



SAN FANG CHEMICAL INDUSTRY CO., LTD

**Handbook for the 2022
Annual General Shareholders' Meeting**

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.

Date: June 21, 2022

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



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I. Meeting Procedure

SAN FANG CHEMICAL INDUSTRY CO., LTD

Handbook for the 2022 Annual General Shareholders' Meeting

2022 Annual General Shareholders' Meeting Procedure

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



II. Meeting Agenda

SAN FANG CHEMICAL INDUSTRY CO., LTD

2022 Annual General Shareholders' Meeting Agenda

Date and Time: June 21, 2022 (Tuesday) at 9:00 a.m.

Held by means : physical shareholders meeting

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

Held by means : physical shareholders meeting

1. Matters to Report

- (1) To report the business of 2021.
- (2) Audit Committee's review of 2021 audited Financial Statements.
- (3) To report on the 2021 Distribution of Employees' Compensation and Directors' Remuneration.
- (4) To report 2021 earnings distribution in cash dividends.

2. Ratifications:

- (1) To approve 2021 Business Report and Financial Statements.
- (2) To approve the proposal for distribution of 2021 earnings.

3. Discussions:

- (1) To discuss the amendments to the Company's "Articles of Incorporation".
- (2) To discuss the amendments to the Company's and its subsidiaries "Regulations Governing the Acquisition and Disposal of Assets".
- (3) To discuss the amendments to the Company's "Rules of Procedure for Shareholders Meetings".

4. Extraordinary Motions

5. Meeting Adjournment



A 、 Report Items

Report Proposal 1

Proposal : 2021 Business and Financial Report.

Explanations : 2021 Business Report. (please refer to pages 8-10)

Report Proposal 2

Proposal : The Audit Committee's Review Report on the 2021 Financial Statements.

Explanations : Audit Committee's Audit Report. (please refer to page 34) ◦

Report Proposal 3

Proposal : To report on the 2021 Distribution of Employees' Compensation and Directors' Remuneration.

Explanations : (1) In accordance with Article 235-1 of the Company Act and Article 24 of the Articles of Incorporation.

(2) The Company's profit is NT\$150,013,540 in 2021. To consider employee benefits and peer levels and with Article 24 of the Articles of Incorporation. It is proposed that 3.080% and 1.275% of the profit, which is equal to NT\$4,831,000 and NT\$2,000,000 will be allocated as Employees' compensation and Directors' remuneration. The distribution shall be made in cash.

(3) After approved by 3th Meeting of 5th Term of Remuneration Committee on 21 March, 2022, the resolution adopted by Board of Directors.

(4) After the case has been approved by the Board of Directors, it is required to report to the shareholders' meeting by law.



Report Proposal 4

Proposal : To report the Proposal for cash dividend distribution of 2021 profits.

Explanations : (1) In accordance with Article 240 of the Company Act, paragraph 5 and Article 24-1 of the Articles of Incorporation. The Board of Directors proposed to distribute cash dividends in the amount of NT\$ 198,909,063 to the shareholders according to their share ownership at NT\$0.5 per share, rounded down to the nearest New Taiwan Dollar. Shareholder dividends under NT\$1 shall be recognized as “Other Income” of the Company.

(2) If the cash distribution ratio changes due to the change of outstanding shares of the Company, the Chairman of the Board is authorized to make adjustments as necessary by the shareholders’ meeting.

(3) The Board of Directors set a cash dividend base date for the distribution. In accordance with the register of shareholders and the proportion to the number of shares, each shareholder will distribute the total cash dividend which are rounded off to the nearest integer.



B 、 Ratification Items

Ratifications Proposal 1

Proposal : Ratification of the 2021 Business Report, Financial Statements

Proposed by the Board of Directors

Explanations : (1)The Audit Committee of the Company has reviewed the 2021 Business Report and The 2021 Financial Statements (including consolidated and separate balance sheets, statements of comprehensive income, statements of changes in equity and statements of cash flows) audited by independent certified public accountants, Wu Chiu-Yen and Chiang Jia-Ling, of Deloitte & Touche (please refer to pages8-32). The 2021 Business Report and Financial Statements are hereby submitted for ratification.

Resolution:

Ratifications Proposal 2

Proposal : Ratification of the proposed 2021 profit distribution plan.

Proposed by the Board of Directors

Explanations : (1)The proposed 2021 profit distribution plan have been approved by 3th Meeting of 2th Term of Audit Committee on 21 March, 2022, and upon the approval of the Annual Meeting of Shareholders .

(2) The distribution table of surplus for 2021(please refer to page34) are hereby submitted for ratification.

Resolution:



C 、 Discussion Items

Discussion Proposal 1

Proposed by the Board of Directors

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

Explanations: (1)With a view to allowing more flexibility in the convening of shareholders meetings, relevant provisions in the Company's "Articles of Incorporation" have been amended pursuant to Article 172-2, Paragraph 1 of the Company Act, prescribing that a shareholders' meeting can be held by means of visual communication network or other methods promulgated by the central competent authority and that the Company may issue share subscription warrants and restricted stock awards to reward employees and retain talent.
(2)This proposal has been reviewed and approved in the 3rd meeting of the 2nd term audit committee.
(3)Comparison Table of Amended Articles in the "Articles of Incorporation". (please refer to pp. 35-36 in this handbook).

Resolution:

Discussion Proposal 2

Proposed by the Board of Directors

Proposal: Amendment to the "Regulations Governing the Acquisition and Disposal of Assets" by the Company and its subsidiaries respectfully submitted for deliberation.

Explanations: (1)Relevant provisions set forth in the "Regulations Governing the Acquisition and Disposal of Assets" by the Company and its subsidiaries have been amended pursuant to prescribed amendments to "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" in Ordinance Jin-Guan-Zheng-Fa-Zi No. 1110380465 issued by the Financial Supervisory Commission on January 28, 2022.
(2)This proposal has been reviewed and approved in the 3rd meeting of the 2nd term audit committee.
(3)Comparison Table of Amended Articles in the "Regulations Governing the Acquisition and Disposal of Assets". (please refer to pp. 37-53 in this handbook).

Resolution:



Discussion Proposal 3

Proposed by the Board of Directors

Proposal: Amendment to the “Rules of Procedure for Shareholders Meetings” respectfully submitted for deliberation.

Explanations: (1) Certain provisions set forth in the “Rules of Procedure for Shareholders Meetings” have been amended pursuant to Official Letter Jin-Guan-Zheng-Jiao-Zi No. 1110133385 issued by the Financial Supervisory Commission on March 7, 2022 and Official Letter Tai-Zheng-Zhi-Li-Zi No. 1110004250 issued on March 8, 2022.

(2) Comparison Table of Amended Articles in the “Rules of Procedure for Shareholders Meetings”. (please refer to pp. 54-59 in this handbook).

Resolution:

E 、 Extraordinary Motions

F 、 Meeting Adjournment



Attachment A

SAN FANG CHEMICAL INDUSTRY CO., LTD.

2021 Business Report

I. Section#1 Introduction

Looking back on 2021, the order volume of the footwear market started to exhibit positive growth as a result of the gradual containment of the pandemic and the increased order backlog of European and American brands due to shipping delays. The company's revenue and profit in the first half of the year increased significantly compared with the same period last year, but the pandemic was started again in beginning of the third season. Due to a severe COVID-19 outbreak in Southeast Asia, the Vietnamese government imposed a lockdown and a “three-on-the-spot” policy in most areas. The majority of our customers were unable to maintain operations after July, which resulted in delayed shipments and declining order volumes in the Vietnamese market. Vietnam plant accounts for more than 50% of the company's consolidated revenue, cause our revenue plummeted in Q3. In addition, in order to realize the transformation of green carbon reduction, China has implemented the dual control policy of energy consumption and the measures of power and production restriction, which have impacted the short-term shipments of enterprises and affected the efficiency of production capacity.

The COVID-19 pandemic poses enormous challenges for the production efficiency and supply chain operations of the synthetic leather industry, which has an adverse impact on overall business operations. Consistently high raw material prices, worldwide port congestion, and container shortages have affected industry chain operations. The pressure of rising raw material costs and decentralized supply chain management have resulted in a constantly increasing complexity of corporate management. Brands and shoe manufacturers have adopted a strategy of ongoing enhancements of efficiency and automation to decrease carbon emissions and manpower reliance, which in turn has caused business difficulties due to problems associated with shoe designs, processing conditions, and material structures.

As a key partner of international brands, we maintain a firm grasp on brand production deployments in different regions and have launched advance planning of production capacity allocation. Reactive policies are formulated to minimize the impact of the pandemic on business



operations. Meticulous responses are adopted in all dimensions and future development strategies are implemented at a steady pace. Consequently, the overall operating performance of the group has improved significantly starting in the 4th quarter. Furthermore, proactive control of operating expenses and enhanced raw-material self-sufficiency ratios have enabled us to maintain satisfactory performance in the fields of operating results and profitability. In 2021, we achieved a consolidated net income of NT\$ 116 million, a net profit margin of 1.4%, and EPS of NT\$ 0.29.

II. Section#2 Financial Performance

2.1 Business

Synthetic leather sales were NT7,824 million dollars, an increase of 1.1% over the previous year. Films' consolidated sales were NT316 million dollars, an increase of 31.8% over 2020. Consolidated sales of fibers were NT159 million dollars, a decrease of 27.9% over 2020, and the combined sales of other homemade materials were NT85million dollars. In 2021, consolidated operating income was NT 8,384million dollars.

