

Handbook for the 2025 Annual General Shareholders' Meeting



SAN FANG CHEMICAL INDUSTRY CO., LTD.

Notice to readers

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

Held by Means: Physical Shareholders' Meeting.

Date: June 11, 2025

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



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I. Meeting Procedure

SAN FANG CHEMICAL INDUSTRY CO., LTD 2025 Annual General Shareholders' Meeting Procedure

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

II. Meeting Agenda

San Fang Chemical Industry Co., Ltd. Agenda for 2025 General Shareholders' Meeting

Meeting Method: Physical Shareholders' Meeting

Time: 9:00 AM, June 11, 2025

Venue: Kaohsiung Han-Hsien International Hotel (No. 33, Siwei 3rd Rd., Lingya Dist., Kaohsiung City, Taiwan)

I. Report Items :

- (1) 2024 Business position
- (2) Audit Committee's review report on the 2024 financial statements.
- (3) Distribution of 2024 remuneration to employees and directors.
- (4) Distribution of 2024 cash dividends.

II. Ratification Items :

- (1) 2024 Business Report and Financial Statements
- (2) 2024 earnings distribution proposal.

III. Discussion Item :

- (1) Amendment to the Articles of Incorporation of this Company

IV. Extraordinary Motion

V. Adjournment

I. Report Items

Report I

Proposal : 2024 Business position

Explanations : Business Report is attached (please refer to p.8-11 of this handbook).

Report II

Proposal : Audit Committee's review report on the 2024 financial statements.

Explanations : Attached is the Audit Committee's Review Report (please refer to page 33 of this handbook).

Report III

Proposal : Distribution of 2024 remuneration to employees and directors.

Explanations : (1) Processed in accordance with Article 235-1 of the Company Act and Article 24 of the Company's Articles of Incorporation.

(2) The Company's profit before tax for 2024 is NTD 1,759,872,601. In accordance with Article 24 of the Articles of Incorporation and in consideration of industry standards and employee benefits, the Company has appropriated 3.80% as remuneration to employees, NTD 70,481,000, and 1.31% as remuneration to directors, NTD 24,400,000, for 2024, both in the form of cash distribution.

(3) The proposal has been approved by the 4th meeting of the 6th Remuneration Committee and is submitted to the Board of Directors for approval.

(4) After approval by the Board of Directors, this proposal was submitted to the Shareholders' Meeting.

Report IV

Proposal : Distribution of 2024 cash dividends.

Explanations : (1) In accordance with Paragraph 5, Article 240 of the Company Act and Article 24-1 of the Company's Articles of Incorporation, the Board of Directors of the Company approved the distribution of cash dividends of NTD 1,074,108,941 at NTD 2.7 per share. The cash dividends will be calculated to the nearest NTD. The remainder will be transferred into the account of other revenue of the company.

(2) If the number of shares to be distributed by the Company subsequently changes and the dividend payout ratio changes, the Chairman is authorized to have full authority to handle such matters.

(3) For cash dividends, a separate meeting of the Board of Directors is convened to determine the dividend distribution date, and the distribution shall be distributed according to the shareholders registered on the shareholder registry on that day and their shareholding ratios. The total amount of cash dividends distributed to each shareholder is round down to the nearest NTD.

II. Ratification Items :

Ratifications Proposal I

Submitted by the board of directors

Proposal : 2024 Business Report and Financial Statements for ratification.

Explanation : The Company's 2024 business report and the 2024 financial statements (including consolidated and parent company only balance sheet, comprehensive income statement, statement of changes in equity, and statement of cash flows) audited and verified by CPA Wang, Teng-Wei and CPA Liu, Yu-Hsiang, please refer to the operating and financial reports (please refer to pages 8 to 31 of this handbook), all of which have been reviewed and approved by the Company's Audit Committee and a review report has been issued.

Resolution :

Ratifications Proposal 2

Submitted by the board of directors

Proposal : Please ratify the 2024 earnings distribution proposal.

Explanation : (1) The Company's 2024 earnings distribution has been reviewed and approved by the 4th meeting of the 3rd Audit Committee, for ratification by the shareholders' meeting.
(2) The Company's 2024 earnings distribution table (please refer to p. 32 of this handbook).

Resolution :

III. Discussion Items :

Discussion Proposal 1

Submitted by the board of directors

Proposal : Amendment to the Articles of Incorporation of the Company respectfully submitted for deliberation

Explanation : (1) In accordance with the Presidential Decree Hua-Zong-Yi-Yi-Zi No. 11300069631 issued on August 7, 2024, which amended Paragraph 6, Article 14 of the Securities and Exchange Act, the Company's Articles of Incorporation shall specify that a certain percentage of the annual earnings shall be allocated for salary adjustments or remuneration distribution to grassroots employees. Additionally, in compliance with Article 4 of the Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers, relevant provisions of the Company's Articles of Incorporation shall be amended accordingly.

(2) This proposal has been reviewed and approved in the 4th meeting of the 3rd term audit committee.

(3) Comparison Table of Amended Articles in the “Articles of Incorporation”. (please refer to pp. 34-36 in this handbook).

Resolution :

IV. Extraordinary Motions

V. Meeting Adjournment

Attachment A

San Fang Chemical Industry Co., Ltd. 2024 Business Report

I. Foreword

After inflation and interest rate fluctuations have affected the international financial situation, consumer desire has become more conservative, and the supply chain of the footwear industry has made inventory adjustments, resulting in a lack of operational momentum. With the interest rate cut in the U.S. in 2024, coupled with the positive impact of the Paris Olympics and the gradual recovery of international brands, the industry's supply and demand has returned to a relatively stable state, and the consumer environment in major operating regions has warmed up, resulting in growing order demand and a gradual growth in revenues since March. Benefiting from the growth in demand for some brands, the rebound in demand for artificial leather, the continued rise in the performance of film products, as well as the stabilization of raw material prices and the benefits of foreign exchange, the Company's operating efficiency improved significantly.

In 2024, the Company implemented an agile management mechanism for dynamic adjustments, achieving a net profit margin of 13.7% after tax and earnings per share of NT\$3.72, demonstrating a more resilient operational performance.

II. Financial performance

I. Business

The sales revenue of PU synthetic leather reached NT\$4.514 billion, reflecting a 43.4% increase compared to 2023. The sales revenue of eco-friendly synthetic leather amounted to NT\$5.239 billion, reflecting a 25.5% increase compared to 2023. The combined sales revenue of films totaled NT\$441 million, reflecting a 33.1% increase compared to 2023. The combined sales revenue of other materials reached NT\$586 million. The total consolidated operating revenue for 2024 was NT\$10.78 billion. Despite some brands experiencing slowed growth momentum due to operational adjustments, others have narrowed the competitive gap and continued to grow. The Company has long been dedicated to manufacturing footwear materials for major brands, maintaining relatively stable orders. In terms of synthetic leather applications, footwear materials grew by approximately 5% compared to the same period last year, while sports ball materials increased by about 11%.

II. Profits

The Company's standalone operating revenue of 2024 was NTD 8.238 billion, an increase of 8.6% from 2023; the consolidated operating revenue was NTD 10.78 billion, an increase of 6.9% from 2023; the consolidated net income was NTD 1.56 billion, an increase of 58.1% from 2023; consolidated net income after tax was NTD 1.479 billion, an increase of 94.6% compared to 2023. As a result of the oversupply of plasticized raw materials in China and stable raw material prices, coupled with effective operational management, production efficiency was significantly improved. The operating cost ratio decreased by 5.6% year-on-year despite the increase in consolidated revenue.

III. Outlook and business objectives

With the entry of emerging brands and small enterprises into the sports and leisure market, the leather industry ecosystem has undergone significant changes, reflecting the diversity of consumer demand and intensified market competition. The Company must respond swiftly to market dynamics and effectively adjust its branding and market strategies to maintain its competitive edge.

