various departments and subsidiaries to evaluate major ESG issues. They formulate risk management	No significant difference

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>policies for effective identification, measurement, monitoring and control, and take specific actions to reduce the impact of related risks.</p> <p>3. The Company established the "Risk Management Policies and Procedures" which were approved and passed in the 4th meeting of 18th-term Board of Directors. The Company's risk management policies and procedures are specified on the Company's website.</p> <p>4. The 2024 material risk topic assessment results and response measures implementation progress were reported to the 4th meeting of the 18th Board of Directors dated January 15, 2025. Visit the Company's website for details.</p>	
III. Environmental issues				
(I) Has the Company established a suitable environmental management system based on the characteristics of the industry?	✓		(I) The Company has established an environmental management system according to the requirements of ISO14001, to fulfill its corporate social responsibility towards environmental protection and employee safety and health. The Company received ISO14001 certification in April 1998, and it is valid from July 19, 2022, to July 18, 2025.	No significant difference
(II) Is the Company committed to improving the energy efficiency and utilizing recycled materials with low impact on the environment?	✓		<p>(II)</p> <p>1. The Company cooperates with the toxic-free materials and sustainable development strategies of brand customers for ZDHC (Zero Discharge of Hazardous Chemicals), and reduces environmental load through production optimization, waste reduction, and raw materials recycling and reuse. The Company also implements renewable energy plans to replace fuel that has a relatively large impact on the environment. Upstream and downstream of the supply chain, work together to recycle and share packaging materials to create circular value.</p> <p>2. Since 2011, San Fang Group has set energy conservation targets and implementation plans (1% annual energy saving) with energy users, and has implemented comprehensive improvement measures for electricity and fuel</p>	No significant difference

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>conservation from machinery procurement to the manufacturing process and the manufacturing environment.</p> <p>3. Throughout the year 2024, our factories in various regions stayed focused on executing different energy-saving programs. The group's total energy consumption was 77,372,997 (kWh) of electricity, 5,546,100 (cubic meters) of natural gas, and 52,394,037 (kg) of biomass fuel, an overall increase of approximately 3.7% compared to 2023.</p>	
(III) Does the company evaluate potential risks and opportunities brought by climate change, and take response measures to related issues?	✓		<p>(III) The Company supports climate actions under the UN Sustainable Development Goals (SDGs), and actively takes related measures to ensure a sustainable production model, so as to respond to operational risks and impacts caused by climate anomalies.</p> <p>The Company also prepares information on climate-related response measures in accordance with the TCFD Standards.</p> <p>The implementation status of risk management was reported to the 4th meeting of the 18th-term Board of Directors on January 15, 2025.</p> <p>The Company's production bases in Vietnam and Indonesia produce 75% and above of its overall artificial leather. The probability of Southeast Asia being hit by natural weather disasters has gradually increased in recent years, and it is expected to create the risk of causing the Company's production operations to be suspended.</p> <p>Besides monitoring international trends in responses to climate change, as well as policy and regulatory requirements, the Company has dedicated its efforts to energy management for energy conservation and carbon reduction, aiming to improve the efficiency of energy use, effectively reduce GHG emissions from energy consumption, and thereby mitigate the risk of climate change.</p> <p>Through collaborative discussions between departments and careful evaluations</p>	No significant difference

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>of how major climate risks and opportunities could impact the Company's operations and finances, we devise response strategies, including:</p> <p>Short-term:</p> <p>Energy conservation and carbon reduction: Energy-saving and waste-reduction targets have been established and put into action across group-wide operational sites. This results in lower energy consumption and a diminished environmental footprint from waste.</p> <p>Clean energy: Use clean energy such as biomass energy and green electricity to achieve the goal of green manufacturing.</p> <p>Green design: Take environmental friendliness into consideration during product design, and reduce its environmental impact from a life cycle perspective.</p> <p>Mid-term:</p> <p>Value chain carbon reduction: Integrate suppliers, partners, and brands, gradually expand San Fang's carbon reduction measures and influence the value chain, so that the supply chain and customers all have carbon reduction awareness and set carbon reduction targets.</p> <p>Long-term:</p> <p>Energy transition: Reaching long-term net zero goals through the energy transition.</p> <p>See (VII) for Climate-related Information of TWSE/TPEX Listed Companies.</p> <p>The Company is actively developing eco-friendly products, promoting the use of e-documents, implementing the same energy conservation measures used by government agencies at the office and in daily life, formulating and implementing energy conservation and carbon reduction strategies, such as turning off the light when leaving the room, replacing lights in the office with more energy efficient lights, and controlling the temperature of air conditioning during the summer, in order to reduce the impact of the Company's operations on the climate and</p>	



Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons																		
	Yes	No	Summary																			
			environment.																			
(IV) Does the company compile statistics of greenhouse gas emissions, water use, and total weight of waste in the past two years, and does it establish policies for greenhouse gas emission reduction, water use reduction, and other waste management?	✓		<p>(IV) To support the government's energy conservation and carbon reduction policy, new factories and equipment are all energy efficient, and the ESG Development Committee formed the Environmental Planning and Energy Management Team to regularly review and discuss energy management, in order to achieve energy conservation and carbon reduction and mitigate the impact on the Company and environment.</p> <p>The Company calculates Scope 1, Scope 2, and Scope 3 greenhouse gas emissions in accordance with regulations of the Environmental Protection Administration: Waste transportation, disposal of solid and liquid waste, upstream and downstream transportation and distribution, business travel, upstream and downstream leasing, employee commuting, purchased goods, processing of sold products, end-of-life treatment of sold products, and capital goods.</p> <p><b>Greenhouse gas emissions verification</b></p> <p>Greenhouse gas emissions of the individual company's Kaohsiung factory:</p> <table border="1"> <tr> <td>Year</td> <td>2024</td> <td>2023</td> </tr> <tr> <td>Scope 1</td> <td>8,166.7</td> <td>6,968.1</td> </tr> <tr> <td>Scope 2</td> <td>16,233.2</td> <td>15,892.3</td> </tr> <tr> <td>Total</td> <td>24,399.9</td> <td>22,860.4</td> </tr> <tr> <td>Intensity/revenue (NT\$ million)</td> <td>39.73</td> <td>35.79</td> </tr> <tr> <td>Scope 3</td> <td>108,482.0</td> <td>117,741.4</td> </tr> </table> <p>In 2023, the individual company-only greenhouse gas emissions were certified by a third-party institution. The individual company also appointed SGS to conduct</p>	Year	2024	2023	Scope 1	8,166.7	6,968.1	Scope 2	16,233.2	15,892.3	Total	24,399.9	22,860.4	Intensity/revenue (NT\$ million)	39.73	35.79	Scope 3	108,482.0	117,741.4	No significant difference
Year	2024	2023																				
Scope 1	8,166.7	6,968.1																				
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Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons																
	Yes	No	Summary																	
			<p>the 2024 individual company-only greenhouse gas emissions before the end of June 2025.</p> <p>Base year: Carbon emissions in 2018 totaled 52,926, including 25,508 tons in scope 1 and 27,418 tons in scope 2</p> <p>The estimated management target of carbon emissions is to achieve a 18% reduction in 2025 from the base year of 2018. In 2024, it increased by about 7% compared with 2023, and in 2024, it decreased by 54% compared with 2018, and the target has been achieved.</p> <p>Intensity comparison: In 2024, it increased by 11% compared with 2023.</p> <p>Greenhouse gas emissions of the subsidiary in 2024:</p> <table><tr><th>Subsidiary</th><th>PT. San Fang Indonesia</th><th>San Fang Vietnam</th><th>Dongguan Baoliang Material Technology Co., Ltd.</th></tr><tr><td>Scope 1</td><td>575.8</td><td>1,883.0</td><td>3,828.2</td></tr><tr><td>Scope 2</td><td>6,612.8</td><td>22,772.0</td><td>2,959.0</td></tr><tr><td>Total</td><td>7,188.6</td><td>24,655.0</td><td>6,787.2</td></tr></table> <p><b>Waste statistics</b></p> <p>The Company has reported its business waste of the parent company's Kaohsiung factory to the EPA:</p>	Subsidiary	PT. San Fang Indonesia	San Fang Vietnam	Dongguan Baoliang Material Technology Co., Ltd.	Scope 1	575.8	1,883.0	3,828.2	Scope 2	6,612.8	22,772.0	2,959.0	Total	7,188.6	24,655.0	6,787.2	
Subsidiary	PT. San Fang Indonesia	San Fang Vietnam	Dongguan Baoliang Material Technology Co., Ltd.																	
Scope 1	575.8	1,883.0	3,828.2																	
Scope 2	6,612.8	22,772.0	2,959.0																	
Total	7,188.6	24,655.0	6,787.2																	

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons												
	Yes	No	Summary													
			Unit: Ton(s)													
			<table><tr><td>Year</td><td>2024</td><td>2023</td></tr><tr><td>Hazardous waste</td><td>230</td><td>288</td></tr><tr><td>General waste</td><td>1,638</td><td>1,308</td></tr><tr><td>Total waste weight</td><td>1,868</td><td>1,596</td></tr></table>		Year	2024	2023	Hazardous waste	230	288	General waste	1,638	1,308	Total waste weight	1,868	1,596
			Year		2024	2023										
			Hazardous waste		230	288										
			General waste		1,638	1,308										
			Total waste weight		1,868	1,596										
			Waste totaled 1,868 tons in 2024.													
			Waste totaled 1,596 tons in 2023.													
			Base year:													
			Waste totaled 3,695 tons in 2018.													
The estimated waste management target is to achieve a 2% reduction in 2025 from the base year of 2018. In 2024, it increased by about 17% compared with 2023, and in 2024, it decreased by 49% compared with 2018, and has achieved the predetermined target.																
Other subsidiary plants also began compiling statistics and planning reduction management targets in 2023.																
<b>Water consumption statistics</b> Parent company																
According to the measurement of Taiwan Water Corporation																
Water withdrawal and water consumption totaled 142.2 million liters in 2024.																
Water withdrawal and water consumption totaled 140.8 million liters in 2023.																
Base year:																
Water withdrawal and water consumption totaled 259.9 million liters in 2018.																
The estimated management target for water consumption is to achieve a 5% reduction in 2025 from the base year of 2018.																
In 2024, it increased by 1% compared with 2023, and in 2024, it decreased by																

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>45% compared with 2018, progressively achieving the predetermined target. Other subsidiary plants also began compiling statistics and planning water conservation management targets in 2023.</p> <p>Information on related reduction strategies is as follows: Greenhouse gas emissions</p> <p>The risks brought by the Greenhouse Gas Reduction and Management Act are mainly from the requirement on companies to disclose and report their energy use, so that companies will need to control and reduce their energy use. Hence, the Company replaced energy-consuming products and equipment to reduce energy consumption and GHG emission.</p> <p>(I) Strategy for responding to climate change or managing GHG</p> <ol style="list-style-type: none"> <li>1. Seek ways to reduce energy consumption and increase the recycling rate in its processes.</li> <li>2. Actively develop low energy consumption products and clean fuel.</li> </ol> <p>(II) Specific actions to reduce greenhouse gas emissions in 2024:</p> <ol style="list-style-type: none"> <li>1. The Kaohsiung and Baoliang factories have completed the installation of solar panels, and the Vietnam factory purchased 30,000 I-RECs in 2024.</li> <li>2. Replaced LED lamps</li> <li>3. Replaced the extruder heater with an infrared heater.</li> <li>4. Replaced high efficiency motors.</li> <li>5. Replaced roots blowers with turbo blowers.</li> <li>6. Oxygen sensor: Every 3% reduction in boiler exhaust oxygen content can save 1% of fuel.</li> <li>7. Improved the exhaust ventilation system.</li> <li>8. Replaced conventional screw compressors (100HP) with permanent magnet variable frequency compressors.</li> <li>9. Reduced the compressor pressure setting.</li> </ol>	

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>(III) Carbon reduction effect brought by products and services to customers or consumers</p> <p>The Company has the closest production base to manufacturing products based on the location of the customer that placed the purchase order, considers the supply locations of raw material suppliers, and uses land transportation instead of sea transportation, to reduce GHG emissions from transportation tools used to deliver products or provide services.</p> <p>Waste management policy</p> <p>The Company's process waste management strategy focuses on lawful clearance and disposal and waste reduction and reuse.</p> <p>All waste is cleared and disposed of by a qualified company certified by the government in accordance with local laws and regulations. Recyclable waste is sorted and recycled.</p> <p>Sorting and management</p> <p>Factory waste is mainly divided into three categories: General business waste (industrial waste), hazardous business waste (hazardous waste), and recyclable waste (waste that can be recycled). General waste and general business waste are cleared and disposed of by a qualified local waste clearance company. Storage areas are designated in the factory site for hazardous business waste and recyclable waste, and the collection, sorting, necessary measuring, and reporting is carried out in the areas.</p> <p>Hazardous business waste is identified, categorized, and collected in a dedicated temporary storage area according local laws, and is managed by dedicated personnel. A local company licensed to handle hazardous waste is then commissioned to transport and dispose of the waste.</p>	

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>Water conservation measures:</p> <p>Cooling water: The air conditioning cooling water tower is equipped with tablets to reduce the amount of waste water discharged from cleaning, and a controller is installed to reduce the amount of water vapor evaporation.</p> <p>Boiler water: Approximately 60% can be recovered by recovering and reusing the condensed water of boiler steam.</p> <p>Domestic water: The water discharged by the RO filters is utilized for cleaning purposes in the kitchen. Sanitary facilities and faucets bearing a water-saving label were purchased.</p> <p>Other water consumption: Irrigation for landscape plantings is done using water discharged from drinking fountains.</p>	
<p>IV. Social issues</p> <p>(I) Has the Company formulated management policies and procedures in accordance with relevant laws and regulations as well as the International Bill of Human Rights?</p>	✓		<p>(I) The Company complies with international human rights conventions such as the "United Nations Universal Declaration of Human Rights", "ILO Declaration on Fundamental Principles and Rights at Work" for the establishment of the Company's "Human Rights Policy". We do not employ child labor or forced labor, and prohibit any discriminatory practices when hiring employees. Please refer to the Company's website for the Company's Human Rights Policy.</p> <p>1. We promoted online reading in 2024 (Human Rights Policy, Management Guidelines for Employee Complaints, Attendance Management Implementation Guidelines, and Personnel Management Guidelines), a total of 111 supervisors at all levels completed online reading to ensure that they understand that the Company attaches importance to human rights and labor rights.</p> <p>2. The Company established "Sexual Harassment Prevention Management Guidelines", and set up complaint channels, immediately intervening when a violation is found.</p>	No significant difference

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons															
	Yes	No	Summary																
			<p>Seven sexual harassment prevention training sessions were organized in 2024:</p> <table><tr><th>Personnel category</th><th>Attendees</th><th>Training completion rate</th></tr><tr><td>Level 1 supervisors</td><td>38</td><td>88.3%</td></tr><tr><td>Level 2 supervisors</td><td>46</td><td>79.3%</td></tr><tr><td>Female colleagues</td><td>68</td><td>81.9%</td></tr><tr><td>Total</td><td>152</td><td></td></tr></table>	Personnel category	Attendees	Training completion rate	Level 1 supervisors	38	88.3%	Level 2 supervisors	46	79.3%	Female colleagues	68	81.9%	Total	152		
Personnel category	Attendees	Training completion rate																	
Level 1 supervisors	38	88.3%																	
Level 2 supervisors	46	79.3%																	
Female colleagues	68	81.9%																	
Total	152																		
			<p>3. The Company purchases social insurance in accordance with local laws and regulations, and provides employees with annual leave, maternity leave, and marriage leave. The Company has breastfeeding protection measures and also provides scholarships for employees that need it.</p> <p>4. The Company facilitates employees in forming trade unions and negotiating with the Company on relevant employee rights matters through various committees, working together to safeguard and protect employee rights. Welfare Committee meetings, labor-management meetings, meetings of the Supervisory Committee of Workers' Retirement Fund, labor safety meetings, and trade union congresses are all platforms that encourage communication on company operations and internal management issues. In an effort to educate union members on labor laws, the Company provides various training resources to boost their understanding and skills in this respect. This not only helps improve the union's organizational supervision capabilities but also demonstrates the Company's commitment to promoting harmony between</p>																

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons									
	Yes	No	Summary										
			labor and management. 282 employees have signed up with the trade union, representing 48% of the total workforce as of the end of 2024. 5. As at December 31, 2024, no collective bargaining agreement has been produced and executed, mostly because the Company's trade union has not initiated any formal talks regarding a collective bargaining agreement.										
(II) Does the Company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	✓		(II) Please refer to the description of employee benefit measures of annual report for the shareholders' meeting. Workplace diversity and ratings: As of the date of publication of the annual report of the Taiwan head office, there are 101 female employees, accounting for about 20%, and 8% of them are female managers. The Company established efficiency bonus distribution rules and calculates bonuses each month based on the Company's business performance and the yield of each product; the bonuses are paid along with employee salaries.	No significant difference									
(III) Has the Company provided employees with a safe and healthy working environment, and routinely implemented safety and health education for employees?	✓		(III) The Company is constantly improving the work environment for employees, and aims to create the perfect workplace. Besides establishing a labor safety department to provide employees with fire safety and labor safety training, the Company also organizes physical and mental health lectures for employees to feel safe and focus on their work. Please see V. Labor-management relations for working environment and employee safety protection measures. The Company, Vietnam factory, Indonesia factory, and Dongguan Baoliang factory have passed the third-party certification of the Social & Labor Convergence Program (SLCP).	No significant difference									
<table><tr><td>Type/Year</td><td>2024</td><td>2023</td></tr><tr><td>Occupational accidents due to commuting</td><td>0</td><td>0</td></tr><tr><td>Occupational accidents in operations</td><td>1</td><td>3</td></tr></table>					Type/Year	2024	2023	Occupational accidents due to commuting	0	0	Occupational accidents in operations	1	3
Type/Year	2024	2023											
Occupational accidents due to commuting	0	0											
Occupational accidents in operations	1	3											