2.2 Profit

The company's self-employed business revenue in 2021 was NT7,249 million dollars, an increase of 6.8% compared with 2020. The consolidated business revenue was NT8,384 million dollars, a decrease of 0.7% compared with 2020. Net profit was NT 241 million dollars, a decrease of 51.6% over the previous year, consolidated net profit after tax was NT 116 million dollars, a decrease of 46.8% over the previous year.

III. Section#3 Prospect and Business Goal

In response to the rising emphasis by international brands on environmental issues such as climate change, energy conservation and carbon reduction, pollution mitigation, and decrease of resource consumption, we strive to convert market demands into competitiveness and corporate responsibility required for sustainable corporate operations. We are actively committed to stepping up our efforts in the development of eco-friendly products and acceleration of the market launch of such products with the goal of strengthening our sustainability structure and assuming the role of a vanguard in the field of environmental protection.


Despite the fact that the shoe material industry has reached a high level of maturity, international brands spare no effort in promoting different sports to expand the sports population. They strive to maintain steady growth of the shoe market through the ingenious integration of





fashion trends and innovative elements. With a view to realizing sustainable operations and revenue growth, we have made an all-out commitment to developing the shoe material market coupled with the acceleration of product R&D and market share expansion in new business areas such as textile film, sports articles, industrial film, eco-friendly decorative materials and fiber for the automotive aftermarket.

Due to the impact of the global pandemic, prices of upstream raw materials have soared. This trend has been reinforced by determined efforts of the Chinese government to implement energy conservation, carbon reduction, and production cuts in high energy-consuming industries. Successive COVID-19 outbreaks in Southeast Asian countries starting in May have resulted in work and production stoppages. With a view to minimizing long-term risks in the field of order fulfillment and supply, international brands have therefore adjusted their deployment strategies in all regions in addition to increasing their production ratios in Indonesia and India. In addition to stepping up our efforts to bring manufacturing bases in China in compliance with environmental laws and regulations enforced by local governments and accelerate product upgrades, we strive to enhance our production technologies and equipment in our Indonesian plants to gain the ability to supply higher-end products for the European and North American markets. In the face of challenges associated with the deconstruction and rebuilding of global industry chains, we place strong emphasis on material demands and manufacturing base responses paired with the adoption of investment strategies perfectly adapted to current circumstances. The ultimate goal is to facilitate flexible resource allocation, strengthen our ability to respond to changes, and regain our competitive edge in this period of extreme uncertainty in the global industry chain structure.

We are firmly convinced that all staff members will do their utmost to ensure achievement of the domestic and consolidated revenue goals set for 2022, spurred by the encouragement and close supervision by all our shareholders.

Chairman : 

Manager : 

Chief Accountant : 



Independent Auditor's Report

To San Fang Chemical Industry Co., Ltd.:

Audit Opinion

We have audited the consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement, and consolidated notes to financial statements (including a summary of major accounting policies) of San Fang Chemical Industry Co., Ltd. and its subsidiaries (San Fang Group) for the years ended December 31, 2021 and 2020.

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, 2021 and 2020, as well as its consolidated financial performance and consolidated cash flow for the years ended December 31, 2021 and 2020.

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 generally accepted 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 2021 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 2021 consolidated financial statements of the San Fang Group are as follows:

Authenticity of sales revenue

The net operating revenues of San Fang Group in 2021 was NT\$8,384,007,000, of which 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 operating revenue is recognized accordingly.
- II. Obtain detailed information on sales revenue of a specific customer, select appropriate samples, check shipping 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 2021 and 2020, 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 generally accepted 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 maintained professional skepticism during the audit according to the generally accepted 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 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 2021 consolidated financial statements of the San Fang Group. The matters are described in the audit report, unless they are specifically prohibited by law from being disclosed, or, under extremely rare circumstances, we decided not to disclose the matters in the audit report because the negative impact can reasonably be expected to be greater than the public benefit it will provide.

Deloitte Taiwan

CPA Chiu-Yen Wu

CPA Chia-Ling Chiang

Securities and Futures Commission

Securities and Futures Commission Approval

Approval No.

No.

Tai-Cai-Zheng(6)-Zi No. 0920123784

Tai-Cai-Zheng(6)-Zi No. 0920123784

March 22, 2022



San Fang Chemical Industry Co., Ltd. and Subsidiaries
Consolidated Balance Sheet
December 31, 2021 and 2020

Unit: Thousand NTD

Code	Assets	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4, 6)	\$ 3,689,330	25	\$ 5,203,876	34
1110	Current financial assets at fair value through profit or loss (Note 4, 7)	102,669	1	-	-
1150	Notes receivable (Note 4, 9)	11,070	-	20,845	-
1170	Net accounts receivable (Note 4, 9)	963,544	7	873,526	6
1180	Accounts receivable – related parties (Note 4, 9, 27)	300,928	2	282,899	2
1220	Current income tax assets (Note 23)	46,132	-	54,897	-
130X	Inventories (Note 4, 5, 10, 30)	2,468,764	17	1,598,611	10
1410	Advance payments	201,649	1	146,945	1
1476	Other financial assets – current (Note 11)	527,143	4	713,520	5
1479	Other current assets	<u>62,030</u>	<u>-</u>	<u>64,170</u>	<u>-</u>
11XX	Total current assets	<u>8,373,259</u>	<u>57</u>	<u>8,959,289</u>	<u>58</u>
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income (Note 4, 8)	74,142	-	56,648	1
1600	Property, plant and equipment (Note 4, 13, 28)	5,270,711	36	5,861,061	38
1755	Right-of-use assets (Note 4, 14)	158,595	1	167,598	1
1760	Investment properties (Note 4, 15, 28)	110,923	1	111,790	1
1801	Computer software – net (Note 4)	27,868	-	28,365	-
1805	Goodwill (Note 4)	35,759	-	35,759	-
1840	Deferred income tax assets (Note 4, 5, 23)	99,604	1	69,886	1
1915	Advance payments for equipment	23,258	-	21,383	-
1920	Refundable deposits	25,230	-	25,269	-
1980	Other financial assets – noncurrent (Note 11)	536,610	4	-	-
1990	Other non-current assets	<u>4,158</u>	<u>-</u>	<u>3,841</u>	<u>-</u>
15XX	Total non-current assets	<u>6,366,858</u>	<u>43</u>	<u>6,381,600</u>	<u>42</u>
1XXX	Total assets	<u>\$ 14,740,117</u>	<u>100</u>	<u>\$ 15,340,889</u>	<u>100</u>



Code	Liabilities and equity interests				
Current liabilities					
2100	Short-term borrowing (Note 16, 28)	\$ 1,380,000	9	\$ 1,450,000	10
2110	Short-term notes and bills payable (Note 16)	49,914	-	49,972	-
2120	Financial liabilities at fair value through profit or loss – current (Note 4, 7)	-	-	4,843	-
2130	Current contract liabilities (Note 4, 21)	6,547	-	21,356	-
2170	Accounts payable (Note 17)	547,783	4	601,074	4
2219	Other payables (Note 18)	654,597	5	712,418	5
2230	Current income tax liabilities (Note 23)	108,540	1	125,670	1
2280	Current lease liabilities (Note 4, 14)	7,220	-	6,936	-
2320	Current portion of long-term liabilities (Note 16, 28)	739,000	5	744,000	5
2399	Other current liabilities	<u>27,381</u>	-	<u>49,238</u>	-
21XX	Total current liabilities	<u>3,520,982</u>	<u>24</u>	<u>3,765,507</u>	<u>25</u>
Non-current liabilities					
2540	Long-term borrowings (Note 16, 28)	2,398,000	16	2,437,000	16
2570	Deferred income tax liabilities (Note 4, 5, 23)	1,025,102	7	1,131,251	7
2580	Non-current lease liabilities (Note 4, 14)	5,989	-	7,850	-
2640	Net defined benefit liability – non-current (Note 4, 19)	119,572	1	110,887	1
2645	Guarantee deposits received	<u>19,412</u>	-	<u>15,268</u>	-
25XX	Total non-current liabilities	<u>3,568,075</u>	<u>24</u>	<u>3,702,256</u>	<u>24</u>
2XXX	Total liabilities	<u>7,089,057</u>	<u>48</u>	<u>7,467,763</u>	<u>49</u>
Equity attributable to owners of the Company (Note 20)					
3110	Capital stock – common	<u>3,978,181</u>	<u>27</u>	<u>3,978,181</u>	<u>26</u>
3200	Capital surplus	<u>142,438</u>	<u>1</u>	<u>142,438</u>	<u>1</u>
Retained earnings					
3310	Legal reserve	1,477,569	10	1,454,758	10
3320	Special reserve	513,828	3	504,790	3
3350	Undistributed earnings	<u>2,187,615</u>	<u>15</u>	<u>2,306,787</u>	<u>15</u>
3300	Total retained earnings	<u>4,179,012</u>	<u>28</u>	<u>4,266,335</u>	<u>28</u>
3400	Other equity interest	(<u>648,571</u>)	(<u>4</u>)	(<u>513,828</u>)	(<u>4</u>)
3XXX	Total equity	<u>7,651,060</u>	<u>52</u>	<u>7,873,126</u>	<u>51</u>
Total liabilities and equity interests		<u>\$ 14,740,117</u>	<u>100</u>	<u>\$ 15,340,889</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated March 22, 2022) TED

Chairperson: Meng-Jing Lin Manager: Chih-I Lin Head of accounting: Hua-Hsing Wang