The Company conducts feasibility analysis and planning for various potential future scenarios, allowing for flexible adjustments in response strategies. The operational plan for 2025 is outlined as follows:

(1) Expanding international brands with growth potential.

With the entry of emerging brands into the market, we strengthen our collaboration with existing key customers while actively expanding international brands with growth potential. From material development and technical support to flexible production, we are committed to enhancing the Company's position in the synthetic leather sector and increasing order volume. "We integrate digital swatch cards and electronic database channels for remote e-commerce fusion, enhancing supply chain resilience and providing customers with the most valuable solutions, striving to become their preferred strategic partner."

(2) Promoting green and sustainable business opportunities.

The Company uses all-nylon and all-polyester materials to produce waterproof and breathable films with excellent moisture permeability values, which can enhance the moisture permeability of fabrics after lamination, keep them dry in humid climates, and expel hot and humid air during exercise. The film is produced using a solvent-free process and offers 100% recyclability. It contributes to achieving low-carbon and plastic reduction environmental goals, making it one of the Company's highly competitive core technologies.

(3) Establishing Strategic Partnerships.

In response to market changes, we engage in strategic partnerships with highly competitive manufacturers, leveraging their resources and strengths, and combining them with our sales channel resources to quickly enter the market and expand business channels.

(4) Accelerating Digital Upgrading.

1. We have introduced a number of intelligent equipment and processes into our thin film material manufacturing process, which, combined with the standardization of Incoming Quality Control (IQC), have significantly improved product stability. At the same time, through data collection, analysis and application, we improve quick response capability and maximize manufacturing efficiency.
2. We actively introduce the e-marketing model. Through familiarizing with the application of digital tools and the use of big data analysis, we can realize digital optimization and provide customers with zero distance and zero time difference services.
3. With the rapid development of AI technology, the Company is gradually promoting digital transformation. First, the Company implements digital systems to improve efficiency and reduce labor and resource costs; then, it increases system utilization to accumulate data and find solutions to problems.

Looking ahead, San Fang will continue to strengthen its supply chain capabilities in Vietnam and Indonesia with a differentiated business model, and strive to become a production base that emphasizes both quality and quantity. The management team will make unremitting efforts to lead all employees to open up new opportunities with a new mindset, provide high-quality cleaning material technologies, and jointly create a better environment.

We are firmly convinced that all staff members will do their utmost to ensure achievement of the consolidated revenue goals set for 2025, spurred by the encouragement and close supervision by all our shareholders.

Chairperson : Mun-Jin Lin



Manager : Chih-Yi Lin



Chief Accountant : Hua-Hsing Wang



Independent Auditor's Report

To San Fang Chemical Industry Co., Ltd.:

Audit Opinion

We have audited the consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement, and consolidated notes to financial statements (including a summary of major accounting policies) of San Fang Chemical Industry Co., Ltd. and its subsidiaries (San Fang Group) for the years ended December 31, 2024 and 2023.

In our opinion, the consolidated financial statements above were prepared, in all material aspects, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, and explanations/interpretations approved and announced by FSC, and therefore are sufficient to present the financial position of the San Fang Group as at December 31, 2024 and 2023, as well as its consolidated financial performance and consolidated cash flow for the years ended December 31, 2024 and 2023.

Basis of Audit Opinion

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

Key Audit Matters

Key audit matters are the most important matters in the 2024 consolidated financial statements of the San Fang Group determined based on our professional judgment. We have already responded to the matters in the process of auditing the consolidated financial statements and forming an audit opinion, and will not express opinions on individual matters.

Key audit matters in the 2024 consolidated financial statements of the San Fang Group are as follows:

Authenticity of sales revenue

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

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

- I. Understanding and testing internal controls related to the authenticity of revenue recognition, including whether or not purchase order and delivery related internal controls are effective, and if sales revenue is recognized accordingly.
- II. Obtain detailed information on sales revenue of a specific customer, select appropriate samples, check shipping documents or attached customs clearance documents, etc., and check whether the amount and object of payment are consistent with the object of sales to confirm that the revenue has actually occurred.

Other Matters

San Fang Chemical Industry Co., Ltd. has prepared standalone financial statements for the years 2024 and 2023, on which we have issued an audit report containing an unqualified opinion for reference.

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

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

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

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

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

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

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

- I. Identified and evaluated material misstatements in the consolidated financial statements, whether due to fraud or error. Designed and implemented appropriate countermeasures for the risks that we evaluated. Obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion. Since fraud may involve conspiracy, falsification, intentional omission, false statements, or overriding internal controls, the risk of failing to detect material misstatements due to fraud is higher than the risk of failing to detect material misstatements due to error.
- II. Designed appropriate audit procedures to gain necessary understanding of internal controls for the audit. However, the purpose is not to express any opinions on the effectiveness of the San Fang Group's internal controls.
- III. Evaluated the appropriateness of management policies adopted by management, as well as the reasonableness of accounting estimates and related disclosures.
- IV. Based on the audit evidence we obtained, we reached a conclusion on the appropriateness of management's going concern basis of accounting, and whether or not there are material uncertainties that will lead to events or situations that are cause for serious concern about the San Fang Group's ability to continue as a going concern. If we believe there are material uncertainties about such events or situations, we are required to provide a reminder in the audit report for users of the consolidated financial statements to pay attention to related disclosures, or modify our audit opinion when the disclosures are inappropriate. Our conclusion is based on the audit evidence we obtained as of the audit report date. However, future events or situations may cause the San Fang Group to no longer be able to continue as a going concern.
- V. Evaluated the overall presentation, structure, and contents of the consolidated financial statements (including related notes), and whether or not the consolidated financial statements fairly present related transactions and events.

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

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

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

Among the matters we communicated with the governance department, we decided on key audit matters in the 2024 consolidated financial statements of the San Fang Group. The matters are described in the audit report, unless they are specifically prohibited by law from being disclosed, or, under extremely rare circumstances, we decided not to disclose the matters in the audit report because the negative impact can reasonably be expected to be greater than the public benefit it will provide.

Deloitte Taiwan

CPA Teng-Wei Wang

CPA Yu-Hsiang Liu

Financial Supervisory Commission Approval No. Financial Supervisory Commission Approval No.

Jin-Guan-Zheng-Shen-Zi No. 1100356048

Jin-Guan-Zheng-Shen-Zi No. 1050024633

March 7, 2025

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally applied in the Republic of China. For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Consolidated Balance Sheet
December 31, 2024 and 2023

