

Stock Code : 1307

Handbook for the 2023 Annual General Shareholders' Meeting



SAN FANG CHEMICAL INDUSTRY CO., LTD.

Notice to readers

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

Date: June 13, 2023

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



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I. Meeting Procedure

SAN FANG CHEMICAL INDUSTRY CO., LTD

2023 Annual General Shareholders' Meeting Procedure

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



II. Meeting Agenda

SAN FANG CHEMICAL INDUSTRY CO., LTD

2023 Annual General Shareholders' Meeting Agenda

Date and Time: June 13, 2023 (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)

1. Matters to Report

- (1) To report the business of 2022.
- (2) Audit Committee's review of 2022 audited Financial Statements.
- (3) To report on the 2022 Distribution of Employees' Compensation and Directors' Remuneration.
- (4) To report 2022 earnings distribution in cash dividends.

2. Ratifications:

- (1) To approve 2022 Business Report and Financial Statements.
- (2) To approve the proposal for distribution of 2022 earnings.

3. Extraordinary Motions

4. Meeting Adjournment



A 、 Report Items

Report Proposal 1

Proposal : 2022 Business and Financial Report.

Explanations : 2022 Business Report. (please refer to pages 7-10)

Report Proposal 2

Proposal : The Audit Committee's Review Report on the 2022 Financial Statements.

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

Report Proposal 3

Proposal : To report on the 2022 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\$575,227,806 in 2022. To consider employee benefits and peer levels and with Article 24 of the Articles of Incorporation. It is proposed that 3.703% and 2.049% of the profit, which is equal to NT\$22,600,000 and NT\$12,500,000 will be allocated as Employees' compensation and Directors' remuneration. The distribution shall be made in cash.

(3) After approved by 6th Meeting of 5th Term of Remuneration Committee , 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 2022 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\$ 318,254,501 to the shareholders according to their share ownership at NT\$0.8 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 2022 Business Report, Financial Statements

Proposed by the Board of Directors

Explanations : (1)The Audit Committee of the Company has reviewed the 2022 Business Report and The 2022 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 pages7-32). The 2022 Business Report and Financial Statements are hereby submitted for ratification.

Resolution:

Ratifications Proposal 2

Proposal : Ratification of the proposed 2022 profit distribution plan.

Proposed by the Board of Directors

Explanations : (1)The proposed 2022 profit distribution plan have been approved by 8th Meeting of 2th Term of Audit Committee and upon the approval of the Annual Meeting of Shareholders .

(2) The distribution table of surplus for 2022(please refer to page33) are hereby submitted for ratification.

Resolution:



C 、 Extraordinary Motions

D 、 Meeting Adjournment



Attachment A

SAN FANG CHEMICAL INDUSTRY CO., LTD.

2022 Business Report

I. Section#1 Introduction

The impact and challenges of changes in the global economic environment are becoming increasingly complex, looking back at the outbreak of COVID-19 in 2020, the logistical problems caused by COVID-19 in 2021 and the strict epidemic prevention measures implemented by governments, 2022 years The Ukraine-Russia war, the European energy problem and the US interest rate hike, the rapidly changing business environment caused great and challenges to the enterprise fortunately thanks to the rapid response ability of all team colleagues, as well as immediate and active adjustments through diversified production areas and full communication with customers, San Fang finally completed the customer's expectations for orders, but also won the trust of customers, in the business opportunities after the epidemic stabilized and the strategy of developing and growing together with customers, San Fang delivered excellent quality results in 2022 years.

At the beginning of 2022, in response to the strong terminal demand in the post-epidemic era and the unpredictable logistics time, major brands increased inventory due to the impact of the Chinese mainland epidemic prevention lockdown and supply chain blockages, resulting in a surge in brand inventory. From the second half of 2022, they implemented inventory removal and reduced procurement volume policies; The impact of brand inventory on the short-term operation of the footwear and apparel supply chain led to a slower growth curve of the Company's revenue in the fourth quarter compared with the previous three quarters, benefiting from the return of demand for artificial leather after the epidemic. The continuous growth of film products and the innovative development of the sporting goods market, coupled with the gradual decline in the price of major raw materials for the second half of the year, the exchange of profits has enabled the company to have excellent overall operating results.

In 2022, the company achieved consolidated after-tax net profit of NT\$470 million, after-tax net profit ratio of 4.4% and after-tax earnings per share of 1.18 dollars.



II. Section#2 Financial Performance

2.1 Business

Business Synthetic leather sales were NT10,156 million dollars, an increase of 29.8% over the previous year. Films' consolidated sales were NT381 million dollars, an increase of 20.8% over 2021. Consolidated sales of fibers were NT173 million dollars, an increase of 8.6% over 2021, and the combined sales of other homemade materials were NT54 million dollars. In 2022, consolidated operating income was NT10,764 million dollars.

2.2 Profit

The company's self-employed business revenue in 2022 was NT8,942 million dollars, an increase of 23.4% compared with 2021. The consolidated business revenue was NT10,764 million dollars, an increase of 28.4% compared with 2021. Net profit was NT 293 million dollars, an increase of 21.7% over the previous year, consolidated net profit after tax was NT 470 million dollars, an increase of 305.5% over the previous year.