San Fang Chemical Industry Co., Ltd. and Subsidiaries

Consolidated Statement of Comprehensive Income

Years ended December 31, 2021 and 2020

Unit: Thousand NTD, EPS in NTD

Code		2021		2020	
		Amount	%	Amount	%
4000	Net operating revenues (Note 4, 21, 27)	\$ 8,384,007	100	\$ 8,441,756	100
5000	Operating costs (Note 10, 22, 30)	<u>6,909,767</u>	<u>82</u>	<u>6,578,085</u>	<u>78</u>
5900	Operating margin	<u>1,474,240</u>	<u>18</u>	<u>1,863,671</u>	<u>22</u>
	Operating expenses (Note 9, 22)				
6100	Selling expenses	432,270	5	509,481	6
6200	Administrative expenses	515,947	6	547,952	6
6300	Research and development expenses	294,495	4	309,365	4
6450	Gain on reversal of impairments of expected credit	(<u>9,471</u>)	<u>-</u>	(<u>1,478</u>)	<u>-</u>
6000	Total operating expenses	<u>1,233,241</u>	<u>15</u>	<u>1,365,320</u>	<u>16</u>
6900	Operating net profit	<u>240,999</u>	<u>3</u>	<u>498,351</u>	<u>6</u>
	Non-operating income and expenses (Note 22, 30)				
7100	Interest income	12,857	-	27,165	-
7010	Other income	62,447	1	37,920	1
7020	Other profits and losses	(121,802)	(1)	(171,562)	(2)
7050	Financial costs	(<u>48,153</u>)	(<u>1</u>)	(<u>47,621</u>)	(<u>1</u>)
7000	Total non-operating income and expenses	(<u>94,651</u>)	(<u>1</u>)	(<u>154,098</u>)	(<u>2</u>)
7900	Pre-tax profit	146,348	2	344,253	4
7950	Income tax expense (Note 4, 23)	<u>30,415</u>	<u>-</u>	<u>126,241</u>	<u>1</u>
8200	Net profit for the year	<u>115,933</u>	<u>2</u>	<u>218,012</u>	<u>3</u>

(Continued on the next page)



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Code		2020		2019	
		Amount	%	Amount	%
	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)	(\$ 5,247)	-	\$ 12,699	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Note 20)	17,494	-	(4,264)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 23)	900	-	(2,605)	-
8310		<u>13,147</u>	<u>-</u>	<u>5,830</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences arising from the translation of the financial statements of foreign operations (Note 20)	(152,237)	(2)	(297,884)	(4)
8300	Other consolidated income (net income after tax)	(139,090)	(2)	(292,054)	(4)
8500	Total comprehensive income	(\$ 23,157)	-	(\$ 74,042)	(1)
8600	Profit attributable to:				
8610	Owners of the company	\$ 115,933	1	\$ 218,012	3
8700	Comprehensive income attributable to:				
8710	Owners of the company	(\$ 23,157)	-	(\$ 74,042)	(1)
	EPS (Note 24)				
9750	Basic	\$ 0.29		\$ 0.55	
9850	Diluted	\$ 0.29		\$ 0.55	

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

(With Deloitte & Touche audit report dated March 22, 2022) TED

Chairperson: Meng-Jing Lin Manager: Chih-I Lin Head of accounting: Hua-Hsing Wang



San Fang Chemical Industry Co., Ltd. and Subsidiaries
Consolidated Statement of Changes in Equity
Years ended December 31, 2021 and 2020

Unit: Thousand NTD

		Equity attributable to shareholders of the Company					Other equity interests			
		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
Code		Capital stock – common	Capital surplus	Legal reserve	Special reserve	Undistributed earnings				
A1	Balance as at January 1, 2020	\$ 3,978,181	\$ 141,101	\$ 1,412,298	\$ 504,790	\$ 2,439,395	(\$ 226,765)	\$ 15,085	(\$ 211,680)	\$ 8,264,085
	Appropriation and distribution of 2019 earnings (Note 20)									
B1	Legal reserve	-	-	42,460	-	(42,460)	-	-	-	-
B5	Cash dividend	-	-	-	-	(318,254)	-	-	-	(318,254)
		-	-	42,460	-	(360,714)	-	-	-	(318,254)
C17	Dividends not collected by shareholders before the deadline (Note 20)	-	1,337	-	-	-	-	-	-	1,337
D1	Net profit - 2019	-	-	-	-	218,012	-	-	-	218,012
D3	Other comprehensive income after tax - 2020	-	-	-	-	10,094	(297,884)	(4,264)	(302,148)	(292,054)
D5	Total comprehensive income - 2020	-	-	-	-	228,106	(297,884)	(4,264)	(302,148)	(74,042)
Z1	Balance as at December 31, 2020	3,978,181	142,438	1,454,758	504,790	2,306,787	(524,649)	10,821	(513,828)	7,873,126
	Appropriation and distribution of 2020 earnings (Note 20)									
B1	Legal reserve	-	-	22,811	-	(22,811)	-	-	-	-
B3	Allocation to special reserve	-	-	-	9,038	(9,038)	-	-	-	-
B5	Cash dividend	-	-	-	-	(198,909)	-	-	-	(198,909)
		-	-	22,811	9,038	(230,758)	-	-	-	(198,909)
D1	Net profit - 2021	-	-	-	-	115,933	-	-	-	115,933
D3	Other comprehensive income after tax - 2021	-	-	-	-	(4,347)	(152,237)	17,494	(134,743)	(139,090)
D5	Total comprehensive income - 2021	-	-	-	-	111,586	(152,237)	17,494	(134,743)	(23,157)
Z1	Balance as at December 31, 2021	\$ 3,978,181	\$ 142,438	\$ 1,477,569	\$ 513,828	\$ 2,187,615	(\$ 676,886)	\$ 28,315	(\$ 648,571)	\$ 7,651,060

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

(With Deloitte & Touche audit report dated March 22, 2022) TED

Chairperson: Meng-Jing Lin Manager: Chih-I Lin Head of accounting: Hua-Hsing Wang



San Fang Chemical Industry Co., Ltd. and Subsidiaries
Consolidated Cash Flow Statement
Years ended December 31, 2021 and 2020

Unit: Thousand NTD

Code		2021	2020
	Cash flow from operating activities		
A10000	Net profit before tax	\$ 146,348	\$ 344,253
A20010	Revenues and expenses		
A20100	Depreciation expense	745,598	766,254
A20200	Amortization expense	10,166	7,923
A20300	Gain on reversal of impairments of expected credit	(9,471)	(1,478)
A20400	Net losses on financial liabilities at fair value through profit or loss	3,123	4,784
A20900	Financial costs	48,153	47,621
A21200	Interest income	(12,857)	(27,165)
A21300	Dividend income	(5,497)	(334)
A22500	Net losses on disposal of property, plant and equipment	112	27,420
A23700	Loss on inventory devaluation	102,829	37,640
A29900	Loss by fire	70,217	-
A29900	Loss on physical inventory	19,884	8,495
A29900	Other	(317)	1,660
A30000	Net changes in operating assets and liabilities		
A31115	Financial assets for which the fair value is required to be measured through profit or loss	(102,735)	-
A31130	Notes receivable	9,775	13,506
A31150	Accounts receivable	(80,674)	69,273
A31160	Accounts receivable – related parties	(18,029)	147,825
A31200	Inventories	(1,031,444)	410,169
A31230	Advance payments	(54,704)	(39,696)
A31240	Other current assets	(7,483)	37,955
A32110	Financial liabilities held for trading	(7,900)	59
A32125	Contract liabilities	(14,809)	15,253
A32150	Accounts payable	(53,291)	1,373
A32180	Other payables	(19,589)	18,728
A32230	Other current liabilities	(21,857)	(10,019)
A32240	Net defined benefit liability	3,438	(881)
A33000	Cash generated (used) during operating activities	(281,014)	1,880,618
A33100	Interest received	12,857	27,165
A33200	Dividend received	5,497	334

(Continued on the next page)



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<u>Code</u>		<u>2021</u>	<u>2020</u>
A33300	Interest paid	(\$ 48,699)	(\$ 48,030)
A33500	Income tax paid	(<u>173,747</u>)	(<u>122,865</u>)
AAAA	Net cash inflow (outflow) from operating activities	(<u>485,106</u>)	<u>1,737,222</u>
	Cash flow from investing activities		
B02700	Acquisition of property, plant and equipment	(270,350)	(520,311)
B02800	Proceeds from disposal of property, plant and equipment	16,547	5,247
B03700	Increase in guarantee deposits	(504)	(253)
B03800	Decrease in refundable deposits	215	283
B04500	Acquisition of intangible assets	(9,670)	(3,065)
B06500	Increase of other financial assets	(367,803)	-
B06600	Decrease of other financial assets	<u>-</u>	<u>147,745</u>
BBBB	Net cash outflow from investing activities	(<u>631,565</u>)	(<u>370,354</u>)
	Cash flow from financing activities		
C00100	Increase in short-term borrowings	5,503,400	6,360,000
		(5,573,400)	(6,610,000)
C00500	Increase in short-term notes and bills payable	-	(50,000)
C01600	Increase in long-term borrowing	350,000	1,540,000
C01700	Repayment of long-term borrowing	(394,000)	(669,375)
C03000	Increase in guarantee deposits	4,934	-
C03100	Decrease in guarantee deposits received	(525)	(3,969)
C04020	Repayments of lease liabilities	(7,913)	(8,920)
C04500	Distribution of cash dividends	(198,909)	(318,254)
C09900	Returned unclaimed dividends	<u>-</u>	<u>1,337</u>
CCCC	Net cash inflow (outflow) from financing activities	(<u>316,413</u>)	<u>240,819</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	(<u>81,462</u>)	(<u>165,267</u>)
EEEE	Increase (decrease) in cash and cash equivalents	(1,514,546)	1,442,420
E00100	Cash and cash equivalents at beginning of period	<u>5,203,876</u>	<u>3,761,456</u>
E00200	Cash and cash equivalents at end of period	<u>\$ 3,689,330</u>	<u>\$ 5,203,876</u>

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

(With Deloitte & Touche audit report dated March 22, 2022) TED

Chairperson: Meng-Jing Lin Manager: Chih-I Lin Head of accounting: Hua-Hsing Wang



Independent Auditor's Report

To San Fang Chemical Industry Co., Ltd.:

Audit Opinion

We have audited the balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement, and notes to financial statements (including a summary of major accounting policies) of San Fang Chemical Industry Co., Ltd. (hereinafter referred to as the "Company") for the years ended December 31, 2021 and 2020.