Implementation item	Implementation status					Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons			
	Yes	No	Summary						
			<table><tr><td>Percentage among total number of employees</td><td>0.2%</td><td>0.6%</td></tr></table> <p>The main causes of occupational accidents in 2023 &amp; 2024 were traffic accidents during commutes and accidents in operations at work. The relevant improvement measures included ensuring employees abide by traffic rules and follow the instructions in the operation procedures thoroughly.</p> <p>Regular implementation of safety and health operations by employees in 2024:</p> <ol style="list-style-type: none"><li>1. All employees took part in an evacuation drill held in November 2024.</li><li>2. In October 2024, all factory personnel received trainings regarding safety and health standards, with the purpose of reinforcing their compliance with safety and health regulations.</li><li>3. A total of 21 first aid personnel have been trained in 2024.</li><li>4. There were no fire incidents in 2024.</li></ol> <p>Specific measures and implementation results of the Company in preventing employee obesity, high blood pressure, high blood sugar, and high blood lipids: See V. Labor-management relations for details.</p>			Percentage among total number of employees	0.2%	0.6%	
Percentage among total number of employees	0.2%	0.6%							
(IV) Has the Company established an effective career developmental plan for its employees?	✓		<p>The Company establish a systematic human resources training system based on the "Employee Education and Training Implementation Guidelines." The Company actively cultivates π-type talents with diverse abilities through the improvement of professional skills and cross-functional training, ensuring that employees can adapt to future challenges and opportunities. The Company's training system covers three core aspects: management training (M), professional training (P) and self-development (SD), and provides corresponding training plans depending on the stage of their career that they are in. Training contents cover pre-employment training, competency management training by job level, and professional skills training by function, ensuring that employees can obtain</p>			No significant difference			

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons												
	Yes	No	Summary													
			<p>appropriate knowledge and improve their skills at different stages of growth. In 2024, all employees received an average of 46.5 hours of training, which focused on developing the competencies of managers at each level, sequentially improving their management abilities in stages, and enhancing their professional skills for each function to achieve the Company's talent cultivation goals.</p> <table><tr><td>Year/Type</td><td>All employees</td><td>Level 2 supervisors and above</td><td>Non-management</td></tr><tr><td>2024</td><td>46.5</td><td>70.2</td><td>42.7</td></tr><tr><td>2023</td><td>60.3</td><td>74.5</td><td>56.7</td></tr></table>	Year/Type	All employees	Level 2 supervisors and above	Non-management	2024	46.5	70.2	42.7	2023	60.3	74.5	56.7	
Year/Type	All employees	Level 2 supervisors and above	Non-management													
2024	46.5	70.2	42.7													
2023	60.3	74.5	56.7													
(V) Does the company comply with relevant regulations and international standards in customer health and safety, customer privacy, and marketing and labeling its goods and services, and has it established consumer rights protection policies and complaint procedures?	✓		<p>(V) San Fang complies with relevant laws, regulations, and international standards, including:</p> <p>1.Sending products to an impartial third party every year to obtain a RSL report that complies with restricted substances of countries and brands.</p> <p>2.Obtaining Higg, ISO 14001, ISO 14064, ISO 9001, TQP, Oeko-Tex, Certificate for the Use of Category 2 Green Mark, ISO14067, GRS, RCS, IATF 16949, and SLCP certifications in response to the requirements of customers and various countries (regions).</p> <p>3.Having a dedicated unit organize and file the business information, transaction data, and any information related to customer privacy provided by customers, in order to ensure the implementation of data protection regulations.</p> <p>4.Conducting on-site visits or participating in exhibitions to understand customers' needs and suggestions for products and services, and providing real-time communication channels to protect customers' rights and interests.</p> <p>5.Signing confidentiality agreements for all cooperation projects with customers to prevent information leakage and protect customers' rights and interests.</p>	No significant difference												

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(VI) Does the company have a supplier management policy, require suppliers to comply with regulations on environmental protection, occupational safety and health, and labor rights, and what is its implementation status?	✓		<p>(VI) The Company works with its supply chain partners to protect the environment, uphold labor and human rights, and reduce carbon emissions. Key tier-1 suppliers are required to sign the Supplier Code of Conduct. 80% of San Fang's supply chain is located in Taiwan and 20% is located in other regions. We help suppliers integrate social responsibility requirements into their supplier management strategies and comply with sustainability standards and responsibilities with supplier evaluations and the signing of the Supplier Code of Conduct. The solid implementation of supply chain management helps us stabilize quality, disperse risks, and improve customer service and satisfaction. We hope to help our partners create sustainable value for the industry and achieve sustainable development.</p> <p>To maintain strong partnerships in the supply chain, we require suppliers to sign the Supplier Code of Conduct and comply with the Company's Supplier Management Regulations. These include labor and human rights, ban on the use of child labor, compliance with local laws on work hours, wages, and benefits, freedom of association, and collective bargaining.</p> <p>Manufacturers with relevant certifications are given preference to, such as MRSL3.1, GRS, ISO9001, IATF 16949, ISO 14001, Oeko-Tex®, Bluesign and other certifications.</p> <p>An RSL (Restricted Substances List) management team is also established internally.</p> <p><b>The Supplier Management Policy</b></p> <p>1. We require suppliers to implement the IATF 16949 Quality Management System and the minimum requirement is to implement the ISO 9001 Quality Management System first. We are committed to growing together with partners and fulfilling corporate social responsibilities to innovate and improve quality</p>	No significant difference

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>together.</p> <p>2. We require suppliers to implement ISO 14001 to manage water pollution, air pollution, noise, waste, and toxic substances. They must also be mindful of San Fang's Environmental Policy.</p> <p>Policy promotion</p> <p>Increase environmental protection awareness, comply with environmental protection laws and regulations, and reduce the impact on the environment. Conserve resources, prevent pollution, and implement continuous improvements to create a sustainable enterprise.</p> <p>3. The Company pays close attention to corporate social responsibilities and human rights protection in the supply chain.</p> <p>The suppliers must investigate the sources of cotton in their products and refrain from using disputed production areas. Concerning BIO biomass raw materials, we avoid using corn-derived biomass.</p> <p>Response to environmental impacts in the supply chain:</p> <p>1. Promoted the Supplier Code of Conduct, which were signed and sent back by 83 suppliers in 2024.</p> <p>2. Increased the number of suppliers with certified raw materials to 113 in 2024.</p> <p><b>Contractor</b></p> <p>To ensure the safety of the working environment, contractors must comply with the following before contracting: The Environmental Safety and Health Regulations and related occupational health and safety laws and regulations of the Company shall pass the online environmental safety system education and training course and assessment. Only after passing the assessment can the entry permit be issued to enter the factory for construction. Environmental safety personnel also inspect at all times to confirm the implementation of the vendors, to ensure the personal safety of construction personnel, and reduce the occurrence of occupational accidents. It is hoped that in terms of safety, health, and</p>	

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>environmental management, we can achieve the goal of zero disasters in safety and health, and zero pollution in environmental protection.</p> <p>Project contracting adheres to the concept of sustainability and the principle of fair trade, requiring suppliers and contractors to meet the requirements of environmental protection, industrial safety and human rights. Project contracting-out shall be carried out with quotation and negotiation of more than 2 vendors based on the quotation of same raw materials and parts, avoiding outsourcing projects to a single contractor. The contractor must sign San Fang's environmental philosophy and San Fang's environmental policy after bidding. Commencing in 2024, contractors will be mandated to sign an integrity transaction agreement that will be appended to the contract.</p> <p>Evaluation result:</p> <p>The Company regularly evaluates the supplier grading system, which divides them into grades A, B, and C. The scoring principle is based on the number of defective products, late delivery ratio, compatibility, excess freight, etc. The rating was level A in the 4 quarters of 2024.</p> <p>On-site auditing and certification of suppliers are carried out regularly to confirm whether the suppliers are performing in accordance with the regulations. If not, guidance shall be provided for them to meet the standards. In 2024, 4 suppliers were audited on-site and both evaluated level A. For the faulty parts, an audit corrective action sheet was issued, asking them to improve within a time limit according to San Fang's requirements, and the vendors had also completed the requirements within the time limit.</p>	
V. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial	✓		The Consolidated Entity prepares the sustainability report in accordance with the GRI Standards issued by the Global Reporting Initiative (GRI), industry disclosure standards of the Sustainability Accounting Standards Board (SASB), the Task Force	No significant difference

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
information of the company, such as sustainability reports? Do the reports above obtain assurance from a third-party verification unit?			on Climate-Related Financial Disclosures (TCFD) framework, the United Nations Sustainable Development Goals (SDGs), and the Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies announced by the Taiwan Stock Exchange. The Company's 2024 Sustainability Report has yet to be assured by a third-party certification body. The 2024 Sustainability Report was discussed and approved by resolution in 2025 at the 7th meeting of the 18th-term Board of Directors.	
VI. If the Company has established Sustainable Development Best Practice Principles in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", describe the deviations between the principles and the implementation status: The Company has formulated the "Sustainable Development Best Practice Principles" in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and has been in compliance with them. So far, there is no deviation.				
VII. Other important information to facilitate a better understanding of the Company's promotion of sustainable development: In January 2024, our Vietnam factory provided assistance to 80 visually impaired individuals in total in Vung Tau District by giving out 10 kilograms of rice and VND100,000 in cash to each of them. In 2024, the Company supported the sponsorship activity for tuition and miscellaneous fees of students in Renwu District, benefiting a total of 230 students. In 2024, the Company sponsored the National Sun Yat-sen University hiking event for residents of Renwu District to strengthen their physique, with a total of 500 residents participating. In 2024, the Company supported the promotion of cultural undertakings and held a private film viewing event, with a total of 253 employees and their families participating. In 2024, the Company held a fruit picking event in Meinong to support small farmers in promoting rural economy and protecting, with a total of 219 employees and their families participating. In 2024, the Company purchased 96 pieces of handmade soap from the Syin-Lu Social Welfare Foundation as gifts for employees on Mother's Day. In 2025, the Company sponsored the after-school Taekwondo course of Zhuhou Elementary School in Renwu District, Kaohsiung, with 72 students participating. The Company is actively making process improvements to achieve waste reduction, emission reduction, and carbon reduction, and engages in promotions and sponsorship for community development events based on the philosophy of being a member of society. The system adopted by the Company for environmental protection and implementation status is as follows: 1. The Company continues to strategically and systemically implement ISO 14001 (first issuance: April 1998; the effective period is July 19, 2022 to July 18, 2025). 2. In 2023, the Company completed a GHG inventory according to ISO14064-1, reported its energy use, calculated carbon emissions, and passed the third-party certification of SGS. The SGS will be engaged to verify our 2024 GHG inventory data by June 2025.				

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

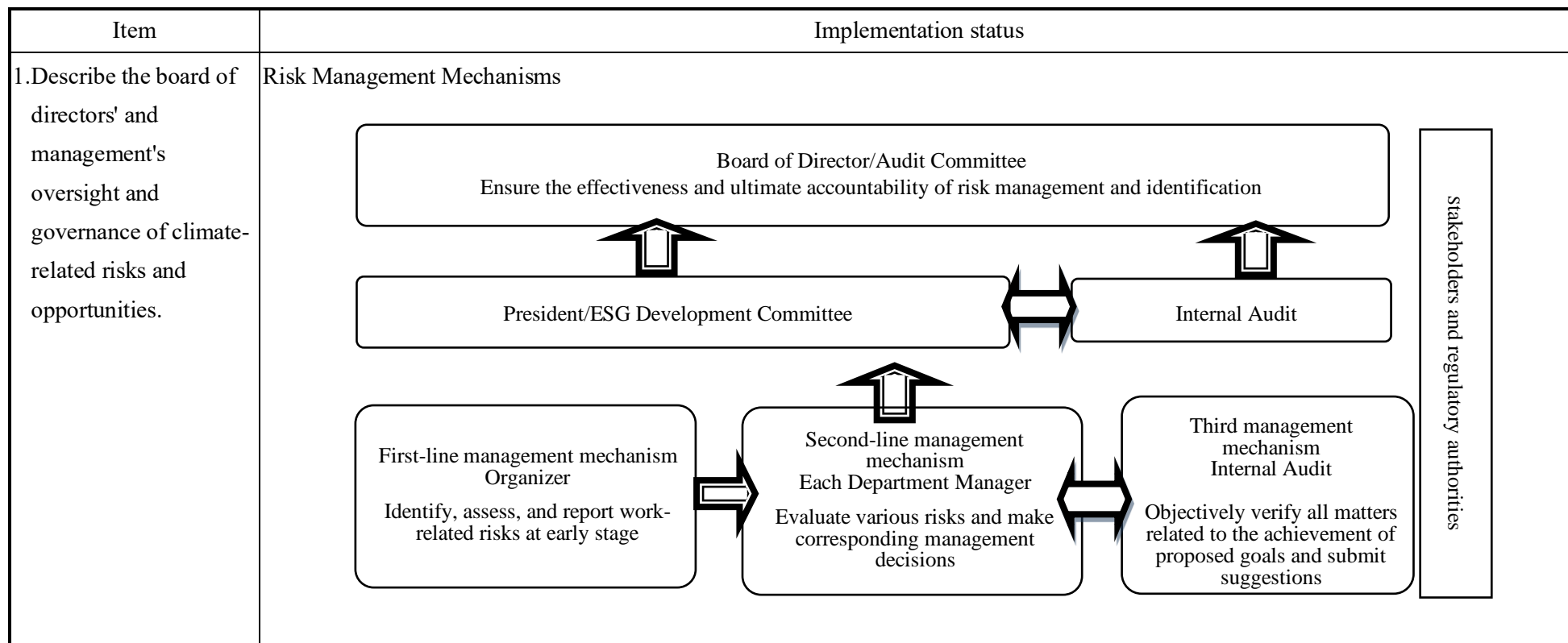
We shall define the types of risks in accordance with the Company's business policies. We shall prevent possible losses and optimize the allocation of resources within the boundaries of tolerable risks. We shall establish the following risk management policies to implement risk management:

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

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

(VII) Climate-related Information of TWSE/TPEX Listed Companies

1. Implementation status for the climate-related information



Item	Implementation status
<p>2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).</p>	<p>Through collaborative discussions between departments and careful evaluations of how major climate risks and opportunities could impact the Company's operations and finances, we devise response strategies, including:</p> <p>Short-term</p> <p>Energy conservation and carbon reduction: Energy-saving and waste-reduction targets have been established and put into action across group-wide operational sites. This results in lower energy consumption and a diminished environmental footprint from waste.</p> <p>Clean energy: Use clean energy such as biomass energy and green electricity to achieve the goal of green manufacturing.</p> <p>Green design: Take environmental friendliness into consideration during product design, and reduce its environmental impact from a life cycle perspective.</p> <p>Mid-term</p> <p>Value chain carbon reduction: Integrate suppliers, partners, and brands, gradually expand San Fang's carbon reduction measures and influence the value chain, so that the supply chain and customers all have carbon reduction awareness and set carbon reduction targets.</p> <p>Long-term</p> <p>Energy transition: Reaching long-term net zero goals through the energy transition.</p> <p>Internal carbon pricing</p> <p>In response to the Climate Change Response Act passed in 2023, every metric ton of carbon emission will be levied a carbon fee in the future. Therefore, the company's internal carbon pricing will use shadow prices. The current carbon price of 1 metric ton is NT\$300, which will be applied to Scope 1 and 2. Assessment of reduction actions. In the future, important investments such as capital investment in new projects and product operations will consider the financial impact of carbon costs. In the future, we will continue to conduct internal and external carbon price and cost analysis. Rolling adjustment of internal carbon price. We aim to boost the Company's efforts in reducing carbon emissions, steer decision-making towards actions that benefit operations and the environment the most, and meet stakeholder expectations.</p>



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

Item	Implementation status						
	The impact boundary is mainly based on our company, and all the operating bases in Taiwan, China, Vietnam, and Indonesia.						
	Climate change the risks and financial impacts						
	Risk category	Evaluation item	Risk description and potential impact	Categories	Impact period	Level	Responsive management practices
	Transition risk	Regulations mandate installment of renewable energy generation capacity.	Under the "Renewable Energy Development Act", those who consume more than 5,000kW must, within five years, either set up renewable energy equipment or energy storage equipment with a rated capacity equivalent to at least 10% of the contract capacity, or acquire renewable energy certificates; otherwise, they will be subject to a penalty.	Policy and Law	Short-term	Medium risk	1.The Company actively cooperates with policies, and the Kaohsiung factory has completed the installation of solar panels with an installed capacity of 1,233 kW as of 2024. 2.The Baoliang factory in China has completed the installation of solar panels with an installed capacity of 2,707 kWp as of 2024, and generated 2,903,064 kWh of electricity. 3.The Vietnam factory has completed the purchase of 3,595 kWp of green electricity as of 2024. 4.The Indonesian factory has achieved the RE100 goal of using only renewable energy in 2024.
Power outage		Accidents at Taiwan Power Company (power shortage, power rationing, voltage drop, power outage) caused production line suspension and increase operating costs.	Market	Short-term	Significant risk	1. Install power generation equipment for emergency response during power outages. 2. Improve power-saving measures, replace high-energy-consuming equipment, and reduce electricity consumption. 3. Install green electricity to reduce electricity costs. 4. Collect electricity and adjusts contract capacity to reduce cost.	
	The impact boundary is mainly based on our company, and all the operating bases in Taiwan, China, Vietnam, and Indonesia.						

Item	Implementation status						
	Climate change the risks and financial impacts						
	Risk category	Evaluation item	Risk description and potential impact	Categories	Impact period	Level	Responsive management practices
	Transition risk	Natural gas shortage	The steam boiler cannot operate and causes production suspension.	Market	Short-term	Significant risk	1. Regularly check pipelines and record daily gas consumption. 2. Control usage and record oxygen content to improve gas combustion efficiency. 3. Connect the north-south ring natural gas pipeline for supply.
		Biofuel shortage	Insufficient fuel for steam boilers, resulting in production suspension	Market	Short-term	Significant risk	1. Monitor boiler fuel usage and control oil temperature to reduce fuel usage. 2. Add heat recovery oxygen detector to improve combustion efficiency. 3. Find alternative raw material suppliers.
		Water consumption levy	The Measures for Water Consumption Levy Collection state that a water consumption levy will be applied to large water users consuming over 9,000 cubic meters of water in a single month during dry periods, inevitably raising production expenses.	Policy and Law	Short-term	Moderate impact	1. Monitor and record water consumption to improve water recycling rate. 2. Improve and replace water-consuming equipment, repair leaks in equipment and pipelines, and add water-saving controls. 3. Compile statistics on water consumption during the dry season each year, requisitioned 16,353 cubic meters of water during the dry season in 2024, and the water saving rate is 5% in 2025.

