

Stock Code: 4303



Hsin-Li Chemical Industrial Corp.

2024 Annual Report

Published on March 31, 2025

This annual report is available on <http://mops.twse.com.tw>
<http://www.hsinli.com.tw/>

- ◎ Name, job title, contact number, and email of the spokesperson and the acting spokesperson:
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- ◎ Name, address, website, and telephone number of the share registrar agency:
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Website: https://ecorp.ctbcbank.com/cts/_index_pro.jsp

- ◎ Name of CPAs and name, address, website, and telephone number of the accounting firm for the most recent year's financial statements:
Name of CPAs: Hsu, Chen-Lung and Kao, Yu-Lun
Name of Accounting Firm: KPMG Taiwan
Address: 12F-6, No. 211, Zhongzheng 4th Rd., Qianjin Dist., Kaohsiung City
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Website: <http://kpmg.com/tw>

- ◎ Name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities: None.

- ◎ Company website: <http://www.hsinli.com.tw/>

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Chapter ILetter to Shareholders

Dear Shareholders,

Thanks to the support and encouragement of all shareholders, the company’s revenue increased by 131.21% compared to fiscal year 2023, due to the acquisition of Pony Leather Corporation. The company will continue to adjust its production and sales strategies, which will help reduce operating costs and expenses, allowing operating profit to remain profitable.

Together, with all our employees, we will enhance our efforts in research and development, innovation, and brand marketing to increase the added value of our products. We need your continuous support and encouragement. The Company’s 2024 operating performance and 2025 business plan are specified below:

I. 2024 business report:

1. The business plan implementation results

In fiscal year 2024, operating revenue was NT\$373,927 thousand, and net income after tax was NT\$814,176 thousand, with earnings per share of NT\$10.62. Compared to fiscal year 2023, operating revenue increased by 131.21%, while operating profit decreased by 145.40%.

2. Budget implementation:

Not applicable as the Company did not publish financial forecast for 2024

3. Analysis on financial income and expense and profitability:

(1) Financial income

Unit: NT\$ thousand				
Item	2023	2024	Increase (decrease) in amount	Increase (decrease) (%)
Operating revenue	161,724	373,927	212,203	131.21%
Operating costs	152,605	330,167	177,562	116.35%
Net operating income	(30,121)	(73,917)	(43,796)	-145.40%
Net income for this period	123,459	814,176	690,717	559.47%

(2) Analysis of profitability

Item	2023 %	2024 %
Return on assets	9%	34%
Return on equity	13%	52%
Operating income as a percentage of paid-in capital	-4%	-9%
Net income before tax as a percentage of paid-in capital	18%	104%
Profit margin	77%	218%
Earnings per share (NTD)	1.83	10.62

4. Research and development (R&D):

(1) New product development

In addition to the existing products, we are developing green products, processing products without solvent and using recycled base fabrics in accordance with environmental protection requirements, applying for international GRS certification, and continuing to plan

for obtaining international quality certification, while actively striving for international brands to come on-site for verification.

In addition, we will develop water-based and environmentally friendly high-foaming PU to replace wet peeling. It is expected to significantly reduce the use of solvent, reduce environmental pollution, save environmental protection expenses, reduce costs, and increase competitiveness.

(2) Improvement to R&D capability and product expansion

Based on existing products, deepen the market, strengthen the integration of upstream and downstream, merge with other companies, expand market share, and share resources. We also cooperate with other industries to develop compound environmental protection products, jointly develop the international market, research and develop to improve the usage of products, and build the growth momentum of the Company.

II. Summary of the 2024 business plan

1. Business policy

- (1) Form strategic alliances with competitors to cut costs and increase gross profit.
- (2) Optimize human resources and reinforce the overall management system to improve the internal motivation for profits.
- (3) Make good use of our assets to increase the Company's profits.
- (4) Integrate upstream and downstream players to accelerate the verification process of new products.
- (5) Respond to international brands' needs and work with raw material manufacturers to develop recycled products.
- (6) Keep abreast of the development trends of market products and actively develop new products in different fields.
- (7) Strengthen target management to reduce inventories and increase inventory turnover.

2. Estimated sales volume

PVC plastic skin for 200,000 sizes and PU synthetic skin for 8 million sizes.

3. Important production and marketing policies

(1) Production

Increases PVC products with high physical properties of polymer and high softness and satisfy top international clients' more needs.

(2) Marketing

Speed up the upstream and downstream integration process, go all out to meet clients' needs with our specialties and work with them at the same time, and avoid the vicious cycle of competition.

4. The Company's development strategies

- (1) Commit to Taiwan, integrate with international markets, and strengthen fundamentals.
- (2) Develop new customers and environmentally friendly products.
- (3) Plan upstream and downstream integration, shorten development period, and enhance competitiveness.

5. The subsidiary, Pony, focuses on the production of PU synthetic leather and genuine leather

lamination products, especially the R&D and production of high-performance environmental protection materials. Strong synergy in product line and market expansion.

Through strategic vertical integration with the parent company, Yongjie, and the subsidiary, Pony Leather, we hope to build the largest PVC, PU synthetic skin and dermis lamination industry in Taiwan.

III Future Development Strategies and the Impact of External Competition, Regulatory Environment, and Overall Business Conditions

For many years, Hsin Li Company has continuously invested in research, development, and technological resources, focusing on innovation within the green and low-carbon industry supply chain. In response to the global trend toward green sustainability, the company continues to strengthen its R&D in eco-friendly materials, committed to building a product system that is low-carbon, non-toxic, and recyclable.

Looking ahead to 2025, adjustments in U.S. tariff policies have heightened uncertainties in international trade, while escalating geopolitical conflicts further increase the risks of supply chain disruptions and cost pressures, posing significant challenges to the global economy. Against this backdrop, only by embracing ESG practices and the net-zero transition, proactively expanding opportunities in the green energy market, and establishing a presence in emerging markets, can the company ensure stable revenue growth.

The company aspires to make “green sustainability” its core competitiveness and has officially announced its commitment to achieving net-zero emissions. Through concrete actions to promote the 2050 carbon neutrality plan, it will continue to focus on long-term sustainable development, embedding ESG strategies into the corporate culture. This approach not only aligns with market trends and customer demands but also aims to secure a solid competitive advantage, achieving co-prosperity for both the company and society. Looking to the future, the company will remain dedicated to sustainable operations, implementing sound corporate governance practices, creating a sustainable workplace for employees, delivering high-performance products and solutions aligned with ESG principles for customers, and generating long-term value for shareholders.

Finally, I would like to express my sincere gratitude toward all our shareholders, directors, and all employees, and wish you and your family good health, happiness, and all the best.

Chairperson: Chang, Yu-Ming



Chapter II Corporate Governance Report

I. Information on Directors, the President, Vice Presidents, Assistant Vice Presidents, and the heads of various departments and branches

(I) Information on directors (1)

Date: March 25, 2025

Job title	Nationality	Name	Gender/Age	Date elected	Term of office	Date first elected	Number of shares held when elected		Number of shares currently held		Current shareholding of spouse or minor children		Shareholding in the name of others		Major education and experience	Concurrent positions at the Company or other companies	Spouse or relatives within second degree of kinship who are other officers, directors, or supervisors of the Company			Remarks
							Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding			Job title	Name	Relations	
Chairman	R.O.C.	Jing Hong Ltd.	Male 51–60 years old	2024.5.27	3	2024.5.27	10,000	0.01%	10,000	0.01%	-	-	-	-	Master of Business Administration, National Taiwan University	Chairman of Sun Yad Construction Co., Ltd. Chairperson of U-Best Innovative Technology Co., Ltd. Chairperson of FEEI CHERNG DEVELOP TECHNOLOGY CO., LTD. Chairperson of Myson Century, Inc.	None	None	None	None
		Representative: Chang, Yu-Ming					-	-	-	-	-	-	-	-						
Director	R.O.C.	Jing Hong Ltd.	Male 61–70 years old	2024.5.27	3	2024.5.27	10,000	0.01%	10,000	0.01%	-	-	-	-	National Sinying Senior High School Business Executive, Chunghwa Telecom Co., Ltd. Representative of the director, Sun Yad Construction Co., Ltd.	None	None	None	None	None
		Representative: Chao, Tien-Tsung					-	-	-	-	-	-	-	-						

Job title	Nationality	Name	Gender/Age	Date elected	Term of office	Date first elected	Number of shares held when elected		Number of shares currently held		Current shareholding of spouse or minor children		Shareholding in the name of others		Major education and experience	Concurrent positions at the Company or other companies	Spouse or relatives within second degree of kinship who are other officers, directors, or supervisors of the Company			Remarks
							Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding			Job title	Name	Relations	
Director	R.O.C.	U-Best Innovative Technology Co., Ltd.	Male 51–60 years old	2024.5.27	3	2015.6.24	10,180,219	13.06%	9,850,219	12.49%			-	-	Feng Chia University President of BOROMI OPTRONICS CORP. Assistant VP of Optoelectronics Business Group, Sun Yad Construction Co., Ltd. President and Director of U-Best Innovative Technology Co., Ltd.	President and Director of U-Best Innovative Technology Co., Ltd.				None
		Representative: Huang, Nan-Hao					-	-	-	-	-	-	-	-			None	None	None	
Director	R.O.C.	U-Best Innovative Technology Co., Ltd.	Male 41–50 years old	2024.5.27	3	2015.6.24	10,180,219	13.06%	9,850,219	12.49%	-	-	-	-	Department of Industrial Management, University of Kang Ning Project Associate Manager at President's Office of U-Best Innovative Technology Co., Ltd. Special Assistant to the President of Boromi Optronics Corp. Factory Manager of Kangwei Technology Co., Ltd. Production Manager of PONTEx POLYBLEND CO., LTD. (Wujiang) Section Chief of Helix Technology Inc.	President, Hsin-Li Chemical Industrial Corp.				None
		Representative: Cheng, Yu-Tang					-	-	-	-	-	-	-	-			None	None	None	
Director	R.O.C.	Lin, Ching-Lung (Note 1)	Male 71–80 years old	2021.7.8	3	2000.6.17	2,667,192	3.81%	-	-	-	-	-	-	Master of Business Administration, University of Oklahoma The Company's former Chairperson		None	None	None	None