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, 2021 and 2020, as well as its financial performance and cash flow for the years ended December 31, 2021 and 2020.

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 generally accepted 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 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 2021 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 2021 standalone financial statements of the Company are as follows:

Authenticity of sales revenue

The net operating revenues of San Fang Chemical Industry Co., Ltd. in 2021 was NT\$7,248,812,000, of which 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, 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 generally accepted 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 maintained professional skepticism during the audit according to the generally accepted 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 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 2021 standalone consolidated financial statements of the Company. The matters are described in the audit report, unless they are specifically prohibited by law from being disclosed, or, under extremely rare circumstances, we decided not to disclose the matters in the audit report because the negative impact can reasonably be expected to be greater than the public benefit it will provide.

Deloitte Taiwan

CPA

Chiu-Yen Wu

CPA

Chia-Ling Chiang

Securities and Futures Commission

Approval No.

Tai-Cai-Zheng(6)-Zi No. 0920123784

Securities and Futures Commission Approval

No.

Tai-Cai-Zheng(6)-Zi No. 0920123784

March 22, 2022



San Fang Chemical Industry Co., Ltd.
Balance Sheet
December 31, 2021 and 2020

Unit: Thousand NTD

Code	Assets	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
Current assets					
1100	Cash and cash equivalents (Note 4, 6)	\$ 755,743	5	\$ 965,233	7
1100	Current financial assets at fair value through profit or loss (Note 4,7)	102,669	1	-	-
1150	Net notes receivable (Note 4, 5, 9)	11,009	-	20,845	-
1170	Net accounts receivable (Note 4, 5, 9)	588,967	4	552,500	4
1180	Net accounts receivable – related parties (Note 4, 5, 9, 27)	424,350	3	321,289	2
1200	Net other receivables	16,114	-	20,541	-
1210	Other receivables - related parties (Note 27)	206,101	2	897,883	6
1220	Current income tax assets (Note 22)	-	-	23,102	-
130X	Inventories (Note 4, 5, 10, 29)	1,575,354	11	1,194,504	8
1410	Advance payments (Note 27)	128,359	1	172,250	1
1479	Other current assets	6,020	-	7,167	-
11XX	Total current assets	<u>3,814,686</u>	<u>27</u>	<u>4,175,314</u>	<u>28</u>
Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income (Note 4, 8)	57,013	-	44,211	-
1550	Investments recognized under the equity method (Note 4, 12)	6,233,271	44	6,625,323	45
1600	Property, plant and equipment (Note 4, 13, 28)	3,361,825	23	3,648,880	25
1755	Right-of-use assets (Note 4, 14)	9,417	-	9,932	-
1760	Investment properties (Note 4, 15, 28)	110,923	1	111,790	1
1801	Computer software – net (Note 4)	27,118	-	27,441	-
1840	Deferred income tax assets (Note 4, 23)	94,360	1	68,301	1
1915	Advance payments for equipment	10,464	-	10,464	-
1920	Refundable deposits	12,782	-	12,782	-
1980	Other financial assets – noncurrent (Note 4, 11)	536,610	4	-	-
15XX	Total non-current assets	<u>10,453,783</u>	<u>73</u>	<u>10,559,124</u>	<u>72</u>
1XXX	Total assets	<u>\$ 14,268,469</u>	<u>100</u>	<u>\$ 14,734,438</u>	<u>100</u>



Code	Liabilities and equity interests				
	Current liabilities				
2100	Short-term borrowing (Note 16, 28)	\$ 1,370,000	10	\$ 1,440,000	10
2110	Short-term notes and bills payable (Note 16)	49,914	-	49,972	1
2120	Financial liabilities at fair value through profit or loss – current (Note 4, 7)	-	-	4,843	-
2130	Current contract liabilities (Note 4, 21)	2,215	-	17,414	-
2170	Accounts payable (Note 17)	496,345	4	554,937	4
2180	Accounts payable - related parties (Note 17, 27)	16,153	-	15,651	-
2219	Other payables (Note 18)	275,818	2	334,998	2
2220	Other payables - related parties (Note 18, 27)	64,061	-	-	-
2230	Current income tax liabilities (Note 23)	90,411	1	45,135	-
2280	Current lease liabilities (Note 4, 14)	4,818	-	4,951	-
2320	Current portion of long-term liabilities (Note 16, 28)	725,000	5	730,000	5
2399	Other current liabilities	22,824	-	41,427	-
21XX	Total current liabilities	<u>3,117,559</u>	<u>22</u>	<u>3,239,328</u>	<u>22</u>
	Non-current liabilities				
2540	Long-term borrowings (Note 16, 28)	2,365,000	16	2,390,000	16
2570	Deferred income tax liabilities (Note 4, 5, 23)	1,025,101	7	1,131,251	8
2580	Non-current lease liabilities (Note 4, 13)	4,641	-	4,990	-
2640	Net defined benefit liability (Note 4, 19)	96,596	1	92,165	1
2645	Guarantee deposits received	8,512	-	3,578	-
25XX	Total non-current liabilities	<u>3,499,850</u>	<u>24</u>	<u>3,621,984</u>	<u>25</u>
2XXX	Total liabilities	<u>6,617,409</u>	<u>46</u>	<u>6,861,312</u>	<u>47</u>
	Equity (Note 20)				
3110	Capital stock – common	<u>3,978,181</u>	<u>28</u>	<u>3,978,181</u>	<u>27</u>
3200	Capital surplus	<u>142,438</u>	<u>1</u>	<u>142,438</u>	<u>1</u>
	Retained earnings				
3310	Legal reserve	1,477,569	10	1,454,758	10
3320	Special reserve	513,828	4	504,790	3
3350	Undistributed earnings	<u>2,187,615</u>	<u>15</u>	<u>2,306,787</u>	<u>16</u>
3300	Total retained earnings	<u>4,179,012</u>	<u>29</u>	<u>4,266,335</u>	<u>29</u>
3400	Other equity interest	(648,571)	(4)	(513,828)	(4)
3XXX	Total equity	<u>7,651,060</u>	<u>54</u>	<u>7,873,126</u>	<u>53</u>
	Total liabilities and equity interests	<u>\$ 14,268,469</u>	<u>100</u>	<u>\$ 14,734,438</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated March 22, 2022) TED

Chairperson: Meng-Jing Lin Manager: Chih-I Lin Head of accounting: Hua-Hsing Wang



San Fang Chemical Industry Co., Ltd.
Statement of Comprehensive Income
Years ended December 31, 2021 and 2020

Unit: Thousand NTD, EPS in NTD

Code		2021		2020	
		Amount	%	Amount	%
4000	Net operating revenues (Note 4, 21, 27)	\$ 7,248,812	100	\$ 6,786,846	100
5000	Operating costs (Note 10, 22, 27)	<u>6,159,080</u>	<u>85</u>	<u>5,609,712</u>	<u>83</u>
5900	Operating margin	1,089,732	15	1,177,134	17
5910	Realized (and unrealized) gains from subsidiaries	(<u>63,811</u>)	(<u>1</u>)	<u>45,951</u>	<u>1</u>
5950	Realized operating margin	<u>1,025,921</u>	<u>14</u>	<u>1,223,085</u>	<u>18</u>
	Operating expenses (Note 9, 22)				
6100	Selling expenses	233,486	3	294,424	4
6200	Administrative expenses	258,877	4	311,141	5
6300	Research and development expenses	221,952	3	263,568	4
6450	Gain on reversal of impairments of expected credit	(<u>1,011</u>)	-	(<u>4,285</u>)	-
6000	Total operating expenses	<u>713,304</u>	<u>10</u>	<u>864,848</u>	<u>13</u>
6900	Operating net profit	<u>312,617</u>	<u>4</u>	<u>358,237</u>	<u>5</u>
	Non-operating income and expenses (Note 22, 27)				
7100	Interest income	907	-	2,261	-
7010	Other income	86,460	1	51,230	1
7020	Other profits and losses	(111,575)	(1)	(125,208)	(2)
7050	Financial costs	(47,247)	(1)	(46,683)	(1)
7070	Share of profits (losses) of subsidiaries accounted for using equity method	(<u>91,149</u>)	(<u>1</u>)	<u>35,677</u>	<u>1</u>
7000	Total non-operating income and expenses	(<u>162,604</u>)	(<u>2</u>)	(<u>82,723</u>)	(<u>1</u>)
7900	Pre-tax profit	150,013	2	275,514	4