III. Section#3 Prospect and Business Goal

Sustained inflation affects consumption momentum and accelerates the pace of interest rate hikes by central banks, resulting in changes in consumption patterns, customer order strategies also focus on diversification and diversification to improve risk management and control capabilities, the company flexibly adjusts countermeasures, strengthens the management of various functions and staff to show a new chapter of operation.

2023 Year Business Plan Description

(1) Deepen brand-customer relationships

Consolidate and enhance the cooperative relationship between the company and existing brand customers, make good use of core strengths and competitive advantages, from material development, technical support, process refinement, flexible production of diversified products, focus on higher-level extended services to benefit brand customers, commit to and follow the green sustainable production model and strive to become the preferred strategic partner of brand customers.



(2) Digital upgrades

1. In the development of film shoe materials, a number of intelligent equipment and processes are introduced to improve the stability of products and reduce the use of natural resources, combined with data collection, analysis and application, strengthen the ability to respond quickly and maximize manufacturing efficiency.
2. The epidemic drives consumer behavior from digitization, it continues to become the normal around the world in the post magazine era, the company has accelerated the integration of online channels into the overall sales structure, focused on design efficiency and accuracy in sample card design, established a sample card digital library, accelerated the marketing process through digitalization, and saved sample delivery costs.

(3) Accelerate the environmentally friendly manufacturing process

Major brands promote automated processing and environmentally friendly shoe upper materials, San Fang focuses on energy saving, reducing CO2 and chemical and wastewater emissions, and strongly increases the performance of recycled cotton products, and develops environmentally friendly and low - tier production of shoe materials.

Continue to improve the automation of green environmental protection processes, to reduce carbon emissions and combat the impact of green inflation.

(4) Capacity expansion

The company's new factory in Indonesia is expected to start mass production in the first quarter of 2024, strengthen production management through professional planning and technology transfer, improve the output efficiency of the Indonesian factory, establish a more complete overseas production base and promote the production mechanism between overseas subsidiary, and respond to the rapid changes in the market in real time.

Looking ahead, there are more uncertainties in the global economy. The financial performance of major customers is still affected by high costs and inventories, their operating direction and profitability. Be response to environmental changes and industry development



trends and brand marketing strategies, the company provides high rate quality, Rapid response to the market and the use of materials with high recycled content to enter the new era of environmental protection and high-end application market.

San Fang through the R&D and production of recycled fibers, advanced films and waterborne solvent-free artificial leather, San Fang success for launching the world's first water-based environmental protection football , which is a major breakthrough in the field of environmental protection. To create a differentiated business model to strengthen the supply chain capabilities of Vietnam and Indonesia, and become a production base with equal emphasis on quality, the management team will continue to work hard to lead all San Fang colleagues to develop new opportunities with new thinking and new wisdom, provide clean and high-quality material technology, and create a happy environment.

The domestic turnover and consolidated turnover targets set by the company in 2023 years are believed to be encouraged and encouraged by all shareholders and all colleagues will go all out to achieve this goal.

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, 2022 and 2021.

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, 2022 and 2021, as well as its consolidated financial performance and consolidated cash flow for the years ended December 31, 2022 and 2021.

Basis of Audit Opinion

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

Key Audit Matters

Key audit matters are the most important matters in the 2022 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 2022 consolidated financial statements of the San Fang Group are as follows:

Authenticity of sales revenue

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

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

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

Other Matters

San Fang Chemical Industry Co., Ltd. has prepared standalone financial statements for the years 2022 and 2021, on which we have issued an audit report containing an unqualified opinion for reference.

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

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

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

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



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

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

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

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



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

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

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

Among the matters we communicated with the governance department, we decided on key audit matters in the 2022 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
Approval No.

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

Securities and Futures Commission Approval
No.

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

March 9, 2023



San Fang Chemical Industry Co., Ltd. and Subsidiaries
Consolidated Balance Sheet
December 31, 2022 and 2021

Unit: Thousand NTD

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4 and 6)	\$ 4,830,365	31	\$ 3,689,330	25
1110	Current financial assets at fair value through profit or loss (Note 4 and 7)	94,324	1	102,669	1
1150	Notes receivable (Note 4 and 9)	14,387	-	11,070	-
1170	Net accounts receivable (Note 4 and 9)	1,089,221	7	963,544	7
1180	Accounts receivable – related parties (Note 4, 9 and 27)	273,712	2	300,928	2
1200	Other receivables (Note 4)	45,744	-	31,471	-
1220	Current income tax assets (Note 23)	61,392	1	46,132	-
130X	Inventories (Note 4, 5 and 10)	2,103,091	14	2,468,764	17
1410	Advance payments	206,217	1	201,649	1
1476	Other financial assets – current (Note 11)	337,810	2	527,143	4
1479	Other current assets	25,468	-	30,559	-
11XX	Total current assets	<u>9,081,731</u>	<u>59</u>	<u>8,373,259</u>	<u>57</u>
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income (Note 4 and 8)	75,175	-	74,142	-
1600	Property, plant and equipment (Note 4, 13 and 28)	4,886,692	32	5,270,711	36
1755	Right-of-use assets (Note 4 and 14)	159,085	1	158,595	1
1760	Investment properties (Note 4, 15 and 28)	110,056	1	110,923	1
1801	Computer software – net (Note 4)	17,880	-	27,868	-
1805	Goodwill (Note 4)	35,759	-	35,759	-
1840	Deferred income tax assets (Note 4, 5 and 23)	81,587	1	99,604	1
1915	Advance payments for land and equipment (Note 13)	327,426	2	23,258	-
1920	Refundable deposits	26,408	-	25,230	-
1980	Other financial assets – noncurrent (Note 11)	595,350	4	536,610	4
1990	Other non-current assets	2,901	-	4,158	-
15XX	Total non-current assets	<u>6,318,319</u>	<u>41</u>	<u>6,366,858</u>	<u>43</u>
1XXX	Total assets	<u>\$ 15,400,050</u>	<u>100</u>	<u>\$ 14,740,117</u>	<u>100</u>