Job title	Nationality	Name	Gender/Age	Date elected	Term of office	Date first elected	Number of shares held when elected		Number of shares currently held		Current shareholding of spouse or minor children		Shareholding in the name of others		Major education and experience	Concurrent positions at the Company or other companies	Spouse or relatives within second degree of kinship who are other officers, directors, or supervisors of the Company			Remarks
							Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding			Job title	Name	Relations	
Director	R.O.C.	Wu, Yi-Jen (Note 1)	Male 71–80 years old	2021.7.8	3	1997.6.21	1,670,354	2.39%	-	-	-	-	-	-	Master of Business Administration, John F. Kennedy University		None	None	None	None
Independent Director	R.O.C.	Wu, Chang-Cheng (Note 2)	Male 51–60 years old	2021.7.8	3	2015.6.24	-	-	-	-	-	-	-	-	MS/PhD of Institute of Electronics, National Chiao Tung University EMBA of National Chiao Tung University President of TrueLight Corporation President of InveStar Holdings Inc. President/Chairperson of uSenlight Corporation President of FORMERICA OPTOELECTRONICS INC.	Vice President of BIZLINK INTERNATIONAL CORPORATION and President of OptiWorks Inc. Director of SINGULAR WINGS MEDICAL CO., LTD.	None	None	None	None
Independent Director	R.O.C.	Hsu, Chi-Jeng	Female 41–50 years old	2024.5.27	3	2021.7.8	-	-	-	-	-	-	-	-	Department of Accounting, Tainan University of Technology Assistant Vice President of Underwriting Department, Firstrade Securities Inc.	Special Assistant to the President, Chi Mei Automotive Electronics Co., Ltd. Independent Director, FORMOSA OILSEED PROCESSING CO.,LTD	None	None	None	None
Independent Director	R.O.C.	Huang, Ling-Tien	Female 51–60 years old	2024.5.27	3	2023.5.26	-	-	-	-	-	-	-	-	MBA of University of Leicester, UK National Yang Ming Chiao Tung University EMBA Vice President of Human Resources and Administration Center, ProLogium Technology Head of Human Resources Division, Win Semiconductors Corp.	Chief HR Officer of Spirox Corporation Independent Director of Sun Yad Construction Co., Ltd.	None	None	None	None

Job title	Nationality	Name	Gender/Age	Date elected	Term of office	Date first elected	Number of shares held when elected		Number of shares currently held		Current shareholding of spouse or minor children		Shareholding in the name of others		Major education and experience	Concurrent positions at the Company or other companies	Spouse or relatives within second degree of kinship who are other officers, directors, or supervisors of the Company			Remarks
							Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding			Job title	Name	Relations	
Independent Director	R.O.C.	Huang, Hsiu-Hui	Female 51–60 years old	2024.5.27	3	2024.5.27	2,000	0.003%	3,000	0.004%	-	-	-	-	EMBA of Fudan University Former Director of a TWSE-listed company, now renamed as RUN LONG CONSTRUCTION CO., LTD. Former Director of the TWSE-Listed company – SKB Group BHD (Malaysia) Former Global Vice President of The Chinese Women's Business Association	NTU EMBA Alumni Foundation - Vice CEO Vice President of Deep01 Limited Public Relations Manager, North District, Industrial and Commercial Development Research Association of the Republic of China	None	None	None	None

Note 1: Wu, Yi-Jen and Lin, Ching-Long resigned as directors on February 6, 2024.

Note 2: Independent Director Wu, Chang-Cheng was discharged from the position of Independent Director on May 27, 2024.

Major shareholders of corporate shareholders

March 31, 2025

Name of corporate shareholder	Major shareholders of corporate shareholders	
	Name of shareholder	Shareholding percentage
Jing Hong Ltd.	Chang, Hui-Feng	40%
	Chang, Yu-Ming	10%
	Chang, Pai-Hung	25%
	Chang, Jen-Wei	25%
U-Best Innovative Technology Co., Ltd.	Sun Yad Construction Co., Ltd.	12.64%
	Tseng, Chun-Jung	1.08%
	Lin, Cheng-Chuan	0.82%
	Chen, Su-Ling	0.78%
	Tui-Yu, Tseng Chen	0.44%
	Investment account of Barclay Capital SBL/PB under the custody of Citibank	0.40%
	Chen, Chia-Hung	0.39%
	Yeh, Lun-Yin	0.38%
	Ou, Shu-Chuan	0.37%
	Fan, Zuo-Sheng	0.34%

Major shareholders of major institutional shareholders

March 31, 2025

Name of corporate shareholder	Major shareholders of corporate shareholders	
	Name of shareholder	Shareholding percentage
Sun Yad Construction Co., Ltd.	U-Best Innovative Technology Co., Ltd.	5.44%
	He Rui Investment Ltd.	1.42%
	Kao, Jung-Te	1.35%
	Voyage Investment Limited	1.31%
	Shih, Sheng-Chang	1.09%
	Investment account of Barclay Capital SBL/PB under the custody of Citibank	1.04%
	Jing Hong Ltd.	0.71%
	Yang, Wen-Ching	0.54%
	SinoPac Bank in custody for San Dong Investment Co., Ltd. Investment Account	0.47%
	Investment Account of J.P. Morgan Securities Ltd. Custodied by JPMorgan Chase Bank, N.A.	0.42%

Information on directors (2)

I. Disclosure of directors' professional qualifications and independent directors' independence:

Qualifications Name	Professional qualification and experience (Note 1)	Independence (Note 2)	Number of other public companies where the individual serves as an independent director concurrently
Chairman: Chang, Yu-Ming Representative of Jing Hong Ltd.	1. Master of Business Administration, National Taiwan University 2. Specialized in technology entrepreneurship, business management and practices in the technology industry, start-up business operation planning, and venture investment. Possesses extensive practical experience, strategic management, leadership, and academic capabilities. With over 20 years of experience focusing on business management in the petrochemical and construction industries, he/she also has expertise in finance and accounting, business, marketing, as well as operational planning, management, and practical skills related to the technology industry, thereby contributing professional knowledge in corporate governance and management. 3. Not under any of the circumstances mentioned in Article 30 of the Company Act.	1. Concurrently serves as Director and Chairman of Sun-Yao Construction & Development Co., Ltd., a corporate director of the Company. 2. Concurrently serves as Director of the Company's affiliated enterprises. 3. Otherwise complies with the independence requirements set forth in Article 3, Paragraph 1 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the Financial Supervisory Commission.	None
Director: Chao, Tien-Tsung Representative of Jing Hong Ltd.	1. National Sinying Senior High School. Formerly served as the representative of a corporate director of the Company's affiliated enterprises, providing relevant business and management advice, and possesses expertise in business, marketing, and industrial technology. 2. Former Business Executive, Chunghwa Telecom Co., Ltd. 3. Not under any of the circumstances mentioned in Article 30 of the Company Act.	Complies with the independence requirements set forth in Article 3, Paragraph 1 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the Financial Supervisory Commission.	None
Director: Huang, Nan-Hao Representative of U-Best Innovative Technology Co., Ltd.	1. Feng Chia University. Specialized in business and strategic management in the optoelectronics and technology industries. In the capacity of a managerial role within the Board of Directors, engages in strategic communication and interaction with all directors regarding business and management matters, provides relevant management advice, and possesses expertise in business, marketing, and industrial technology. 2. President of BOROMI OPTRONICS CORP. 3. Assistant VP of Optoelectronics Business Group, Sun Yad Construction Co., Ltd. 4. President and Director of U-Best Innovative Technology Co., Ltd. 5. Not under any of the circumstances mentioned in Article 30 of the Company Act.	1. Concurrently serves as Special Assistant to the Chairman of the Company, and is a director with managerial status. 2. Otherwise complies with the independence requirements set forth in Article 3, Paragraph 1 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the Financial Supervisory Commission.	None