Item	Implementation status						
	Climate change the risks and financial impacts						
	Risk category	Evaluation item	Risk description and potential impact	Categories	Impact period	Level	Responsive management practices
	Transition risk	Industrial transformation (towards green products and green processes)	To adapt to international trends and supply chain requirements, the development of green products is essential. Still, in addition to the pricey raw materials, the challenging technical demands for transitioning to green processes require capital investment and result in increased production expenses.	Market	Mid-term	Medium risk	1. Develop green technologies and improve the performance of green products. 2. Make efforts to drive up the sales of green products, with the target of reaching over 50% by 2025.
	The impact boundary is mainly based on our company, and all the operating bases in Taiwan, China, Vietnam, and Indonesia.						
	Climate change the risks and financial impacts						
	Risk category	Evaluation item	Risk description and potential impact	Categories	Impact period	Level	Responsive management practices
	Physical risk	Water shortage	Abnormal climate conditions causing water shortages and droughts can disable the factory production line's boilers and equipment, leading to lower output, higher costs, and reduced turnover.	Acute	Short-term	High risk	Cooling water: The air conditioning cooling water tower is equipped with tablets to reduce the amount of waste water discharged from cleaning, and a controller is installed to reduce the amount of water vapor evaporation Boiler water: Approximately 60% can be recovered by recovering and reusing the condensed water of boiler steam. Sanitary facilities and faucets bearing a water-saving label were purchased.

Item	Implementation status						
		Extreme rainfall	Due to abnormal weather conditions, typhoons and heavy rains have increased extreme rainfall, which has led to factory flooding and other shutdowns. Operations have been interrupted, resulting in loss of revenue. In addition, flooding has caused damage to factory equipment and increased costs.	Acute	Long-term	Significant risk	1. Factor in climate risks when choosing factory locations and constructing new factories to mitigate the impact of climate disasters on production. 2. The construction of new factory buildings in Indonesia in 2024 included designs for flood prevention, drainage, ventilation, and cooling that were tailored to local climate features and climate change concerns. 3. The factory is equipped with diesel power generation supply units to cope with temporary power outages.
	The impact boundary is mainly based on our company, and all the operating bases in Taiwan, China, Vietnam, and Indonesia.						
	Climate change the risks and financial impacts						
	Risk category	Evaluation item	Risk description and potential impact	Categories	Impact period	Level	Responsive management practices
	Physical risk	Extreme heat	Abnormal climate patterns causing extreme heat could drive up air conditioner prices in factories, resulting in higher energy bills and increasing the risk of heat-related injuries to employees, ultimately impacting production.	Acute	Mid-term	Significant risk	1. Installation of solar panels can reduce temperatures. 2. Put in place measures for improving the comfort of the workplace, e.g., installing powerful ventilation fans.
	Opportunities	Renewable energy	Continue to invest in the development of renewable energy reduces the risk of power outage, and green electricity improves corporate image and increases revenue.	Resilience	Mid-term	Moderate opportunities	San Fang actively increases the percentage of recycled nurdles, waste leather materials, and recycled packaging materials reused, in order to reduce carbon emissions, reduce the amount of waste buried, and reduce related waste disposal costs.

Item	Implementation status						
		Recycled materials	Low-carbon products are produced using recycled materials, reducing waste gas processing cost and hoping to increase revenue from recycled materials in the future.	Products and services	Mid-term	Moderate opportunities	Electricity is the main energy used. The popularization of renewable energy and solar power supply can help reduce carbon emissions, and has the chance to reduce the cost of long-term energy consumption.
	The impact boundary is mainly based on our company, and all the operating bases in Taiwan, China, Vietnam, and Indonesia.						
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	<p>Climate Risk and Opportunity Management Process</p> <p>The Company begins by assessing the risks and opportunities related to climate issues to navigate the high level of uncertainty in climate change and comprehend its positive and negative effects, in order to make future decisions and set goals. Furthermore, we delve into current regulations, markets, climate disaster frequency, and other trends with business departments and consultants, and identify and rank climate risks and opportunities. We then quantify the financial impact of risks through scenario analysis.</p> <p>We understand the impact of the issue before formulating strategies and setting goals, and regularly monitor and optimize strategies and goals.</p> <div style="text-align: center;"> <pre> graph LR     A[Background information search] --&gt; B[Evaluation of risks and opportunities]     B --&gt; C[Set strategies and goals]     C --&gt; D[Supervision and optimization] </pre> </div> <div style="display: flex; justify-content: space-around; margin-top: 20px;"> <div style="width: 22%;"> <p>Compile and categorize risks and opportunities by referring to international research reports, regulations, and industry trends about the climate and energy sectors.</p> </div> <div style="width: 22%;"> <p>Each department discusses the probability of occurrence of positive and negative impacts of the issues they confront and the financial impacts of such issues, and works with external consultants to identify and rank significant climate risks and opportunities.</p> </div> <div style="width: 22%;"> <p>Formulate mitigation and adaptation strategies for relevant departments based on major climate risk opportunities, and set short, medium and long-term indicators and goals.</p> </div> <div style="width: 22%;"> <p>Schedule periodic meetings with the ESG Committee to review the effectiveness of the climate strategy implementation and make continuous enhancements.</p> </div> </div>						

Item	Implementation status			
5.If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	Physical risk scenario - flooding			
	Due to the impact of climate change in recent years, there are threats such as flooding caused by typhoons and other extreme rain fall. Therefore, San Fang referred to the flooding map released by the National Science and Technology Center for Disaster Reduction (NCDR) for its operations in Taiwan, conducted simulations for various regions, and selected two scenarios, RCP 4.5 and RCP 8.5, to evaluate the impact of different scenarios.			
	Scenario	Hazard and vulnerability	Process of risk assessment	Impact assessment
	<p>RCP4.5</p> <p>Radiative forcing per square meter will increase by 4.5W by 2100. Representing countries around the world trying every possible way to achieve GHG reduction targets</p>	<p>The Company's factory in Renwu District, Kaohsiung City has high flooding risk in the long-term regardless of RCP4.5 or 8.5. A detailed analysis showed that the hazard level of the area is Level 4 and the vulnerability level is Level 3, and the final combined risk level is Level 4, which is moderate-high risk.</p>	<p>1. Uses NCDR to assess the flooding risk in Taiwan.</p> <p>2. Determines hazard and vulnerability through flooding maps of the two scenarios.</p> <p>3. Analyzes the climate risk level based on the score of hazard x vulnerability.</p> <p>4. After determining the risk level, response measures are formulated for flooding in the future.</p>	<p>1. In the long term (2050), the Kaohsiung factory has high flooding risk regardless of RCP4.5 or 8.5. A detailed analysis showed that the hazard level of the area is Level 4 and the vulnerability level is Level 3, and the final combined risk level is Level 4.</p> <p>2. Flooding may block factory and office personnel, leading to delays in production and operations, and further cause property losses. In addition, flooding may also affect insurance and other flood recovery costs. Therefore, it is important to verify flooding risks whenever appropriate.</p>
<p>RCP8.5</p> <p>Radiative forcing per square meter will increase by 8.5W by 2100. Represents that countries around the world do not take any action to reduce emissions</p>		<p>Response strategies: The first line of defense was completed in 2021 by setting up flood gates at the entrance of each building, and installing flood gates when the Central Weather Administration issues a typhoon warning or torrential rain warning. The second line of defense was completed in 2022 by expanding the cross-sectional area of the factory's spillway, increasing drainage capacity, and setting up a main and backup pumping station. This improves San Fang's resilience to operational disruptions, reduces the risks caused by natural disasters and flooding, and establishes monitoring measures and risk response measures to ensure business continuity.</p>		

Item	Implementation status			
	Physical risk scenario - Extremely high temperatures causes energy costs to increase			
	Energy costs have increased due to rising global temperatures driven by climate change in recent years. Consequently, by referencing the Network for Greening the Financial System (NGFS), San Fang simulated diverse global average temperature rise for its operations in Taiwan under two scenarios, namely, RCP4.5 and RCP 8.5. By examining the electricity use, electricity rate, and air conditioning use, we projected the time and amount of impact from global temperature rise to air conditioning use.			
	Scenario	Trend of rising temperature	Process of risk assessment	Financial impact
	RCP4.5 Radiative forcing per square meter will increase by 4.5W by 2100. Representing countries around the world trying every possible way to achieve GHG reduction targets	Predicted future temperature rise in Taiwan 1.5°C rise by 2050 2.0°C rise by 2100	1. Leverage NGFS to measure temperature increase in Taiwan. 2. Evaluate how frequently temperature hikes at the Kaohsiung plant location. 3. Calculate the projected electricity consumption and electricity bills for the Kaohsiung plant.	1. Temperature rises moderately in scenario RCP4.5 and the additional air conditioning expenses in 2050 is approximately NT\$2.38 million. As temperature continues to rise, electricity expenses will continue to increase due to rising energy prices, despite continued efforts to save electricity.
	RCP8.5 Radiative forcing per square meter will increase by 8.5W by 2100. Represents that countries around the world do not take any action to reduce emissions	Predicted future temperature rise in Taiwan 1.8°C rise by 2050 3.6°C rise by 2100	4. Estimate the increase in air-conditioning energy consumption as a result of increase in temperature, and air-conditioning electricity consumption as a percentage of total power consumption. 5. Complete analysis of future trend of air-conditioning-induced increase in electricity bills.	2. RCP8.5 is a high-carbon emission scenario, and significant temperature rise causes many expenses to increase, peaking in 2100 and resulting in an additional air conditioning cost of nearly NT\$9.36 million.
	Response strategies: In this scenario, the temperature rise and domestic energy policy are taken into account, while the analysis of air conditioning energy consumption is based solely on current data, without any consideration for future revolutionary technologies, which may cause air conditioning electricity consumption to rapidly decrease. The temperature rise caused by climate change may lead to an increase in air-conditioning electricity consumption, which will increase annual costs. Therefore, in addition to annual electricity-saving measures, we will pay attention to air-conditioning energy-saving related technologies and energy cost trends, in order to reduce physical risks in the future.			



Item	Implementation status				
	Transition risk scenario - GHG emissions fee (carbon fee)				
	Countries have begun to levy carbon fees on high-carbon emission companies due to the impact of climate change in recent years, forcing them to reduce emissions. Taiwan passed the "Climate Change Response Act" and "Regulations for Charging of Carbon Fees," showing that the difference between carbon emissions and emission costs will impact the Company's financial position. This year, San Fang used the IEA's two scenarios of STEPS and NZE, and the existing target scenario as assumptions, and also referred to the carbon fee collection regulations of the Ministry of Environment of Taiwan to estimate the financial impact of carbon prices in the short, medium and long term in different scenarios in the future.				
	Scenario	Situation Description	Parameter description	Emission trends by scenario	Carbon price (Unit: NT\$ millions)
	Stated Policy Scenarios (STEPS)	Under the current policy, global average temperature will rise by 2.6°C.	Carbon reduction path: 2030: 1.17% 2050: 12.72%	<p>unit:1,000kg CO<sub>2</sub>e</p>	Carbon fee in 2030: 7.23 Carbon fee in 2050: 33.85
	Net Zero Emissions (NZE) scenario	Global progress towards the 1.5°C target and the current status of energy and sustainable development.	Carbon reduction path: 2030: 37.64% 2050: 100%		Carbon fee in 2030: 41.08 Carbon fee in 2050: 0
Current target scenario	The targets set by San Fang and the net zero targets updated and announced by the government.	Carbon reduction path: 2025: 18% 2030: 28% 2050: 100%	Carbon fee in 2030: 28.15 Carbon fee in 2050: 0		
Response strategies: We will pay attention to domestic and overseas carbon fee or carbon tax policies, and try to apply for preferential rates in accordance with the policies to reduce the impact of carbon fees. In addition, San Fang's GHG emissions will continue to decline, and has dropped by more than 50% in 2024 compared to the baseline year. We will continue to implement carbon reduction strategies, including how to reduce energy consumption and improve recycling rates in processes, and actively develop low-energy products and clean fuels. We will continue to reduce emissions within the organization. In the future, we will focus on carbon fee policies and carbon reduction strategies to reduce the impact of carbon fees on San Fang.					

Item	Implementation status
<p>6.If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.</p>	<p>The Company is committed to green manufacturing and innovation and implements green management. We strictly implement climate change, energy, water resources, and hazardous substances management to implement sustainable development.</p> <p>In recent years, Taiwan and other countries have closely followed and managed climate change issues, and San Fang has also actively responded to the threat of climate change. Since 2022, San Fang has followed the Taskforce on Climate-related Financial Disclosures (TCFD) framework to strengthen its mitigation and adaptation to climate risks and opportunities, showing that the Company fulfills its climate responsibilities. We have formulated numerous carbon reduction strategies and targets, in hopes of controlling climate risks and increasing business opportunities.</p> <p>The Company is actively promoting low-carbon transformation and climate adaptation in response to the risks of climate change, focusing on the following directions:</p> <ul style="list-style-type: none"> <li>● The management team establishes and supervises a vision for addressing climate change and implements measures to address it.</li> <li>● Put strategies into action, carry out mitigation and adaptation measures, and introduce low-carbon artificial leather manufacturing technology, jointly enhance green competitiveness together with the supply chain.</li> <li>● Gauge climate change severity, global trends, and brand customers' carbon reduction targets, set performance indicators and measurable goals, and periodically review progress and monitor outcomes.</li> </ul> <p>Indicators and targets</p> <ol style="list-style-type: none"> <li>1. San Fang Group signed a commitment to SBTi in December 2023, and formulated plans through science-based targets (SBT) of the SBTi. We have completed our Scope 3 inventory in 2024 and set specific and feasible reduction targets for Scopes 1, 2, and 3. We plan to submit our SBTs to the SBTi in 2026 to show our determination to achieve net zero emissions.</li> <li>2. Carbon reduction goals: The carbon emissions must achieve an 18% reduction in 2025 from the base year 2018. Carbon reduction measures: Please refer to the specific actions for reduction</li> <li>3. Water conservation goals: The water consumption must achieve a 5% reduction in 2025 from the base year 2018.</li> <li>4. Waste reduction goals: The waste management must achieve a 2% reduction in 2025 from the base year 2018.</li> <li>5. Goal for using recycled materials: Base cloth is made of 100% recycled material</li> </ol>
<p>7.If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.</p>	<ul style="list-style-type: none"> <li>● The estimation of the Company's greenhouse gas emissions will align with the national emission targets.</li> <li>● The government will impose a carbon fee on businesses, with the current price of NT\$300 per metric ton of carbon.</li> </ul>
<p>8.If climate-related</p>	<ul style="list-style-type: none"> <li>● <b>Greenhouse gas emissions and energy management goals</b></li> </ul>

Item	Implementation status						
targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	The management goal for carbon emissions is to reduce Scope 1 and Scope 2 emissions by 18% by 2025, using 2018 as the base year.						
9.Greenhouse gas inventory and assurance, reduction targets, strategies and specific actions (See 1-1, 1-2)	Greenhouse Gas Inventory and Assurance Status						
	1-1 Company greenhouse gas inventory and confirmation status in the last two years						
	Basic information by the Company Profile <input checked="" type="checkbox"/> Companies with capital of less than NT\$5 billion			The following disclosures are mandated by the Sustainable Development Roadmap for TWSE/TPEX-listed Companies: <input checked="" type="checkbox"/> Inventory of the parent company's emissions <input type="checkbox"/> Inventory of the emissions of subsidiaries included in the consolidated financial statements <input checked="" type="checkbox"/> Assurance on the data on inventory of the parent company's emissions <input type="checkbox"/> Assurance on the data on inventory of the emissions of subsidiaries included in the consolidated financial statements			
	Scope 1 Direct greenhouse gas emissions	Total emissions (metric tons CO2e)	Intensity (Metric tons of CO2e/NT\$ million)	Certification body providing the assurance	Assurance scope	Assurance standards	Assurance opinion
2024 inventory compiled by the parent company				8,166.7	13.30	In 2024, the parent company is expected to be inspected by SGS at the end of June 2025 For assurance details, see the Assurance Statement that we posted on the Market Observation Post System (MOPS)	

Item	Implementation status						
	Parent company in 2023	6,968.1	10.91	SGS	<ul style="list-style-type: none"> <li>• Kaohsiung Factory, Taiwan</li> </ul>	<ul style="list-style-type: none"> <li>• ISO14064-1:2006 Greenhouse Gases-Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals</li> <li>• The Regulations for Greenhouse Gas Emissions Inventory and Registration promulgated by the Ministry of Environment, Executive Yuan (2016.01.05)</li> <li>• GHG inventory operation guidelines (2022.05)</li> <li>• The Guidance for Greenhouse Gas Verification promulgated by the Ministry of Environment, Executive Yuan (2010.12)</li> <li>• Relevant regulations disclosed on the National Greenhouse Gas Registration Platform</li> </ul>	Unqualified opinion
9.Greenhouse gas inventory and assurance, reduction targets, strategies and specific actions (See 1-1)							
	Scope 2 Indirect energy greenhouse gas emissions	Total emissions (metric tons CO2e)	Intensity (Metric tons of CO2e/NT\$ million)	Assurance details			
				Certification body providing the assurance	Assurance scope	Assurance standards	Assurance opinion
	2024 inventory compiled by the parent company	16,232.2	26.43	In 2024, the parent company is expected to be inspected by SGS at the end of June 2025 For assurance details, see the Assurance Statement that we posted on the Market Observation Post System (MOPS).			
	Parent company in 2023	15,892.3	24.88	SGS	<ul style="list-style-type: none"> <li>• Kaohsiung Factory, Taiwan</li> </ul>	<ul style="list-style-type: none"> <li>• ISO14064-1:2006 Greenhouse Gases-Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals</li> <li>• The Regulations for Greenhouse Gas Emissions Inventory and Registration promulgated by the Ministry of Environment, Executive Yuan (2016.01.05)</li> <li>• GHG inventory operation guidelines (2022.05)</li> <li>• The Guidance for Greenhouse Gas Verification promulgated by the Ministry of Environment, Executive Yuan (2010.12)</li> <li>• Relevant regulations disclosed on the National Greenhouse Gas Registration Platform</li> </ul>	Unqualified opinion