Code	Liabilities and equity interests				
	Current liabilities				
2100	Short-term borrowing (Note 16 and 28)	\$ 1,540,000	10	\$ 1,380,000	9
2110	Short-term notes and bills payable (Note 16)	-	-	49,914	-
2130	Current contract liabilities (Note 4 and 21)	5,574	-	6,547	-
2170	Accounts payable (Note 17)	493,322	3	547,783	4
2219	Other payables (Note 18)	736,627	5	654,597	5
2230	Current income tax liabilities (Note 23)	132,214	1	108,540	1
2280	Current lease liabilities (Note 4 and 14)	5,060	-	7,220	-
2320	Current portion of long-term liabilities (Note 16 and 28)	929,000	6	739,000	5
2399	Other current liabilities	27,480	-	27,381	-
21XX	Total current liabilities	<u>3,869,277</u>	<u>25</u>	<u>3,520,982</u>	<u>24</u>
	Non-current liabilities				
2540	Long-term borrowings (Note 16 and 28)	1,919,000	12	2,398,000	16
2570	Deferred income tax liabilities (Note 4, 5 and 23)	1,024,106	7	1,025,102	7
2580	Non-current lease liabilities (Note 4 and 14)	2,955	-	5,989	-
2640	Net defined benefit liability – non-current (Note 4 and 19)	89,619	1	119,572	1
2645	Guarantee deposits received	12,795	-	19,412	-
25XX	Total non-current liabilities	<u>3,048,475</u>	<u>20</u>	<u>3,568,075</u>	<u>24</u>
2XXX	Total liabilities	<u>6,917,752</u>	<u>45</u>	<u>7,089,057</u>	<u>48</u>
	Equity attributable to owners of the Company (Note 20)				
3110	Capital stock – common	<u>3,978,181</u>	<u>26</u>	<u>3,978,181</u>	<u>27</u>
3200	Capital surplus	<u>145,330</u>	<u>1</u>	<u>142,438</u>	<u>1</u>
	Retained earnings				
3310	Legal reserve	1,488,728	10	1,477,569	10
3320	Special reserve	648,571	4	513,828	3
3350	Undistributed earnings	<u>2,320,928</u>	<u>15</u>	<u>2,187,615</u>	<u>15</u>
3300	Total retained earnings	<u>4,458,227</u>	<u>29</u>	<u>4,179,012</u>	<u>28</u>
3400	Other equity interest	(<u>99,440</u>)	(<u>1</u>)	(<u>648,571</u>)	(<u>4</u>)
3XXX	Total equity	<u>8,482,298</u>	<u>55</u>	<u>7,651,060</u>	<u>52</u>
	Total liabilities and equity interests	<u>\$ 15,400,050</u>	<u>100</u>	<u>\$ 14,740,117</u>	<u>100</u>

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

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



San Fang Chemical Industry Co., Ltd. and Subsidiaries

Consolidated Statement of Comprehensive Income

Years ended December 31, 2022 and 2021

Unit: Thousand NTD, EPS in NTD

Code			2022		2021	
			Amount	%	Amount	%
4000	Net operating revenues	(Note 4, 21 and 27)	\$ 10,763,499	100	\$ 8,384,007	100
5000	Operating costs	(Note 10 and 22)	<u>9,029,397</u>	<u>84</u>	<u>6,909,767</u>	<u>82</u>
5900	Operating margin		<u>1,734,102</u>	<u>16</u>	<u>1,474,240</u>	<u>18</u>
	Operating expenses	(Note 9 and 22)				
6100	Selling expenses		525,236	5	432,270	5
6200	Administrative expenses		612,360	5	515,947	6
6300	Research and development expenses		301,375	3	294,495	4
6450	Expected credit impairment loss (reversals of impairment losses)		<u>1,800</u>	<u>-</u>	(<u>9,471</u>)	<u>-</u>
6000	Total operating expenses		<u>1,440,771</u>	<u>13</u>	<u>1,233,241</u>	<u>15</u>
6900	Operating net profit		<u>293,331</u>	<u>3</u>	<u>240,999</u>	<u>3</u>
	Non-operating income and expenses	(Note 22)				
7100	Interest income		40,507	-	12,857	-
7010	Other income		91,878	1	62,447	1
7020	Other profits and losses		226,045	2	(121,802)	(1)
7050	Financial costs		(<u>56,464</u>)	<u>-</u>	(<u>48,153</u>)	(<u>1</u>)
7000	Total non-operating income and expenses		<u>301,966</u>	<u>3</u>	(<u>94,651</u>)	(<u>1</u>)
7900	Pre-tax profit		595,297	6	146,348	2
7950	Income tax expense	(Note 4 and 23)	<u>125,183</u>	<u>1</u>	<u>30,415</u>	<u>-</u>
8200	Net profit for the year		<u>470,114</u>	<u>5</u>	<u>115,933</u>	<u>2</u>