Qualifications Name	Professional qualification and experience (Note 1)	Independence (Note 2)	Number of other public companies where the individual serves as an independent director concurrently
Director: Cheng, Yu-Tang Representative of U-Best Innovative Technology Co., Ltd.	1. Department of Industrial Management, University of Kang Ning. 2. Has served as the Company's President since July 2021, and possesses expertise in business, marketing, and industrial technology. 3. Project Associate Manager at President's Office of U-Best Innovative Technology Co., Ltd. 4. Special Assistant to the President of Boromi Optronics Corp. 5. Factory Manager of Kangwei Technology Co., Ltd. 6. Production Manager of PONTEX POLYBLEND CO., LTD. (Wujiang). 7. Section Chief of HELIX TECHNOLOGY INC. 7. Not under any of the circumstances mentioned in Article 30 of the Company Act.	Complies with the independence requirements set forth in Article 3, Paragraph 1 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the Financial Supervisory Commission.	None
Director: Lin, Ching-Lung (Resigned on 2024.02.06)	1. Master's degree, Business Administration, University of Oklahoma. 2. Has worked at the Company since September 1975 as a Vice President, the President, and the Chairman with extensive experience in business administration. 3. Not under any of the circumstances mentioned in Article 30 of the Company Act.	Complies with the independence requirements set forth in Article 3, Paragraph 1 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the Financial Supervisory Commission.	None
Director: Wu, Yi-Jen (Resigned on 2024.02.06)	1. Master's degree, Business Administration, John F. Kennedy University. 2. Has worked at the Company since December 1973 as a Vice President, the President, and the Chairman with extensive experience in business administration. 3. Not under any of the circumstances mentioned in Article 30 of the Company Act.	Complies with the independence requirements set forth in Article 3, Paragraph 1 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the Financial Supervisory Commission.	None
Independent director: Wu, Chang-Cheng (Dismissed on 2024.05.27)	1. Doctoral degree, National Chiao Tung University 2. President of Truelight Corporation, President of InveStar Holdings Inc., and President of uSenlight Corporation. 3. Not under any of the circumstances mentioned in Article 30 of the Company Act.	According to the Company's Articles of Incorporation and "Corporate Governance Best Practice Principles," the directors shall be elected under the candidate nomination system. When nominating and electing the	None

Qualifications Name	Professional qualification and experience (Note 1)	Independence (Note 2)	Number of other public companies where the individual serves as an independent director concurrently
Independent director: Hsu, Chi-Jeng	1. Department of Accounting, Tainan University of Technology. 2. Associate General Manager of the Underwriting Department at Firstrade Securities Inc., Special Assistant to the President of CHIMEI MOTOR ELECTRONICS Co., Ltd., Independent Director at Myson Century, Inc., and Independent Director at FORMOSA OILSEED PROCESSING CO,LTD. 3. Not under any of the circumstances mentioned in Article 30 of the Company Act.	Board members, the Company has received the written statement, information about work experience, current certificate of employment and kinship chart from each director and, therefore, already verified the independence of them, their spouses, and relatives within 3rd degree of kinship as to the Company. Meanwhile,	1
Independent director: Huang, Ling-Tien	1. MBA of University of Leicester, UK. 2. EMBA of National Yang Ming Chiao Tung University 3. Vice President of Human Resources and Administration Center, ProLogium Technology, Head of Human Resources Division, Win Semiconductors Corp., Chief HR Officer of Spirox Corporation, Independent Director of Sun Yad Construction Co., Ltd. 4. Not under any of the circumstances mentioned in Article 30 of the Company Act.	upon verification, the three independent directors identified in the left column were held satisfying the qualification requirements under the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” promulgated by FSC and Article 14-2 of the Securities and Exchange Act	1
Independent director: Huang, Hsiu-Hui	1. EMBA of Fudan University. 2. Former Director of a TWSE-listed company, now renamed as RUN LONG CONSTRUCTION CO., LTD. Former Director of the TWSE-Listed company – SKB Group BHD (Malaysia) Former Global Vice President of The Chinese Women’s Business Association NTU EMBA Alumni Foundation - Vice CEO. Vice President of Deep01 Limited Public Relations Manager, North District, Industrial and Commercial Development Research Association of the Republic of China. 3. Not under any of the circumstances mentioned in Article 30 of the Company Act.	within two years before they assume the positions and during their term of office. The independent directors have also been empowered to participate in the decision making and express opinions under Article 14-3 of the Securities and Exchange Act, in order to perform their job duties independently.	None

Note 1: Professional qualification and experience: Please specify the individual director’s professional qualifications and experience. In the case of an Audit Committee member specialized in accounting or finance, please specify his/her educational background and work experience in accounting or finance, and whether he/she meets the circumstances referred to in Article 30 of the Company Act.

Note 2: Please specify the independent directors’ compliance of independence, including but not limited to, whether they or their spouses or relatives within 2nd degree of kinship serve as directors, supervisors or employees in the Company or any of its affiliated companies; the number and percentage of the Company's shares held in their own names or names of the spouses or relatives within 2nd degree of kinship (or proxy shareholder); whether they serve as directors, supervisors, or employees in any entity that has certain relationship with the Company (please refer to the subparagraphs 5~8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); and the amount of remuneration received in the last two years for providing commercial, legal, financial, accounting or other professional services to the Company or its

II. Diversity and Independence of Board of Directors:

(I) Board diversity:

The Company's policy on diversity of the board members is set out in Chapter 3, "Enhance the Competencies of the Board of Directors," of the "Corporate Governance Best Practice Principles". The Company's "Corporate Governance Best Practice Principles" stipulates that the composition of the Board of Directors should be diversified without restriction on gender, race, nationality, etc., and that, except that the number of directors with concurrent positions as managerial officers of the Company should not exceed one-third of the total number of directors, the Company shall also formulate appropriate diversity policy with respect to its own operation, business model and development needs, including but not limited to the following two major aspects.

- i. Basic criteria and values: Gender, age, nationality and culture, etc., of which the ratio of female directors should reach one-third of the Board of Directors.
- ii. Professional knowledge and skills: Professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, and industry management, etc. Board members should generally possess the knowledge, skills, and qualities necessary to perform their duties. In order to achieve the desired objectives of corporate governance, the Board as a whole should possess the following competencies:
 1. Business judgment.
 2. Accounting and financial analysis.
 3. Business administration.
 4. Crisis management.
 5. Industry knowledge.
 6. An international market perspective.
 7. Leadership.
 8. Decision-making.

Implementation of diversity in board members

The Company's current Board of Directors consists of seven directors, all of whom are ROC nationals, including three independent directors and four non-independent directors, with independent directors accounting for 42.9% of all board members, and three of the independent directors are women, accounting for 42.9% of all board members. The company places great importance on gender equality in the composition of its Board of Directors and aims to increase the proportion of female directors to over one-third. Currently, the Board consists of 57.1% male members (4 individuals) and 42.9% female members (3 individuals), achieving the stated goal.

The age range of the board members is between 45 and 70 years old. The board members possess the necessary knowledge, skills and education to perform their duties (please refer to the aforementioned educations and experiences of directors), with diversity and in line with the needs of the Company's development, to enable the Board of Directors of the Company to fulfill its function of making business decisions and providing leadership and supervision.

Implementation by the board members is as follows:

Name of director	Gender	Age				Whether the term of office as an independent director exceeds three consecutive terms	Diverse core expertise				
		41~50	51~60	61~70	71~80		Financial accounting	Business	Law	Marketing	Industry technology
Jing Hong Ltd. Representative: Chairperson Chang, Yu-Ming	Male		V			Not applicable	V	V		V	V
Jing Hong Ltd. representative: Director Chao, Tien-Tsung	Male			V		Not applicable		V		V	V
U-Best Innovative Technology Co., Ltd. Representative: Director Huang, Nan-Hao	Male		V			Not applicable		V		V	V
U-Best Innovative Technology Co., Ltd. Representative: Director Cheng, Yu-Tang	Male	V				Not applicable		V		V	V
Director Lin, Ching-Lung (resigned on 2024.02.06)	Male				V	Not applicable		V		V	V
Director Wu, Yi-Jen (resigned on 2024.02.06)	Male				V	Not applicable		V		V	V
Wu, Chang-Cheng, Independent Director (discharged on May 27, 2024)	Male		V			No		V		V	
Independent director Hsu, Chi-Jeng	Female	V				No	V	V	V	V	
Independent director Huang, Ling-Tien	Female		V			No		V		V	
Huang, Hsiu-Hui, Independent Director	Female		V			No		V		V	

(II) Independence of the board:

In order to improve the functions of the Company's Board of Directors and to strengthen the management mechanism, the Company established the "Nomination Committee" and adopts the "Candidate Nomination System" in accordance with Article 27 of the Corporate Governance Best Practice Principles, whereby all director candidates are nominated and their qualifications are examined by the "Nomination Committee", and the director candidates are then approved by the Board of Directors before the election is held at the shareholders' meeting.

As per the Corporate Governance Best Practice Principles, more than half of all directors shall not be a spouse or relative within the second degree of kinship of any other director. None under any of the circumstances mentioned in Article 30 of the Company Act. The qualifications were verified in accordance with the independence requirements referred to in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the FSC and held satisfying such requirements.

Additionally, it has been verified that the three independent directors all meet the requirements for the qualifications under the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the FSC and Article 14-2 of the Securities and Exchange Act within two years before they assume the positions and during their term of office. All independent directors have been granted the right to fully participate in the decision-making process and express their opinions in accordance with Article 14-3 of the Securities and Exchange Act, thereby independently performing their duties.