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

<p>Specify the greenhouse gas reduction base year and its data, the reduction targets, strategy and concrete action plan, and the status of achievement of the reduction targets.</p>	<p>■ Reduction strategy and concrete action plans</p> <p>Reduction strategy</p> <p>Strategy for responding to climate change or managing GHG</p> <ol style="list-style-type: none"> <li>1. Seek ways to reduce energy consumption and increase the recycling rate in its processes.</li> <li>2. Actively develop low energy consumption products and clean fuel.</li> </ol> <p>Concrete action plans</p> <p>◎ Kaohsiung Factory, Taiwan</p> <ol style="list-style-type: none"> <li>1. Replaced LED lamps: All lighting in the factory has been upgraded and all spotlights on the equipment have been changed to LED, which reduces electricity consumption by approximately 652,824 kWh/year.</li> <li>2. Replaced the extruder heater with an infrared heater: This will save about 128,621 (kWh/year) of electricity.</li> <li>3. Replacement with high efficiency motors: Replacing the Group's IE1 and IE2 motors with IE3 motors improves motor efficiency and reduces electricity consumption during operation by approximately 391,437 (kWh/year).</li> <li>4. Replacement with turbo blowers: Replacing roots blowers with turbo blowers saved 275,502 (kWh/year) or approximately 56% of electricity.</li> <li>5. Oxygen sensor: Every 3% reduction in boiler exhaust oxygen content can save 1% of fuel, and approximately 29,634 (kWh/year) of electricity was saved.</li> <li>6. Exhaust ventilation system: Improving the temperature-controlled opening and closing fans of cooling water towers in the entire plant saved approximately 18,849 (kWh/year) of electricity.</li> <li>7. Replaced conventional screw compressors (100HP) with permanent magnet variable frequency compressors: After testing, this will save about 158,400 (kWh/year) of electricity.</li> <li>8. The original air compressor system pressure is set to 7kg/cm<sup>2</sup>: Lower the air compressor pressure to 6.2kg/cm<sup>2</sup>, which can save about 93,312 (kWh/year) of electricity.</li> </ol> <p>■ Achievement of reduction goals</p> <p>Parent company      Base year: 2018</p> <p>Carbon emissions in 2018 totaled 52,926, including 25,508 tons in scope 1 and 27,418 tons in scope 2.</p> <p>The estimated management target of carbon emissions is to achieve a 18% reduction in 2025 from the base year of 2018.</p> <p>In 2024, it increased by about 7% compared with 2023, and in 2024, it decreased by 53.9% compared with 2018, and the target has been achieved.</p> <p>Intensity comparison: In 2024, it increased by about 11% compared with 2023.</p> <p><b>The boundary of entities in the consolidated financial statements has yet to be inventoried; therefore, the base year has yet to be determined.</b></p>
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(VIII) Implementation of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons

Evaluation item	Implementation status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
I. Establishment of ethical corporate management policy and approaches (I) Did the company establish an ethical corporate management policy that was approved by the Board of Directors, and declare its ethical corporate management policy and methods in its regulations and external documents, as well as the commitment of its Board and management to implementing the management policies?	✓		(I) In March 2020, the board of directors of the Company passed the revised "Ethical Corporate Management Best Practice Principles", which specifically regulates the Company's personnel to conduct business activities based on the principles of fairness, honesty, trustworthiness and transparency, and expressly indicates the policies and practices of ethical management. The Company's business philosophy is to "become the most trustworthy materials supplier," and senior management and members of the Board of Directors are committed to upholding their responsibility of supervision based on ethical concepts when performing their duties, in order to create a sustainable business environment.	No significant difference
(II) Does the company establish mechanisms for assessing the risk of unethical conduct, periodically analyze and assess operating activities within the scope of business with relatively high risk of unethical conduct, and formulate an unethical conduct prevention plan on this basis, which at least includes preventive measures for conduct specified in Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?	✓		(II) In the "Ethical Corporate Management Best Practice Principles", the Company explicitly prohibits offering and accepting bribes; providing illegal political donations; improper charity donations or sponsorship; offering or accepting unreasonable gifts, hospitality, or other improper benefits; infringing on trade secrets, trademark, patent rights, copyright, and other intellectual property right; engaging in unfair competition; products and services directly or indirectly damage the rights, health, and safety of consumers or other stakeholders during R&D, procurement, manufacturing, provision, or sales. Also, to	No significant difference

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

Evaluation item	Implementation status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
(II) Did the company establish a dedicated unit under the Board of Directors to promote ethical corporate management, and periodically (at least once a year) report to the Board of Directors and supervise the implementation of the ethical corporate management policy and unethical conduct prevention plan?	✓		<p>(II) The Company has set up the "ESG Development Committee", which comprises the "Corporate Governance Task Force" charged with the Company's corporate governance affairs such as ethical corporate management, anti-corruption, anti-bribery, and legal compliance. The task force briefs the Company's board of directors annually on implementation progress. The Board of Directors meeting dated January 15, 2025 was briefed on the progress of our ethical corporate management implementation in 2024. The Company's board of directors assumes the duty of due care of a good administrator and monitors and stops any unethical practices within the Company to ensure implementation of our ethical corporate management policy.</p> <p>Implementation status in 2024:</p> <ol style="list-style-type: none"> <li>1. In 2024, a total of 39 new employees took part in ethical policy courses.</li> <li>2. In 2024, a total of 487 people including the chairman, president, supervisors at all levels, and employees participated in the online training on ethical conduct and completed relevant tests.</li> <li>3. In 2024, the Investigation Bureau was invited to promote practices for the protection of trade secrets, and a total of 177 people from R&amp;D, sales, procurement, information, and production units received training.</li> </ol> <p>Commitments:</p>	No significant difference



Evaluation item	Implementation status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
			1. Spread awareness of the Company's ethical policy among suppliers. 2. The Company adheres to legal, ethical, environmental, and quality standards, and expects all suppliers to comply with the same standards. In 2024, a total of 83 suppliers signed the Supplier Code of Conduct. 3. New employees reporting to duty in 2024 signed a total of 39 Confidentiality Agreement. No corruption or anti-competitive behavior occurred in 2024.	
(III) Does the company establish policies to prevent conflict of interests, provide appropriate channels for filing related complaints and implement the policies accordingly?	✓		(III) The Company actively conducts investigations and set up internal complaint channels in accordance with the "Ethical Corporate Management Best Practice Principles".	No significant difference
(IV) Does the company have effective accounting system and internal control systems set up to facilitate ethical corporate management, does the internal auditing unit formulate audit plans based on unethical conduct risk assessment results, and does it audit compliance with the unethical conduct prevention plan or commission a CPA to perform the audit?	✓		(IV) The Company has established an effective accounting system and internal control system to ensure the implementation of ethical corporate management, and internal auditors regularly audit the Company's compliance with the systems. A risk assessment system has been put in place by the Company to analyze the risks involved in the activities of its crucial operating sites, particularly in relation to ethics, conflict of interest mitigation, and anti-corruption efforts. In 2024, we examined 95 copies of Unit Organization Risk Confrontation Assessment Forms from all units (including subsidiaries) to pinpoint material risks and the departments	No significant difference

Evaluation item	Implementation status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
			they are confronting; afterwards, we conducted internal investigation and audits to actively prevent the occurrence of relevant risks.	
(V) Does the company regularly hold internal and external educational trainings on ethical corporate management?	✓		(V) The Human Resources Department plans and organizes ethical corporate management education and training to implement the Company's ethical corporate management policy. Ethical corporate management education is incorporated in on-the-job training for new employees. Ethical corporate management concepts and regulations are irregularly promoted to all personnel in the organization.	No significant difference
III. Operation of whistleblowing system (I) Does the company establish concrete whistleblowing and reward system and have a convenient reporting channel in place, and assign an appropriate person to communicate with the accused?	✓		(I) Complaint and reporting channels are provided by processing units specified in the Company's "Guidelines for Whistleblowing on Illegal or Unethical Conduct" and "Management Guidelines for Employee Complaints." Processing unit Spokesperson: Accept reports from stakeholders such as shareholders and investors. Audit supervisor: Accept reports from internal colleagues and customers, suppliers, contractors, etc. Please see our company website for contact information.	No significant difference
(II) Does the company establish standard operating procedures for investigating reported cases, and does it take subsequent measures and implement a confidentiality mechanism after completing	✓		(II) The Company has established confidentiality mechanisms for handling reports. Once violations are confirmed, a report will be immediately submitted to management, and penalties will be imposed based on the severity of the	No significant difference

Evaluation item	Implementation status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
investigation?			<p>situation.</p> <p>Acceptance Procedure</p> <ol style="list-style-type: none"> <li>1. Anonymous reporting: As a rule, we do not address anonymous reports, but if the content is deemed crucial for an investigation, the case will be handled separately and utilized for internal assessment.</li> <li>2. Confidential reporting: The department handling the reported case must clearly understand the reporting's intent and the concrete proof provided. In case the department suspects a potential breach of the law or unethical behavior, it must report the case along with evidence to the President for resolution.</li> <li>3. The Company is required to address reported cases cautiously and verify them through unbiased sources to ensure the complete protection of the whistleblower and maintain strict confidentiality regarding their identity.</li> <li>4. Should the whistleblower be a colleague, the Company assures that they will not face any unfair treatment as a result of reporting.</li> <li>5. To safeguard the rights of the accused and prevent potential retaliation, the Company is required to provide the accused with a chance to appeal, and may arrange a Personnel Review Committee meeting as needed.</li> </ol> <p>Whistleblowers have the option to report anonymously or confidentially to the chief auditor and spokesperson. The Company will ensure strict</p>	

Evaluation item	Implementation status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
			confidentiality of the reported information.	
(III) Does the company provide proper whistleblower protection?	✓		(III) 1. The Company has established its "Guidelines for Whistleblowing on Illegal or Unethical Conduct" and "Management Guidelines for Employee Complaints," which is applicable to the Company's subsidiaries. The guidelines establish a whistleblower protection system, stipulating that a whistleblower not be subject to termination, dismissal, demotion/relocation, pay cuts, infringement on the rights they are entitled to under the law, contract, or customs, or any other unfavorable treatment, due to their whistleblowing. Should the whistleblower think that they have been unfairly treated because of their whistleblowing, they are entitled to lodge a complaint with the Company's Human Resources Department. 2. The Company did not receive any reporting cases in 2024.	No significant difference
IV. Enhancing information disclosure Does the company disclose information regarding the company's ethical corporate management principles and implementation status on its website and the Market Observation Post System?	✓		The information is disclosed on the company website and MOPS. Website: <a href="https://www.sanfang.com">https://www.sanfang.com</a>	No significant difference

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

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

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

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

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

Education and training on insider trading prevention and ethical management in 2024 and up to the printing date of the annual report

Name of the training course	Training unit	Trainees	Training date	Number of hours	Number of people
Promotion of Corporate Ethical Corporate Management Best Practice Principles and Code of Ethics of the Supervisors and Reporting and Handling of Illegal and Unethical Cases	The Company	Chairman President Managers of all levels Employees	2024/11/07~ 2024/12/18	1	487
2024 Insider Trading Prevention Dissemination Meeting	Securities & Futures Institute	Director Corporate governance supervisor Internal auditors Finance and accounting personnel	2024/09/06/ 2024/09/20	3	4
International standards and domestic laws for anti-money laundering, countering the financing of terrorism, and countering proliferation	CPA Associations of the R.O.C.	Director	2024/11/29	3	1
Anti-money laundering development trends and case analysis	CPA Associations of the R.O.C.	Director	2024/04/02	3	2
Insider Equity Promotion and Briefing Session	Taipei Exchange	Corporate governance supervisor Internal auditors	2024/11/08	3	2
Insider equity transaction promotion	The Company	Chairman President Managers	2024/12/18	0.5	7
Promotion of trade secret protection practices	Investigation Bureau	R&D, sales, procurement, information, and production units	2024/12/24, 2024/12/31	1.5	177
A Forward: Identifying Typical Violations of the Securities and Exchange Act Related to Insider Shareholding Change Disclosure	The Company	Directors and Managerial Officers	Irregular	NA	20

(XI) Implementation status of the internal control system

1. Statement on Internal Control

San Fang Chemical Industry Co., Ltd.

Statement on Internal Control System

Date: March 7, 2025

In 2024, the Company conducted an internal audit of its internal control system and hereby declares the following:

- I. The Company acknowledges and understands that the establishment, enforcement and maintenance of the internal control system are the responsibility of the Board of Directors and management, and that the Company has already established such a system. aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability of reporting, and compliance with applicable laws and regulations.
- II. There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the operating environment and situation may change, impacting the effectiveness of the internal control system. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communications, and 5. monitoring activities. Each of the elements in turn contains certain audit items. Please refer to "Governing Regulations" for details.
- IV. The Company has adopted the aforementioned measures for an examination of the effectiveness of the design and implementation of the internal control system.
- V. Based on the findings of the aforementioned examination, the Company believes it can reasonably assure that the design and implementation of its internal control system as of December 31, 2024 (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant regulatory requirements, have achieved the aforementioned objectives.
- VI. This declaration constitutes part of the Company's annual report and prospectus, and shall be



disclosed to the public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

- VII. This statement was passed by the Board of Directors on March 7, 2025, with none of the 7 attending Directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

San Fang Chemical Industry Co., Ltd.

Chairman: Mun-Jin Lin



President: Chih-I Lin



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

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

1. Important resolutions of the 2024 shareholders' meeting and implementation status:

Date	Session	Resolution	Implementation status
2024.06.19	Shareholders' meeting	Acknowledgments: (I) Proposed 2023 business report and financial statements. (II) 2023 earning distribution.	Followed resolution results. Set 2024.08.31 as the record date for distribution of cash dividends, and distributed cash dividends on 2024.09.23.

2. Important resolutions of Board meetings in 2024 and up to the date of report:

Date	Session	Resolution	Resolution
2024.01.23	17th meeting of the 17th-term Board of Directors	1. Proposal for the replacement of the CPA for the Company's financial statements. 2. Proposal to evaluate the CPA's independence and competence in 2024. 3. Proposed remuneration to the CPAs. 4. Discuss resolutions of the 10th meeting of the 5th-term Remuneration Committee.	1. Approved by all Directors in attendance. 2. CPA Teng-Wei Wang and CPA Yu-Hsiang Liu were appointed as the Company's accountants for the financial statements, starting from 2024 Q1. 3. The independence and competence of CPAs were evaluated based on AQIs.
2024.03.06	18th meeting of the 17th-term Board of Directors	1. 2023 employee compensation and directors' remuneration distribution. 2. Proposed 2023 business report and financial statements. 3. 2023 Dividend distribution proposal. 4. Proposed distribution of cash dividends in 2023. 5. Proposal to set the date, venue, way of convening and holding and agenda of the 2024 annual shareholders' meeting. 6. Proposal to amend the Company's "Rules of Procedure for Board of Directors Meetings". 7. Proposal to amend the Company's "Audit Committee Charter". 8. The Company grants the Chairman of the Board of Directors the full authority to enter into contracts and related matters with financial institutions for credit facilities, terms and conditions,	1. Approved by all Directors in attendance. 2. Distribution of cash dividend - NT\$1.5 per share. 3. The independent directors present had no objections to the revised the "Rules of Procedure for Board of Directors Meetings" and the "Audit Committee Charter" revised in items 6 and 7, and they were adopted accordingly. 4. The list of director candidates was passed by the Board of Directors and announced within the prescribed time limit.

Date	Session	Resolution	Resolution
		<p>property settings, and derivative operations based on the capital requirements of the Company.</p> <p>9. 2023 "Statement on Internal Control System".</p> <p>10. Proposal for the full re-election of the board of directors for the Company's 18th-term directors.</p> <p>11. Submitted the passing of the list of director (including independent director) candidates nominated by the Board of Directors.</p>	
2024.05.08	19th meeting of the 17th-term Board of Directors	<p>1. 2024 Q1 financial statements.</p> <p>2. Proposal for 2023 Sustainability Report.</p> <p>3. Proposal to acknowledge endorsements/guarantees provided by the Company to subsidiaries.</p>	1. Approved by all Directors in attendance.
2024.06.19	1st meeting of the 18th-term Board of Directors	<p>1. Election of the chairman.</p> <p>2. The Company's appointment of the sixth Remuneration Committee members and their remuneration.</p>	<p>1. All the attending directors unanimously agreed to elect Mr. Mun-Jin Lin, the representative of the director San Fang Investment Co., Ltd., as the chairman of this term of the board of directors.</p> <p>2. When discussing the appointment of Independent Director Chih-Long Chou, Independent Director I-Ching Lin, and Committee Member Po-Jen Hu as a member of the Company's Remuneration Committee and their remuneration, Independent Director Chou and Independent Director Lin recused themselves due to a conflict of interest, and all other directors in attendance approved the appointment of Independent Director Chih-Long Chou, Independent Director I-Ching Lin, and Committee Member Po-Jen Hu as members of the Company's 6th Remuneration Committee and their remuneration.</p>

Date	Session	Resolution	Resolution
2024.08.06	2nd meeting of the 18th-term Board of Directors	<ol style="list-style-type: none"> <li>1. Proposal to set the record date for distribution of cash dividends.</li> <li>2. 2024 Q2 financial statements.</li> <li>3. Proposal to revise the Company's Regulations Governing Establishment of Internal Control Systems.</li> <li>4. Proposal to acknowledge endorsements/guarantees provided by the Company to subsidiaries.</li> <li>5. Discussion on the Company's pre-approval of the list of non-assurance services.</li> <li>6. The remuneration of the Company's independent directors who also serve concurrently as Audit Committee members.</li> <li>7. The "2023 directors' remuneration" proposed by the Company's Remuneration Committee.</li> <li>8. The "distribution of 2023 remuneration to managers" proposed by the Remuneration Committee.</li> <li>9. The "2024 annual salary adjustment of managers" proposed by the Remuneration Committee.</li> </ol>	<ol style="list-style-type: none"> <li>1. Set 2024.08.31 as the record date for distribution of cash dividends, and distributed cash dividends on 2024.09.23.</li> <li>2. Every director in attendance has unanimously decided to secure a working capital credit line of NT\$50 million from Hua Nan Bank with the parent company's endorsement and guarantee.</li> <li>3. When discussing the remuneration of the Company's independent directors who concurrently serve as Audit Committee members, after the chairman inquired all directors in attendance, except for Independent Director Li-Syuan Lin, Independent Director Chih-Long Chou, and Independent Director I-Ching Lin, who recused themselves due to a conflict of interest, all directors in attendance approved the proposal as proposed.</li> <li>4. When discussing the 2023 directors' remuneration proposed by the Remuneration Committee, Chairman Mun-Jin Lin, Director Chin-Chun Lu, Director Wang-Chin Lin, and Director Chia-Hui Teng recused themselves due to a conflict of interest, Independent Director Li-Syuan Lin was authorized to serve as the acting chairman, and all independent directors in attendance approved the proposal as proposed.</li> <li>5. Other proposals were approved by all directors in attendance.</li> </ol>
2024.11.07	3rd meeting of the 18th-term Board of Directors	<ol style="list-style-type: none"> <li>1. 2024 Q3 financial statements.</li> <li>2. Provide a loan of NT\$100 million to the wholly-owned subsidiary Bestac Advanced Material Co., Ltd.</li> <li>3. Proposal to add the "Procedures for Preparation and Verification of Sustainability Reports" to the Company's internal controls.</li> <li>4. 2025 audit plan proposed by the Audit</li> </ol>	<ol style="list-style-type: none"> <li>1. Approved by all Directors in attendance.</li> </ol>

Date	Session	Resolution	Resolution
		Office of the Company. 5. The proposed amendment to the "San Fang Chemical Industry Co., Ltd. Employee Stock Ownership Committee Charter."	
2025.01.15	4th meeting of the 18th-term Board of Directors	1. Proposal to evaluate the CPA's independence and competence in 2025. 2. Discuss resolutions of the 3rd meeting of the 6th-term Remuneration Committee.	1. Approved by all Directors in attendance. 2. The independence and competence of CPAs were evaluated based on AQIs.
2025.03.07	5th meeting of the 18th-term Board of Directors	1. 2024 employee compensation and directors' remuneration distribution. 2. Proposed 2024 business report and financial statements. 3. 2024 Dividend distribution proposal. 4. Proposed distribution of cash dividends in 2024. 5. Proposal to set the date, venue, way of convening and holding and agenda of the 2025 annual shareholders' meeting. 6. Proposed amendment to the Company's "Articles of Incorporation". 7. Proposed scope of the Company's entry-level employees. 8. Proposal to amend the Company's "Corporate Governance Best Practice Principles". 9. The Company grants the Chairman of the Board of Directors the full authority to enter into contracts and related matters with financial institutions for credit facilities, terms and conditions, property settings, and derivative operations based on the capital requirements of the Company. 10. 2024 "Statement on Internal Control System".	1. Approved by all Directors in attendance. 2. Distribution of cash dividend - NT\$2.7 per share.