(Continued on the next page)



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Code		2022		2021	
		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)	\$ 9,253	-	(\$ 5,247)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Note 20)	1,033	-	17,494	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 23)	(1,243)	-	900	-
8310		<u>9,043</u>	<u>-</u>	<u>13,147</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)	<u>548,098</u>	<u>5</u>	(<u>152,237</u>)	(<u>2</u>)
8300	Other consolidated income (net income after tax)	<u>557,141</u>	<u>5</u>	(<u>139,090</u>)	(<u>2</u>)
8500	Total comprehensive income	<u>\$ 1,027,255</u>	<u>10</u>	(<u>\$ 23,157</u>)	<u>-</u>
8600	Profit attributable to:				
8610	Owners of the company	<u>\$ 470,114</u>	<u>4</u>	<u>\$ 115,933</u>	<u>1</u>
8700	Comprehensive income attributable to:				
8710	Owners of the company	<u>\$ 1,027,255</u>	<u>10</u>	(<u>\$ 23,157</u>)	<u>-</u>
	EPS (Note 24)				
9750	Basic	<u>\$ 1.18</u>		<u>\$ 0.29</u>	
9850	Diluted	<u>\$ 1.18</u>		<u>\$ 0.29</u>	

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

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



San Fang Chemical Industry Co., Ltd. and Subsidiaries
Consolidated Statement of Changes in Equity
Years ended December 31, 2022 and 2021

Unit: Thousand NTD

		Equity attributable to shareholders of the Company						Other equity interests		Total equity
Code		Capital stock – common	Capital surplus	Legal reserve	Retained earnings	Undistributed earnings	Exchange differences arising from the translation of the financial statements of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Subtotal	
A1	Balance as at January 1, 2021	<u>\$3,978,181</u>	<u>\$142,438</u>	<u>\$1,454,758</u>	<u>\$504,790</u>	<u>\$2,306,787</u>	<u>(\$524,649)</u>	<u>\$ 10,821</u>	<u>(\$513,828)</u>	<u>\$7,873,126</u>
	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	<u>3,978,181</u>	<u>142,438</u>	<u>1,477,569</u>	<u>513,828</u>	<u>2,187,615</u>	<u>(676,886)</u>	<u>28,315</u>	<u>(648,571)</u>	<u>7,651,060</u>
	Appropriation and distribution of 2021 earnings (Note 20)									
B1	Legal reserve	-	-	11,159	-	(11,159)	-	-	-	-
B3	Allocation to special reserve	-	-	-	134,743	(134,743)	-	-	-	-
B5	Cash dividends	-	-	-	-	(198,909)	-	-	-	(198,909)
		-	-	11,159	134,743	(344,811)	-	-	-	(198,909)
C17	Dividends not collected by shareholders before the deadline (Note 20)	-	2,892	-	-	-	-	-	-	2,892
D1	Net profit - 2022	-	-	-	-	470,114	-	-	-	470,114
D3	Other comprehensive income after tax - 2022	-	-	-	-	8,010	548,098	1,033	549,131	557,141
D5	Total comprehensive income - 2022	-	-	-	-	478,124	548,098	1,033	549,131	1,027,255
Z1	Balance as at December 31, 2022	<u>\$3,978,181</u>	<u>\$145,330</u>	<u>\$1,488,728</u>	<u>\$648,571</u>	<u>\$2,320,928</u>	<u>(\$128,788)</u>	<u>\$ 29,348</u>	<u>(\$ 99,440)</u>	<u>\$8,482,298</u>

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

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



San Fang Chemical Industry Co., Ltd. and Subsidiaries

Consolidated Cash Flow Statement

Years ended December 31, 2022 and 2021

Unit: Thousand NTD

Code		2022	2021
	Cash flow from operating activities		
A10000	Net profit before tax	\$ 595,297	\$ 146,348
A20010	Revenues and expenses		
A20100	Depreciation expense	721,035	745,598
A20200	Amortization expense	9,991	10,166
A20300	Expected credit impairment loss (reversals of impairment losses)	1,800	(9,471)
A20400	Net losses on financial liabilities at fair value through profit or loss	8,345	3,123
A20900	Financial costs	56,464	48,153
A21200	Interest income	(40,507)	(12,857)
A21300	Dividend income	(2,961)	(5,497)
A22500	Net losses on disposal of property, plant and equipment	84,540	112
A23700	Loss on inventory devaluation (gain on recovery)	(164,840)	102,829
A29900	Loss by fire	-	70,217
A29900	Loss on physical inventory	4,481	19,884
A29900	Other	1,257	(317)
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	(3,317)	9,775
A31150	Accounts receivable	(126,452)	(80,674)
A31160	Accounts receivable – related parties	27,216	(18,029)
A31180	Other receivables	(5,623)	9,160
A31200	Inventories	520,602	(1,031,444)
A31230	Advance payments	(4,568)	(54,704)
A31240	Other current assets	5,091	(16,643)
A32110	Financial liabilities held for trading	-	(7,900)
A32125	Contract liabilities	(973)	(14,809)
A32150	Accounts payable	(54,461)	(53,291)
A32180	Other payables	90,875	(19,589)
A32230	Other current liabilities	99	(21,857)
A32240	Net defined benefit liability	(20,700)	3,438
A33000	Cash generated (used) during operating activities	1,702,691	(281,014)
A33100	Interest received	30,899	12,857