(II) Information on the President, Vice Presidents, Assistant Vice Presidents, and the heads of various departments and branches

Date: March 31, 2025

Job title	Nationality	Name	Gender	Date of taking office	Shareholding		Shareholding of spouse or minor children		Shareholding in the name of others		Major education and experience	Concurrent positions at other companies	Spouse or relatives within second degree of kinship who are other managerial officers of the Company			Remarks
					Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding			Job title	Name	Relations	
President	R.O.C.	Cheng, Yu-Tang	Male	2021.7.8	-	-	-	-	-	-	Department of Industrial Management, University of Kang Ning Factory Manager, Kangwei Technology Co., Ltd. Special Assistant to the President, Boromi Optronics Corp. Project Assistant Manager, President's Office, U-Best Innovative Technology Co., Ltd.	None	None	None	None	-
Assistant Vice President of the Sales Department	R.O.C.	Wu, Min-Tsung	Male	1984.9.24	-	-	-	-	-	-	Business Administration, New Taipei Municipal Tamsui Commercial Industrial Vocational Senior High School Assistant Vice President of the Sales Department	None	None	None	None	-
Assistant Vice President of the Business Department	R.O.C.	Li, Shan-Lung	Male	1984.7.24	-	-	10,307	0.013%	-	-	Department of Business Administration, Chung Yuan Christian University. Assistant Vice President of the Business Department	None	None	None	None	-
Manager of the Finance Department	R.O.C.	Chen, Chien-Hung	Male	2023.11.10	--	--	--	--	--	--	Department of Accounting, Fu Jen Catholic University Accounting Section Chief of EVEREST TEXTILE CO.,LTD	None	None	None	None	-

Where the Chairperson and the President or person in an equivalent position (top-level managerial officer) are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and countermeasures shall be disclosed: Not applicable.

II. Remuneration paid to directors, supervisors, the President, and Vice Presidents in the most recent year:

(I) Remuneration to general directors and independent directors

Unit: NT\$ thousands

Job title	Name	Directors' remuneration								Sum of A, B, C, and D as a percentage of the net income after tax (%)	Remuneration received for serving as an employee concurrently								Sum of A, B, C, D, E, F, and G and the sum as a percentage of the net income after tax (%)		Received remuneration from the reinvested business outside the subsidiaries	
		Base remuneration (A)		Severance and pension (B)		Remuneration to directors (C)		Professional service fees (D)			Salary, bonus, and special allowance (E)		Severance and pension (F)		Profit-sharing remuneration for employees (G)							
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements		
Director	He Rui Investment Ltd.:	0	0	0	0	0	0	150	150	150 (0.02%)	150 (0.02%)	756	756	0	0	0	0	0	0	906 (0.11 %)	906 (0.11%)	None
	Chang, Yu-Ming	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
	U-Best Innovative Technology Co., Ltd.:	0	0	0	0	0	0	35	35	35 (0.00%)	35 (0.00%)	0	0	0	0	0	0	0	0	35 (0.00 %)	35 (0.00%)	None
	Chao, Tien-Tsung	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
	Jing Hong Ltd.:	0	0	0	0	17,130	17,140	190	190	17,320 (2.12%)	17,330 (2.12%)	14,117	18,190	0	0	7,023	0	7,023	0	38,460 (4.71 %)	42,543 (5.20%)	None
	Chang, Yu-Ming	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
	Jing Hong Ltd.:	0	0	0	0	0	0	48	48	48 (0.01%)	48 (0.01%)	0	0	0	0	0	0	0	0	48 (0.01 %)	48 (0.01%)	None
	Chao, Tien-Tsung	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
	U-Best Innovative Technology Co., Ltd.:	0	0	0	0	0	0	48	48	48 (0.01%)	48 (0.01%)	1,773	3,488	0	0	2,569	0	2,569	0	4,390 (0.54 %)	6,105 (0.75%)	None
	Huang, Nan-Hao	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
	U-Best Innovative Technology Co., Ltd.:	0	0	0	0	0	0	48	48	48 (0.01%)	48 (0.01%)	1,699	1,699	0	0	1,542	0	1,542	0	3,289 (0.40 %)	3,289 (0.40%)	None
	Cheng, Yu-Tang	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
	Lin, Ching-Lung (Note 3)	0	0	0	0	0	0	8	8	0.00	0.00	0	0	0	0	0	0	0	0	0.00	0.00	None
	Wu, Yi-Jen (Note 3)	0	0	0	0	0	0	8	8	0.00	0.00	0	0	0	0	0	0	0	0	0.00	0.00	None
Independent	Wu, Chang-Cheng	0	0	0	0	0	0	60	60	0.01	0.01	0	0	0	0	0	0	0	0	0.01	0.01	None

Director	(Note 1)																					
	Hsu, Chi-Jeng (Note 4)	0	0	0	0	0	0	183	183	0.02	0.02	0	0	0	0	0	0	0	0	0.02	0.02	None
	Huang, Ling-Tien (Note 4)	0	0	0	0	0	0	180	180	0.02	0.02	0	0	0	0	0	0	0	0	0.02	0.02	None
	Huang, Hsiu-Hui (Note 2)	0	0	0	0	0	0	110	110	0.01	0.01	0	0	0	0	0	0	0	0	0.01	0.01	None

Note 1: Re-election and dismissal of directors on May 27, 2024
Note 2: New directors were re-elected on May 27, 2024
Note 3: Resigned on February 6, 2024
Note 4: Re-election of directors on May 27, 2024

- Please specify the policy, system, standard, and structure of remuneration to the independent directors, and the association between the amount of remuneration and the responsibilities and risks assumed, time spent, and other factors:
We pay fixed remuneration to independent directors as per the Company's Directors and Committee Members Honoraria Standards without participating in the directors' profit-sharing remuneration paid out depending on the year's profits as per Article 28 of the Company's Articles of Incorporation.
- Except as disclosed in the above table, the remuneration received by the Company's directors for providing services to (the parent company, all companies in the financial statements, or investees the serving as a consultant in a non-employee capacity) in the most recent year: None.

Note 1: The names of directors shall be listed separately (the names of institutional shareholders and their representatives shall be listed separately), and general directors and independent directors shall be listed separately, with various payment amounts disclosed in an aggregate manner. If a director concurrently serving as the President or the Vice President shall be entered in this table or table (3-1), or tables (3-2-1) and (3-2-2) below.

Note 2: Refers to the directors' remuneration in the most recent year (including director salary, executive differential pay, severance pay, various bonuses, and incentives).

Note 3: Refers to the amount of directors' remuneration approved by the resolution of the Board of Directors in the most recent year.

Note 4: Refers to the directors' professional service fees in the most recent year (including honoraria, special allowance, various allowances, dormitory rooms, and company cars). When houses, cars, and other means of transportation or exclusive personal expenses are provided, the nature and costs of the assets provided and the actual cost or fair market value of rents, fuels, and other payments shall be disclosed. In addition, when a chauffeur is provided, please indicate the relevant payments made by the Company to the chauffeur, but such payments are not included in the remuneration.

Note 5: Refers to the salary, executive differential pay, severance pay, various bonuses, incentives, honoraria, special allowance, various allowances, dormitory rooms, and company cars received by directors who serve as employees concurrently (including the President, Vice Presidents, other managers, and employees). When houses, cars, and other means of transportation or exclusive personal expenses are provided, the nature and costs of the assets provided and the actual cost or fair market value of rents, fuels, and other payments shall be disclosed. In addition, when a chauffeur is provided, please indicate the relevant payments made by the Company to the chauffeur, but such payments are not included in the remuneration. Salary and wages recognized in accordance with IFRS 2 Share-based Payments, including employee stock warrants and restricted stock awards acquired and shares for capital increased subscribed for, shall also be included in the remuneration.

Note 6: Refers to directors who have received employee remuneration (including stock and cash) in the most recent year for serving as employees concurrently (including the President, Vice Presidents, other managers, and employees). The amount of employee remuneration approved by the Board of Directors in the most recent year shall be disclosed. If it is impossible to estimate the amount, the percentage adopted for the amount paid out last year shall be adopted to calculate the proposed amount for this year, while Table 1-3 shall be filled out additionally.

Note 7: The total amount of remuneration paid to the directors of the Company by all companies (including the Company) in the consolidated financial statements shall be disclosed.

Note 8: The names of the directors shall be disclosed in the applicable ranges based on the total amount of remuneration paid by the Company to each director.

Note 9: The total amount of remuneration paid to each of the Company's directors by all companies (including the Company) in the consolidated financial statements shall be disclosed, with the name of each director disclosed in their applicable range.

Note 10: Net income after tax refers to the net income after tax of the standalone or individual financial statements for the most recent year.

Note 11: a. This column shall clearly indicate the amount of remuneration received by the directors of the Company from investees other than subsidiaries or from the parent company (if there is none, please fill in "None").

b. If a director of the Company receives remuneration from investees other than subsidiaries or from the parent company, the remuneration received by the director from investees other than subsidiaries or from the parent company shall be included in column I of the remuneration range table with said column renamed "Parent company and all investees".

c. Remuneration refers to the compensation, remuneration (including employee, director, and supervisor remuneration), and professional service fees received by the directors of the Company for serving as directors, supervisors, or managers of investees other than subsidiaries or the parent company.

* The remuneration disclosed in this Table is different in concept from the income under the Income Tax Act. Therefore, this Table is merely for information disclosure and not for tax return purposes.