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Code		2021		2020	
		Amount	%	Amount	%
7950	Income tax expense (Note 4, 23)	\$ 34,080	-	\$ 57,502	1
8200	Net profit for the year	115,933	2	218,012	3
	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)	(4,501)	-	13,024	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Note 20)	12,802	-	(2,663)	-
8330	Share of other comprehensive income of subsidiaries accounted for using equity method	3,946	-	(1,926)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 23)	900	-	(2,605)	-
8310		13,147	-	5,830	-
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)	(152,237)	(2)	(297,884)	(4)
8300	Other consolidated income (net income after tax)	(139,090)	(2)	(292,054)	(4)
8500	Total comprehensive income	(\$ 23,157)	-	(\$ 74,042)	(1)
	EPS (Note 24)				
9710	Basic	\$ 0.29		\$ 0.55	
9810	Diluted	\$ 0.29		\$ 0.55	

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

(With Deloitte & Touche audit report dated March 22, 2022) TED

Chairperson: Meng-Jing Lin Manager: Chih-I Lin Head of accounting: Hua-Hsing Wang



San Fang Chemical Industry Co., Ltd.
Statement of Changes in Equity
Years ended December 31, 2021 and 2020

Unit: Thousand NTD, dividend per share is in NTD

Code		Capital stock – common	Capital surplus	Retained earnings			Exchange differences arising from the translation of the financial statements of foreign operations	Other equity interests	Subtotal	Total equity
				Legal reserve	Special reserve	Undistributed earnings		Unrealized gains (losses) on financial instruments measured at fair value through other comprehensive income		
A1	Balance as at January 1, 2020	\$ 3,978,181	\$ 141,101	\$ 1,412,298	\$ 504,790	\$ 2,439,395	(\$ 226,765)	\$ 15,085	(\$ 211,680)	\$ 8,264,085
	Appropriation and distribution of 2019 earnings (Note 20)									
B1	Legal reserve	-	-	42,460	-	(42,460)	-	-	-	-
B5	Cash dividends	-	-	-	-	(318,254)	-	-	-	(318,254)
		-	-	42,460	-	(360,714)	-	-	-	(318,254)
C17	Dividends not collected by shareholders before the deadline	-	1,337	-	-	-	-	-	-	1,337
D1	Net profit - 2020	-	-	-	-	218,012	-	-	-	218,012
D3	Other comprehensive income after tax - 2020	-	-	-	-	10,094	(297,884)	(4,264)	(302,148)	(292,054)
D5	Total comprehensive income - 2020	-	-	-	-	228,106	(297,884)	(4,264)	(302,148)	(74,042)
Z1	Balance as at December 31, 2020	3,978,181	142,438	1,454,758	504,790	2,306,787	(524,649)	10,821	(513,828)	7,873,126
	Appropriation and distribution of 2020 earnings (Note 20)									
B1	Legal reserve	-	-	22,811	-	(22,811)	-	-	-	-
B3	Allocation to special reserve	-	-	-	9,038	(9,038)	-	-	-	-
B5	Cash dividends	-	-	-	-	(198,909)	-	-	-	(198,909)
		-	-	22,811	9,038	(230,758)	-	-	-	(198,909)
D1	Net profit - 2021	-	-	-	-	115,933	-	-	-	115,933
D3	Other comprehensive income after tax - 2021	-	-	-	-	(4,347)	(152,237)	17,494	(134,743)	(139,090)
D5	Total comprehensive income - 2021	-	-	-	-	111,586	(152,237)	17,494	(134,743)	(23,157)
Z1	Balance as at December 31, 2021	\$ 3,978,181	\$ 142,438	\$ 1,477,569	\$ 513,828	\$ 2,187,615	(\$ 676,886)	\$ 28,315	(\$ 648,571)	\$ 7,651,060

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

(With Deloitte & Touche audit report dated March 22, 2022) TED

Chairperson: Meng-Jing Lin Manager: Chih-I Lin Head of accounting: Hua-Hsing Wang



San Fang Chemical Industry Co., Ltd.
Cash Flow Statement
Years ended December 31, 2021 and 2020

Unit: Thousand NTD

Code		2021	2020
	Cash flow from operating activities		
A10000	Net profit before tax	\$ 150,013	\$ 275,514
A20010	Revenues and expenses		
A20100	Depreciation expense	397,020	406,443
A20200	Amortization expense	9,993	7,881
A20300	Gain on reversal of impairments of expected credit	(1,011)	(4,285)
A20400	Net losses on financial liabilities at fair value through profit or loss	3,123	4,784
A20900	Financial costs	47,247	46,683
A21200	Interest income	(907)	(2,261)
A21300	Dividend income	(4,010)	(334)
A22400	Share of profits (losses) of subsidiaries accounted for using equity method	91,149	(35,677)
A22500	Net losses on disposal of property, plant and equipment	2,232	27,162
A23700	Loss on inventory devaluation	19,884	26,024
A24100	Realized (and unrealized) gains from subsidiaries	63,811	(45,951)
A29900	Loss on physical inventory	10,185	7,203
A29900	Loss by fire	70,217	-
A30000	Net changes in operating assets and liabilities		
A31115	Financial assets for which the fair value is required to be measured through profit or loss	(102,735)	-
A31130	Notes receivable	9,836	13,065
A31150	Accounts receivable	(35,456)	15,837
A31160	Accounts receivable – related parties	(103,061)	53,347
A31180	Other receivables	(5,196)	(8,949)
A31190	Other receivables - related parties	(74,517)	241,798
A31200	Inventories	(449,323)	248,758
A31230	Advance payments	43,891	(136,540)
A31240	Other current assets	1,147	48,143
A32110	Financial liabilities held for trading	(7,900)	59
A32125	Contract liabilities	(15,199)	12,310
A32150	Accounts payable	(58,592)	18,171
A32160	Accounts payable - related parties	502	(484,198)
A32180	Other payables	(46,518)	(13,967)
A32190	Other payables - related parties	64,061	(77,442)

(Continued on the next page)



(Continued from the previous page)

Code		2021	2020
A32230	Refund liabilities - related parties	\$ -	(\$ 198,068)
A32230	Other current liabilities	(18,603)	(7,445)
A32240	Net defined benefit liability	(70)	(1,495)
A33000	Cash generated from operating activities	61,213	436,570
A33100	Interest received	907	2,261
A33200	Dividend received	859,110	10,342
A33300	Interest paid	(47,778)	(47,121)
A33500	Income tax paid	(97,011)	(4,074)
AAAA	Net cash inflow from operating activities	<u>776,441</u>	<u>397,978</u>
	Cash flow from investing activities		
B02700	Acquisition of property, plant and equipment	(149,499)	(275,625)
B02800	Proceeds from disposal of property, plant and equipment	9,672	4,999
B03800	Decrease in refundable deposits	-	153
B04500	Acquisition of intangible assets	(9,670)	(2,355)
B06500	Increase of other financial assets	(536,610)	-
BBBB	Net cash outflow from investing activities	<u>(686,107)</u>	<u>(272,828)</u>
	Cash flow from financing activities		
C00100	Increase in short-term borrowings	5,463,400	6,260,000
C00200	Decrease in short-term borrowings	(5,533,400)	(6,520,000)
C00500	Decrease in short-term notes and bills payable	-	(50,000)
C01600	Increase in long-term borrowing	350,000	1,470,000
C01700	Repayment of long-term borrowing	(380,000)	(621,000)
C03000	Increase in guarantee deposits	4,934	-
C04020	Repayments of lease liabilities	(5,849)	(6,921)
C04500	Distribution of cash dividends	(198,909)	(318,254)
C09900	Returned unclaimed dividends	-	1,337
CCCC	Net cash inflow (outflow) from financing activities	<u>(299,824)</u>	<u>215,162</u>
EEEE	Increase (decrease) in cash and cash equivalents	(209,490)	340,312
E00100	Cash and cash equivalents at beginning of period	<u>965,233</u>	<u>624,921</u>
E00200	Cash and cash equivalents at end of period	<u>\$ 755,743</u>	<u>\$ 965,233</u>

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

(With Deloitte & Touche audit report dated March 22, 2022) TED

Chairperson: Meng-Jing Lin Manager: Chih-I Lin Head of accounting: Hua-Hsing Wang



Attachment B

SAN FANG CHEMICAL INDUSTRY CO., LTD.

2021 Earnings Distribution Table

Unit:NTD

Item	Amount
Beginning unappropriated retained earnings	\$2,076,028,693
Add: Post-tax net income for the Current Year	\$115,933,539
Add: Remeasurement of defined benefit plans recognized in retained earnings	(4,346,917)
Subtract: legal reserve (net income after tax 10%)	(11,158,662)
Subtract: special reserve	(134,743,123)
Retained earnings available for distribution as of 2020	2,041,713,530
Distribution items :	
Shareholders' dividend - cash dividend (NT\$ 0.5 per share)	(198,909,063)
Unappropriated retained earnings	1,842,804,467

Remark: The Shareholders' cash dividend was distributed by beginning unappropriated retained earnings

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 2021 business report and financial statements. Commissioned by the Board of Directors, the CPA firm Deloitte& Touch, Wu Chiu-Yen and Chiang Jia-Ling 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:
2022 Annual General Shareholders' Meeting of SAN FANG CHEMICAL CO., LTD.