Unit: Thousand NTD

Code	Assets	December 31, 2024		December 31, 2023	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4 and 6)	\$ 3,697,059	21	\$ 4,765,044	31
1120	Current financial assets at fair value through other comprehensive income (Note 4 and 8)	13,116	-	-	-
1110	Current financial assets at fair value through profit or loss (Note 4 and 7)	110,191	1	100,589	1
1136	Financial assets at amortized cost - current (Note 9 and 29)	2,177,920	13	1,123,678	7
1150	Notes receivable (Note 4 and 11)	7,992	-	24,507	-
1170	Net accounts receivable (Note 4 and 11)	1,236,137	7	1,000,724	6
1180	Accounts receivable - related parties (Note 4, 11 and 28)	241,444	1	295,079	2
1200	Other receivables (Note 4)	197,273	1	138,124	1
1220	Current income tax assets (Note 24)	2,857	-	15,201	-
130X	Inventories (Note 4, 5 and 12)	1,705,639	10	1,614,941	10
1410	Advance payments	132,335	1	154,562	1
1479	Other current assets	38,940	-	34,650	-
11XX	Total current assets	<u>9,560,903</u>	<u>55</u>	<u>9,267,099</u>	<u>59</u>
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income (Note 4 and 8)	87,601	-	119,687	1
1535	Financial assets at amortized cost - non-current (Note 9)	1,659,063	10	604,889	4
1600	Property, plant and equipment (Note 4, 14 and 29)	5,555,914	32	5,150,904	33
1755	Right-of-use assets (Note 4 and 15)	163,475	1	159,703	1
1760	Investment properties (Note 4, 16 and 29)	108,322	1	109,189	1
1801	Other intangible assets (Note 4)	19,994	-	29,153	-
1805	Goodwill (Note 4)	35,759	-	35,759	-
1840	Deferred income tax assets (Note 4, 5 and 24)	95,762	1	94,242	1
1915	Advance payments for land and equipment	45,802	-	28,284	-
1920	Refundable deposits	26,962	-	26,238	-
1990	Other non-current assets	7,665	-	5,824	-
15XX	Total non-current assets	<u>7,806,319</u>	<u>45</u>	<u>6,363,872</u>	<u>41</u>
1XXX	Total assets	<u>\$ 17,367,222</u>	<u>100</u>	<u>\$ 15,630,971</u>	<u>100</u>
	Liabilities and equity interests				
	Current liabilities				
2100	Short-term borrowing (Note 17 and 29)	\$ 1,555,000	9	\$ 1,490,000	10
2110	Short-term notes and bills payable (Note 17)	-	-	49,967	-
2130	Current contract liabilities (Note 4 and 22)	19,439	-	13,776	-
2170	Accounts payable (Note 18)	520,182	3	377,049	2
2219	Other payables (Note 19)	1,057,297	6	830,216	5
2230	Current income tax liabilities (Note 24)	204,492	1	206,812	1
2280	Current lease liabilities (Note 4 and 15)	6,306	-	7,099	-
2320	Current portion of long-term liabilities (Note 17 and 29)	532,500	3	747,500	5
2399	Other current liabilities (Note 4)	73,927	1	73,173	1
21XX	Total current liabilities	<u>3,969,143</u>	<u>23</u>	<u>3,795,592</u>	<u>24</u>
	Non-current liabilities				
2540	Long-term borrowings (Note 17 and 29)	1,812,500	11	1,687,500	11
2570	Deferred income tax liabilities (Note 4, 5 and 24)	1,196,237	7	1,097,675	7
2580	Non-current lease liabilities (Note 4 and 15)	8,819	-	7,238	-
2640	Net defined benefit liability - non-current (Note 4 and 20)	70,387	-	87,221	1
2645	Guarantee deposits received	16,376	-	12,746	-
25XX	Total non-current liabilities	<u>3,104,319</u>	<u>18</u>	<u>2,892,380</u>	<u>19</u>
2XXX	Total liabilities	<u>7,073,462</u>	<u>41</u>	<u>6,687,972</u>	<u>43</u>
	Equity attributable to owners of the Company (Note 21)				
3110	Capital stock - common	3,978,181	23	3,978,181	25
3200	Capital surplus	149,299	1	145,330	1
	Retained earnings				
3310	Legal reserve	1,612,553	9	1,536,540	10
3320	Special reserve	504,790	3	504,790	3
3350	Undistributed earnings	3,684,405	21	2,858,770	18
3300	Total retained earnings	<u>5,801,748</u>	<u>33</u>	<u>4,900,100</u>	<u>31</u>
3400	Other equity interest	364,532	2	(80,612)	-
3XXX	Total equity	<u>10,293,760</u>	<u>59</u>	<u>8,942,999</u>	<u>57</u>
	Total liabilities and equity interests	<u>\$ 17,367,222</u>	<u>100</u>	<u>\$ 15,630,971</u>	<u>100</u>

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

(Please refer to the audit report issued by Deloitte Taiwan on March 7, 2025)

Chairman: Mun-Jin Lin

Managers: Chih-I Lin

Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Consolidated Statement of Comprehensive Income
Years ended December 31, 2024 and 2023

Unit: Thousand NTD, EPS in NTD

Code		2024		2023	
		Amount	%	Amount	%
4000	Net operating revenues (Note 4, 22 and 28)	\$ 10,779,822	100	\$ 10,086,736	100
5000	Operating costs (Notes 12 and 23)	<u>7,481,145</u>	<u>69</u>	<u>7,561,009</u>	<u>75</u>
5900	Operating margin	<u>3,298,677</u>	<u>31</u>	<u>2,525,727</u>	<u>25</u>
	Operating expenses (Note 11 and 23)				
6100	Selling expenses	638,741	6	543,785	5
6200	Administrative and general affairs expenses	712,185	7	667,167	7
6300	Research and development expenses	387,779	3	330,386	3
6450	Gain on reversal of impairments of expected credit	(<u>493</u>)	<u>-</u>	(<u>2,686</u>)	<u>-</u>
6000	Total operating expenses	<u>1,738,212</u>	<u>16</u>	<u>1,538,652</u>	<u>15</u>
6900	Operating net profit	<u>1,560,465</u>	<u>15</u>	<u>987,075</u>	<u>10</u>
	Non-operating income and expenses (Note 23)				
7100	Interest income	251,837	2	164,144	2
7010	Other income	52,802	1	30,834	-
7020	Other profits and losses	86,395	1	(79,183)	(1)
7050	Financial costs	(<u>75,401</u>)	(<u>1</u>)	(<u>73,793</u>)	(<u>1</u>)
7000	Total non-operating income and expenses	<u>315,633</u>	<u>3</u>	<u>42,002</u>	<u>-</u>
7900	Pre-tax profit	1,876,098	18	1,029,077	10
7950	Income tax expense (Note 4 and 24)	<u>396,696</u>	<u>4</u>	<u>268,803</u>	<u>2</u>
8200	Net profit for the year	<u>1,479,402</u>	<u>14</u>	<u>760,274</u>	<u>8</u>

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Code		2024		2023	
		Amount	%	Amount	%
	Other comprehensive income				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Remeasurements of the net defined benefit (Note 20)	\$ 751	-	(\$ 156)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Note 21)	4,192	-	44,512	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 24)	241	-	10	-
		5,184	-	44,366	-
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences arising from the translation of the financial statements of foreign operations (Note 21)	458,933	4	(25,684)	-
8300	Other consolidated income (net income after tax)	464,117	4	18,682	-
8500	Total comprehensive income	<u>\$ 1,943,519</u>	<u>18</u>	<u>\$ 778,956</u>	<u>8</u>
8600	Profit attributable to:				
8610	Owners of the company	<u>\$ 1,479,402</u>	<u>14</u>	<u>\$ 760,274</u>	<u>8</u>
8700	Comprehensive income attributable to:				
8710	Owners of the company	<u>\$ 1,943,519</u>	<u>18</u>	<u>\$ 778,956</u>	<u>8</u>
	EPS (Note 25)				
9750	Basic	<u>\$ 3.72</u>		<u>\$ 1.91</u>	
9850	Diluted	<u>\$ 3.70</u>		<u>\$ 1.90</u>	

Chairman: Mun-Jin Lin

Managers: Chih-I Lin

Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Consolidated Statement of Changes in Equity
Years ended December 31, 2024 and 2023