(II) Remuneration paid to supervisors: N/A.

(III) Remuneration paid to the President and Vice Presidents in the most recent year (names and remuneration are disclosed individually)

Unit: NT\$ thousand

Job title	Name	Salary (A)		Severance and pension (B)		Bonus and special allowance (C)		Profit-sharing remuneration for employees (D)				Sum of A, B, C, and D as a percentage of the net income after tax (%)		Remuneration from investees other than subsidiaries or from the parent company
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Cheng, Yu-Tang	2,293	2,293	91	91	-	-	1,542	-	1,542	-	3,926 (0.48%)	3,926 (0.48%)	None

(IV) Remuneration of the top five managers with the highest remuneration (names and remuneration are disclosed individually)

Unit: NT\$ thousand

Job title	Name	Salary (A)		Severance and pension (B)		Bonus and special allowance (C)		Profit-sharing remuneration for employees (D)				Sum of A, B, C, and D as a percentage of the net income after tax (%)		Remuneration from investees other than subsidiaries or from the parent company
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Cheng, Yu-Tang	2,293	2,293	91	91	-	-	1,542	-	1,542	-	3,926 (0.48%)	3,926 (0.48%)	None
Assistant Vice President of Plant Affairs	Li, Shan-Lung	1,361	1,361	58	58	-	-	514	-	514	-	1,933 (0.24%)	1,933 (0.24%)	None
Assistant Vice President of the Sales Department	Wu, Min-Tsung	1,233	1,233	58	58	-	-	343	-	343	-	1,634 (0.20%)	1,634 (0.20%)	None
Finance and Accounting Supervisor	Chen, Chien-Hung	735	735	38	38	-	-	343	-	343	-	1,116 (0.14%)	1,116 (0.14%)	None
Corporate Governance Officer	Sung, Li-Lan	519	519	29	29	-	-	343	-	343	-	891 (0.11%)	891 (0.11%)	None

Name of the manager who receives employee remuneration and distribution:

Unit: NT\$ thousand

Job title	Name	Stock amount	Cash amount	Total	As a % of net income after tax
CEO	Chang, Yu-Ming		12,847	12,847	1.57
President	Cheng, Yu-Tang				
Special Assistant to the Chairman	Huang, Nan-Hao				
Assistant Vice President	Wu, Min-Tsung				
Assistant Vice President	Li, Shan-Lung				
Chief Financial Manager	Chen, Chien-Hung				
Corporate Governance Officer	Sung, Li-Lan				
Chief Auditor	Chuang, Shu-Chen				

- (V) An analysis of the total remuneration paid to the Company's directors, supervisors, the President, and Vice Presidents by the Company and all companies in the consolidated financial statements as a percentage of the net income after tax in the standalone financial reports for the most recent two years, and a description of the remuneration policy, standard, and package, the procedure for determining the remuneration, and the association between business performance and future risks:
1. An analysis of the total remuneration paid to the Company's directors, supervisors, the President, and Vice Presidents as a percentage of the net income after tax in the standalone or individual financial report for the most recent two years:

(1) Unit: NT\$ thousand

Item	the Company				All Companies in the Consolidated Financial Statements			
	2023		2024		2023		2024	
	Total remuneration	As a % of net income after tax	Total remuneration	As a % of net income after tax	Total remuneration	As a % of net income after tax	Total remuneration	As a % of net income after tax
Director	5,327	4.31%	44,345	5.43%	5,327	4.31%	50,153	6.14%
President and Vice Presidents' Compensation	2,220	1.80%	3,926	0.48%	2,220	1.80%	3,926	0.48%

Net Income After Tax	123,459		817,157		123,459		817,157	
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Note: For the year 2023, only individual financial statements were issued; for the year 2024, both individual and consolidated financial statements were issued.

Remuneration Explanation:

Significant Improvement in Profit Performance: The Company's net income for 2024 showed substantial growth compared to the previous year. According to the Articles of Incorporation, directors' remuneration is allocated based on a proportion of pre-tax net income, resulting in higher remuneration compared to 2023.

Company Expansion: In response to business growth and investments in the subsidiary Pudai Applied Materials, the overall complexity of the Company's management and decision-making has increased, leading to greater responsibilities and contributions by the directors.

2. Remuneration policy, standard, and package, the procedure for determining the remuneration, and the association between business performance and future risks:

We determine directors, supervisors, the President, and Vice Presidents' remuneration as per each individual's participation in and contribution to the Company's operations while with reference to the Company's profitability and their contribution to the Company as a whole, and the general standards of the industry.

The remuneration for directors and supervisors, including travel expenses and directors' and supervisors' salaries, in accordance with the Company's Articles of Incorporation, and the remuneration for the President is approved by the Board of Directors. The remuneration to the Company's directors includes directors and supervisors' remuneration, honoraria, and non-recurring expenses, as well as salary, executive differential pay, severance pay, various bonuses, and incentives for serving as employees concurrently. Pursuant to Article 22 of the Articles of Incorporation, the Company may reimburse travel expenses to directors at its discretion, the amount of which shall be determined by the Board of Directors. Pursuant to Article 28 of the Articles of Incorporation: Where the Company makes a profit for a year, to motivate employees and the management team, after a cumulative deficit is deducted from the Company's profit for the year, the Company shall provide not lower than 2%–5% of the balance, if any, for employee profit-sharing remuneration and no higher than 5% for directors' profit-sharing remuneration. In addition to considering the directors and supervisors performance evaluation results, we regularly submit the directors and supervisors remuneration to the Board of Directors for resolution based on the distribution principle suggested by the Remuneration Committee. The remuneration to managerial officers includes salary and bonuses. Salary is determined with reference to the standards in the industry and based on individuals' job titles, ranks, education (experience), professional abilities, and responsibilities. Bonuses are determined based on the officer's performance evaluation indicators, including financial indicators (such as company revenue, pre-tax net income, and after-tax net income) and non-financial indicators (such as innovation, planning, responsibility, and major defects in compliance and operational risks of the departments they manage). After deliberation and approval by the Remuneration Committee, the remuneration proposal will be submitted to the Board of Directors for resolution.

The Company's remuneration policy is based on the overall plan of the financial position, business performance, and future fund application needs with the future risks taken into consideration; the likelihood of such risks has been minimized. As of the publication date of this Annual Report, there was no event occurring that might cause the Company to assume responsibilities, obligations, or liabilities in the future.

The Company's remuneration policy is formulated based on a comprehensive consideration of the Company's financial condition, operational performance, and future capital requirements for the year. Future risk assessments are also incorporated into the policy, minimizing the likelihood of any risks occurring. As of the date of this annual report, there are no existing matters that would result in the Company incurring potential liabilities, obligations, or debts in the future.

III. Implementation of corporate governance

(I) Operations of the Board of Directors

(1) Information on the operations of the Board of Directors:

The Board of Directors held 11 meetings during 2024, and directors' attendance is as follows:

Job title	Name	Attendance in person	Attendance by proxy	Attendance in person (%)	Remarks
Chairman	Representative of He Rui Investment Ltd.: Chang, Yu-Ming	4	-	100	2024.05.27 Term expired
Director	Representative of U-Best Innovative Technology Co., Ltd.: Chao, Tien-Tsung	4	-	100	2024.05.27 Term expired
Director	Lin, Ching-Lung	1	-	100	Resigned on 2024.02.06
Director	Wu, Yi-Jen	1	-	100	Resigned on 2024.02.06
Chairman	Representative of Jing Hong Ltd.: Chang, Yu-Ming	7	-	100	Elected on 2024.05.27
Chairman	Representative of Jing Hong Ltd.: Chao, Tien-Tsung	7	-	100	Elected on 2024.05.27
Director	Representative of U-Best Innovative Technology Co., Ltd.: Huang, Nan-Hao	7	-	100	Elected on 2024.05.27
Director	Representative of U-Best Innovative Technology Co., Ltd.: Cheng, Yu-Tang	7	-	100	Elected on 2024.05.27
Independent Director	Wu, Chang-Cheng	4	-	100	2024.05.27 Term expired
Independent Director	Hsu, Chi-Jeng	11	-	100	Re-elected on 2024.05.27
Independent Director	Huang, Ling-Tien	11	-	100	Re-elected on 2024.05.27
Independent Director	Huang, Hsiu-Hui	7	-	100	Elected on 2024.05.27

Additional information:

- I. If the operations of the Board of Directors falls under any of the circumstances below, the date of the board meeting, the session, the content of the proposal, all independent directors' opinions, and the Company's response to said opinions shall be specified:
 - (I) Matters under Article 14-3 of the Securities and Exchange Act: Please refer to the important resolutions adopted by the Board of Directors.
 - (II) Except for the above matters, other matters resolved by the Board of Directors with objection or reservation made by any independent directors, with records or a written statement:

Date of board meeting	Proposal	Participation in voting
January 25, 2024	Matters reviewed at the 1st meeting of the Remuneration Committee in 2024.	Independent Director Wu, Chang-Cheng: In consideration of the Company's current profitability, he opposed Chairman's 2023 year-end bonus and performance bonus. There were 3 votes in favor and 3 votes against. The proposal for the year-end and performance bonus for the Chairman in 2023 was not approved. The year-end and performance bonuses for 2023 for the remaining General Manager, Associate General Manager Lee, Associate General Manager Wu, the Head of Finance, the Head of Corporate Governance, and the Head of Internal Audit were approved as proposed, with no objections raised by any of the attending directors after the Chairman's inquiry. (Material announcement on MOPS on 2024.1.25)