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Code		2022	2021
A33200	Dividend received	\$ 2,961	\$ 5,497
A33300	Interest paid	(56,451)	(48,699)
A33500	Income tax paid	(100,991)	(173,747)
AAAA	Net cash inflow (outflow) from operating activities	<u>1,579,109</u>	<u>(485,106)</u>
	Cash flow from investing activities		
B02700	Acquisition of property, plant and equipment	(557,513)	(270,350)
B02800	Proceeds from disposal of property, plant and equipment	1,909	16,547
B03700	Increase in refundable deposits	(1,178)	(504)
B03800	Decrease in refundable deposits	-	215
B04500	Acquisition of intangible assets	-	(9,670)
B06500	Increase of other financial assets	-	(367,803)
B06600	Decrease of other financial assets	<u>130,593</u>	<u>-</u>
BBBB	Net cash outflow from investing activities	<u>(426,189)</u>	<u>(631,565)</u>
	Cash flow from financing activities		
C00100	Increase in short-term borrowings	5,870,000	5,503,400
C00200	Decrease in short-term borrowings	(5,710,000)	(5,573,400)
C00600	Decrease in short-term notes and bills payable	(50,000)	-
C01600	Increase in long-term borrowing	660,000	350,000
C01700	Repayment of long-term borrowing	(949,000)	(394,000)
C03000	Increase in guarantee deposits	-	4,934
C03100	Decrease in guarantee deposits received	(6,617)	(525)
C04020	Repayments of lease liabilities	(7,559)	(7,913)
C04500	Distribution of cash dividends	(198,909)	(198,909)
C09900	Returned unclaimed dividends	<u>2,892</u>	<u>-</u>
CCCC	Net cash outflow from financing activities	<u>(389,193)</u>	<u>(316,413)</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>377,308</u>	<u>(81,462)</u>
EEEE	Increase (decrease) in cash and cash equivalents	1,141,035	(1,514,546)
E00100	Cash and cash equivalents at beginning of period	<u>3,689,330</u>	<u>5,203,876</u>
E00200	Cash and cash equivalents at end of period	<u>\$4,830,365</u>	<u>\$3,689,330</u>

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

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



Independent Auditor's Report

To San Fang Chemical Industry Co., Ltd.:

Audit Opinion

We have audited the balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement, and notes to financial statements (including a summary of major accounting policies) of San Fang Chemical Industry Co., Ltd. (hereinafter referred to as the "Company") for the years ended December 31, 2022 and 2021.

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, 2022 and 2021, as well as its financial performance and cash flow for the years ended December 31, 2022 and 2021.

Basis of Audit Opinion

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

Key Audit Matters

Key audit matters are the most important matters in the 2022 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 2022 standalone financial statements of the Company are as follows:

Authenticity of sales revenue

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

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

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

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

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

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

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

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

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

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



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

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

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



Among the matters we communicated with the governance department, we decided on key audit matters in the 2022 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 9, 2023



San Fang Chemical Industry Co., Ltd.

Balance Sheet

December 31, 2022 and 2021

Unit: Thousand NTD

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4 and 6)	\$ 1,560,873	10	\$ 755,743	5
1110	Current financial assets at fair value through profit or loss (Note 4 and 7)	94,324	1	102,669	1
1150	Net notes receivable (Note 4 and 9)	14,387	-	11,009	-
1170	Net accounts receivable (Note 4 and 9)	704,915	5	588,967	4
1180	Net accounts receivable – related parties (Note 4, 9 and 27)	313,954	2	424,350	3
1200	Net other receivables (Note 4)	14,617	-	16,114	-
1210	Other receivables - related parties (Note 27)	223,527	1	206,101	2
130X	Inventories (Note 4, 5 and 10)	1,320,929	9	1,575,354	11
1410	Advance payments	84,600	1	128,359	1
1479	Other current assets	9,051	-	6,020	-
11XX	Total current assets	<u>4,341,177</u>	<u>29</u>	<u>3,814,686</u>	<u>27</u>
	Non-current assets				
1517	Non-current financial assets at fair value through other comprehensive income (Note 4 and 8)	57,215	-	57,013	-
1550	Investments recognized under the equity method (Note 4 and 12)	6,701,060	45	6,233,271	44
1600	Property, plant and equipment (Note 4, 13 and 28)	3,035,110	20	3,361,825	23
1755	Right-of-use assets (Note 4 and 14)	6,650	-	9,417	-
1760	Investment properties (Note 4, 15 and 28)	110,056	1	110,923	1
1801	Computer software – net (Note 4)	17,301	-	27,118	-
1840	Deferred income tax assets (Note 4 and 23)	81,172	1	94,360	1
1915	Advance payments for equipment	10,873	-	10,464	-
1920	Refundable deposits	12,782	-	12,782	-
1980	Other financial assets – noncurrent (Note 4 and 11)	595,350	4	536,610	4
15XX	Total non-current assets	<u>10,627,569</u>	<u>71</u>	<u>10,453,783</u>	<u>73</u>
1XXX	Total assets	<u>\$ 14,968,746</u>	<u>100</u>	<u>\$ 14,268,469</u>	<u>100</u>