Unit: Thousand NTD

		Equity attributable to shareholders of the Company								
							Other equity interests			
Code		Capital stock - common	Capital surplus	Retained earnings			Exchange differences arising from the translation of the financial statements of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Subtotal	Total equity
				Legal reserve	Special reserve	Undistributed earnings				
A1	Balance as at January 1, 2023	\$ 3,978,181	\$ 145,330	\$ 1,488,728	\$ 648,571	\$ 2,320,928	(\$ 128,788)	\$ 29,348	(\$ 99,440)	\$ 8,482,298
	Appropriation and distribution of 2022 earnings (Note 21)									
B1	Legal reserve	-	-	47,812	-	(47,812)	-	-	-	-
B5	Cash dividends	-	-	-	-	(318,255)	-	-	-	(318,255)
B17	Reversal of special reserve	-	-	-	(143,781)	143,781	-	-	-	-
		-	-	47,812	(143,781)	(222,286)	-	-	-	(318,255)
D1	Net profit - 2023	-	-	-	-	760,274	-	-	-	760,274
D3	Other comprehensive income after tax - 2023	-	-	-	-	(146)	(25,684)	44,512	18,828	18,682
D5	Total comprehensive income - 2023	-	-	-	-	760,128	(25,684)	44,512	18,828	778,956
Z1	Balance as at December 31, 2023	3,978,181	145,330	1,536,540	504,790	2,858,770	(154,472)	73,860	(80,612)	8,942,999
	Appropriation and distribution of 2023 earnings (Note 21)									
B1	Legal reserve	-	-	76,013	-	(76,013)	-	-	-	-
B5	Cash dividends	-	-	-	-	(596,727)	-	-	-	(596,727)
		-	-	76,013	-	(672,740)	-	-	-	(596,727)
C17	Dividends not collected by shareholders before the deadline	-	3,969	-	-	-	-	-	-	3,969
D1	Net profit - 2024	-	-	-	-	1,479,402	-	-	-	1,479,402
D3	Other comprehensive income after tax - 2024	-	-	-	-	992	458,933	4,192	463,125	464,117
D5	Total comprehensive income - 2024	-	-	-	-	1,480,394	458,933	4,192	463,125	1,943,519
Q1	Disposal of equity instruments measured at fair value through other comprehensive income (Note 21)	-	-	-	-	17,981	-	(17,981)	(17,981)	-
Z1	Balance as at December 31, 2024	\$ 3,978,181	\$ 149,299	\$ 1,612,553	\$ 504,790	\$ 3,684,405	\$ 304,461	\$ 60,071	\$ 364,532	\$ 10,293,760

Chairman: Mun-Jin Lin

Managers: Chih-I Lin

Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Consolidated Cash Flow Statement

Years ended December 31, 2024 and 2023

Unit: Thousand NTD

Code		2024	2023
	Cash flow from operating activities		
A10000	Net profit before tax	\$ 1,876,098	\$ 1,029,077
A20010	Revenues and expenses		
A20100	Depreciation expense	548,349	612,217
A20200	Amortization expense	11,296	10,851
A20300	Gain on reversal of impairments of expected credit	(493)	(2,686)
A20400	Net gains from financial instruments at fair value through profit or loss	(9,602)	(6,265)
A20900	Financial costs	75,401	73,793
A21200	Interest income	(251,837)	(164,144)
A21300	Dividend income	(5,165)	(2,167)
A22500	Net losses on disposal of property, plant and equipment	5,715	3,939
A23700	Impairment loss on property, plant and equipment	159,282	67,754
A23800	Gain on recovery on inventory devaluation	(17,606)	(77,696)
A29900	Loss on physical inventory	7,480	8,599
A29900	Gains on lease modification	(42)	-
A29900	Other	(1,247)	37,077
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	16,515	(10,120)
A31150	Accounts receivable	(234,926)	91,187
A31160	Accounts receivable - related parties	53,635	(21,367)
A31180	Other receivables	(36,129)	(64,567)
A31200	Inventories	(81,202)	557,268
A31230	Advance payments	22,227	51,655
A31240	Other current assets	(4,290)	(9,182)
A32125	Contract liabilities	5,663	8,202
A32150	Accounts payable	143,133	(116,273)
A32180	Other payables	209,238	92,281
A32230	Other current liabilities	160	5,693
A32240	Net defined benefit liability	(<u>16,083</u>)	(<u>2,554</u>)
A33000	Cash generated from operating activities	2,475,570	2,172,572
A33100	Interest received	230,122	136,331
A33200	Dividend received	5,165	2,167
A33300	Interest paid	(76,790)	(75,731)

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Code		2024	2023
A33500	Income tax paid	(\$ 289,784)	(\$ 86,976)
AAAA	Net cash inflow from operating activities	<u>2,344,283</u>	<u>2,148,363</u>
	Cash flow from investing activities		
B00030	Refund of capital due to capital reduction of financial assets at fair value through other comprehensive income	1,675	-
B00040	Acquisition of financial assets at amortized cost	(2,083,330)	(795,407)
B00020	Sale of financial assets measured at fair value through other comprehensive income	21,487	-
B02700	Acquisition of property, plant and equipment	(952,647)	(650,565)
B02800	Proceeds from disposal of property, plant and equipment	1,125	3,580
B03700	Increase in refundable deposits	(724)	-
B03800	Decrease in refundable deposits	-	170
B04500	Acquisition of intangible assets	(1,470)	(22,328)
BBBB	Net cash outflow from investing activities	<u>(3,013,884)</u>	<u>(1,464,550)</u>
	Cash flow from financing activities		
C00100	Increase in short-term borrowings	65,000	-
C00200	Decrease in short-term borrowings	-	(50,000)
C00500	Increase in short-term notes and bills payable	-	50,000
C00600	Decrease in short-term notes and bills payable	(50,000)	-
C01600	Increase in long-term borrowing	920,000	540,000
C01700	Repayment of long-term borrowing	(1,010,000)	(953,000)
C03000	Increase in guarantee deposits	3,630	-
C03100	Decrease in guarantee deposits received	-	(49)
C04020	Repayments of lease liabilities	(7,859)	(7,135)
C04500	Distribution of cash dividends	(596,727)	(318,255)
C09900	Returned unclaimed dividends	<u>3,969</u>	<u>-</u>
CCCC	Net cash outflow from financing activities	<u>(671,987)</u>	<u>(738,439)</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>273,603</u>	<u>(10,695)</u>
EEEE	Decrease in cash and cash equivalents	(1,067,985)	(65,321)
E00100	Cash and cash equivalents at beginning of period	<u>4,765,044</u>	<u>4,830,365</u>
E00200	Cash and cash equivalents at end of period	<u>\$ 3,697,059</u>	<u>\$ 4,765,044</u>

Chairman: Mun-Jin Lin

Managers: Chih-I Lin

Head of accounting: Hua-Hsing Wang

Independent Auditor's Report

To San Fang Chemical Industry Co., Ltd.:

Audit Opinion

We have audited the balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement, and notes to financial statements (including a summary of major accounting policies) of San Fang Chemical Industry Co., Ltd. (hereinafter referred to as the "Company") for the years ended December 31, 2024 and 2023.

In our opinion, the standalone financial statements above were prepared, in all material aspects, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and therefore are sufficient to present the financial position of the Company as at December 31, 2024 and 2023, as well as its financial performance and cash flow for the years ended December 31, 2024 and 2023.

Basis of Audit Opinion

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

Key Audit Matters

Key audit matters are the most important matters in the 2024 standalone financial statements of the Company determined based on our professional judgment. We have already responded to the matters in the process of auditing the standalone financial statements and forming an audit opinion, and will not express opinions on individual matters.

Key audit matters in the 2024 standalone financial statements of the Company are as follows:

Authenticity of sales revenue

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

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

- I. Understanding and testing internal controls related to the authenticity of revenue recognition, including whether or not purchase order and delivery related internal controls are effective, and if sales revenue is recognized accordingly.
- II. Obtain detailed information on sales revenue of a specific customer, select appropriate samples, check shipping documents or attached customs clearance documents, etc., and check whether the amount and object of payment are consistent with the object of sales to confirm that the revenue has actually occurred.