II. In the event of directors' recusal from proposals, the name of director, the content of proposal, the reasons for recusal, and the participation in voting shall be specified:

Date of board meeting	Proposal	Reasons for recusal	Participation in voting
January 25, 2024	Matters reviewed at the 1st meeting of the Remuneration Committee in 2024.	It was to discuss directors' remuneration; directors' personal interest were involved and they should be recused from the discussion.	Director Chang, Yu-Ming recused himself from the discussion and voting, but the Chairman's year-end bonus and performance bonus were not approved.
May 27, 2024	Matters reviewed at the 2nd meeting of the Remuneration Committee in 2024.	It was to discuss directors' remuneration; directors' personal interest were involved and they should be recused from the discussion.	Except for directors Chang, Yu-Ming, Chao, Tien-Tsung, Huang, Nan-Hao, Cheng, Yu-Tang, Hsu, Chi-Jeng, Huang, Ling-Tien, and Huang, Hsiu-Hui who recused themselves from participating in the proposal for avoidance of conflict of interest, the proposal was approved as proposed without objection from other attending directors.
November 12, 2024	Matters reviewed at the 3rd meeting of the Remuneration Committee in 2024.	It was to discuss directors' remuneration; directors' personal interest were involved and they should be recused from the discussion.	Except for Director Chang, Yu-Ming who recused from the discussion for conflict of interest, the proposal was unanimously approved as proposed after being discussed by other directors present.

III. The objectives of enhancing the functions of the Board of Directors in the current year and the most recent year (such as establishing an audit committee or enhancing information transparency) and the implementation

- (I) The Company established the Audit Committee on July 8, 2021, the Audit Committee met six times during 2024, and the financial statements are reviewed and approved by the Audit Committee ever quarter.
- (II) On February 27 and December 27, 2024, the company held meetings to enhance communication and discussion between independent directors, the external auditor, and the head of internal audit.
- (III) We actively provide information on various training courses and motivate directors and supervisors to actively participate in various corporate governance courses, thereby enhancing the board members' competencies. In 2024, all directors completed the required training courses.

(2) The implementation of the performance evaluation of the Board of Directors:

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Contents of evaluation
Once per year	2024/1/1~2024/12/31	The board as a whole, individual board members, and functional committees	Internal board self-evaluation, board member self-evaluation, and peer-to-peer evaluation	(1) Board performance evaluation indicators: 1. Degree of involvement in the Company's operations 2. Improvement to the quality of the Board of Directors' decision-making. 3. Composition and structure of the Board of Directors 4. Election and continuing education of directors 5. Internal control (2) Individual board members self-performance evaluation indicators: 1. Alignment with the Company's goals and mission 2. Awareness of responsibilities as a director 3. Degree of involvement in the Company's operations 4. Management of internal relations and communication 5. Directors' professional and continuing education 6. Internal control (3) Functional committee evaluation indicators: 1. Degree of involvement in the Company's operations 2. Awareness of responsibilities as a functional committee member 3. Improvement to the quality of the functional committee's decision-making 4. Composition and selection of members of the functional committees 5. Internal control

Evaluation results:

The evaluation results are excellent. The Board of Directors as a whole and functional committees are operating effectively. The results were reported to the Board of Directors on January 22, 2025 and placed on file.

(II) The operations of the Audit Committee

The Company's Audit Committee is comprised of three independent directors. The Audit Committee is designed to assist the Board of Directors in fulfilling its responsibility to oversee the quality and integrity of the Company's execution of relevant accounting, auditing and financial reporting processes and financial controls.

Professional qualification and experience of the members are set out below:

Member	Professional qualification and experience
Hsu, Chi-Jeng	1. Department of Accounting, Tainan University of Technology. 2. Assistant Manager, Underwriting Department, MasterLink Securities Corporation, Assistant Vice President, Underwriting Department, Firstrade Securities Inc., independent director, Clean Air Technology Limited, and independent director, Myson Century, Inc. 3. Not under any of the circumstances mentioned in Article 30 of the Company Act.
Wu, Chang-Cheng (Term expired 2024.05.27)	1. Doctoral degree, National Chiao Tung University 2. President of Truelight Corporation, President of InveStar Holdings Inc., and President of uSenlight Corporation. 3. Not under any of the circumstances mentioned in Article 30 of the Company Act.
Huang, Ling-	1. MBA of University of Leicester, UK

Tien	2. EMBA of National Yang Ming Chiao Tung University. 3. Vice President of Human Resources and Administration Center, ProLogium Technology, Head of Human Resources Division, Win Semiconductors Corp., Chief HR Officer of Spirox Corporation, Independent Director of Sun Yad Construction Co., Ltd. 4. Not under any of the circumstances mentioned in Article 30 of the Company Act.
Huang, Hsiu-Hui	1. EMBA of Fudan University. 2. Former Director of a TWSE-listed company, now renamed as RUN LONG CONSTRUCTION CO., LTD. 3. Former Director of the TWSE-Listed company – SKB Group BHD (Malaysia) 4. Former Global Vice President of The Chinese Women's Business Association 5. NTU EMBA Alumni Foundation - Vice CEO. 6. Vice President of Deep01 Limited 7. Public Relations Manager, North District, Industrial and Commercial Development Research Association of the Republic of China. 8. Not under any of the circumstances mentioned in Article 30 of the Company Act.

The Audit Committee held 6 meetings in 2024, mainly addressing the following matters:

1. Audit of financial statements and appropriation of earnings for the previous year
2. Assessment of the effectiveness of the internal control system and statement of internal control system
3. Qualifications, independence, and performance evaluation of attesting CPAs
4. Appointment, discharge or compensation of attesting CPAs
5. Amendments to the “Articles of Incorporation”
6. Review of amendments or additions to management regulations
7. Review of the acquisition of the equity of Pony Leather Corporation for cash
8. Review of 2025 annual internal audit plan.

Operations in 2024

The Audit Committee held six meetings during 2024, and the independent directors' attendance is as follows:

Job title	Name	Attendance in person	Attendance by proxy	Attendance in person (%)	Remarks
Independent Director	Wu, Chang-Cheng	2	-	100	Dismissed on May 27, 2024
Independent Director	Hsu, Chi-Jeng	6		100	
Independent Director	Huang, Ling-Tien	6	-	100	-
Independent Director	Huang, Hsiu-Hui	4	-	100	Elected on 2024.05.27
Additional information:					
I. In the event that the operation of the Audit Committee falls under any of the following circumstances, the meeting date <u>of the Audit Committee meeting</u> , the term of the meeting, the contents of the motions, <u>the independent directors' dissenting opinions, qualified opinions, or major recommendations</u> , the Audit Committee's resolutions, and the Company's Handling of opinions.					
(I) Matters under Article 14-5 of the Securities and Exchange Act					
Date and session	Proposal	Matters under Article 14-5 of the Securities and Exchange Act		Objection or reservation by independent directors	
2024/02/27 1st meeting in 2024	1. The Company's 2023 Business Report and financial statements. 2. The 2023 statement of earnings distribution 3. Assessment of the effectiveness of the Company's internal control system and	V		None	

	4. statement of internal control system. 4. Amendments to the “Articles of Incorporation” 5. Replacement of external auditors. 6. The proposal for appointing KPMG Taiwan for audit certification, public fee review, and evaluation of the independence and qualifications of the accountants for fiscal year 2024 7. Proposal to draw up the general principles for the Company's pre-approval of the non-assurance financial policy.		
2024/04/30 2nd meeting in 2024	1. Review of the 1Q 2024 financial statements of the Company. 2. Amendments to the “Articles of Incorporation.”	V	None
2024/08/09 3rd meeting in 2024	1. Election of the convener. 2. Review of the 2Q 2024 financial statements of the Company 3. Formulate the rules for the distribution of employee cash bonus. 4. Establishment of management regulations for the distribution of year-end bonuses.	V	None
2024/09/03 4th meeting in 2024	1. The Company's plan to acquire the equity of Pony Leather Corporation in cash.	V	None
2024/11/12 5th meeting in 2024	1. Review of the 3Q 2024 financial statements of the Company 2. Proposal to draw up the general principles for the Company's pre-approval of the non-assurance financial policy. 3. The proposal to formulate relevant regulations of the Company.	V	None
2024/12/27 6th meeting during 2024	1. Proposed drafting of the company’s internal audit work plan for fiscal year 2025.	V	None

(II) Except for the above matters, matters that have not been approved by the Audit Committee but have been approved by more than two-thirds of all directors: None.

II. In the event of independent directors' recusal from proposals, the name of independent director, the content of proposal, the reasons for recusal, and the participation in voting shall be specified: None.

III. Communication between independent directors and the chief internal auditor/CPAs (including material financial and business matters communicated and communication methods and results): See the Company's website.