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

#### IV. Information on fees to CPA:

Unit: NT\$ thousand

Name of accounting firm	Name of CPA	Audit Period	Audit fee	Non-audit fee					Total	Remarks
				System design	Business registration	Human resources	Other (Note)	Subtotal		
Deloitte Taiwan	Teng-Wei Wang	2024	5,340	0	22	0	1,135	1,157	6,497	
	Yu-Hsiang Liu									

Note: "Other" includes the transfer pricing service fee, the master file service fee, the attestation of the salary of non-managerial full-time employees, the direct deduction method, the tax certification, change of registration, and fees for the dissolution of Forich Advanced.

- (I) If the accounting firm is changed and the audit fees paid in the year of the replacement is less than that of the previous year: None.
- (II) If the audit fees were reduced more than 10% from that of the previous year: None.

## V. Information on the replacement of CPA:

### (I) Regarding previous CPA

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

### (II) Regarding succeeding CPA

CPA firm name	Deloitte Taiwan
Name of CPA	Teng-Wei Wang; Yu-Hsiang Liu
Date of appointment	January 9, 2024
Consultation given on accounting treatment or accounting principle adopted for any specific transactions and on possible opinion issued on financial report prior to appointment and results	N/A
Succeeding CPAs' written opinions that are different from those of the previous CPAs	N/A

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

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



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

Title	Name	2024		The current year up to April 13	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Chairman	San Fang Investment Co., Ltd. Representative: Mun-Jin Lin	0	0	0	0
Director	Pou Chien Technology Co., Ltd. Representative: Chin-Chun Lu	0	0	0	0
Director	Pou Chien Technology Co., Ltd. Representative: Wang-Chin Lin	0	0	0	0
Director	Pou Chien Technology Co., Ltd. Representative: Chia-Hui Teng	0	0	0	0
Independent director	Li-Syuan Lin	0	0	0	0
Independent director	Wan-Lin Hsu (Date of dismissal: 2024/6/19)	0	0	0	0
Independent director	Chih-Long Chou	0	0	0	0
Independent director	I-Ching Lin (Date of appointment: 2024/6/19)	0	0	0	0
President	Chih-I Lin	0	0	0	0
Vice President	Chin-Fa Chiu (Retired on February 29, 2024)	50,000	0	0	0
Vice President	Kuo-Kuang Cheng	0	0	0	0
Vice President	Li-Chuan Li	0	0	0	0
Vice President	Liang-Chuan Hsu	0	0	0	0
Vice President and Corporate governance supervisor	Wei-Chu Chen	0	0	0	0
Vice President and Financial Department Officer	Hsin-Hung Lin	0	0	0	0
Assistant Vice President	Chang I-Cheng	0	0	0	0
Assistant Vice President	Chin-Liang I	0	0	0	0
Assistant Vice President	Chen-Tai Cheng (Dismissed and reappointed as a consultant on March 21, 2025)	0	0	0	0
Head of accounting	Hua-Hsing Wang	0	0	0	0

Share transfer information: None.

Share pledge information: None.

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

Information disclosing the relationship between any of the top ten shareholders

Name	Shareholding		Shares held by spouse and underage children		Total shareholding by nominee arrangement		Titles, names and relationships of top 10 shareholders with relationships, spousal relationships, or kinship within the second degree		Remarks
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name	Relationship	
Pou Chien Technology Co., Ltd. Representative: Yu-Chun Chen	36,549,118	9.19					Yue Dean Technology Corporation, i-Tech. Sporting Enterprise Ltd.	Chairman of Yue Dean Technology Corporation, Director of i-Tech. Sporting Enterprise Ltd.	
Yue Dean Technology Corporation Representative: Yu-Chun Chen	34,990,876	8.80					Pou Chien Technology Co., Ltd., i-Tech. Sporting Enterprise Ltd.	Chairman of Pou Chien Technology Co., Ltd., Director of i-Tech. Sporting Enterprise Ltd.	
i-Tech. Sporting Enterprise Ltd. Representative: Wang-Chin Lin	31,206,000	7.84							
Pou Chien Enterprise Co., Ltd. Representative: Hui-Chi Wu	29,637,504	7.45					Pou Chien Technology Co., Ltd., i-Tech. Sporting Enterprise Ltd.	Supervisor of the company	
Investment account of Unicorn Securities under the custody of Capital Securities Corporation	26,578,577	6.68							
Mun-Jin Lin	26,239,427	6.60	155,559	0.04	1,143,574	0.29	Mun-Wi Lin, Mun-Yon Lin	Relative within the second degree of kinship	
Mun-Yon Lin	19,935,265	5.01	2,196,604	0.55			Mun-Jin Lin, Mun-Wi Lin	Relative within the second degree of kinship	
Mun-Wi Lin	16,274,783	4.09					Mun-Jin Lin, Mun-Yon Lin	Relative within the second degree of kinship	
Mun-Tan Lin	12,489,383	3.14							
Securities trading account of Mitsubishi UFJ Morgan Stanley under the custody of HSBC Bank	7,304,000	1.84							

## IX. Total shareholding percentage

Unit: shares; %

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

## Chapter 3. Capital overview

### I. Capital and shareholding

#### (I) Sources of capital

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

April 21, 2024

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

Note: The shares issued are listed.

Information on shelf registration: N/A.

(II) List of major shareholders

Top ten shareholders with 5% or more shares

Name of major shareholder	Shareholding	Number of shares held	Shareholding ratio (%)
Pou Chien Technology Co., Ltd.		36,549,118	9.19%
Yue Dean Technology Corporation		34,990,876	8.80%
i-Tech. Sporting Enterprise Ltd.		31,206,000	7.84%
Pou Chien Enterprise Co., Ltd.		29,637,504	7.45%
Investment account of Unicorn Securities under the custody of Capital Securities		26,578,577	6.68%
Mun-Jin Lin		26,239,427	6.60%
Mun-Yon Lin		19,935,265	5.01%
Mun-Wi Lin		16,274,783	4.09%
Mun-Tan Lin		12,489,383	3.14%
Securities trading account of Mitsubishi UFJ Morgan Stanley under the custody of HSBC Bank		7304,000	1.84%

### (III) Dividend policy and implementation status

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

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

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

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

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

Cash dividend of NT\$2.7 per share.

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

San Fang Chemical Industry Co., Ltd.

2024 Earnings Distribution Table

Unit: NTD

Item	Amount
Distributable earnings:	
Beginning unappropriated retained earnings	\$ 2,186,030,780
Post-tax net income for the Current Year	\$ 1,479,401,611
Plus: Accumulated gains from the disposal of equity instruments measured at fair value through other comprehensive income directly listed in retained earnings	17,980,130
Plus: Remeasurement of defined benefit plans recognized in retained earnings	992,318
Net income after tax for the current period and other profit items included in undistributed earnings in the current year	1,498,374,059
Less: legal reserve (net income after tax 10%)	(149,837,406)
Retained earnings available for distribution in this period	3,534,567,433
Distribution items:	
Shareholders' dividend	
Cash dividends (NT\$2.7 per share)	(1,074,108,941)
Unappropriated retained earnings	\$ 2,460,458,492

Note: The Shareholders' cash dividend was distributed at 2024 surplus of NT\$1,074,108,941.

Chairman:



Managers:



Head of accounting:



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

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

(V) Employee bonuses and directors' remuneration:

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

Before the amendment by the shareholders' meeting on June 11, 2025

Article 24 of the Articles of Incorporation:

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

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

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

After the amendment by the shareholders' meeting on June 11, 2025

Article 24 of the Articles of Incorporation:

The Company shall allocate 3-5% of its profit for the year (before tax and before distribution of employee bonuses and directors' remuneration) as employee bonuses (no less than 30% of the amount shall be allocated as bonuses for entry-level employees) and no more than 3% as remuneration of directors and supervisors.

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

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

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

No stock dividends are distributed. The difference between estimated amount and actual



distributed amount is handled as an accounting change and recognized as income or loss in the following year. The amount of employee bonuses and directors' remuneration approved by the Board of Directors is the same as the amount of expenses recognized.

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

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

Employee bonuses in the amount of NT\$70,481,000 and directors' remuneration in the amount of NT\$24,400,000 in 2024 have been distributed in cash. No stock dividends would be distributed to employees and directors, and the amount distributed is the same as the estimated amount.

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

4. Actual distribution of employee bonuses and directors' remuneration in the previous year:  
The 2024 shareholders' meeting approved the distribution of employee bonuses in the amount of NT\$36,412,000 and directors' remuneration in the amount of NT\$21,081,000. Both would be distributed in cash, and the actual amount distributed is the same as the amount approved by the Board of Directors.

(VI) Stock buyback: None.

- II. Issuance of corporate bonds (including overseas corporate bonds):** None.
- III. Issuance of preferred shares:** None.
- IV. Issuance of global depositary receipts (GDR):** None.
- V. Issuance of employee stock warrants:** None.
- VI. Issuance of restricted stock awards:** None.
- VII. Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies:** None.
- VIII. Financing plans and implementation:** The Company does not have any of the situations specified in Article 17 of the "Regulations Governing Information to be Published in Annual Reports of Public Companies".

## Chapter 4. Business overview

### I. Business activities

#### (I) Business scope

##### 1. Main products and revenue breakdown

Main products	Percentage of sales revenue
①PU synthetic leather	41.9%
②Eco-friendly synthetic leather	48.6%
③Thin film	4.1%
④Other	5.4%

##### 2. Current products and services:

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

##### 3. New products under development:

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

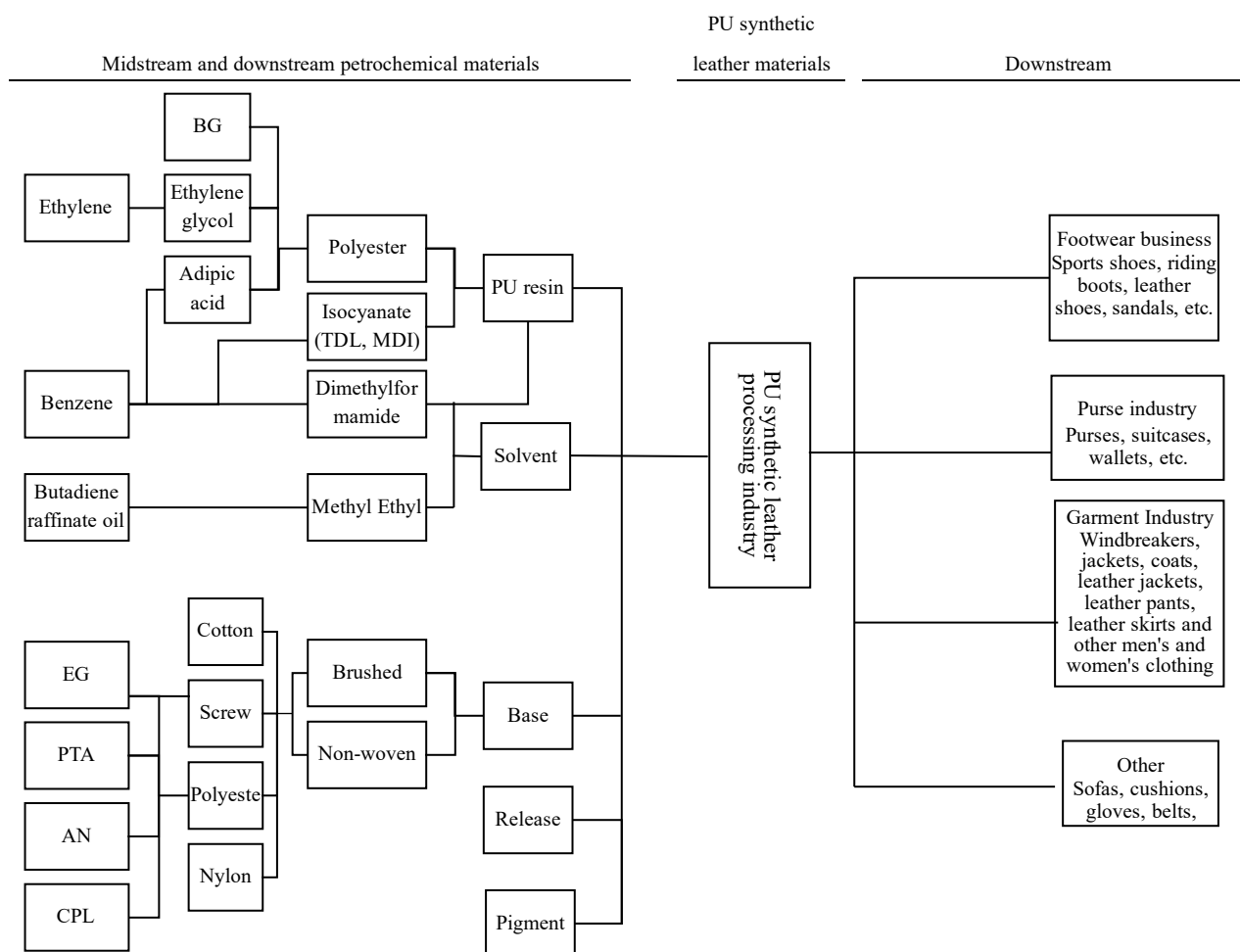
#### (II) Industry overview:

##### 1. Current trends and outlook of the industry

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

Facing the challenges above, we transferred labor-intensive processes to overseas subsidiaries, and the parent company transitioned to the development and production of key upstream basic raw materials that require less manpower and involve processes that can be automatically monitored, supplying the materials to overseas factories, so as increase the value added by product functions, expand applications in different markets, and further upgrade the industry's competitiveness.

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



## 3. Product trends

- (1) Eco-friendly carbon reduction artificial leather.
- (2) Eco-friendly materials for vehicles and daily life.
- (3) Recyclable sustainable functional films and fiber materials.

## 4. Product competition

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

- (2) Innovation aspect: We enjoy a strong collaborative partnership with top brands and possess an extensive and diverse production line as well as a well-equipped R&D department. In this way, we position ourselves as the preferred partner for brands in innovative development, allowing us to capture both market trends and brand customers' innovative materials development trend. We will continue to cooperate with brands in development projects to accelerate the differentiation of products to meet customer needs and build a solid leading advantage.
- (3) Delivery: Following the impact of the pandemic and global supply chains facing ongoing challenges from geopolitics, brands are placing greater emphasis on mitigating risks by diversifying production locations and improving flexibility in production lead time. For many years, the Company has been leading the way in anticipating customer development trends and establishing overseas production facilities in advance to align with customers' expectations of localization, short and flexible lead time, and risk diversification. Hence, we are the top choice as a long-term partner for numerous brands and customers.
- (4) Quality: The Company has gathered years of expertise in production and technology to deliver products that meet quality standards; we have long-term cooperation with the world's leading brands and have established a complete quality control and inspection system.
- (5) Price: After long-term research and development and production technology improvement, in addition to providing customers with a competitive diversified product portfolio, we combine professional processing technology, trending elements, environmental protection features and functionality to improve product differentiation and increase product added value for customers.

### (III) Overview of Technology and R&D

#### 1. R&D expenses in the past year

Unit: NT\$ thousand

Item \ Year	2024	2023	2025 Q1
R&D expenses	387,779	330,386	99,357

## 2. Successfully developed technologies and products

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

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

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

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

R&D projects	Current progress	Expected mass production date
078	New specification development	2025.09
081	New specification development	2025.06
089	New color water development	2025.06
102	New technological development	2025.09
107	New specification development	2025.12

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

### 1. Short-term business development plans

- (1) We have increased visits to customers and participation in exhibitions in various regions in response to the severe competition and changing market, and accelerated the promotion of new products and strengthened customer relationships, supported by remote communication methods.

- (2) We will continue to expand our digital marketing tools to provide customers with convenient and instant services, increasing customer stickiness and the opportunities for the Company products to be used.
- (3) We will use the comprehensive production technologies and sales resources of various regions, and reinforce our collaboration and services to main customer development centers to solve customers' problems faster and increase our share of purchase orders.
- (4) By leveraging our extensive R&D resources and top-notch product development expertise, we will meet customers' processing needs and deliver cutting-edge products that align with current fashion trends, thereby establishing an early-stage development advantages.
- (5) We will continue to invest resources and accelerate our expansion speed in markets besides the footwear business.