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

The responsibility of management is to prepare fairly presented standalone financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and to maintain necessary internal controls related to the preparation of standalone financial statements, in order to ensure that the standalone financial statements are free of material misstatements, whether due to fraud or error.

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

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

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

The purpose for auditing the standalone financial statements is to obtain reasonable assurance about whether the standalone financial statements are free of material misstatement, whether due to fraud or error, and to issue an audit report. Reasonable assurance means high level of assurance. However, audits conducted according to auditing standards do not guarantee the detection of material misstatements in the standalone financial statements. Material misstatements may be due to fraud or

error. A misstatement is deemed material if the individual amount or total amount can be reasonably expected to affect the economic decision made by users of the standalone financial statements.

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

- I. Identified and evaluated material misstatements in the standalone financial statements, whether due to fraud or error. Designed and implemented appropriate countermeasures for the risks that we evaluated. Obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion. Since fraud may involve conspiracy, falsification, intentional omission, false statements, or overriding internal controls, the risk of failing to detect material misstatements due to fraud is higher than the risk of failing to detect material misstatements due to error.
- II. Designed appropriate audit procedures to gain necessary understanding of internal controls for the audit. However, the purpose is not to express any opinions on the effectiveness of the Company's internal controls.
- III. Evaluated the appropriateness of management policies adopted by management, as well as the reasonableness of accounting estimates and related disclosures.
- IV. Based on the audit evidence we obtained, we reached a conclusion on the appropriateness of management's going concern basis of accounting, and whether or not there are material uncertainties that will lead to events or situations that are cause for serious concern about the Company's ability to continue as a going concern. If we believe there are material uncertainties about such events or situations, we are required to provide a reminder in the audit report for users of the standalone financial statements to pay attention to related disclosures, or modify our audit opinion when the disclosures are inappropriate. Our conclusion is based on the audit evidence we obtained as of the audit report date. However, future events or situations may cause the Company to no longer be able to continue as a going concern.
- V. Evaluated the overall presentation, structure, and contents of the standalone financial statements (including related notes), and whether or not the standalone financial statements fairly present related transactions and events.
- VI. Obtained sufficient and appropriate audit evidence of financial information on the Company, and expressed our opinion on the standalone financial statements. We are responsible for guidance, supervision, and implementation of the audit, and for forming an audit opinion on the Company.

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

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

Among the matters we communicated with the governance department, we decided on key audit matters in the 2024 standalone consolidated financial statements of the Company. The matters are described in the audit report, unless they are specifically prohibited by law from being disclosed, or, under extremely rare circumstances, we decided not to disclose the matters in the audit report because the negative impact can reasonably be expected to be greater than the public benefit it will provide.

Deloitte Taiwan

CPA

Teng-Wei Wang

CPA

Yu-Hsiang Liu

Financial Supervisory Commission Approval No.

Jin-Guan-Zheng-Shen-Zi No. 1100356048

Financial Supervisory Commission Approval No.

Jin-Guan-Zheng-Shen-Zi No. 1050024633

March 7, 2025

San Fang Chemical Industry Co., Ltd.

Balance Sheet

December 31, 2024 and 2023

Unit: Thousand NTD

Code	Assets	December 31, 2024		December 31, 2023	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4 and 6)	\$ 1,243,015	7	\$ 1,119,173	8
1110	Current financial assets at fair value through profit or loss (Note 4 and 7)	110,191	1	100,589	1
1136	Financial assets at amortized cost - current (Note 9 and 28)	630,915	4	347,799	2
1150	Net notes receivable (Note 4 and 10)	7,992	-	24,507	-
1170	Net accounts receivable (Note 4 and 10)	683,524	4	611,828	4
1180	Net accounts receivable – related parties (Note 4, 10 and 27)	440,129	3	272,531	2
1200	Net other receivables (Note 4)	21,862	-	25,427	-
1210	Other receivables - related parties (Note 27)	198,490	1	165,724	1
130X	Inventories (Note 4, 5 and 11)	1,097,044	7	1,062,967	7
1410	Advance payments	77,036	-	60,184	-
1479	Other current assets	10,449	-	7,226	-
11XX	Total current assets	<u>4,520,647</u>	<u>27</u>	<u>3,797,955</u>	<u>25</u>
	Non-current assets				
1517	Non-current financial assets at fair value through other comprehensive income (Note 4 and 8)	87,601	-	89,234	-
1535	Financial assets at amortized cost - non-current (Note 4 and 9)	645,865	4	604,889	4
1550	Investments recognized under the equity method (Note 4 and 12)	8,712,657	52	7,445,232	50
1600	Property, plant and equipment (Note 4, 13 and 28)	2,529,202	15	2,810,339	19
1755	Right-of-use assets (Note 4 and 14)	14,236	-	8,242	-
1760	Investment properties (Note 4, 15 and 28)	108,322	1	109,189	1
1801	Computer software – net (Note 4)	3,508	-	8,731	-
1840	Deferred income tax assets (Note 4 and 23)	90,907	1	92,853	1
1915	Advance payments for equipment	4,111	-	-	-
1920	Refundable deposits	12,956	-	12,632	-
15XX	Total non-current assets	<u>12,209,365</u>	<u>73</u>	<u>11,181,341</u>	<u>75</u>
1XXX	Total assets	<u>\$ 16,730,012</u>	<u>100</u>	<u>\$ 14,979,296</u>	<u>100</u>
	Liabilities and equity interests				
	Current liabilities				
2100	Short-term borrowing (Note 16 and 28)	\$ 1,510,000	9	\$ 1,460,000	10
2110	Short-term notes and bills payable (Note 16)	-	-	49,967	-
2130	Current contract liabilities (Note 4 and 21)	13,507	-	12,237	-
2170	Accounts payable (Note 17)	486,341	3	338,793	2
2180	Accounts payable - related parties (Note 17 and 27)	22,359	-	29,703	-
2219	Other payables (Note 18)	576,086	3	408,842	3
2220	Other payables - related parties (Note 18 and 27)	101,538	1	90,362	1
2230	Current income tax liabilities (Note 23)	173,775	1	70,982	1
2280	Current lease liabilities (Note 4 and 14)	5,898	-	4,588	-
2320	Current portion of long-term liabilities (Note 16 and 28)	512,500	3	727,500	5
2399	Other current liabilities (Note 4)	58,696	-	68,134	-
21XX	Total current liabilities	<u>3,460,700</u>	<u>20</u>	<u>3,261,108</u>	<u>22</u>
	Non-current liabilities				
2540	Long-term borrowings (Note 16 and 28)	1,757,500	11	1,612,500	11
2570	Deferred income tax liabilities (Note 4, 5 and 23)	1,158,428	7	1,087,074	7
2580	Non-current lease liabilities (Note 4 and 14)	8,477	-	3,645	-
2640	Net defined benefit liability (Note 4 and 19)	47,129	-	67,952	-
2645	Guarantee deposits received	4,018	-	4,018	-
25XX	Total non-current liabilities	<u>2,975,552</u>	<u>18</u>	<u>2,775,189</u>	<u>18</u>
2XXX	Total liabilities	<u>6,436,252</u>	<u>38</u>	<u>6,036,297</u>	<u>40</u>
	Equity (Note 20)				
3110	Capital stock - common	3,978,181	24	3,978,181	27
3200	Capital surplus	149,299	1	145,330	1
	Retained earnings				
3310	Legal reserve	1,612,553	10	1,536,540	10
3320	Special reserve	504,790	3	504,790	4
3350	Undistributed earnings	3,684,405	22	2,858,770	19
3300	Total retained earnings	5,801,748	35	4,900,100	33
3400	Other equity interest	364,532	2	(80,612)	(1)
3XXX	Total equity	<u>10,293,760</u>	<u>62</u>	<u>8,942,999</u>	<u>60</u>
	Total liabilities and equity interests	<u>\$ 16,730,012</u>	<u>100</u>	<u>\$ 14,979,296</u>	<u>100</u>