Audit Committee convener: : Wan-Lin, Hsu

Date : March 24, 2022



Attachment D

SAN FANG CHEMICAL INDUSTRY CO., LTD. Comparison Table for Amendment of “Articles of Incorporation”

A m e n d e d c l a u s e	O r i g i n a l c l a u s e	I n s t r u c t i o n
<p>Article5</p> <p>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.</p> <p><u>NT\$ 100 million of the capital has been retained for a total of 10 million employee stock options with a par value of NT\$ 10 each to be issued in batches in accordance with the board of directors resolutions.</u></p>	<p>Article5</p> <p>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.</p>	<p>With a view to rewarding its employees and retaining talent, the Company reserves a portion of its shares for the issuance of share subscription warrants and restricted stock awards.</p>
<p>Article5-1</p> <p><u>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.</u></p>		<p>Regulations governing recipients of share subscription warrants and restricted stock awards have been added.</p>



A m e n d e d c l a u s e	O r i g i n a l c l a u s e	I n s t r u c t i o n
<p>Article 9</p> <p>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.</p> <p><u>The company's shareholders' meetings can be held by means of video conference or other methods promulgated by the central competent authority.</u></p>	<p>Article 9</p> <p>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.</p>	<p>It has been stipulated that shareholders' meetings can be held by means of visual communication network pursuant to prescribed amendments to the provisions set forth in Article 172-2 in Ordinance Hua-Zong-Yi-Jing-Zi No. 11000115851 issued by the Presidential Office on December 29, 2021.</p>
<p>Article 27</p> <p>The original Articles of Incorporation were adopted on May 12, 1973. Amended thereafter on January 8, 1975; December 12, 1975; June 20, 1977; January 6, 1979; April 5, 1980; May 20, 1981; July 15, 1981; April 30, 1982; March 23, 1983; April 30, 1984; April 30, 1985; June 15, 1985; April 16, 1986; April 21, 1987; April 30, 1988; April 28, 1989; May 8, 1990; April 20, 1991; April 23, 1992; May 12, 1993; April 28, 1994; May 2, 1995; May 22, 1996; April 23, 1998; May 17, 2000; May 25, 2001; May 30, 2002; May 13, 2003; May 25, 2005; May 24, 2006; June 13, 2008; June 15, 2010; June 15, 2011; June 6, 2012; June 25, 2014 ; June 13, 2016; June 8, 2017; June 12, 2018; June 12, 2019; June 21, 2022; <u>June 21, 2022.</u></p>	<p>Article 27</p> <p>The original Articles of Incorporation were adopted on May 12, 1973. Amended thereafter on January 8, 1975; December 12, 1975; June 20, 1977; January 6, 1979; April 5, 1980; May 20, 1981; July 15, 1981; April 30, 1982; March 23, 1983; April 30, 1984; April 30, 1985; June 15, 1985; April 16, 1986; April 21, 1987; April 30, 1988; April 28, 1989; May 8, 1990; April 20, 1991; April 23, 1992; May 12, 1993; April 28, 1994; May 2, 1995; May 22, 1996; April 23, 1998; May 17, 2000; May 25, 2001; May 30, 2002; May 13, 2003; May 25, 2005; May 24, 2006; June 13, 2008; June 15, 2010; June 15, 2011; June 6, 2012; June 25, 2014 ; June 13, 2016; June 8, 2017; June 12, 2018; June 12, 2019.</p>	<p>The date of the 40th amendment has been added/revised.</p>



Attachment E

San Fang Chemical Industry Co., Ltd. and its subsidiaries

Comparison Table for Amendment of “Regulations Governing the Acquisition and Disposal of Assets”

A m e n d e d c l a u s e	O r i g i n a l c l a u s e	I n s t r u c t i o n
<p>IV. Operating procedures:</p> <p>(1)Acquisition or disposal of securities Units responsible for execution: Personnel designated by the Finance Department or the Chairperson Methods for assessments and determination of transaction conditions: Acquisition or disposal of security investments, memberships, or intangible assets shall be handled pursuant to investment cycle procedures prescribed in the internal control system of this Company and its subsidiaries and the following provisions:</p> <p>1. Acquisition or disposal of securities traded on a Securities Exchange or an OTC venue shall be decided based on current equity or bond prices.</p> <p>2. Acquisition or disposal of securities not traded on centralized securities exchange markets or the Taipei Exchange shall be determined in consideration of net values per share, technologies and profitability, future development potential, market interest rates, bond coupon rates, and the debtor’s credit standing and with reference to the latest transaction prices.</p> <p>3. Acquisition or disposal of</p>	<p>IV. Operating procedures:</p> <p>(1)Acquisition or disposal of securities Units responsible for execution: Personnel designated by the Finance Department or the Chairperson Methods for assessments and determination of transaction conditions: Acquisition or disposal of security investments, memberships, or intangible assets shall be handled pursuant to investment cycle procedures prescribed in the internal control system of this Company and its subsidiaries and the following provisions:</p> <p>1. Acquisition or disposal of securities traded on a Securities Exchange or an OTC venue shall be decided based on current equity or bond prices.</p> <p>2. Acquisition or disposal of securities not traded on centralized securities exchange markets or the Taipei Exchange shall be determined in consideration of net values per share, technologies and profitability, future development potential, market interest rates, bond coupon rates, and the debtor’s credit standing and with reference to the latest transaction prices.</p> <p>3. Acquisition or disposal of</p>	<p>Pursuant to the latest amendment to the provisions set forth in Article 9 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” on January 28, 2022, the requirement that CPA comply with Statement No.20 on Auditing Standards issued by the Accounting Research and Development Foundation has been deleted.</p>



A m e n d e d c l a u s e	O r i g i n a l c l a u s e	Instruction
<p>memberships shall be determined in consideration of potential benefits and the latest transaction prices. Acquisition or disposal of intangible assets such as patents, copyrights, trademarks, and franchise rights shall be determined with reference to international or market practices, validity periods, and impacts on company technologies and operations.</p> <p>Asset appraisal procedures:</p> <ol style="list-style-type: none"> 1. When acquiring or disposing of securities, the Company shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price. If the transaction amount is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to render an opinion regarding the reasonableness of the transaction price. However, this requirement does not apply to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (hereinafter referred to as FSC). 2. Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 	<p>memberships shall be determined in consideration of potential benefits and the latest transaction prices. Acquisition or disposal of intangible assets such as patents, copyrights, trademarks, and franchise rights shall be determined with reference to international or market practices, validity periods, and impacts on company technologies and operations.</p> <p>Asset appraisal procedures:</p> <ol style="list-style-type: none"> 1. When acquiring or disposing of securities, the Company shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price. If the transaction amount is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to render an opinion regarding the reasonableness of the transaction price. <u>If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF (Accounting Research and Development Foundation in Taiwan).</u> However, this requirement does not apply to publicly quoted prices of securities that have an 	



A m e n d e d c l a u s e	O r i g i n a l c l a u s e	I n s t r u c t i o n
<p>percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.</p> <p>(2)Acquisition or disposal of real property or equipment Units responsible for execution: Departments using such assets and competent units Methods for assessments and determination of transaction conditions: Acquisition or disposal of real property, equipment, or right-of-use assets by the Company or one of its subsidiaries shall be handled pursuant to fixed asset cycle procedures prescribed in the internal control system and determined with reference to publicly announced or assessed current values, actual transaction prices or book values of real property in the same neighborhood, or quoted prices of suppliers. Asset appraisal procedures: In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company and its subsidiaries, unless transacting with a domestic government agency, engaging others to build on its own</p>	<p>active market, or where otherwise provided by regulations of the Financial Supervisory Commission (hereinafter referred to as FSC).</p> <p>2. Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; <u>the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</u></p> <p>(2)Acquisition or disposal of real property or equipment Units responsible for execution: Departments using such assets and competent units Methods for assessments and determination of transaction conditions: Acquisition or disposal of real property, equipment, or right-of-use assets by the Company or one of its subsidiaries shall be handled pursuant to fixed asset cycle procedures prescribed in the internal control system and determined with reference to publicly announced or assessed current values, actual transaction prices or book values of real property in the same neighborhood, or quoted</p>	



A m e n d e d c l a u s e	O r i g i n a l c l a u s e	I n s t r u c t i o n
<p>land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p> <ol style="list-style-type: none"> 1. Where due to special circumstances, it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction. 2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained. 3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to 	<p>prices of suppliers.</p> <p>Asset appraisal procedures:</p> <p>In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company and its subsidiaries, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p> <ol style="list-style-type: none"> 1. Where due to special circumstances, it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction. 2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional 	



A m e n d e d c l a u s e	O r i g i n a l c l a u s e	Instruction
<p>perform the appraisal in render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> a. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount. b. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount. <p>4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date. However, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>(3)The calculation of the transaction amounts referred to in the preceding two paragraphs shall be done in accordance with Article 6, paragraph 1 herein, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p> <p>(4)Merger, demerger, acquisition, or transfer of shares.</p>	<p>appraisers shall be obtained.</p> <p>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in <u>accordance with the provisions of Statement of Auditing Standards No. 20 published by ARDF and</u> render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> a. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount. b. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount. <p>4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date. However, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the</p>	