Code	Liabilities and equity interests				
	Current liabilities				
2100	Short-term borrowing (Note 16 and 28)	\$ 1,530,000	10	\$ 1,370,000	10
2110	Short-term notes and bills payable (Note 16)	-	-	49,914	-
2130	Current contract liabilities (Note 4 and 21)	2,558	-	2,215	-
2170	Accounts payable (Note 17)	459,103	3	496,345	4
2180	Accounts payable - related parties (Note 17 and 27)	28,138	-	16,153	-
2219	Other payables (Note 18)	327,605	2	275,818	2
2220	Other payables - related parties (Note 18 and 27)	88,144	1	64,061	-
2230	Current income tax liabilities (Note 23)	106,765	1	90,411	1
2280	Current lease liabilities (Note 4 and 14)	3,838	-	4,818	-
2320	Current portion of long-term liabilities (Note 16 and 28)	915,000	6	725,000	5
2399	Other current liabilities	19,956	-	22,824	-
21XX	Total current liabilities	<u>3,481,107</u>	<u>23</u>	<u>3,117,559</u>	<u>22</u>
	Non-current liabilities				
2540	Long-term borrowings (Note 16 and 28)	1,900,000	13	2,365,000	16
2570	Deferred income tax liabilities (Note 4, 5 and 23)	1,024,106	7	1,025,101	7
2580	Non-current lease liabilities (Note 4 and 14)	2,829	-	4,641	-
2640	Net defined benefit liability (Note 4 and 19)	74,388	-	96,596	1
2645	Guarantee deposits received	4,018	-	8,512	-
25XX	Total non-current liabilities	<u>3,005,341</u>	<u>20</u>	<u>3,499,850</u>	<u>24</u>
2XXX	Total liabilities	<u>6,486,448</u>	<u>43</u>	<u>6,617,409</u>	<u>46</u>
	Equity (Note 20)				
3110	Capital stock – common	3,978,181	27	3,978,181	28
3200	Capital surplus	<u>145,330</u>	<u>1</u>	<u>142,438</u>	<u>1</u>
	Retained earnings				
3310	Legal reserve	1,488,728	10	1,477,569	10
3320	Special reserve	648,571	4	513,828	4
3350	Undistributed earnings	<u>2,320,928</u>	<u>16</u>	<u>2,187,615</u>	<u>15</u>
3300	Total retained earnings	<u>4,458,227</u>	<u>30</u>	<u>4,179,012</u>	<u>29</u>
3400	Other equity interest	(99,440)	(1)	(648,571)	(4)
3XXX	Total equity	<u>8,482,298</u>	<u>57</u>	<u>7,651,060</u>	<u>54</u>
	Total liabilities and equity interests	<u>\$ 14,968,746</u>	<u>100</u>	<u>\$ 14,268,469</u>	<u>100</u>

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

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



San Fang Chemical Industry Co., Ltd.
Statement of Comprehensive Income
Years ended December 31, 2022 and 2021

Unit: Thousand NTD, EPS in NTD

Code			2022		2021	
			Amount	%	Amount	%
4000	Net operating revenues	(Note 4, 21 and 27)	\$ 8,941,654	100	\$ 7,248,812	100
5000	Operating costs	(Note 10, 22 and 27)	<u>7,669,714</u>	<u>86</u>	<u>6,159,080</u>	<u>85</u>
5900	Operating margin		1,271,940	14	1,089,732	15
5910	Unrealized gains from subsidiaries		(<u>49,165</u>)	<u>-</u>	(<u>63,811</u>)	(<u>1</u>)
5950	Realized operating margin		<u>1,222,775</u>	<u>14</u>	<u>1,025,921</u>	<u>14</u>
	Operating expenses	(Note 9 and 22)				
6100	Selling expenses		296,265	3	233,486	3
6200	Administrative expenses		320,523	4	258,877	4
6300	Research and development expenses		227,555	3	221,952	3
6450	Expected credit impairment loss (reversals of impairment losses)		<u>1,836</u>	<u>-</u>	(<u>1,011</u>)	<u>-</u>
6000	Total operating expenses		<u>846,179</u>	<u>10</u>	<u>713,304</u>	<u>10</u>
6900	Operating net profit		<u>376,596</u>	<u>4</u>	<u>312,617</u>	<u>4</u>
	Non-operating income and expenses	(Note 22 and 27)				
7100	Interest income		10,357	-	907	-
7010	Other income		83,565	1	86,460	1
7020	Other profits and losses		183,405	2	(111,575)	(1)
7050	Financial costs		(55,692)	(1)	(47,247)	(1)
7070	Share of profits (losses) of subsidiaries accounted for using equity method		(<u>23,003</u>)	<u>-</u>	(<u>91,149</u>)	(<u>1</u>)
7000	Total non-operating income and expenses		<u>198,632</u>	<u>2</u>	(<u>162,604</u>)	(<u>2</u>)
7900	Pre-tax profit		575,228	6	150,013	2