## 2. Long-term business development plans

- (1) Monitor changes in brands and major customers, plan overseas production lines, product lines, and service teams, and improve local delivery time and service competitiveness to gain leading competitive advantage and spread supply risks.
- (2) We will establish a complete market detection network and a rapid feedback mechanism to integrate markets and main brands' development trends, reinforce resource investments, and develop innovative products that meet market demands to gain a leading advantage.
- (3) Environmentalism and sustainability have become the main market trend. We will continue to invest resources, accelerate the development of environment-friendly products and environment-friendly production processes, create a corporate culture and innovation skill of sustainable development, and stay ahead in seizing future market opportunities.
- (4) Strengthen cooperation with major brands in innovation and development, seize the opportunities in early stages of brand development and product differentiation, and consolidate in-depth cooperation with brands.
- (5) Enhance strategic collaborations with brands, satisfy brands' diverse and flexible product needs, and sustain a strong market share to successfully fend off rival companies.
- (6) Speed up the expansion into new markets and diversify operations to broaden the sources of orders beyond shoe materials. Enhance the Company's production, operations, and market reach, optimize resource utilization to strengthen the business structure and performance, ultimately securing the sustainable growth and progress of the enterprise.

## II. Market, production and sales overview

### (I) Market analysis

#### 1. Sales regions of main products

##### (1) Ratio of domestic sales and exports

Unit: NT\$ thousand

Product \ Year Sales amount	2024			
	Domestic sales		Exports	
	Amount	Ratio	Amount	Ratio
PU synthetic leather	534,317	44%	3,979,888	42%
Eco-friendly synthetic leather	529,048	44%	4,710,086	49%
Thin film	73,283	6%	367,944	4%
Other	72,201	6%	513,055	5%
Total	1,208,849	100%	9,570,973	100%

##### (2) Main sales regions for exports

Region	Ratio in 2024
Asia	88%
Other	10%
Total	98%

#### 2. Market share

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

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

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



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

Although the pandemic has impacted the international brand footwear market in the short term, the footwear market returned to its normal growth track in 2024. The market shifted from dominant big companies to a great number of competing companies. Some major brands have stagnated or declined, and the rise of new brands has become a new topic and driver of growth of the footwear market. The growth trend of 2024 is expected to continue into 2025, driving the market to continue to grow steadily. Artificial leather is highly functional and has wide variety of surface textures, meeting the needs of designers and consumers. Brands adding lifestyle products has increased the probability of artificial leather being used. After years of development, NO-SEW technology has become an important trend in shoemaking. The continued use by major brands and new emerging brands joining in its use have expanded the use of NO SEW materials. We continue to expand our NO SEW material product line, combining it with popular surface variations to expand sources of purchase orders for our products.

4. Competitive niche

Market operation:	The Company has built long-term strategic partnerships with customers over the years, and established complete market channels for international brands.
Innovation value:	Our continuous investment in R&D has enabled us to produce groundbreaking products that address customer needs, deliver valuable solutions, and set the pace for the industry.
Complete product line:	We have a complete and diverse product line that fully meets the market demand for various types of footwear at different price ranges, and aim to become more eco-friendly, aligning with market trends.
Cost competitiveness:	Our strategic vertical integration over the years and production strategy in different regions has enabled us to efficiently manage costs and secure raw materials, allowing us to maintain profitable operations and competitive pricing.
Localized services:	To meet the market's demand on localization and gain a competitive advantage from fast delivery and immediate service, we continue to expand our overseas production capacity and have formed production capacity, customer services, and technical teams.

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

(1)Favorable factors

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

effective the market.

- B. We have a highly experienced, complete R&D team and have invested our abundant R&D resources into building a superior R&D team with leading product processing technologies. We have developed a wide variety of products that meet the market's needs.
- C. The long-term overseas development, customer service and technical support teams effectively improve the speed of customer development and the efficiency of problem solving.
- D. The complete configuration of global production bases is in line with the strategy of international brands to spread risks and meet the needs of customers for localization and fast delivery, continuing to expand and complete the global production base and enhance competitive advantages.
- E. After reducing the inventory of major brands, orders gradually return to stability, the production capacity of Asian production bases also gradually recovered, and we expanded the production capacity of multiple production bases to diversify risks. The overall market order volume gradually recovered its growth momentum.
- F. Prominent multinational companies have boosted their marketing and development investments in the Chinese market. Coupled with gradual economic rebound in Greater China, brands have witnessed a sales growth, which is conducive to their long-term development.

(2) Unfavorable factors

- A. Market requirements are becoming growingly strict. To respond to rapid market changes, the delivery time requested by the customers is becoming shorter, and the ratio of purchase orders for smaller quantities is rising, which increases the load on production capacity and operating costs.
- B. Due to the labor shortage and rising labor costs, shoe manufacturers are more quickly moving to remote areas and countries with low wages, which increases the difficulty of providing customer services and increases service and transportation costs.
- C. Artificial leather manufacturers are actively expanding their factories, and South Korean and China-owned PU factories are seizing market share with low prices, disrupting prices and competition in the international brand market.
- D. Unstable international politics and economic environment are disadvantageous to stable market development.
- E. The upward trend in labor wages across Asian countries is being exacerbated by factors like labor shortages and escalating land acquisition expenses in certain regions, leading to a rise in company operating costs.
- F. Some brands increasing the proportion of Open Spec has a negative impact on performance and gross profit.

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

(3) Response measures

- A. Make full use of the depth and breadth of distribution channels to capture development opportunities, collaborate extensively on new product development to accelerate new product promotion effectiveness, and strengthen our leading advantage.
- B. Make good use of the complete production base layout to meet the customer's localized supply needs and increase the order share.
- C. Keep concentrating on enhancing production efficiency, advocating for process optimization, and implementing automated production and digital management.
- D. Enhance customer service and technical support capabilities to boost customer satisfaction and trouble-shooting efficiency, ultimately building stronger customer trust and loyalty and expanding market share.
- E. Focus on meeting the quality and delivery requirements of shoe factories, improving service quality, and increasing the chances of successful development.
- F. Continue to strengthen our R&D teams' innovative skills, as we accelerate new product development to provide innovative products which meet the client's meet and maintain our leading advantage in the industry.
- G. Utilize our core technologies to accelerate new product and new market development, creating new growth momentum.
- H. Accurately anticipate the moves of competitors to stay a step ahead and fend off competitors.
- I. Harness market operations and diversified product resources to form partnerships with domestic brands, tapping into the momentum of the Chinese market to boost order volumes.

(II) Important applications and production processes of main products

1. Important applications of major products

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

(1) Polyurethane leather

(2) Artificial leather

### (3) Microfiber artificial leather

Semi-finished product  $\rightarrow$  Dry process  $\rightarrow$  Finished product .  
 $\searrow$  Dyeing, finishing, and grinding process  $\nearrow$

Name of raw material	Supply status
Dimethylformamide (DMF)	Imported and recycled; supply is stable
Methyl Ethyl Ketone (MEK)	Supplied by domestic vendors and importers; supply is stable
PU synthetic resin	Self-produced and supplied by domestic vendors; supply is stable
Thermoplastic Polyurethane	Self-produced and supplied by domestic vendors; supply is stable
Fiber chip	Supplied by domestic vendors; supply is stable
Pigment	Supplied by domestic vendors and importers; supply is stable
Release paper	Mainly imported from Europe, America, and Japan; supply is stable
Base cloth	Supplied by domestic vendors; supply is stable

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

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

Unit: NT\$ thousand

Item	2024				2023				2025 Q1 (Note)			
	Name	Amount	Percentage of total net purchase (%)	Relationship with issuer	Name	Amount	Percentage of total net purchase (%)	Relationship with issuer	Name	Amount	Percentage of net purchases in the current year up to the previous quarter (%)	Relationship with issuer
1	A	529,701	10	General suppliers	A	603,769	11	General suppliers	B	123,125	12	General suppliers
2									A	94,255	9	General suppliers
3	Other	4,977,823	90		Other	4,398,719	89		Other	809,203	79	
	Net purchase	5,507,524	100		Net purchase	5,002,488	100		Net purchase	1,026,583	100	

Description: 1. The fluctuations and changes between suppliers.

2. Audited by the CPAs.

2. Information on major customers in the last two years:

Unit: NT\$ thousand

Item	2024				2023				2025 Q1 (Note)			
	Name	Amount	Percentage of net sales (%)	Relationship with issuer	Name	Amount	Percentage of net sales (%)	Relationship with issuer	Name	Amount	Percentage of net sales in the current year up to the previous quarter (%)	Relationship with issuer
1	A	1,614,094	15	Affiliated company of institutional director	A	1,727,772	17	Affiliated company of institutional director	A	473,119	16	Affiliated company of institutional director
2	B	968,575	9	Customer	B	1,058,160	10	Customer	B	234,013	8	Customer
3	Other	8,197,153	76		Other	7,300,804	73		Other	2,223,882	76	
	Net sales	10,779,822	100		Net sales	10,086,736	100		Net sales	2,931,014	100	

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

2. Audited by the CPAs.

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

Year		December, 2024	December, 2023	The current year up to May 8, 2025
Number of employees	Direct employees	1,842	1,825	1,884
	Indirect employees	446	366	444
	Sales management personnel	439	414	435
	Total	2,727	2,605	2,763
Average age		36.60	36.25	36.69
Average years of service		9.34	9.07	9.21
Education background	Ph.D	3	1	3
	Master	54	55	55
	Bachelor	698	663	695
	Senior High School	1,753	1,662	1,776
	Below senior high school	219	224	234
	Total	2,727	2,605	2,763

#### IV. Information on environmental protection expenses

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

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

May 8, 2025

Date of the disciplinary action	No. of the disciplinary action	Violated regulation	Content of the violated regulation	Content of the disciplinary action	Amount of fine/ NT\$ thousand	Management solution
2024/03/05	20-113-030004	Article 22, Paragraph 3 of the Air Pollution Control Act	The results and records of the 2023 regular inspection (dimethylformamide) has not been reported in accordance with regulations as of January 12, 2024, which has exceeded the time limit specified in Article 13 of the "Regulations Governing the Self-conducted or Commissioned Testing and Reporting of Stationary Pollution Sources" and violated Article 22, Paragraph 3 of the Air Pollution Control Act.	Same as on the left	100	The results of the regular inspection have been reported on March 1, 2024 according to instructions of the competent authority. The reporting deadline will be recorded when confirming the inspection schedule in the future.
2024/11/20	20-113-110051	Article 23, Paragraph 1 of the Air Pollution Control Act, penalty imposed in accordance with Article 62 of the same Act. Ordered to attend environmental lectures in accordance with Article 23, Subparagraph 2 of the Environmental Education Act.	Failure to maintain normal operation of air pollution monitoring facilities in violation of Article 23, Paragraph 1 of the Air Pollution Control Act.	Same as on the left	150	The following improvement measures have been completed as of August 26, 2024: 1. Replaced the exhaust gas flow meter of the scrubber (A361) to ensure that the data is displayed normally and meets regulatory requirements. 2. Recalibrated and tested flow meter equipment to ensure that the exhaust gas flow meter is functioning normally. After the improvement was completed, relevant operating parameters were all within the approved scope of the license. In the future, when equipment failure occurs and cannot be immediately repaired, production will be suspended and will only be resumed after repair to prevent similar incidents from occurring again.



Estimated amount for the present and future and response measures:

(I) Current response measures

Refer to the management solution.

(II) Future response measures

1. Create an electronic form for daily inspections, monitor data at any time, and purchase spare parts for immediate replacement when equipment failure occurs.
2. Rigorously prepare and submit reports in accordance with the law.
3. Require equipment to be stopped and verified before cleaning, lubricating, inspecting, or repairing machinery,
4. The Company's pollution control measures currently meet national control standards. In view of the growingly strict environmental quality requirements, the Company plans to invest another NT\$3,000 thousand in air pollution control facilities.

## V. Labor-management relations

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

#### 1. Employee benefit measures

- (1) Employee clubs include: mountaineering club, badminton club, etc., and employees are preparing to form clubs for various sports.
- (2) Cash gifts are given during Dragon Boat Festival, Mid-Autumn Festival, and Chinese New Year, and also during employees' birthday.
- (3) The Company organizes company trips either in Taiwan or overseas and organizes factory celebration events every year.
- (4) Complete insurance system: Labor insurance, health insurance, and group insurance.
- (5) The Company also provides childbirth subsidies, scholarships for employees and their children, subsidies for language courses, employee proposal bonuses, patent bonuses, cash gift for wedding, consolation money for funeral and hospitalization, and employee stock ownership trust.
- (6) The Company provides free parking for cars and scooters, and dormitories and cafeteria for foreign employees, providing accommodations and meals for foreign workers.
- (7) The Company implements one fixed day off and one flexible rest day, giving employees sufficient time for leisure and better quality of life. The Company also provides annual leave, pregnancy check-up leave, paternity leave, family care leave, and menstrual leave in accordance with the Labor Standards Act and Act of Gender Equality in Employment.
- (8) Employee health examinations are conducted on an annual basis in accordance with the Regulations of the Labor Health Protection.
- (9) To cultivate and retain the Company's exceptional talents for the future, and incentivize company managers to stay with the Company for an extended period and utilize their skills to drive the Company's performance, we implemented the employee stock ownership trust plan. Based on last year's EPS, job rank, and individual performance evaluation results, we calculate the amount of company contributions that will be used to purchase company stocks. Such contributions were made in one single appropriation in May 2024. There were 444 members with an 80.1% participation rate as of December 2024.

#### 2. Talent training and continuing education: Training sessions are regularly organized each year according to the annual education and training implementation plan, in order to enhance employees' abilities in coordination with the Company's development strategy. Training hours totaled 22,419.3 hours and training expenses was approximately NT\$3,768 thousand in 2024. The training was mostly for work related expertise and also included stress relief courses.

- (1) Standard training hours for employees are determined based on the nature of direct and indirect employees.
- (2) Training courses are systematically organized by function and level.

- (3) General education on hazards, first aid training, and fire safety drills are regularly implemented in accordance with labor safety and health laws.
- (4) External training expenses for each function are paid in full by the Company.
- (5) Foreign language training is subsidized to improve employees' foreign language proficiency.

### 3. Retirement plan

- (1) The Company complies with government laws and allocates 4% of employees' monthly salaries to a dedicated account at the Bank of Taiwan for employees applicable to the pension system set forth in the Labor Standards Act (old pension system), and pension payments are made from the account when employees retire. For all employees (including informal employees) applicable to the pension system set forth in the Labor Pension Act (new pension system), the Company contributes 6% of employees' monthly salaries to their dedicated labor pension account at the Bureau of Labor Insurance.
- (2) The Company reported the establishment of a Supervisory Committee of Workers' Retirement Fund to government agencies in accordance with regulations. The Committee is responsible for allocating the labor retirement reserve.
- (3) The Company established Labor Retirement Management Regulations, which is applicable to all full-time employees from the date they are hired. The criteria and procedures for employees to apply for retirement are briefly described below:
  - A. The Company's employees may apply for retirement if they meet any one of the following conditions:
    - Has worked for 15 years or more and reached the age of 55.
    - Has worked for 25 years or more.
    - Has worked for 10 years or more and reached the age of 60.
  - B. The Company may force employees to retire if they meet any one of the following conditions:
    - Reached the age of 65. The Company request the central competent authority to make adjustments for special work that is dangerous or requires strong physical abilities.
    - No longer able to work due to insanity or physical disability.
  - C. Employee pension payment standards:
    - Two basis points are given for each full year of work for employees applicable to the pension system set forth in the Labor Standards Act (old pension system), but only one basis point is given for each full year of work more than 15 years, and the total number of basis points is limited to 45. Any length of time shorter than six months is calculated as six months, and longer than six months is calculated as one year. An additional 20% is paid for employees forced to retire due to insanity or physical disability caused by performing their duties.
    - For employees applicable to the pension system set forth in the Labor Pension Act (new pension system), the Company contributes 6% of the employees' monthly

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

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

- (4) The defined contribution system is used by overseas subsidiaries, and contributions are made according to local laws.
- (5) For employees applicable to the pension system set forth in the Labor Standards Act (old pension system), the amount of labor retirement reserve reached NT\$47,097 thousand as of the end of 2024. For employees applicable to the pension system set forth in the Labor Pension Act (new pension system), the Company contributed NT\$23,944 thousand in 2024.
- (6) The Company had 12 employees eligible for voluntary retirement in 2024 in accordance with Article 53 of the Labor Standards Act, and the employees have already completed retirement procedures according to related regulations.
- (7) Other important agreements: None.

#### 4. Freedom of association and collective bargaining agreement

The Company facilitates employees in forming trade unions and negotiating with the Company on relevant employee rights matters through various committees, working together to safeguard and protect employee rights. Welfare Committee meetings, labor-management meetings, meetings of the Supervisory Committee of Workers' Retirement Fund, labor safety meetings, and trade union congresses are all platforms that encourage communication, mutual trust, and cooperation on company operations and internal management issues. Union funds are sourced from the salaries of employees who choose to join the union, while the company plays a role in facilitating labor education by providing training resources to improve union members' understanding of labor laws. showcased the Company's commitment to fostering a harmonious and mutually beneficial labor-management relationship. 282 employees have signed up with the trade union, representing 48% of the total workforce up to 2024.

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

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

- comply with laws and regulations.
6. Protective measures taken to ensure a safe working environment and maintain employees' personal safety:
- (1) Established Environmental Protection, Safety, and Health Management Regulations.
  - (2) Establishment of a safety and health management unit and personnel:
    - A. The Company established a safety and health management unit in accordance with labor safety and health regulations.
    - B. First aid personnel are required at the worksite in accordance with labor safety and health regulations, and the personnel receive re-training according to regulations.
    - C. Personnel performing operations involving organic solvents, specific chemicals, hazardous machinery and equipment, and high pressure gas are required to have a training certificate and regularly receive re-training in accordance with labor safety and health regulations.
    - D. Environmental safety meetings are convened on a quarterly basis to discuss environmental safety related issues.
    - E. Fire drills are scheduled every six months.
  - (3) Fire safety and facility safety
    - A. A maintenance company is hired to maintain and conduct spot inspections of elevators each month, and a qualified inspection institution is commissioned to conduct an inspection once a year.
    - B. The Environmental Safety Office conducts spot inspections of fire safety equipment, and a qualified inspection institution is commissioned to conduct an inspection once a year.
    - C. The Engineering Department conducts spot inspections of high pressure gas equipment, and a qualified inspection institution is commissioned to conduct an inspection once a year.
  - (4) Sanitation
    - A. The work environment is inspected every six months.
    - B. Health examinations and special health examinations are conducted on an annual basis.
    - C. Factories have an infirmary with stationed nurses and visiting physicians to provide suitable medical assistance.
  - (5) Regular implementation of safety and health operations by employees in 2024:
    - A. All employees took part in an evacuation drill held in November 2024.
    - B. In October 2024, all factory personnel received trainings regarding safety and health standards, with the purpose of reinforcing their compliance with safety and health regulations.
    - C. A total of 21 first aid personnel have been trained in 2024.
    - D. There were no fire incidents in 2024.
  - (6) Specific measures and implementation results of the Company in preventing employee obesity, high blood pressure, high blood sugar, and high blood lipids:

#### Specific measures

##### A. Health Check-up and Screening Program

Provide annual free health check-ups, covering weight, BMI (body mass index), blood pressure, blood sugar and blood lipids, to help employees detect obesity or high blood pressure, high blood sugar, and high blood lipids as soon as possible.