A m e n d e d c l a u s e	O r i g i n a l c l a u s e	Instruction
<p>Units responsible for execution: Designated by the chairperson</p> <p>Methods for assessments and determination of transaction conditions: Where the Company conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve the matter, it shall consider the nature of business, net value per share, asset value, technologies and profitability, production capacities, and future growth potential and engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors of this Company for deliberation and passage.</p> <p>(5)Related party transaction Where the Company or one of its subsidiaries acquires real property or its right-of-use assets from a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers through purchase or swap or engages in assessment procedures with a related party, the provisions set forth in Chapter 2, 3, and 4 shall apply.</p> <p>(6)Transactions on derivative Handled pursuant to the provisions set forth in Chapter 3.</p>	<p>original professional appraiser.</p> <p>(3)The calculation of the transaction amounts referred to in the preceding two paragraphs shall be done in accordance with Article 6, paragraph 1 herein, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p> <p>(4)Merger, demerger, acquisition, or transfer of shares.</p> <p>Units responsible for execution: Designated by the chairperson</p> <p>Methods for assessments and determination of transaction conditions: Where the Company conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve the matter, it shall consider the nature of business, net value per share, asset value, technologies and profitability, production capacities, and future growth potential and engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors of this Company for deliberation and passage.</p>	



A m e n d e d c l a u s e	O r i g i n a l c l a u s e	I n s t r u c t i o n
	<p>(5) Related party transaction Where the Company or one of its subsidiaries acquires real property or its right-of-use assets from a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers through purchase or swap or engages in assessment procedures with a related party, the provisions set forth in Chapter 2, 3, and 4 shall apply.</p> <p>(6) Transactions on derivative Handled pursuant to the provisions set forth in Chapter 3.</p>	
<p>VI. Announcement and reporting procedures.</p> <p>(1) Where the Company or one of its subsidiaries acquires or disposes of assets under any of the following circumstances, the Company shall publicly announce and report the relevant information on the website designated by the competent authority in the appropriate format and with the required contents as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <p>1. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of</p>	<p>VI. Announcement and reporting procedures.</p> <p>(1) Where the Company or one of its subsidiaries acquires or disposes of assets under any of the following circumstances, the Company shall publicly announce and report the relevant information on the website designated by the competent authority in the appropriate format and with the required contents as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <p>1. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related</p>	<p>Pursuant to the latest amendment to the provisions set forth in Article 31 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” on January 28, 2022, relevant restrictions have been lifted for trading of domestic government bonds or foreign</p>



A m e n d e d c l a u s e	O r i g i n a l c l a u s e	I n s t r u c t i o n
<p>paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>2. Merger, demerger, acquisition, or transfer of shares.</p> <p>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in Chapter 3, Article 13, Paragraph 4 of these Regulations.</p> <p>4. Where equipment or right-of-use assets thereof for business use represent the acquired or disposed of asset category, the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:</p> <p style="padding-left: 40px;">(a) For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount exceeds NT\$500 million.</p> <p style="padding-left: 40px;">(b) For a public company whose paid-in capital reaches NT\$ 10 billion, the transaction amount exceeds NT\$ 1 billion.</p> <p>5. Where land is acquired under an</p>	<p>party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>2. Merger, demerger, acquisition, or transfer of shares.</p> <p>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in Chapter 3, Article 13, Paragraph 4 of these Regulations.</p> <p>4. Where equipment or right-of-use assets thereof for business use represent the acquired or disposed of asset category, the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:</p> <p style="padding-left: 40px;">(a)For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount exceeds NT\$500 million.</p> <p style="padding-left: 40px;">(b)For a public company whose paid-in capital reaches NT\$ 10 billion, the transaction amount</p>	<p>government bonds with a rating that is not lower than the sovereign rating of Taiwan and exemption from public announcement and reporting has been stipulated.</p>



A m e n d e d c l a u s e	O r i g i n a l c l a u s e	I n s t r u c t i o n
<p>arrangement of engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million or more.</p> <p>6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs or an investment in the mainland China area reaches 20 percent of paid-in capital or NT\$300 million or more. This shall not apply to the following circumstances:</p> <p>(a) Trading of domestic government bonds or foreign <u>government bonds of a credit rating not lower than Taiwan's sovereign credit rating.</u></p> <p>(b) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. The amount of transactions above shall be calculated as follows:</p> <p>(a) The amount of any individual transaction.</p>	<p>exceeds NT\$ 1 billion.</p> <p>5. Where land is acquired under an arrangement of engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million or more.</p> <p>6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs or an investment in the mainland China area reaches 20 percent of paid-in capital or NT\$300 million or more. This shall not apply to the following circumstances:</p> <p>(a) Trading of domestic government bonds or foreign.</p> <p>(b) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. The amount of transactions above shall be calculated as follows:</p> <p>(a) The amount of any individual transaction.</p> <p>(b) The cumulative transaction</p>	



A m e n d e d c l a u s e	O r i g i n a l c l a u s e	I n s t r u c t i o n
<p>(b)The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</p> <p>(c)The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.</p> <p>(d)The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>“Within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” need not be counted toward the transaction amount.</p> <p>(2)The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the</p>	<p>amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</p> <p>(c)The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.</p> <p>(d)The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>“Within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” need not be counted toward the transaction amount.</p> <p>(2)The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month</p>	



A m e n d e d c l a u s e	O r i g i n a l c l a u s e	Instruction
<p>Company and any subsidiaries that are not domestic public companies and enter the information in the format prescribed in the attached table into the information reporting website designated by the competent authority by the 10th day of each month.</p> <p>(3)When the Company at the time of public announcement makes an error or omission in an item required to be publicly announced and so is required to correct it, all the items shall be again publicly announced in their entirety within 2 days counting inclusively from the date of knowledge of such error or omission.</p> <p>(4)Where any of the following circumstances occurs with respect to a transaction that has already been publicly announced and reported in accordance with the provisions set forth in (1), a public report of relevant information shall be made on the information reporting website designated by the competent authority within 2 days counting inclusively from the date of occurrence of the event:</p> <p>(a)Change, termination, or rescission of a contract signed in regard to the original transaction.</p> <p>(b)The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.</p>	<p>by the Company and any subsidiaries that are not domestic public companies and enter the information in the format prescribed in the attached table into the information reporting website designated by the competent authority by the 10th day of each month.</p> <p>(3)When the Company at the time of public announcement makes an error or omission in an item required to be publicly announced and so is required to correct it, all the items shall be again publicly announced in their entirety within 2 days counting inclusively from the date of knowledge of such error or omission.</p> <p>(4)Where any of the following circumstances occurs with respect to a transaction that has already been publicly announced and reported in accordance with the provisions set forth in (1), a public report of relevant information shall be made on the information reporting website designated by the competent authority within 2 days counting inclusively from the date of occurrence of the event:</p> <p>(a)Change, termination, or rescission of a contract signed in regard to the original transaction.</p> <p>(b)The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the</p>	



A m e n d e d c l a u s e	O r i g i n a l c l a u s e	I n s t r u c t i o n
(c)Change to the originally publicly announced and reported information.	contract. (c)Change to the originally publicly announced and reported information.	
<p>X. Resolution procedures</p> <p>When the Company and its subsidiaries intend to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, they may not proceed to enter into a transaction contract or make a payment until the following matters have been submitted by the unit responsible for execution and approved by the audit committee and the board of directors:</p> <ol style="list-style-type: none"> (1) The purpose, necessity and anticipated benefits of the acquisition or disposal of assets. (2) The reason for choosing the related party as a transaction counterparty. (3) With respect to the acquisition of real property or right-of-use assets thereof from a related 	<p>X. Resolution procedures</p> <p>When the Company and its subsidiaries intend to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, they may not proceed to enter into a transaction contract or make a payment until the following matters have been submitted by the unit responsible for execution and approved by the audit committee and the board of directors:</p> <ol style="list-style-type: none"> (1) The purpose, necessity and anticipated benefits of the acquisition or disposal of assets. (2) The reason for choosing the related party as a transaction counterparty. (3) With respect to the acquisition 	<p>Pursuant to the latest amendment to the provisions set forth in Article 15 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” on January 28, 2022, management of related party transactions has been reinforced by stipulating that acquisition or disposal of assets with a transaction amount of 10 percent or more of the public company’s total assets from or to a related party shall be subject to submission to and approval of relevant materials by a shareholders meeting. It has further been</p>



A m e n d e d c l a u s e	O r i g i n a l c l a u s e	I n s t r u c t i o n
<p>party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 11 and Article 12.</p> <p>(4) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and said transaction counterparty's relationship to the Company and the related party.</p> <p>(5) Monthly cash flow forecasts for the year commencing from the anticipated month of the signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding Article.</p> <p>(7) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 6, paragraph 1 herein, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been submitted to and approved by a shareholders meeting, the board of directors and the audit committee pursuant to these Regulations need</p>	<p>of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 11 and Article 12.</p> <p>(4) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and said transaction counterparty's relationship to the Company and the related party.</p> <p>(5) Monthly cash flow forecasts for the year commencing from the anticipated month of the signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding Article.</p> <p>(7) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 6, paragraph 1 herein, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been</p>	<p>prescribed that matters to be submitted to shareholders meetings by a non-public subsidiary shall be handled by the superior public parent company.</p>