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Code		2022		2021	
		Amount	%	Amount	%
7950	Income tax expense (Note 4 and 23)	\$ 105,114	1	\$ 34,080	-
8200	Net profit for the year	470,114	5	115,933	2
	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)	6,215	-	(4,501)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Note 20)	202	-	12,802	-
8330	Share of other comprehensive income of subsidiaries accounted for using equity method	3,869	-	3,946	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 23)	(1,243)	-	900	-
8310		9,043	-	13,147	-
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)	548,098	6	(152,237)	(2)
8300	Other consolidated income (net income after tax)	557,141	6	(139,090)	(2)
8500	Total comprehensive income	\$ 1,027,255	11	(\$ 23,157)	-
	EPS (Note 24)				
9710	Basic	\$ 1.18		\$ 0.29	
9810	Diluted	\$ 1.18		\$ 0.29	

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

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



San Fang Chemical Industry Co., Ltd.
Statement of Changes in Equity
Years ended December 31, 2022 and 2021

Unit: Thousand 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) from financial assets measured at fair value through other comprehensive income		
A1	Balance as at January 1, 2021	<u>\$3,978,181</u>	<u>\$142,438</u>	<u>\$1,454,758</u>	<u>\$504,790</u>	<u>\$2,306,787</u>	(\$524,649)	<u>\$ 10,821</u>	(\$513,828)	<u>\$7,873,126</u>
	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)
		-	-	<u>22,811</u>	<u>9,038</u>	(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	<u>3,978,181</u>	<u>142,438</u>	<u>1,477,569</u>	<u>513,828</u>	<u>2,187,615</u>	(676,886)	<u>28,315</u>	(648,571)	<u>7,651,060</u>
	Appropriation and distribution of 2021 earnings (Note 20)									
B1	Legal reserve	-	-	11,159	-	(11,159)	-	-	-	-
B3	Allocation to special reserve	-	-	-	134,743	(134,743)	-	-	-	-
B5	Cash dividends	-	-	-	-	(198,909)	-	-	-	(198,909)
		-	-	<u>11,159</u>	<u>134,743</u>	(344,811)	-	-	-	(198,909)
C17	Dividends not collected by shareholders before the deadline	-	2,892	-	-	-	-	-	-	2,892
D1	Net profit - 2022	-	-	-	-	470,114	-	-	-	470,114
D3	Other comprehensive income after tax - 2022	-	-	-	-	8,010	548,098	1,033	549,131	557,141
D5	Total comprehensive income - 2022	-	-	-	-	478,124	548,098	1,033	549,131	1,027,255
Z1	Balance as at December 31, 2022	<u>\$3,978,181</u>	<u>\$145,330</u>	<u>\$1,488,728</u>	<u>\$648,571</u>	<u>\$2,320,928</u>	(\$128,788)	<u>\$ 29,348</u>	(\$ 99,440)	<u>\$8,482,298</u>

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

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



San Fang Chemical Industry Co., Ltd.
Cash Flow Statement
Years ended December 31, 2022 and 2021

		Unit: Thousand NTD	
Code		2022	2021
	Cash flow from operating activities		
A10000	Net profit before tax	\$ 575,228	\$ 150,013
A20010	Revenues and expenses		
A20100	Depreciation expense	367,427	397,020
A20200	Amortization expense	9,817	9,993
A20300	Expected credit impairment loss (reversals of impairment losses)	1,836	(1,011)
A20400	Net losses on financial liabilities at fair value through profit or loss	8,345	3,123
A20900	Financial costs	55,692	47,247
A21200	Interest income	(10,357)	(907)
A21300	Dividend income	(2,300)	(4,010)
A22400	Share of profits (losses) of subsidiaries accounted for using equity method	23,003	91,149
A22500	Net losses on disposal of property, plant and equipment	84,840	2,232
A23700	Loss on inventory devaluation (gain on recovery)	(104,781)	19,884
A24100	Unrealized gains from subsidiaries	49,165	63,811
A29900	Loss (profit) on physical inventory	(595)	10,185
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	(3,378)	9,836
A31150	Accounts receivable	(116,826)	(35,456)
A31160	Accounts receivable – related parties	110,396	(103,061)
A31180	Other receivables	1,451	(5,196)
A31190	Other receivables - related parties	82,574	(74,517)
A31200	Inventories	359,801	(449,323)
A31230	Advance payments	43,759	43,891
A31240	Other current assets	(3,031)	1,147
A32110	Financial liabilities held for trading	-	(7,900)
A32125	Contract liabilities	343	(15,199)
A32150	Accounts payable	(37,242)	(58,592)
A32160	Accounts payable - related parties	11,985	502
A32180	Other payables	55,762	(46,518)
A32190	Other payables - related parties	24,083	64,061

(Continued on the next page)



(Continued from the previous page)