##### B. Promotion of healthy diets

Provide healthy meal options with low oil, sugar and salt in the Company's cafeteria.

##### C. Mental health and stress management

Establish an Employee Assistance Program (EAP) to help employees handle stress in life and work.

##### D. Health education and promotion

Posters in the Company remind employees to pay attention to healthy lifestyles.

##### E. Policy and environmental support

Implement flexible working hours to create a healthy workplace environment and reduce sitting time.

#### Implementation results

Higher productivity and satisfaction: Healthy employees have lower absence rate, higher work efficiency, and indirectly affects the Company's business performance.

#### 7. Has the Company made it a policy to reflect business performance or results on employee compensation:

- (1) Percentage of employee bonuses specified in the Articles of Incorporation: Article 24 of the Articles of Incorporation (please see p.127).
- (2) The Company established "Employee Bonus Distribution Regulations", which sets for standards for individual employee bonuses based on employees' seniority, performance, and position.
- (3) The Company established "Efficiency Bonus Distribution Regulations" and distributes individual bonuses along with monthly salaries based on the Company's monthly business performance, the product yield and attainment of production goals by each department, and the base for each position.
- (4) Average employee salary adjustments in 2024 were disclosed on the MOPS.
- (5) The Company has already disclosed its 2024 employee welfare policies and rights protection measures on the MOPS.

#### 8. Employee satisfaction survey:

The Company conducts an employee satisfaction survey every year according to the requirements of the quality management system to understand their needs and make improvements. In 2024, a total of 351 valid questionnaires were collected, with a recovery rate of 74% and an overall satisfaction score of 72 points. Results show:

- The production and administration departments want higher salaries and benefits.
- The R&D department is concerned about management systems, communication, and corporate image.

- The sales department is relatively satisfied with development opportunities. The July review meeting delved into the deficiencies of each department. In the future, the Company will focus on optimizing three major aspects: Strengthen cross-departmental communication, improve the atmosphere at work, and strengthen team cohesion, as well as improve employee care and support to improve employee satisfaction and drive the Company's development.

Aspects of satisfaction	2024 (1-5 points)
Corporate image and culture	3.68
Quality services	3.68
Salary and benefits	3.43
Management system and communication	3.53
Employee development	3.59
Work environment	3.80

#### 9. Personal data protection policy:

The Company established the "Personal Data Protection Management Guidelines" (please refer to the company website at <https://www.sanfang.com/interested/>) to protect the privacy of employees and partners, and is committed to complying with the Personal Data Protection Act and related laws and regulations to ensure the security and confidentiality of all personal data.

When collecting personal data, the Company will clearly inform employees or partners of the purpose, retention period and method of use of the data, and obtain their consent before processing and using the data.

The Company introduces the Personal Data Protection Act and has employees sign a consent form for the use of personal data when they report for duty. This content has been incorporated into the orientation training. Two supervisor promotion events were held in 2023 with a total of 55 participants who received a total of 55 training hours. In 2024, promotion events were held for 40 new employees, who received a total of 20 training hours, and promotion events will be irregularly held in the future to ensure that all employees have sufficient understanding and knowledge of the personal data protection policy.

The Company shall delegate appropriate authority and responsibilities to the primary personal data management personnel in accordance with personal data protection management requirements. All units shall assume responsibility for the management of personal data, and ensure compliance with the Personal Data Protection Act and these Guidelines. The safekeeping responsibilities of each unit are as follows:

(1) Personal data of all employees, directors, supervisors, consultants, etc.: The Human

Resources Office, Finance Office, and their respective departments are responsible for safekeeping.

- (2) Personal data of vendors that do business with Company: The Procurement Office, Engineering Department, Management Department, Finance Office, Environmental Safety Office, and related departments are responsible for safekeeping.
- (3) Personal data of customers that do business with the Company: The Marketing Division 1, Marketing Division 2, Business Management Section, Finance Office, and related departments are responsible for safekeeping.
- (4) Personal data on the register of shareholders: The Finance Office is responsible for safekeeping.
- (5) Personal data of job applicants: The Human Resources Office and the supervisors of units with job openings are responsible for safekeeping.
- (6) Personal information of contractors, intermediaries, and management consulting firms: The Human Resources Office and departments working with the external parties are responsible for safekeeping.

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



## VI. Information security management

To ensure confidentiality and stable operation, the Company is committed to implementing security policies and management regulations, and continues to invest resources into evaluation, planning, execution, inspection, and action with the goal of information security, regularly conducting reviews and carrying out matters to reduce information security risks.

(I) The information security risk management framework, information security policies, specific management plans, and resources invested in information security management:

1. Information security risk management structure:

The responsible information security unit of the Company is the IT Office of the Administration Division, which is responsible for formulating information security policies and implementing various information security management requirements. Information security risks are regularly assessed, and specific improvement plans are proposed according to the risk and hazard level. We then implement the plans, check work progress, and carry out follow-up and improvements to achieve information security.

With consideration to the rising threat and ever-changing attack methods, we hired an external professional information security team to assist in preventing unauthorized access, so that incidents can be discovered in time and to take effective protective measures, thereby reducing information security risks. We also assess internal weaknesses and risks, implement effective improvement measures for high risks, and regularly track progress.

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

Information security policy

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

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

- (1) Ensure the continuous operation of the information process and the stable operation of the information service.
- (2) Implement information security laws and regulations, establish sound information security measures, and maintain the security of the information environment.
- (3) Maintain the confidentiality, integrity, and availability of the organization's commercial assets.

The specific management plan is carried out in three directions:

(1) External information security team:

External threats are changing rapidly, and the professional information security team is introduced to help defense. The information security team monitors the host's

information security status at all times using the active detection and protection system. It also proposes improvement suggestions for internal and external threats, and takes individual measures according to different risk levels. The team formulates plans and takes action for high risks, internal and external members working together and reporting back at any time in the process to track progress.

(2) Internal risk management:

Circular management is implemented for various risks and internal audits are conducted to evaluate the risks of manual operation, natural disasters, and cyberattacks to information assets and services. We established an information system architecture with high service availability based on the risk level, implemented data backup and redundancy mechanisms, formulated disaster recovery plans, and periodically conduct drills to ensure the Company's business continuity. Establish a network control system to prevent improper equipment from increasing the probability of risks. We regularly inspect the management of information system risks, including the assessment of information risks such as system authority, data security management, physical and environmental safety management, and process auditing, and implement improvement plans for deficiencies.

(3) Employee information security training:

Employee information security knowledge training is listed as a key point of implementation, and social engineering rehearsals are carried out regularly every year to raise internal information security awareness. The part that cannot be implemented is listed as a risk, and effective improvement measures are proposed.

3. Resources invested in information security management

- (1) Firewall and other security equipment.
- (2) Security monitoring center.
- (3) Endpoint protection software.
- (4) Email filtering mechanism and advanced protection.
- (5) Backup and redundancy mechanisms.
- (6) Six social engineering rehearsals each year.
- (7) Important host disaster recovery drill is held once a year.
- (8) External information security maintenance services.

(II) Implementation status of information security operations in 2024:

1. Raised internal information security awareness.	1-1. Strengthened information security training for personnel. 1-2. Increased the number of social engineering rehearsals. 1-3. Systematic drill mechanism improved drill effectiveness.
2. AI application.	2-1. Introduced machine learning and generative AI tools.

	<p>2-2. AI threat detection improved identification capabilities.</p> <p>2-3. The application of AI tools reduced document waste and improved work efficiency.</p>
3. Information security monitoring services.	<p>3-1. Established an information security monitoring platform to block attacks in advance and reduced the risk of losses caused by information security incidents.</p> <p>3-2. Built a joint defense system and enhanced internal protection capabilities.</p> <p>3-3. Patched vulnerabilities and updated systems to reduce the chance of exposure.</p>
4. Strengthened access control.	<p>4-1. Take inventory of privileged accounts, strengthened password management, and reduced the risk of leakage.</p> <p>4-2. Limited ways to access important devices to reduce the risk of threats.</p> <p>4-3. Adopted multiple authentication mechanisms to ensure data and system security.</p>
5. Equipment operation and maintenance security.	<p>5-1. Assessed information security risks and proposed specific improvement actions.</p> <p>5-2. Updated software, upgraded equipment, and endpoint protection.</p> <p>5-3. Network access control and monitoring to prevent improper access.</p>

(III) List the losses, possible impacts and countermeasures suffered due to major information security incidents in the most recent year and up to the date of publication of the annual report. The Company did not have any information security issues in 2024 and as of the printing date of the annual report.

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

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

## VII. Important contracts

Nature of contract	The Parties	Commencement date/expiration date	Content	Restrictive clauses
Loan agreements	CTBC Bank	2021/07~2026/07	The loan amount is NT\$350 million repaid in full on the due date.	N/A
Loan agreements	Hua Nan Bank	2020/09~2025/09	The loan amount is NT\$500 million with the principal repaid in 8 installments of NT\$62,500 thousand every six months starting in March 2022.	N/A
Loan agreements	Hua Nan Bank	2023/08~2028/08	The loan amount is NT\$100 million with the principal repaid in 20 installments of NT\$5,000 thousand every 3 months starting in November 2023.	N/A
Loan agreements	Far Eastern International Bank	2023/12~2026/06	The loan amount is NT\$300 million repaid in full million.	N/A
Loan agreements	FCB	2024/08~2029/08	The loan amount is NT\$300 million with the principal repaid in 8 installments of NT\$37,500 thousand every 6 months starting in February 2026.	Calculated at the floating interest rate for two-year time deposits plus 0.18%, average balance of demand deposits reaches the equivalent of NT\$30,000 thousand each year, exports (including inward remittance) must reach US\$8,000 thousand each year, and imports (including outward remittance) must reach US\$5,000 thousand each year; inward remittance from sales must reach the equivalent of NT\$250,000 thousand each year.
Loan agreements	CHB	2023/09~2028/09	The loan amount is NT\$300 million with the principal repaid in 8 installments of NT\$37,500 thousand every six months starting in March 2025.	N/A
Loan agreements	Taiwan Cooperative Bank	2024/09~2029/09	The loan amount is NT\$300 million with the principal evenly repaid in 6 installments every 6 months starting in	N/A

Nature of contract	The Parties	Commencement date/expiration date	Content	Restrictive clauses
			March 2027.	
Loan agreements	Bank SinoPac	2024/05~2027/05	The loan amount is NT\$300 million with the principal evenly repaid in 4 installments every 6 months starting in November 2025.	Consolidated current ratio may not be lower than 1.0 and consolidated debt ratio may not be higher than 1.5 during the drawdown period based on the latest consolidated financial statements.
Loan agreements	E.SUN Bank	2024/01~2027/01	The loan amount is NT\$300 million with monthly interest payment and full repayment of the principal on the due date.	The maturity date for each drawdown must not exceed the due date of the first drawdown.
Loan agreements	Mega Bank	2024/12~2029/12	The loan amount is NT\$500 million with the principal evenly repaid in 8 installments every 6 months starting in June 2026.	Average balance of deposits must reach NT\$50,000 thousand or above (inclusive), and foreign exchange transactions must reach US\$15,000 thousand or above (inclusive).
Loan agreements	Bank SinoPac	2022/08~2025/08	The loan amount is NT\$150 million with the principal evenly repaid in 4 installments every 6 months starting in February 2024.	Consolidated current ratio may not be lower than 1.0 and consolidated debt ratio may not be higher than 1.5 during the drawdown period based on the latest consolidated financial statements.
Loan agreements	Taiwan Cooperative Bank	2021/07~2026/07	The loan amount is NT\$300 million with the principal evenly repaid in 6 installments every 6 months starting in January 2024.	The registration of the pledged collaterals for the mortgage (plant buildings and land on No. 402, Fengren Rd., Renwu District, Kaohsiung City) may not be canceled before the full repayment of the loan.
Loan agreements	Bank of Taiwan	2022/06~2027/05	The loan amount is NT\$300 million with the principal repaid in 6 installments of NT\$50,000 thousand every six months starting in November 2024.	N/A

## Chapter 5. Review and analysis of financial status, financial performance, and risk management

### I. Comparative analysis of financial status

Unit: NT\$ thousand

Item \ Year	2024	2023	Difference	
			Amount	%
Current assets	9,560,903	9,267,099	293,804	3.17%
Property, plant and equipment	5,555,914	5,150,904	405,010	7.86%
Other assets	2,250,405	1,212,968	1,037,437	1996.53%
Total assets	17,367,222	15,630,971	1,736,251	11.11%
Current liabilities	3,969,143	3,795,592	173,551	4.57%
Non-current liabilities	3,104,319	2,892,380	211,939	7.33%
Total liabilities	7,073,462	6,687,972	385,490	5.76%
Share capital	3,978,181	3,978,181	0	0.00%
Capital surplus	149,299	145,330	3,969	2.73%
Retained earnings	5,801,748	4,900,100	901,648	18.40%
Other equity interest	364,532	(86,612)	451,144	520.88%
Total equity	10,293,760	8,942,999	1,350,761	15.10%

Main reasons and impact of any material change in the Company's assets, liabilities, or shareholders' equity during the last two years and future response plan.

1. Main reason for changes reaching 20% and above:

Main reason for changes in other assets reaching 85.5%: This was due to the additional investment of NT\$1,013,198 thousand in foreign government bonds and foreign corporate bonds in 2024.

Main reason for changes in other equity reaching 520.88%: The difference in translation of the financial statements of foreign operations increased by NT\$451,144 thousand compared with the same period last year due to exchange rate adjustments.

2. Impacts: No significant impact.

3. Future response plans: N/A.

## II. Comparative analysis of financial performance

Unit: NT\$ thousand

Item \ Year	2024	2023	Amount of change	Percentage of change (%)
Total operating revenue	10,957,911	10,335,269	622,642	6.02%
Sales return and discounts	178,089	248,533	(70,444)	(28.34%)
Net operating revenues	10,779,822	10,086,736	693,086	6.87%
Operating costs	7,481,145	7,561,009	(79,864)	(1.06%)
Operating expenses	1,738,212	1,538,652	199,560	12.97%
Operating profits	1,560,465	987,075	573,390	58.09%
Non-operating income and expenses	315,633	42,002	273,631	651.47%
Pre-tax profit from continuing operations	1,876,098	1,029,077	847,021	82.31%
Income tax expense	396,696	268,803	127,893	47.58%
Net profit after tax from continuing operations	1,479,402	760,274	719,128	94.59%

1. Main reason for changes reaching 20% and above:

Reductions in sales returns and discounts:

Mainly due to the introduction of numerous AI equipment and processes that greatly improved product stability and reduced sales returns and discounts.

Increase in operating profit, non-operating income and expenses, net profit before tax from continuing operations, income tax expense, and net profit after tax from continuing operations:

Mainly due to the maintenance of raw materials costs and improvement in productivity in 2024, which led to a decrease in operating costs by approximately 6% compared to the same period last year, and the increase in interest income from foreign currency deposits by NT\$87,693 thousand compared to the same period last year. Moreover, due to NTD depreciating against USD at the end of 2024 and the Company's relatively high percentage of transactions in USD, foreign exchange gain/loss increased by NT\$248,984 thousand, and pre-tax profit increased compared with the same period last year, resulting in an increase in income tax expense.

2. Expected sales volume and its basis:

The Company sets sales targets for 2025 based on the Company's current production plan. As the sales of brand customers grew in 2024, purchase orders increased as well. We expect the number of purchase orders to remain at current levels in 2025. As major sports events are unveiled, sales are expected to continue to increase.

3. Potential impact on the Company's future financial position and business performance:

We expect to see an upward trend in our financial position and business performance in 2025.

4. Future response plans: N/A.

### III. Analysis of cash flows

Analysis of changes in the Company's cash flow in the most recent year, improvement plan for insufficient liquidity, and liquidity analysis for the coming year:

Item \ Year	2024	2023	Percentage of increase (decrease) (%)
Cash flow ratio	59.06%	56.60%	4.35%
Cash flow adequacy ratio	128.60%	123.38%	4.23%
Cash reinvestment ratio	7.23%	8.39%	(13.83%)

1. Analysis of changes in cash flow in the most recent year:

Increase in cash flow ratio, cash flow adequacy ratio:

Mainly due to pre-tax profit increasing by NT\$847,021 thousand in 2024 compared to the same period last year, cash outflow from accounts receivable (including related parties) and other receivables decreasing by NT\$222,673 thousand compared with the same period last year, and cash inflow from interest income increasing by NT\$93,791 thousand due to the increase in time deposits. The cash inflow from the abovementioned operating activities increased by NT\$195,920 thousand compared with the same period last year.

Decrease in cash reinvestment ratio:

Mainly due to the additional investment of NT\$1,013,198 thousand in foreign government bonds and foreign corporate bonds in 2024, resulting in an increase in non-current assets.

2. Improvement plan for insufficient liquidity: N/A.

3. Liquidity analysis for the coming year:

Unit: NT\$ thousand

Cash balance at beginning of period	Net cash inflow from operating activities	Cash outflow for the entire year	Cash surplus (shortage)	Remedial measures for expected cash deficit	
				Investment plan	Financial plan
3,697,059	2,197,022	(1,837,739)	4,056,342	-	-
<p>1. Analysis of cash flow changes in the current year:</p> <p>(1) Operating activities: Net cash inflow in the amount of NT\$2,197,022 thousand.</p> <p>(2) Investing activities: Net cash outflow from investing activities, such as purchase of fixed assets, was NT\$613,630 thousand.</p> <p>(3) Financing activities: Net cash outflow in the amount of NT\$1,224,109 thousand due to the distribution of dividends and repayment of loans.</p> <p>2. Remedial measures for cash shortage and liquidity analysis: N/A.</p>					



**IV. Impact of major capital expenditures in recent years on the Company's financial position and business:**

Capital expenditures in 2024 were all necessary investments for the Company's business.