The accompanying notes are an integral part of these financial statements.
(Please refer to the audit report issued by Deloitte Taiwan on March 7, 2025)

Chairman: Mun-Jin Lin

Managers: Chih-I Lin

Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd.
Statement of Comprehensive Income
Years ended December 31, 2024 and 2023

Unit: Thousand NTD, EPS in NTD

Code		2024		2023	
		Amount	%	Amount	%
4000	Net operating revenues (Note 4, 21 and 27)	\$ 8,238,037	100	\$ 7,586,555	100
5000	Operating costs (Note 11, 22 and 27)	<u>6,301,127</u>	<u>77</u>	<u>6,458,228</u>	<u>85</u>
5900	Operating margin	1,936,910	23	1,128,327	15
5910	Realized (and unrealized) gains from subsidiaries	(<u>18,918</u>)	<u>-</u>	<u>63,815</u>	<u>1</u>
5950	Realized operating margin	<u>1,917,992</u>	<u>23</u>	<u>1,192,142</u>	<u>16</u>
	Operating expenses (Note 10, 22 and 27)				
6100	Selling expenses	388,737	5	320,439	4
6200	Administrative expenses	413,895	5	397,252	5
6300	Research and development expenses	287,712	3	248,875	4
6450	Gain on reversal of impairments of expected credit	(<u>1,770</u>)	<u>-</u>	(<u>2,379</u>)	<u>-</u>
6000	Total operating expenses	<u>1,088,574</u>	<u>13</u>	<u>964,187</u>	<u>13</u>
6900	Operating net profit	<u>829,418</u>	<u>10</u>	<u>227,955</u>	<u>3</u>
	Non-operating income and expenses (Note 22 and 27)				
7100	Interest income	75,288	1	58,772	1
7010	Other income	67,393	1	47,656	1
7020	Other profits and losses	39,281	-	(62,778)	(1)
7050	Financial costs	(72,812)	(1)	(72,248)	(1)
7070	Share of profits (losses) of subsidiaries accounted for using equity method	<u>821,305</u>	<u>10</u>	<u>701,351</u>	<u>9</u>
7000	Total non-operating income and expenses	<u>930,455</u>	<u>11</u>	<u>672,753</u>	<u>9</u>

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Code		2024		2023	
		Amount	%	Amount	%
7900	Pre-tax profit	\$ 1,759,873	21	\$ 900,708	12
7950	Income tax expense (Note 4 and 23)	<u>280,471</u>	<u>3</u>	<u>140,434</u>	<u>2</u>
8200	Net profit for the year	<u>1,479,402</u>	<u>18</u>	<u>760,274</u>	<u>10</u>
	Other comprehensive income				
	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Remeasurements of the net defined benefit (Note 19)	(1,204)	-	(52)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Note 20)	42	-	32,019	-
8330	Share of other comprehensive income of subsidiaries accounted for using equity method	6,105	-	12,389	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 23)	<u>241</u>	<u>-</u>	<u>10</u>	<u>-</u>
8310		<u>5,184</u>	<u>-</u>	<u>44,366</u>	<u>-</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8380	Share of other comprehensive income of subsidiaries accounted for using equity method (Note 20)	<u>458,933</u>	<u>6</u>	(<u>25,684</u>)	<u>-</u>
8300	Other consolidated income (net income after tax)	<u>464,117</u>	<u>6</u>	<u>18,682</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 1,943,519</u>	<u>24</u>	<u>\$ 778,956</u>	<u>10</u>
	EPS (Note 24)				
9710	Basic	<u>\$ 3.72</u>		<u>\$ 1.91</u>	
9810	Diluted	<u>\$ 3.70</u>		<u>\$ 1.90</u>	

The accompanying notes are an integral part of these financial statements.
(Please refer to the audit report issued by Deloitte Taiwan on March 7, 2025)

Chairman: Mun-Jin Lin

Managers: Chih-I Lin

Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd.
Statement of Changes in Equity
Years ended December 31, 2024 and 2023

Unit: Thousand NTD

Code		Capital stock - common	Capital surplus	Retained earnings			Other equity interests		Subtotal	Total equity
				Legal reserve	Special reserve	Undistributed earnings	Exchange differences arising from the translation of the financial statements of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		
A1	Balance as at January 1, 2023	<u>\$ 3,978,181</u>	<u>\$ 145,330</u>	<u>\$ 1,488,728</u>	<u>\$ 648,571</u>	<u>\$ 2,320,928</u>	<u>(\$ 128,788)</u>	<u>\$ 29,348</u>	<u>(\$ 99,440)</u>	<u>\$ 8,482,298</u>
	Appropriation and distribution of 2022 earnings (Note 20)									
B1	Legal reserve	-	-	47,812	-	(47,812)	-	-	-	-
B5	Cash dividends	-	-	-	-	(318,255)	-	-	-	(318,255)
B17	Reversal of special reserve	-	-	-	(143,781)	143,781	-	-	-	-
		-	-	47,812	(143,781)	(222,286)	-	-	-	(318,255)
D1	Net profit - 2023	-	-	-	-	760,274	-	-	-	760,274
D3	Other comprehensive income after tax - 2023	-	-	-	-	(146)	(25,684)	44,512	18,828	18,682
D5	Total comprehensive income - 2023	-	-	-	-	760,128	(25,684)	44,512	18,828	778,956
Z1	Balance as at December 31, 2023	<u>3,978,181</u>	<u>145,330</u>	<u>1,536,540</u>	<u>504,790</u>	<u>2,858,770</u>	<u>(154,472)</u>	<u>73,860</u>	<u>(80,612)</u>	<u>8,942,999</u>
	Appropriation and distribution of 2023 earnings (Note 20)									
B1	Legal reserve	-	-	76,013	-	(76,013)	-	-	-	-
B5	Cash dividends	-	-	-	-	(596,727)	-	-	-	(596,727)
		-	-	76,013	-	(672,740)	-	-	-	(596,727)
C17	Dividends not collected by shareholders before the deadline (Note 20)	-	3,969	-	-	-	-	-	-	3,969
D1	Net profit - 2024	-	-	-	-	1,479,402	-	-	-	1,479,402
D3	Other comprehensive income after tax - 2024	-	-	-	-	992	458,933	4,192	463,125	464,117
D5	Total comprehensive income - 2024	-	-	-	-	1,480,394	458,933	4,192	463,125	1,943,519
Q1	Disposal of equity instruments measured at fair value through other comprehensive income (Note 20)	-	-	-	-	17,981	-	(17,981)	(17,981)	-
Z1	Balance as at December 31, 2024	<u>\$ 3,978,181</u>	<u>\$ 149,299</u>	<u>\$ 1,612,553</u>	<u>\$ 504,790</u>	<u>\$ 3,684,405</u>	<u>\$ 304,461</u>	<u>\$ 60,071</u>	<u>\$ 364,532</u>	<u>\$ 10,293,760</u>

Chairman: Mun-Jin Lin

Managers: Chih-I Lin

Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd.
Cash Flow Statement
Years ended December 31, 2024 and 2023