Code		2022	2021
A32230	Other current liabilities	(\$ 2,868)	(\$ 18,603)
A32240	Net defined benefit liability	(15,993)	(70)
A33000	Cash generated from operating activities	1,568,136	61,213
A33100	Interest received	9,445	907
A33200	Dividend received	14,310	859,110
A33300	Interest paid	(55,620)	(47,778)
A33500	Income tax paid	(77,810)	(97,011)
AAAA	Net cash inflow from operating activities	<u>1,458,461</u>	<u>776,441</u>
	Cash flow from investing activities		
B02700	Acquisition of property, plant and equipment	(124,208)	(149,499)
B04300	Other receivables - increase of related parties	(100,000)	-
B02800	Proceeds from disposal of property, plant and equipment	285	9,672
B04500	Acquisition of intangible assets	-	(9,670)
B06500	Increase of other financial assets	(58,740)	(536,610)
BBBB	Net cash outflow from investing activities	<u>(282,663)</u>	<u>(686,107)</u>
	Cash flow from financing activities		
C00100	Increase in short-term borrowings	5,830,000	5,463,400
C00200	Decrease in short-term borrowings	(5,670,000)	(5,533,400)
C00600	Decrease in short-term notes and bills payable	(50,000)	-
C01600	Increase in long-term borrowing	660,000	350,000
C01700	Repayment of long-term borrowing	(935,000)	(380,000)
C03000	Increase in guarantee deposits	-	4,934
C03100	Decrease in guarantee deposits received	(4,494)	-
C04020	Repayments of lease liabilities	(5,157)	(5,849)
C04500	Distribution of cash dividends	(198,909)	(198,909)
C09900	Returned unclaimed dividends	2,892	-
CCCC	Net cash outflow from financing activities	<u>(370,668)</u>	<u>(299,824)</u>
EEEE	Increase (decrease) in cash and cash equivalents	805,130	(209,490)
E00100	Cash and cash equivalents at beginning of period	<u>755,743</u>	<u>965,233</u>
E00200	Cash and cash equivalents at end of period	<u>\$1,560,873</u>	<u>\$ 755,743</u>

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

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




Attachment B

SAN FANG CHEMICAL INDUSTRY CO., LTD.


2022 Earnings Distribution Table

Unit:NTD	
Item	Amount
Beginning unappropriated retained earnings	\$1,842,804,467
Add: Post-tax net income for the Current Year	\$470,113,822
Add: Remeasurement of defined benefit plans recognized in retained earnings	8,010,412
Net income after tax for the current period and other profit items included in undistributed earnings in the current year	478,124,234
Subtract: legal reserve (net income after tax 10%)	(47,812,423)
Subtract: Reversal of special reserve	143,781,132
Retained earnings available for distribution in this period	2,416,897,410
Distribution items :	
Shareholders' dividend - cash dividend (NT\$ 0.8 per share)	(318,254,501)
Unappropriated retained earnings	2,098,642,909

Remark: The Shareholders' cash dividend was distributed at 2022 surplus of \$318,254,501

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 2022 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:

2023 Annual General Shareholders' Meeting of SAN FANG CHEMICAL CO., LTD.

Audit Committee convener: : Wan-Lin, Hsu

Date : March 11, 2023



Appendix A

SAN FANG CHEMICAL INDUSTRY CO., LTD.

Rules of Procedure for Shareholders Meetings

2022.06.21

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

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

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

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

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

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

6. 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, the chair shall declare the meeting adjourned. In the event of a virtual shareholders meeting, this Company shall also declare the meeting adjourned on the virtual meeting platform.

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

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

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

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

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

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

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor. The chair shall stop any violation.

11. Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

Where a virtual shareholders meeting is convened, shareholders attending the virtual meeting online may raise questions in writing on the virtual meeting platform from the chair declaring the meeting open until the chair declares the meeting adjourned. No more than two questions for the same proposal may be raised. Each question shall contain no more than 200 words. Provisions not applicable to the preceding article and the two preceding paragraphs of this article.

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



the meeting.

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

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

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

18. When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected and no further voting shall be required.
19. The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."
20. On the day of a shareholders meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation, the number of shares represented by proxies and the number of shares represented by shareholders attending the meeting by correspondence or electronic means, and shall make an express disclosure of the same at the place of the shareholders meeting. In the event of a virtual shareholders meeting, the Company shall upload the above meeting materials to the virtual meeting platform at least 30 minutes before the meeting starts, and keep this information disclosed until the end of the meeting.

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

21. In the event of a virtual shareholders meeting, if the virtual meeting platform or participation in the virtual



meeting is obstructed due to natural disasters, accidents or other force majeure events before the chair has announced the meeting adjourned, and the obstruction continues for more than 30 minutes, the meeting shall be postponed to or resumed on another date within five days, in which case Article 182 of the Company Act shall not apply.

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

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

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

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

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



Appendix B

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

Section I General Provisions

Article1

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

Article2

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

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

Article2-1

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

Article3

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

Article4

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

Section II Shares

Article5

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

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



Article5-1

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

Article6

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

Article6-1

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

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

Article 7

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

Article 8

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

Section III Shareholders' Meeting

Article 9

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

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

Article 10

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

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



Article 11

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

Article 12

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

Article 13

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

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

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

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

Section IV Directors

Article 14

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

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

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.



Article17

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

Article17-1

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

Article18

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

Article19

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

Article20

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

Article21

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

Section V Staff

Article22

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



Section VI Accounting

Article23

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

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

Article24

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

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

Article24-1

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

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

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

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

Section VII Supplementary Provisions

Article25

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

Article26

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



Article27

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



Appendix C

SAN FANG CHEMICAL INDUSTRY CO., LTD.

Shareholdings of All Directors

Effective Date: April 15, 2023

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

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

Total of outstanding common shares as of April 15, 2023: 397,818,126 shares

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

As of April 15, 2023, 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.