The independent directors maintained good communication with the Chief Internal Auditor. A summary of the main discussion points for 2024 is as follows:

Date	Communication Method	Discussion Items	Communication Results
2024/02/27	Audit Committee	Assessment of the Effectiveness of the Internal Control System for 2023 and the Internal Control System Statement Proposal	After deliberation, the independent directors raised no objections and approved the proposal as submitted.
2024/02/27	Board of Directors	(1)Report on the Completion of the 2024 Audit Plan (2)Assessment of the Effectiveness of the 2023 Internal Control System and the Internal Control System Statement Proposal	After deliberation, the independent directors raised no objections and approved the proposal as submitted.
2024/04/30	Audit Committee	Audit Results for Q1 2024 and Discussion of Key Audit Matters	After deliberation, the independent directors raised no objections and approved the proposal as submitted.
2024/04/30	Board of Directors	2024 Audit Plan Execution Report	After deliberation, the independent directors raised no objections and approved the proposal as submitted.

2024/08/09	Board of Directors	2024 Audit Plan Execution Report	After deliberation, the independent directors raised no objections and approved the proposal as submitted.
2024/11/12	Audit Committee	Q3 2024 Audit Results and Discussion of Key Audit Matters	After deliberation, the independent directors raised no objections and approved the proposal as submitted.
2024/12/27	Audit Committee	Proposal for the 2025 Internal Audit Work Plan	After deliberation, the independent directors raised no objections and approved the proposal as submitted.
2024/12/27	Board of Directors	(1)2024 Audit Plan Execution Report (2)2025 Internal Audit Work Plan Proposal	After deliberation, the independent directors raised no objections and approved the proposal as submitted.

The independent directors maintained good communication with the certified public accountants. A summary of the main discussion points for 2024 is as follows:

Date	Communication Method	Discussion Items	Communication Results
2024/02/27	Audit Summary Communication Meeting	Private Communication between Independent Directors and Certified Public Accountants (without other directors or management present) Discussion Items: 1. 2023 Audit Summary Matters - covering audit scope and materiality, the audit report and key audit matters, as well as other relevant communications. 2. Explanation of Audit Quality Indicators (AQI).	The independent directors provided no additional recommendations on the discussed matters.
2024/12/27	Audit Planning Communication Meeting	Private Communication between Independent Directors and Certified Public Accountants (without other directors or management present) Discussion Items: 1. 2024 Audit Planning Matters - including audit scope and materiality, the audit report and key audit matters, and other relevant communications. 2. Summary of Recent Updates to Auditing Standards. 3. Impact of Updates to Major Laws and Regulations.	The independent directors provided no additional recommendations on the discussed matters.

(III) Operations of the Corporate Governance Committee

1. Qualifications required for appointment and their responsibilities: The committee shall comprise at least three directors, of whom the majority shall be independent directors, and the appointment shall be approved by the Board of Directors by resolution. Members of the committee shall exercise the care of a prudent administrator to faithfully perform the following duties, be accountable to the Board of Directors, and report the implementation status to the Board of Directors on a regular basis:
 - i. Review of the Corporate Governance Best Practice Principles and related regulations as well as the effectiveness of their implementation.
 - ii. Establishment, supervision, and review of corporate social responsibility policies, systems, or related management guidelines.
 - iii. Establishment, monitoring, and review of ethical corporate management policies and preventive plans.

- iv. Establishment, monitoring, and review of the environmental sustainability system and targets.
 - v. Establishment, supervision, and review of risk management policies and mechanisms.
 - vi. Any other tasks instructed by the Board of Directors to be handled by the committee.
2. The Committee of the Company consists of three directors, two of whom are independent directors.
 3. The term of office of the current term is from May 27, 2024 to May 26, 2027. During 2024, the Corporate Governance Committee held 1 meeting, and the attendance of the members and matters discussed are as follows:

Job title	Name	Attendance in person	Attendance by proxy	Attendance in person (%)	Remarks
Convener	Chang, Yu-Ming	1	-	100	-
member	Hsu, Chi-Jeng	1	-	100	-
member	Huang, Ling-Tien	1	-	100	-
Additional information: The committee's main proposals, including the date, term, details of the proposals, the members' suggestions or objections, the committee's resolution results, and the Company's response to the committee's opinions: None.					

The operations of corporate governance and the deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor

Evaluation indicators	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
I. Has the company formulated and disclosed the Corporate Governance Best Practice Principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	V		The Board of Directors approved the “Corporate Governance Best Practice Principles formulated” on February 25, 2022, which is disclosed in the Investors section on the Company's website.	Aligned
II. The Company's shareholding structure and shareholders' equity				
(I) Has the Company formulated internal operating procedures for handling shareholders' suggestions or questions or disputes and litigation with them and complied with the procedures?	V		(I) We have a spokesperson and acting spokesperson mechanism in place and disclosed an email in the Investors section on the Company's website to respond to shareholders' suggestions and disputes.	Aligned
(II) Does the company have a list of the major shareholders with ultimate control over the company and a list of the ultimate controllers of the major shareholders?	V		(II) Pursuant to Article 25 of the Securities and Exchange Act, the Company shall report changes in the shareholdings of insiders, including directors, managers, and shareholders, each with more than 10% ownership interest, to the MOPS designated by the competent authority on a monthly basis.	Aligned
(III) Has the company established and implemented a risk control and a firewall mechanisms between itself and affiliates?	V		(III) The Company has formulated the “Corporate Governance Best Practice Principles”, the “Internal Control System”, the “Procedures for Loaning of Funds and Making of Endorsements/Guarantees”, the “Procedures for Asset Acquisition and Disposal”, and the “Procedures for Monitoring of Subsidiaries” as per the “Corporate Governance Best Practice Principles” for TWSE/TPEX Listed Companies, the “Regulations Governing Establishment of Internal Control Systems by Public Companies”, and the “Regulations Governing the Acquisition and Disposal of Assets by Public	Aligned

Evaluation indicators	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor																																																					
	Yes	No	Brief description																																																						
(IV) Has the company formulated internal regulations to prohibit insiders from using information undisclosed in the market to buy and sell securities?	V		(IV) Companies”, to clearly divide the duties, powers, and responsibilities between the Company and affiliates. We also built appropriate firewalls based on the risk assessment results and continue to implement them to monitor affiliates. (IV) We have formulated the “Procedures for Handling Material Inside Information” and the “Insider Trading Prevention Management Procedures”, and our relevant internal personnel should abide by applicable laws and regulations and internal operating procedures and must not engage in insider trading, nor shall they disclose any inside information to others to prevent others from using the unpublished information to engage in insider trading.	Aligned																																																					
III. Composition and responsibilities of the Board of Directors (I) Has the Board of Directors formulated a diversity policy and specific management objective for the board structure and implemented them accordingly?	V		(I) The Company’s Board of Directors consists of seven directors, including three independent directors. The excel at the industry knowledge, academic knowledge, finance, accounting, and business administration, which is aligned with the policy on the diversity of the board members. <table><tr><th rowspan="2">Name of director</th><th rowspan="2">Gender</th><th rowspan="2">Age</th><th colspan="5">Diverse core expertise</th></tr><tr><th>Financial accounting</th><th>Business</th><th>Law</th><th>Marketing</th><th>Industry technology</th></tr><tr><td>Chairman Chang, Yu-Ming</td><td>Male</td><td>52</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td></tr><tr><td>Director Chao, Tien-Tsung</td><td>Male</td><td>68</td><td></td><td>V</td><td></td><td>V</td><td>V</td></tr><tr><td>Director Huang, Nan-Hao</td><td>Male</td><td>51</td><td></td><td>V</td><td></td><td>V</td><td>V</td></tr><tr><td>Director Cheng, Yu-Tang</td><td>Male</td><td>50</td><td></td><td>V</td><td></td><td>V</td><td>V</td></tr><tr><td>Director Lin, Ching-Lung</td><td>Male</td><td>77</td><td></td><td>V</td><td></td><td>V</td><td>V</td></tr></table>	Name of director	Gender	Age	Diverse core expertise					Financial accounting	Business	Law	Marketing	Industry technology	Chairman Chang, Yu-Ming	Male	52	V	V		V	V	Director Chao, Tien-Tsung	Male	68		V		V	V	Director Huang, Nan-Hao	Male	51		V		V	V	Director Cheng, Yu-Tang	Male	50		V		V	V	Director Lin, Ching-Lung	Male	77		V		V	V	Aligned
Name of director	Gender	Age	Diverse core expertise																																																						
			Financial accounting	Business	Law	Marketing	Industry technology																																																		
Chairman Chang, Yu-Ming	Male	52	V	V		V	V																																																		
Director Chao, Tien-Tsung	Male	68		V		V	V																																																		
Director Huang, Nan-Hao	Male	51		V		V	V																																																		
Director Cheng, Yu-Tang	Male	50		V		V	V																																																		
Director Lin, Ching-Lung	Male	77		V		V	V																																																		