		Unit: Thousand NTD	
Code		2024	2023
	Cash flow from operating activities		
A10000	Net profit before tax	\$ 1,759,873	\$ 900,708
A20010	Revenues and expenses		
A20100	Depreciation expense	260,854	319,604
A20200	Amortization expense	6,693	9,150
A20300	Gain on reversal of impairments of expected credit	(1,770)	(2,379)
A20400	Net gains from financial instruments at fair value through profit or loss	(9,602)	(6,265)
A20900	Financial costs	72,812	72,248
A21200	Interest income	(75,288)	(58,772)
A21300	Dividend income	(3,786)	(1,639)
A22400	Share of profits (losses) of subsidiaries accounted for using equity method	(821,305)	(701,351)
A22500	Net losses (gains) on disposal of property, plant and equipment	4,646	(616)
A23700	Impairment loss on property, plant and equipment	159,282	67,754
A23800	Gain on recovery on inventory devaluation	(384)	(56,995)
A24100	Realized (and unrealized) gains from subsidiaries	18,918	(63,815)
A29900	Loss on physical inventory	2,529	3,891
A29900	Other	594	40,000
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	16,515	(10,120)
A31150	Accounts receivable	(69,926)	95,466
A31160	Accounts receivable - related parties	(167,598)	41,423
A31180	Other receivables	9,784	(1,655)
A31190	Other receivables - related parties	(32,758)	58,040
A31200	Inventories	(36,222)	311,066
A31230	Advance payments	(16,852)	24,416
A31240	Other current assets	(3,223)	1,825
A32125	Contract liabilities	1,270	9,679
A32150	Accounts payable	147,548	(120,310)
A32160	Accounts payable - related parties	(7,344)	1,565
A32180	Other payables	150,368	76,140
A32190	Other payables - related parties	11,176	2,218
A32230	Other current liabilities	(10,032)	8,178
A32240	Net defined benefit liability	(22,027)	(6,488)
A33000	Cash generated from operating activities	1,344,745	1,012,966

(Continued on the next page)

(Continued from the previous page)

Code		2024	2023
A33100	Interest received	\$ 69,061	\$ 49,380
A33200	Dividend received	3,786	9,338
A33300	Interest paid	(73,946)	(74,067)
A33500	Income tax paid	(104,137)	(124,920)
AAAA	Net cash inflow from operating activities	<u>1,239,509</u>	<u>872,697</u>
	Cash flow from investing activities		
B00030	Refund of capital due to capital reduction of financial assets at fair value through other comprehensive income	1,675	-
B00040	Acquisition of financial assets at amortized cost	(324,092)	(357,338)
B02700	Acquisition of property, plant and equipment	(123,853)	(140,062)
B04300	Other receivables - increase of related parties	(100,000)	(100,000)
B04400	Other receivables - decrease of related parties	100,000	100,000
B02800	Proceeds from disposal of property, plant and equipment	452	1,340
B03700	Increase in refundable deposits	(324)	-
B03800	Decrease in refundable deposits	-	150
B04500	Acquisition of intangible assets	(1,470)	(580)
BBBB	Net cash outflow from investing activities	<u>(447,612)</u>	<u>(496,490)</u>
	Cash flow from financing activities		
C00100	Increase in short-term borrowings	50,000	-
C00200	Decrease in short-term borrowings	-	(70,000)
C00500	Increase in short-term notes and bills payable	-	50,000
C00600	Decrease in short-term notes and bills payable	(50,000)	-
C01600	Increase in long-term borrowing	920,000	440,000
C01700	Repayment of long-term borrowing	(990,000)	(915,000)
C04020	Repayments of lease liabilities	(5,297)	(4,652)
C04500	Distribution of cash dividends	(596,727)	(318,255)
C09900	Returned unclaimed dividends	<u>3,969</u>	<u>-</u>
CCCC	Net cash outflow from financing activities	<u>(668,055)</u>	<u>(817,907)</u>
EEEE	Increase (decrease) in cash and cash equivalents	123,842	(441,700)
E00100	Cash and cash equivalents at beginning of period	<u>1,119,173</u>	<u>1,560,873</u>
E00200	Cash and cash equivalents at end of period	<u>\$ 1,243,015</u>	<u>\$ 1,119,173</u>

Chairman: Mun-Jin Lin

Managers: Chih-I Lin

Head of accounting: Hua-Hsing Wang

Attachment B


SAN FANG CHEMICAL INDUSTRY CO., LTD.

2024 Earnings Distribution Table


Unit:NTD

Item	Amount
Beginning unappropriated retained earnings	\$2,186,030,780
Add: Post-tax net income for the Current Year	\$1,479,401,611
Add: Disposal of equity instruments measured at fair value through other comprehensive income included in undistributed earnings in the current year.	17,980,130
Add: 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
Subtract: 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 dividend (NT\$ 2.7 per share)	(1,074,108,941)
Unappropriated retained earnings	\$2,460,458,492

Remark: The Shareholders' cash dividend was distributed at 2024 surplus of \$1,074,109,941

Chairman : 

Manager : 

Chief Accountant : 

Attachment C

SAN FANG CHEMICAL INDUSTRY CO., LTD.

Audit Committee's Review Report

The Board of Directors has prepared and submitted the Company's 2024 business report and financial statements. Commissioned by the Board of Directors, the CPA firm Deloitte & Touche, Teng-Wei, Wang and Yu-Hsiang, Liu have audited the financial statements and issued an audit report relating to the Financial Statements.

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

To:
2025 Annual General Shareholders' Meeting of SAN FANG CHEMICAL CO., LTD.

Audit Committee convener: : Li-Syuan, Lin

Date : March 10, 2025

Attachment D

San Fang Chemical Industry Co., Ltd.

Comparison Table of Amendments to the Articles of Incorporation

Amended articles	Current articles	Description
<p>Article 14:</p> <p>The Company has five to nine directors. The election of directors is based on a nomination system whereby directors are elected from a list of candidates by the shareholders for a term of three years and are eligible for re-election. The total shareholding ratio of all directors shall be handled in accordance with the regulations of the securities competent authority.</p> <p>Among the directors mentioned in the preceding paragraph, the number of independent directors shall not be less than three and shall not be less than <u>one-third</u> of the total number of directors. Matters concerning the professional qualifications, shareholding and concurrent position restrictions, determination of independence, nomination process, and other compliance requirements for independent directors shall be handled in accordance with the regulations of the competent authority.</p>	<p>Article 14:</p> <p>The Company has five to nine directors. The election of directors is based on a nomination system whereby directors are elected from a list of candidates by the shareholders for a term of three years and are eligible for re-election. The total shareholding ratio of all directors shall be handled in accordance with the regulations of the securities competent authority.</p> <p>Among the directors mentioned in the preceding paragraph, the number of independent directors shall not be less than three and shall not be less than <u>one-fifth</u> of the total number of directors. Matters concerning the professional qualifications, shareholding and concurrent position restrictions, determination of independence, nomination process, and other compliance requirements for independent directors shall be handled in accordance with the regulations of the competent authority.</p>	<p>In accordance with Article 4 of the Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers, which stipulates that starting from 2027, the number of independent directors of a listed company shall not be less than one-third of the total number of director seats, the Company amends Article 14 of its Articles of Incorporation.</p>