A m e n d e d c l a u s e	O r i g i n a l c l a u s e	I n s t r u c t i o n
<p>not be counted toward the transaction amount.</p> <p>With respect to the types of transactions listed below, when to be conducted between the Company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company's board of directors may pursuant to Article 2 and Article 5, paragraph 4 authorize the chairperson to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting:</p> <p>(1) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</p> <p>(2) Acquisition or disposal of real property right-of-use assets held for business use.</p> <p>Where a matter is submitted for discussion by the board of directors pursuant to this Article, the board of directors shall take into full consideration independent director opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p><u>Where the Company or a subsidiary that is not a publicly listed company in Taiwan engages in a transaction as specified in Paragraph 1 and the transaction amount reaches 10</u></p>	<p>submitted to and approved by the board of directors and the audit committee pursuant to these Regulations need not be counted toward the transaction amount.</p> <p>With respect to the types of transactions listed below, when to be conducted between the Company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company's board of directors may pursuant to Article 2 and Article 5, paragraph 4 authorize the chairperson to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting:</p> <p>(1) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</p> <p>(2) Acquisition or disposal of real property right-of-use assets held for business use.</p> <p>Where a matter is submitted for discussion by the board of directors pursuant to this Article, the board of directors shall take into full consideration independent director opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p>	



A m e n d e d c l a u s e	O r i g i n a l c l a u s e	I n s t r u c t i o n
<p><u>percent or more of the total assets of the Company, it may not proceed to enter into a transaction contract or make a payment until the matters specified in Paragraph 1 have been submitted to a shareholders meeting for approval. This restriction shall not apply to transactions between this Company and its subsidiaries or their subsidiaries.</u></p>		
<p>XXIV. Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company and its subsidiaries with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</p> <p>(1) They may not have previously received a final and unappealable sentence of imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion</p>	<p>XXIV. Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company and its subsidiaries with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</p> <p>(1) They may not have previously received a final and unappealable sentence of imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since</p>	<p>Pursuant to the latest amendment to the provisions set forth in Article 5 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" on January 28, 2022, it has been clearly stipulated that external experts shall observe relevant procedures and responsibilities and comply with the self-regulatory rules of the industry associations to which they belong. The</p>



A m e n d e d c l a u s e	O r i g i n a l c l a u s e	I n s t r u c t i o n
<p>of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</p> <p>(2) They may not be a related party or de facto related party of any party to the transaction.</p> <p>(3) If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties to each other.</p> <p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply <u>with the code of conduct of their respective trade association</u> and the following:</p> <p>(1) Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>(2) When <u>conducting</u> case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related executing procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</p> <p>(3) They shall undertake an item-by-</p>	<p>expiration of the period of a suspended sentence, or since a pardon was received.</p> <p>(2) They may not be a related party or de facto related party of any party to the transaction.</p> <p>(3) If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties to each other.</p> <p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply the following:</p> <p>(1) Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>(2) When <u>investigating</u> case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related executing procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</p> <p>(3) They shall undertake an item-by-item evaluation of the <u>comprehensiveness, accuracy,</u> and reasonableness of the</p>	<p>wording has been changed from “audit” to “execute”.</p>



A m e n d e d c l a u s e	O r i g i n a l c l a u s e	Instruction
<p>item evaluation of the <u>adequacy</u>, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>(4) They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is <u>adequate</u>, reasonable and that they have complied with applicable laws and regulations.</p>	<p>sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>(4) They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable, and <u>accurate</u>, and that they have complied with applicable laws and regulations.</p>	
<p>XXVII.</p> <p>These Regulations were put into effect on June 12, 2019. <u>The 1st amendment was made on June 21, 2022.</u></p>	<p>XXVII.</p> <p>These Regulations were put into effect on June 12, 2019.</p>	<p>The date of the 1st amendment has been added/revised.</p>



SAN FANG CHEMICAL INDUSTRY CO., LTD.

Comparison Table for Amendment of Rules of Procedure for Shareholders Meetings

A m e n d e d c l a u s e	O r i g i n a l c l a u s e	I n s t r u c t i o n
<p>2. This Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card <u>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.</u></p>	<p>2. SanFang shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.</p>	<p>Amendment to Article 6 of the “Rules of Procedure for Shareholders Meetings” with reference to the example in Official Letter Tai-Zheng-Zhi-Li-Zi No. 1110004250 issued on March 8, 2022.</p>
<p>3. Attendance and voting at shareholders meetings shall be calculated based on the number of shares. <u>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.</u></p>	<p>3. Attendance and vote at shareholder’s meetings shall be calculated based on numbers of shares.</p>	<p>Amendment to Article 16 of the “Rules of Procedure for Shareholders Meetings” with reference to the example in Official Letter Tai-Zheng-Zhi-Li-Zi No. 1110004250 issued on March 8, 2022.</p>



A m e n d e d c l a u s e	O r i g i n a l c l a u s e	I n s t r u c t i o n
<p>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.</p> <p><u>The restrictions on the place of the meeting shall not apply when this Company convenes a virtual-only shareholders meeting.</u></p> <p><u>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.</u></p> <p><u>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.</u></p>	<p>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.</p>	<p>Amendment to Article 3, 5, 22 of the “Rules of Procedure for Shareholders Meetings” with reference to the example in Official Letter Tai-Zheng-Zhi-Li-Zi No. 1110004250 issued on March 8, 2022.</p>
<p>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.</p> <p><u>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.</u></p>	<p>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.</p>	<p>Amendment to Article 3 of the “Rules of Procedure for Shareholders Meetings” with reference to the example in Official Letter Tai-Zheng-Zhi-Li-Zi No. 1110004250 issued on March 8, 2022.</p>



A m e n d e d c l a u s e	O r i g i n a l c l a u s e	I n s t r u c t i o n
<p>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, <u>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.</u></p> <p><u>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,</u> a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; <u>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.</u></p> <p>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 <u>shareholders</u> meeting pursuant to Article 174 of the Company Act.</p>	<p>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, 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. 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.</p>	<p>Amendment to Article 6, 9 of the “Rules of Procedure for Shareholders Meetings” with reference to the example in Official Letter Tai-Zheng-Zhi-Li-Zi No. 1110004250 issued on March 8, 2022.</p>



A m e n d e d c l a u s e	O r i g i n a l c l a u s e	I n s t r u c t i o n
<p>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.</p> <p><u>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.</u></p>	<p>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.</p>	<p>Amendment to Article 11 of the “Rules of Procedure for Shareholders Meetings” with reference to the example in Official Letter Tai-Zheng-Zhi-Li-Zi No. 1110004250 issued on March 8, 2022.</p>
<p>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.</p> <p><u>In the event of a virtual shareholders</u></p>	<p>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</p>	<p>Amendment to Article 19 of the “Rules of Procedure for Shareholders Meetings” with reference to the example in Official Letter Tai-Zheng-Zhi-Li-Zi No. 1110004250 issued on March 8, 2022.</p>



A m e n d e d c l a u s e	O r i g i n a l c l a u s e	I n s t r u c t i o n
<p><u>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.</u></p>	<p>of votes for and against and the number of abstentions, shall be entered into the MOPS.</p>	
<p>20. <u>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.</u></p> <p><u>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.</u></p>	<p>20. 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.</p>	<p>1. Newly added article, revision of original provisions</p> <p>2. Amendment to Article 16 of the “Rules of Procedure for Shareholders Meetings” with reference to the example in Official Letter Tai-Zheng-Zhi-Li-Zi No. 1110004250 issued on March 8, 2022.</p>



A m e n d e d c l a u s e	O r i g i n a l c l a u s e	I n s t r u c t i o n
<p>21. <u>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.</u></p>	<p>21. These Rules, and any amendments hereto, shall be implemented after adoption by shareholders' meetings. These Rules takes effect on June 9th, 2020</p>	<p>1. Newly added article, revision of original provisions 2. Amendment to Article 21 of the “Rules of Procedure for Shareholders Meetings” with reference to the example in Official Letter Tai-Zheng-Zhi-Li-Zi No. 1110004250 issued on March 8, 2022.</p>
<p>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.</p>		<p>Amendment to Article.</p>
<p>23. These Rules, and any amendments hereto, shall be implemented after adoption by shareholders' meetings. These Rules takes effect on June 9th 2020 <u>1st amendment made on June 21st, 2022.</u></p>		<p>1. Amendment to Article 2. The date of the 1st amendment has been added.</p>



Appendix A

SAN FANG CHEMICAL INDUSTRY CO., LTD.

Rules of Procedure for Shareholders Meetings

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. SanFang shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.
3. Attendance and vote at shareholder's meetings shall be calculated based on numbers of shares.
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.
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.
6. SanFang 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, 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. 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.
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 SanFang.
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.
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. 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.

21. These Rules, and any amendments hereto, shall be implemented after adoption by shareholders' meetings.
These Rules takes effect on June 9th, 2020



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.

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.



Article 6-1

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.

Article 10

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

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

Article 11

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

Article 12

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



Article 13

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

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

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

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

Section IV Directors

Article 14

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

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

Article 15

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.

Article 16

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.

Article 17

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.

Article 17-1

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



Article18

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

Article19

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

Article20

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

Article21

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

Section V Staff

Article22

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

Section VI Accounting

Article23

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

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



Article24

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

The distribution of bonus to employees and Directors may be made by way of cash or shares. A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of Directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. However, the Company's accumulated losses shall have been covered first. Employee and Directors' compensation shall be provided according to the proportions in the preceding paragraph.

Article24-1

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

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

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

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

Section VII Supplementary Provisions

Article25

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

Article26

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

Article27

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



Appendix C

SAN FANG CHEMICAL INDUSTRY CO., LTD.

Shareholdings of All Directors

Effective Date: April 23, 2022

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

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

Total of outstanding common shares as of April 23, 2022: 397,818,126 shares

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

As of April 23, 2022, 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.