**V. Reinvestment policy in the most recent year, main reason for profit or loss, improvement plan, and investment plan for the coming year:**

1. Reinvestment policy in the most recent year:

The Company's reinvestments are for capacity expansion in hopes of increasing revenue and profits.

2. Main reason for profits from reinvestments and improvement plans:

The Company recognized NT\$821,305 thousand in investment gains under the equity method in 2024. With raw materials costs remaining at current levels and the sales growth of some brands in 2024, the shoe market has grown steadily and is expected to maintain an upward trend in 2025.

The Company's improvement plan is to monitor domestic and overseas industry trends, and actively improve internal processes and the cost structure to increase growth momentum.

3. Investment plans for the coming year:

The Company will carefully evaluate investment plans from a long-term strategic perspective, in order to respond to future market demand and needs for production capacity expansion, and continue to enhance the Company's global competitiveness.

## VI. Risks and assessment

1. Impact of interest rate and exchange rate changes and inflation on Company's profit and response measures:

Item	2024 (NT\$ thousand)
Interest expenses	75,401
Foreign exchange gains	242,251

The Company regularly evaluates the interest rates of its bank borrowings, and maintains close contact with banks to obtain preferential interest rates. As for exchange rates, the Company's financial personnel stay in touch with foreign exchange banks, and will hedge the cost and position of the Company's foreign currency-denominated assets when there are relatively large exchange rate fluctuations.

2. Policies of engaging in high-risk, high-leverage investments, lending to others, providing endorsement and guarantee, and derivatives transactions, profit/loss analysis, and future response measures:

Implementation status of endorsements/guarantees to affiliated enterprises:

San Fang Chemical Industry Co., Ltd.  
Details of endorsements/guarantees to affiliated enterprises  
December 31, 2024

NT\$ thousand

Company name	Total amount of endorsements/guarantees	Actual amount drawn down	Remarks
Bestac Advanced Material Co., Ltd.	150,000	45,000	Calculated as follows according to the Company's Procedure for Endorsements and Guarantees: 1. The total amount of endorsements/guarantees to other enterprises is NT\$1,989,090 thousand. 2. The limit on endorsements/guarantees to a single enterprise is NT\$397,818 thousand.
Total	150,000	45,000	

In principle, the Company's endorsements and guarantees are provided between parent company and subsidiary, and mainly for loans and import letter of credit. Affiliated enterprises all have a sound financial position, so the Company has not sustained any losses due to endorsements and guarantees. The Company did not engage in high risk, high leverage investments in 2024.

The Company did not extend loans to others this year, and only extended loans to subsidiaries or subsidiaries extended loans to each other. All of the loans were in accordance with the "Procedures for Extending Loans to Others" and were reviewed by the highest level supervisor and approved by the Board of Directors. The current balance of loans is NT\$1,017,980 thousand and limit on loans is NT\$8,146,978 thousand.

The Company mainly engages in derivatives transactions for hedging against

exchange rate fluctuations.

The Company currently does not use hedge accounting, and current operations are all simple swaps and options to sell USD. Hence, hedge accounting is not necessary.

3. Future R&D projects and expected R&D expenses

Please see "Chapter 4. Business Overview I. (III) Overview of Technology and R&D" (P.133~134 of the annual report) for the Company's future R&D projects: In the future, our R&D expenses will account for approximately 3% of our annual revenue.

4. The effect of changes in important domestic and foreign policies and laws on the Company's financial position and business operations, and response measures:

The Company has always complied with government laws and monitors changes in policies and laws in Taiwan and overseas to formulate response strategies. The effect of changes in important domestic and foreign policies and laws does not affect on the Company's financial position and business operations in the most recent year.

5. Impact of technological changes (including information security risks) and market changes on finance and business of the Company, and response measures:

The industry's upstream raw materials supply mainly involves solvent processes, and the suppliers are gradually developing towards solvent-free raw materials processes or processing technologies in response to the requirements set forth in environmental protection laws and regulations. This technology has achieved eco-friendly materials through cross-industry cooperation. As a result, the unit price of upstream environmental protection raw materials has increased, which directly compressed profit margins. Therefore, orders for solvent-based labor-intensive products that maintain lower costs are transferred overseas, while developing and self-replacing front-end solvent-free raw materials with high unit price and introducing technologies for automated process equipment. The Company is engaged in development cooperation with multinational companies and cooperation projects with research institutes to strengthen the core technologies mastered independently, and the mass production and sales have gradually increased profit margins.

Furthermore, we will first expand the application of processes and products using recycled materials in response to the global trend of circular economy, and will obtain GRS certification. In another aspect, we will incorporate technologies developed for recycled materials in a circular economy into our current raw materials and process equipment. During the raw materials transition process until it becomes profitable, we will rapidly enter existing markets with considerable scale to maintain our working capital, and also strengthen materials for application in functional products used in new lifestyles to increase our revenue.

The responsible information security unit of the Company is the IT Office of the Administration Division, which is responsible for formulating information security policies and implementing various information security management requirements. Before the end of the year, a risk assessment for information security is carried out, and specific improvement plans are proposed for the high risk level. In addition, in view of the continuous emergence of new external threat technologies, an external professional information security team is appointed to strengthen defenses, objectively assess internal

risks, take improvement measures for weaknesses and regularly track progress to reduce information security risks.

6. Impact of corporate image change on risk management and response measures: None.
7. Expected benefits and potential risks of merger and acquisition and response measures: The Company currently does not have any plans for merger and acquisition.
8. Expected benefits and potential risks of capacity expansion and response measures: Our subsidiary PT. San Fang Indonesia purchased 52,215 square meters of nearby land for its operation expansion.

Expected benefits

The factory expansion plan will add TCM production lines in batches, and related auxiliary equipment will also be upgraded. The main production lines will be increased from the existing four lines to eight lines one by one according to the order demand. The output is estimated to increase by 250,000 to 300,000 yards per month for each additional machine. (about 25% of existing production capacity). The first TCM has begun mass production in January 2025.

Potential risks and response measures:

In response to the uncertain factors of subsequent orders, which will affect the machine utilization rate and cause the risk of capital expenditure burden, the machine expansion will be reasonably expanded in batches to stabilize the machine utilization rate and efficiency.

9. Risks associated with over-concentration in purchase or sale and response measures: The Company's main suppliers and customers are as disclosed in this report and have worked with the Company for many years. With consideration to future operations and the industry's growth trends, in addition to the continued growth of current suppliers and customers, the Company will seek to work with new suppliers and customers to diversify its purchase and sales, in hopes of maintaining balanced and stable business performance.
10. Impact of mass transfer of equity by or change of directors or shareholders holding more than 10% interest on the Company, associated risks, and response measures: Even though directors and major shareholders have changed or transferred their shares since the Company was established, the Company's steady management team has maintained solid business performance and gradually enhanced the Company's competitiveness in the industry.
11. The effect of changes in management right on the Company, risks, and response measures: None.
12. For litigious and non-litigious events, if the result of major litigious, non-litigious events, or administrative disputes, either concluded or ongoing, involving the company and its directors, supervisors, president, de facto responsible person, major shareholders with more than 10% shares, or subsidiaries may have a material impact on shareholders' equity or stock prices, disclose the facts in contention, amount, start date of litigation, main parties involved, and progress up to the date of report: None.
13. Other important risks and response measures: None.

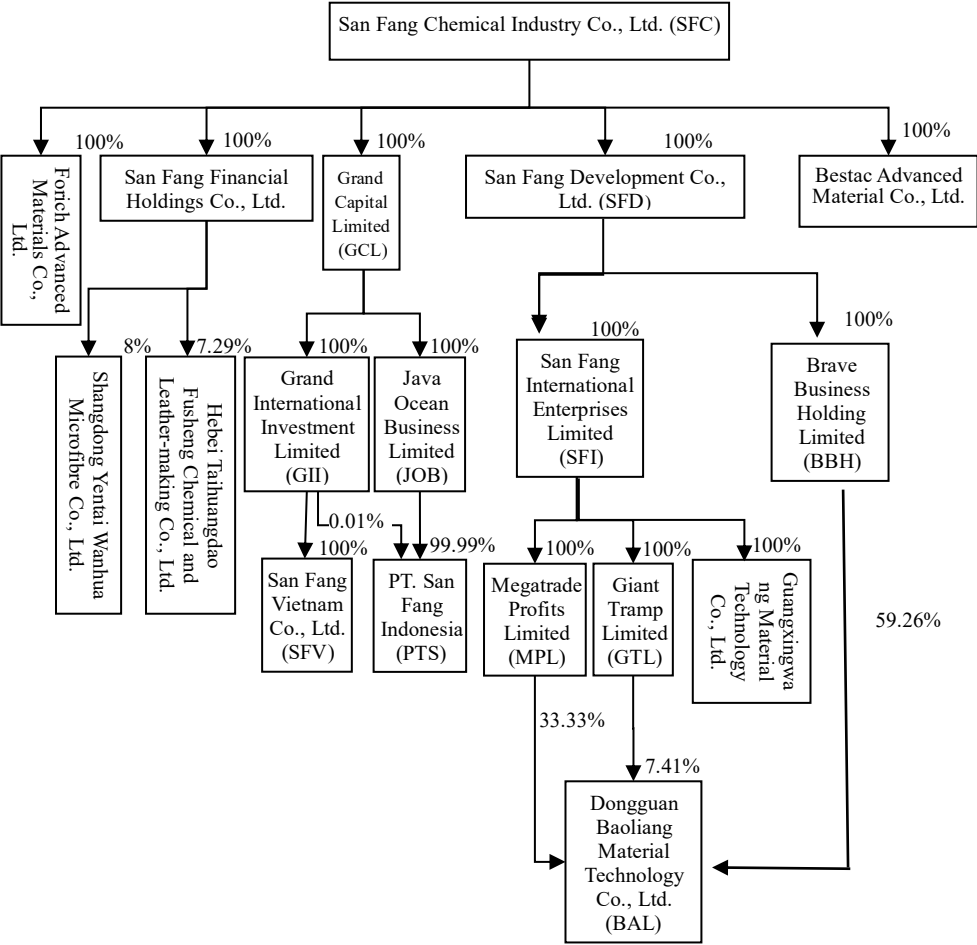
**VII. Other important matters:** None.

Chapter 6. Special notes

I. Profiles of affiliates enterprises

- (I) Consolidated Affiliate Business Report
- 1. Organization chart of affiliated enterprises

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## 2. Profile of affiliates

Unit: NT\$ thousand, foreign currencies are in dollars

Name of enterprise	Date of establishment	Registered address	Paid-in capital	Main business items
San Fang Development Co., Ltd.	2000/07	OMC Chambers, Wickhams Cay1, Road Town, Tortola, British Virgin Islands	687,435	Investment
San Fang Financial Holdings Co., Ltd.	1998/04	OMC Chambers, Wickhams Cay1, Road Town, Tortola, British Virgin Islands	20,150	Investment
Grand Capital Limited (GCL)	2004/10	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	656,053	Investment
Forich Advanced Materials Co., Ltd.	2001/06	No. 2, Lane 140, Niaosong 3rd St., Yongkang District, Tainan City	76,985	Manufacturing and sales of chemical products
Bestac Advanced Material Co., Ltd.	2006/01	No. 88, Lane 180, Xinhe Rd., Sanhe Village, Longtan District, Taoyuan City	200,000	Manufacturing and sales of chemical products
San Fang International Co., Ltd.	2000/07	Vist Corporate Seives Centra, Wickhams Cay II, Road. Town, Tortola, VG1110, British Virgin Islands	USD 25,200,010	Investment
Brave Business Holding Limited (BBH)	2009/11	Room 1901, 19/F, Lee Garden One 33 Hysan Avenue, Causeway Bay, Hong Kong	USD17,000,000	Investment
Grand International Investment Corporation Limited (GII)	2003/03	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa.	USD 20,200,000	Investment
Java Ocean Business Limited (JOB)	2009/09	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 36,497,500	Investment
Megatrade Profits Limited (MPL)	2004/10	Vistra Corporate Services Centre, Wickhams CayII, Town, Torola, VG1110, British Virgin Islands	USD 9,000,001	Investment
San Fang Vietnam Co., Ltd (SFV)	2003/03	LOT II-4 MY XUAN INDUSTRIAL PARK, TAN THANH DISTRICT, BA RIA VUNG TAU PROVINCE, VIETNAM	USD 36,000,000	Material processing
PT. San Fang Indonesia (PTS)	2010/01	JL MODERN INDUSTRI CIKANDE IV NO.10.12.16.NAMBO ILIR KIBIN, SERANG. BANTEN	USD 35,000,000	Manufacturing and sales of synthetic leather, synthetic resin, and other materials
Dongguan Baoliang Material Technology Co., Ltd.	2016/01	No. 1, Yueyuan 2nd Rd., Yue Yuan Industrial Park, Huangjiang Township, Dongguan City	USD 27,000,000	Manufacturing and sales of synthetic leather, synthetic resin, and other materials
Giant Tramp Limited (GTL)	2017/10	Vistra Corporate Services Centra, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	USD 1	Investment
Guangxingwang Material Technology Co., Ltd.	2025/03	Room 123, Building 9, No. 8, Jingcheng 2nd Road, Huangjiang Town, Dongguan City	RMB2,163,480	Sales of leather products, sales of engineering plastics and synthetic resins, sales of chemical products (excluding licensed chemical products), and sales of industrial textile products.

Note: Forich Advanced adopted the resolution to be dissolved on August 7, 2024, and set December 31, 2024 as the dissolution record date.

## 3. Information on identical shareholders of companies presumed to have control and subsidiary relationship: None.

4. Information on directors, supervisors, and presidents of affiliates

Name of enterprise	Title	Name or representative	Shares held	
			Number of shares held	Shareholding ratio (%)
SFH	Director	Chih-I Lin	0	0
SFD	Director	Chih-I Lin	0	0
GCL	Director	Chih-I Lin	0	0
SFI	Director	Chih-I Lin	0	0
MPL	Director	Chih-I Lin	0	0
GII	Director	Chih-I Lin	0	0
JOB	Director	Chih-I Lin	0	0
BBH	Director	Chih-I Lin	0	0
SFV	Director	Liang-Chuan Hsu	0	0
PTS	Director	Liang-Chuan Hsu	0	0
Dongguan Baoliang	Director	Lung-Chuan Wang	0	0
GTL	Director	Chih-I Lin	0	0
Bestac Advanced Material Co., Ltd.	Director	Mun-Jin Lin, Representative of San Fang Chemical Industry Co., Ltd.	20,000,000 shares	100%
Forich Advanced Materials Co., Ltd.	Director	Wu-Tsang Tsai, Representative of San Fang Chemical Industry Co., Ltd.	7,698,545 shares	100%
Dongguan Guangxingwang	Director	Yao-Wen Ku	0	0

5. Business overview of affiliated enterprises (2024):

Unit: NT\$ thousand

Name of enterprise	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profits	Income/loss for the current period (after tax)	Earnings per share (NT\$) (after tax)
San Fang Financial Holdings Co., Ltd.	20,150	10,975	0	10,975	0	(104)	709	1.17
San Fang Development Co., Ltd.	687,435	2,243,476	0	2,243,476	0	(105)	343,599	17.18
Forich Advanced Materials Co., Ltd.	76,985	114,366	7,081	107,285	55,454	(13,884)	(10,229)	(1.33)
San Fang International Co., Ltd.	826,182	1,168,104	36,808	1,131,296	0	(3,283)	141,854	5.63
Grand International Investment Co., Ltd.	662,257	4,029,476	2	4,029,474	0	(58)	113,516	5.62
Grand Capital Limited	656,053	6,316,871	0	6,316,871	0	(45)	465,870	23.59
San Fang Vietnam Co., Ltd.	1,180,260	1,413,976	91,281	1,322,695	1,093,968	21,649	13,147	-
Bestac Advanced Material Co., Ltd.	200,000	430,382	370,959	59,423	404,918	15,188	21,165	1.06
Java Ocean Business Limited	1,196,571	2,352,389	4,314	2,348,075	0	(46)	351,694	9.64
Brave Business Holding Limited	557,345	851,228	0	851,228	0	(89)	177,954	10.47
PT. SAN FANG	1,147,475	2,889,651	747,286	2,142,365	2,647,543	407,845	340,579	9.73
Megatrade Profits Limited	295,065	571,088	80,877	490,211	0	(112)	105,077	11.68
Giant Tramp Limited	209,237	153,485	0	153,485	0	(917)	21,165	21,165
Dongguan Baoliang Material Technology Co., Ltd.	885,195	1,765,157	389,362	1,375,795	1,803,882	278,819	302,907	11.22



(II) Statement on the Consolidated Financial Statements of Affiliated Enterprises

## Consolidated Financial Statement of Affiliates

Companies that must be included in the consolidated financial statements of affiliates according to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliates" are the same as those that must be included in the consolidated financial statements of parent company and subsidiaries according to IFRS 10 in 2024 (from 2024/1/1 to 2024/12/31). Information that must be disclosed in the consolidated financial statements of affiliates is already disclosed in the consolidated financial statements of the parent company and subsidiaries. Hence, the Company will not separately prepare consolidated financial statements of affiliates.

Hereby declared that

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



Legal Representative: Mun-Jin Lin



March 7, 2025

Consolidated financial statements:

Index Path    Market Observation Post System > Single Company > Electronic Document  
                  Download > Financial Statements

Website        [https://mops.twse.com.tw/mops/#/web/t57sb01\\_q1](https://mops.twse.com.tw/mops/#/web/t57sb01_q1)

(III) Related Party Report: None.

**II. Status of private placement of negotiable securities:** None.

**III. Other supplemental information:**

1. The Company established "Ethical Corporate Management Best Practice Principles", Code of Ethics, and Guidelines for Whistleblowing on Illegal or Unethical Conduct for the ethical conduct of directors and employees. Related data can be accessed on the company website.
2. The Company established "Procedures for Handling Material Inside Information and Prevention of Insider Trading", and regularly provides promotional materials on insider trading issued by the competent authority to managerial officers, so as to prevent them from violating related laws and regulations. Related data can be accessed on the company website.

## **Chapter 7. Matters with material impact**

Matters, if any, that may affect shareholders' equity or securities price as defined in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act in the most recent year and as of the printing date of the annual report: None.

San Fang Chemical Industry Co., Ltd.



Chairman Mun-Jin Lim





三芳化學工業股份有限公司

SAN FANG CHEMICAL INDUSTRY CO., LTD.