Amended articles	Current articles	Description
<p>Article 24:</p> <p>The Company allocates 3% to 5% of the pre-tax profit for employee remuneration <u>(of which at least 30% should be allocated to grassroots employees)</u>, and no more than 3% for director remuneration, after deducting employee and director remuneration from the pre-tax profit of the current year.</p> <p>Decisions on employees' remuneration, the rate of distribution of directors' remuneration, and employees' remuneration in the form of stock or cash shall be made by the Board of Directors with the attendance of at least two-thirds of the directors and the concurrence of a majority of the directors present, and reported to the shareholders at the shareholders' meeting.</p> <p>However, if the Company has accumulated losses, the Company shall first reserve the amount to cover such losses, and then provide employees' and directors' remuneration in accordance with the aforementioned ratio.</p>	<p>Article 24:</p> <p>The Company allocates 3% to 5% of the pre-tax profit for employee remuneration, and no more than 3% for director remuneration, after deducting employee and director remuneration from the pre-tax profit of the current year.</p> <p>Decisions on employees' remuneration, the rate of distribution of directors' remuneration, and employees' remuneration in the form of stock or cash shall be made by the Board of Directors with the attendance of at least two-thirds of the directors and the concurrence of a majority of the directors present, and reported to the shareholders at the shareholders' meeting.</p> <p>However, if the Company has accumulated losses, the Company shall first reserve the amount to cover such losses, and then provide employees' and directors' remuneration in accordance with the aforementioned ratio.</p>	<p>In accordance with the Presidential Decree Hua-Zong-Yi-Yi-Zi No. 11300069631 issued on August 7, 2024, which amended Paragraph 6, Article 14 of the Securities and Exchange Act, the Company's Articles of Incorporation shall specify that a certain percentage of the annual earnings shall be allocated for salary adjustments or remuneration distribution to grassroots employees. The provisions of Article 24 of the Company's Articles of Incorporation are therefore amended.</p>
<p>Article 27</p> <p>These Articles of Incorporation were established on May 12, 1973. They were first amended on January 8, 1975; the thirty-ninth amendment was made on June 12, 2019, the fortieth amendment was made on June 21, 2022, and <u>the forty-first amendment was made on June 11, 2025.</u></p>	<p>Article 27</p> <p>These Articles of Incorporation were established on May 12, 1973. They were first amended on January 8, 1975; the thirty-ninth amendment was made on June 12, 2019, and the fortieth amendment was made on June 21, 2022.</p>	<p>The date of the 41st amendment has been added/revised.</p>

Appendix A

SAN FANG CHEMICAL INDUSTRY CO., LTD.

Rules of Procedure for Shareholders Meetings

2022.06.21

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.
14. The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.
15. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of San Fang.
16. When a meeting is in progress, the chair may announce a break based on time considerations.
17. Except as otherwise provided in the Company Act and in this Corporation's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

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

18. When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected and no further voting shall be required.

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

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

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

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

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

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

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

Appendix B

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

Section I General Provisions

Article1

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

Article2

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

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

Article2-1

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

Article3

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

Article4

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

Section II Shares

Article5

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

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

Article5-1

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

Article6

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

Article6-1

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

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

Article 7

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

Article 8

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

Section III Shareholders' Meeting

Article 9

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

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

Article 10

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

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

Article 11

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

Article 12

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

Article 13

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

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

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

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

Section IV Directors

Article 14

The Company has five to nine directors. The election of directors is based on a nomination system whereby directors are elected from a list of candidates by the shareholders for a term of three years and are eligible for re-election. The total shareholding ratio of all directors shall be handled in accordance with the regulations of the securities competent authority.

Among the directors mentioned in the preceding paragraph, the number of independent directors shall not be less than three and shall not be less than one-fifth of the total number of directors. Matters concerning the professional qualifications, shareholding and concurrent position restrictions, determination of independence, nomination process, and other compliance requirements for independent directors shall be handled in accordance with the regulations of the competent authority.

Article15

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

Article16

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

Article17

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

Article17-1

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

Article18

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

Article19

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

Article20

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

Article21

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

Section V Staff

Article22

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

Section VI Accounting

Article23

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

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

Article24

The Company allocates 3% to 5% of the pre-tax profit for employee remuneration, and no more than 3% for director remuneration, after deducting employee and director remuneration from the pre-tax profit of the current year.

Decisions on employees' remuneration, the rate of distribution of directors' remuneration, and employees' remuneration in the form of stock or cash shall be made by the Board of Directors with the attendance of at least two-thirds of the directors and the concurrence of a majority of the directors present, and reported to the shareholders at the shareholders' meeting.

However, if the Company has accumulated losses, the Company shall first reserve the amount to cover such losses, and then provide employees' and directors' remuneration in accordance with the aforementioned ratio.

Article24-1

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

According to the law of Company Act, a public company may explicitly stipulate in the Articles of Incorporation to authorize the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of

Directors attended by two-thirds of the total number of Directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

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

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

Section VII Supplementary Provisions

Article 25

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

Article 26

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

Article 27

These Articles of Incorporation were established on May 12, 1973.

The first amendment was made on January 8, 1975

The second amendment was made on December 12, 1975.

The third amendment was made on June 20, 1977

The fourth amendment was made on January 6, 1979.

The fifth amendment was made on April 5, 1980.

The sixth amendment was made on J May 20, 1981.

The seventh amendment was made on J July 15, 1981.

The eighth amendment was made on April 30, 1982.

The ninth amendment was made on March 23, 1983.

The tenth amendment was made on April 30, 1984.

The eleventh amendment was made on April 30, 1985.

The twelfth amendment was made on June 15, 1985.

The thirteenth amendment was made on April 16, 1986.

The fourteenth amendment was made on April 21, 1987.

The fifteenth amendment was made on April 30, 1988.

The sixteenth amendment was made on April 28, 1989.

The seventeen amendment was made on May 8, 1990.

The eighteenth amendment was made on April 20, 1991.

The nineteenth amendment was made on ; April 23, 1992..

The twentieth amendment was made on May 12, 1993.

The twenty-first amendment was made on April 28, 1994.

The twenty-second amendment was made on May 2, 1995.

The twenty-third amendment was made on May 22, 1996.

The twenty-fourth amendment was made on April 23, 1998.
The twenty-fifth amendment was made on May 17, 2000.
The twenty-sixth amendment was made on May 25, 2001.
The twenty-seventh amendment was made on May 30, 2002.
The twenty-eighth amendment was made on May 13, 2003.
The twenty-ninth amendment was made on May 25, 2005.
The thirtieth amendment was made on May 24, 2006.
The thirty-first amendment was made on June 13, 2008.
The thirty-second amendment was made on June 15, 2010.
The thirty-third amendment was made on June 15, 2011.
The thirty-fourth amendment was made on June 6, 2012.
The thirty-fifth amendment was made on June 25, 2014.
The thirty-sixth amendment was made on June 13, 2016.
The thirty-seventh amendment was made on June 8, 2017.
The thirty-eighth amendment was made on June 12, 2018.
The thirty-ninth amendment was made on June 12, 2019.
The fortieth amendment was made on June 21, 2022.

Appendix C

SAN FANG CHEMICAL INDUSTRY CO., LTD.

Shareholdings of All Directors

Effective Date: April 13, 2025

Job title	Name	Dates when elected	Number of shares held when elected			Number of shares currently hold			Remarks
			Categories	Number of shareholding	% to the current outstanding shares	Categories	Number of shareholding	% to the current outstanding shares	
Chairman	San Fang Investment Company Ltd. (Representative: Mun- Jin, Lin)	Jun 19, 2024	common shares	1,143,574	0.29%	common shares	1,143,574	0.29%	
Director	Pou Chien Technology Corporation (Representative: Chin-Chu, Lu)	Jun 19, 2024	common shares	36,549,118	9.18%	common shares	36,549,118	9.18%	
Director	Pou Chien Technology Corporation (Representative: Wang-Chyan, Lin)								
Director	Pou Chien Technology Corporation (Representative: Chia-Hui, Teng)								
Independent Director	Li- Syuan, Lin	Jun 19, 2024	common shares	0	0.00%	common shares	0	0.00%	
Independent Director	Chih-Long, Chou	Jun 19, 2024	common shares	0	0.00%	common shares	0	0.00%	
Independent Director	Yi-Ching, Lin	Jun 19, 2024	common shares	0	0.00%	common shares	0	0.00%	
Total			common shares	37,692,692		common shares	37,692,692		

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

Total of outstanding common shares as of April 13, 2025: 397,818,126 shares

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

As of April 13, 2025, the shareholding by number 37,692,692 shares

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

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

Appendix D

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

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



三芳化學工業股份有限公司

SAN FANG CHEMICAL INDUSTRY CO., LTD.