Evaluation indicators	Operations									Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor	
	Yes	No	Brief description								
			(Resigned on 2024.02.06)							Aligned	
			Director Wu, Yi-Jen (Resigned on 2024.02.06)	Male	79		V		V		V
			Independent Director Wu, Chang-Cheng (Dismissed on 2024.05.27)	Male	59		V		V		
			Independent Director Hsu, Chi-Jeng	Female	46	V	V	V	V		
			Independent Director Huang, Ling-Tien	Female	60		V		V		
			Independent Director Huang, Hsiu-Hui	Female	52		V		V		
			Chapter 3, "Enhance the Competencies of the Board of Directors," of the “Corporate Governance Best Practice Principles” of the Company approved at the 8th meeting of the Board of Directors of the 11th term held on February 25, 2022 provides for the diversity policy. The nomination and selection of the members of the Company's Board of Directors are conducting by following the provisions of the Company's Articles of Incorporation and adopting the candidate nomination system. In addition to evaluating the education and experience of each candidate, the Company also takes into account the opinions of stakeholders and complies with the "Rules for Election of Directors and Supervisors" and the "Corporate Governance Best Practice Principles," so as to ensure the diversity and independence of the Board of Directors. The Company's current Board of Directors consists of seven directors, all of whom are ROC nationals, including three independent directors and four non-independent directors, with independent directors accounting for 42.9% of all board members, and three of the independent directors are women, accounting for 42.9% of all board members. <u>The company places great importance on gender equality in the composition of its Board of</u>								

Evaluation indicators	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<u>Directors and aims to increase the proportion of female directors to over one-third. Currently, the Board consists of 57.1% male members (4 individuals) and 42.9% female members (3 individuals), achieving the stated goal.</u> The age range of the board members is between 45 and 70 years old. The board members possess the necessary knowledge, skills and education to perform their duties (please refer to the aforementioned educations and experiences of directors), with diversity and in line with the needs of the Company's development, to enable the Board of Directors of the Company to fulfill its function of making business decisions and providing leadership and supervision.	
(II) Has the Company voluntarily established other functional committees in addition to the remuneration and the audit committees established in accordance with the law?	V		(II) The Company's Board of Directors approved the establishment of the "Corporate Governance Committee" on August 11, 2021 and the "Nomination Committee" on November 10, 2023	Aligned
(III) Has the Company formulated board performance evaluation regulations and evaluation methods, conducted performance evaluations annually and regularly, reported the results of performance evaluations to the board of directors, and adopted such results as a reference for deciding the remuneration of directors and nomination of individual director candidates?	V		(III) The Company conducts the performance evaluation of the Board of Directors in accordance with the Regulations Governing the Evaluation of the Performance of the Board of Directors at the end of each year. The evaluation include the evaluation of the Board of Directors as a whole and the director self-evaluation. The performance of the Board of Directors as a whole, individual board members, and functional committees was evaluated with an internal self-evaluation method in 2024. The performance evaluation results were reported to the Board of Directors on January 21, 2025 and disclosed on the Company's website and in this Annual Report.	Aligned
(IV) Does the company regularly assess the independence of the CPAs?			(IV) The Company's Audit Committee reviews the independence and suitability of the attesting CPAs on an annual basis to ensure they are not directors or shareholders of the Company, nor employees receiving salary	Aligned

Evaluation indicators	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			from the Company, and to confirm that they are not-interested parties. We also require the attesting CPAs to provide a “Declaration of Independence” and the “Audit Quality Indicators” to be included in our evaluation process. During the process of assessing the independence of the attesting CPAs in 2024, we completed the “Assessment of Independence of CPAs” internally and submitted it to the Board of Directors for resolution.	
IV. Has the company appointed an appropriate number of competent corporate governance personnel and designated a corporate governance officer to be responsible for corporate governance affairs (including but not limited to providing directors and supervisors with the materials required for performance of their duties, assisting directors and supervisors with compliance, handling matters related to board meetings and shareholders' meetings, and preparing minutes of board meetings and shareholders' meetings)?	V		The Board of Directors approved, on August 11, 2021, the appointment of Sung, Li-Lan from the Finance Department as the Corporate Governance Officer concurrently to manage the corporate governance business.	Aligned
V. Has the company has established communication channels with stakeholders and set up a section dedicated to stakeholders on the company's website to properly respond to stakeholders' major CSR issues of concern?	V		We have a spokesperson mechanism in place to handle relevant matters in accordance with regulations and are working on the establishment of a Stakeholders section on the Company's website.	Aligned
VI. Does the company appoint a professional stock affairs agency to handle the affairs	V		The Company appointed CTBC Bank Co., Ltd. to handle the shareholders' meeting affairs.	Aligned

Evaluation indicators	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
related to shareholders' meetings?				
VII. Information disclosures				
(I) Has the company set up a website to disclose information on financial business and corporate governance?	V		(I) We have set up a website and regularly update the latest financial and corporate governance information on the website.	Aligned
(II) Does the company adopt other methods to disclose information (such as setting up an English website, designating personnel to collect and disclose company information, implementing a spokesperson system, or placing the proceeding of investor conferences on the company website)?	V		(II) 1. We have a spokesperson mechanism in place and disclose material information and financial information on the Market Observation Post System (MOPS). 2. The information on invitations to investor conferences can be found on the website and entered into the Market Observation Post System (MOPS) as required.	Aligned
(III) Does the Company announce and submit an annual financial report to the competent authority within two months after the end of each fiscal year and announce and submit the financial reports for the Q1, Q2, Q3 and the operations of each month to the competent authority before a specified deadline?	V		(III) The Company publishes and files its annual financial reports in accordance with Article 36 of the Securities and Exchange Act and other relevant regulations (within 75 days). Quarterly financial reports for the first, second, and third quarters are published and filed within 45 days, and monthly operational reports are submitted by the 10th of each month. The financial statements for 2024 were announced and filed on February 28, 2025.	Aligned
VIII. Does the Company have other important information that facilitates the understanding of the operations of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' rights, directors' and supervisors' continuing education, the	V		1. Employee rights and interest and care The Company has established an "Employees Welfare Committee" to regularly allocate funds for employee welfare purposes and periodically for other various activities. We value employees' rights and interests and harmonious labor relations and express our care for them. We are committed to providing employees with a safe and healthy work environment and organize plant-wide employee health checks to ensure the health and well-being of all employees.	Aligned

Evaluation indicators	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
implementation of risk management policies and risk measurement standards, the implementation of client policies, and the company's purchase of directors and supervisors liability insurance)?			2. Investor relations Adhering to the principle of fairness and openness to all shareholders, we convene a shareholders' meeting per year in accordance with the Company Act and applicable laws and regulations and inform all shareholders to attend the shareholders' meeting in accordance with relevant regulations and encourage them to actively participate in the election of directors and supervisors at the shareholders' meeting or the voting on the proposal for amendments to the Articles of Incorporation. We also report on major financial activities to the shareholders' meeting, such as disposal of assets or endorsements/guarantees provided. We offer shareholders sufficient opportunities to ask questions or make proposals to achieve the effect of checks and balances. We formulated the Rules of Procedure for Shareholders' Meetings in accordance with the law, properly keep the minutes of the shareholders' meeting, and disclose relevant information on the MOPS. Also, to ensure that shareholders have the right to know, participate in, and make decisions on the Company's major issues, we have a spokesperson and an acting spokesperson in place and have designated personnel to respond to shareholders' suggestions, questions, and disputes. Since the Company's stock was publicly offered, we have adhered to the principle of information disclosures and appointed personnel to collect and disclose the Company's information, announce and report relevant information, and provide information that may affect investors' decisions in a timely manner. 3. Supplier relations We pay attention to the reasonableness of the purchase prices and make decisions after complete comparison of the unit prices, specifications, payment terms, delivery time, product and service quality, or other information. We have established long-term close partnerships with suppliers on the basis of mutual trust and mutual benefit to jointly pursue	

Evaluation indicators	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			sustainable and win-win growth. 4. Protection of stakeholders We have disclosed the contact numbers and emails for stakeholders on the Company's website to establish communication channels with employees, shareholders, and other stakeholders to safeguard their relevant rights. 5. Directors and supervisors' continuing education We promote the courses and channels of continuing education to directors from time to time and discloses the training situation on the MOPS. 6. Implementation of risk management policies and risk measurement criteria The Company's risk management policies and procedures were approved by the Board of Directors on December 22, 2021 and are implemented accordingly. The implementation of the risk management policies and procedures for 2024 was reported to the Board of Directors on December 27, 2024. 7. Implementation of client policy We communicate with clients in real-time about their complaints, understand their needs, and set the deadline for closing clients' (appeals) complaints, to quickly and efficiently improve the interaction between the Company and clients, while reviewing and improving any defects at monthly business meetings. 8. Purchase of directors and supervisors liability insurance The Company has insured all directors for liability up to NTD 60,000,000, and has reported the relevant insurance coverage at Notifications will be made on the Market Observation Post System.	
IX. Please describe the improvements made based on the corporate governance evaluation results published by the Corporate Governance Center of Taiwan Stock Exchange in the most recent year, and propose enhancement measures and measures for the matters that have not yet been rectified: The Company conducts a self-evaluation based on the latest corporate governance evaluation indicators, and reviews the reasons for any discrepancy between the evaluation results and the self-evaluation. In addition, the unscored indicators in the self-assessment are improved according to the difficulty level, in order to meet the requirements of corporate governance.				

Evaluation indicators	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
The areas of need for improvement based on the corporate governance evaluation results are as follows: 1. The Company has formulated a policy for the diversity of board members, and disclosed the specific management objectives and implementation of the diversity policy on the Company's website and annual report. 2. The Company has published the annual financial report audited and certified by CPAs within two months after the end of the fiscal year. 3. The specific dividend policy has been disclosed in the Company's annual report.				

◎ Directors and supervisors' continuing education during 2024 was as follows:

Job title	Name	Organizer	Course title	Training hours
Chairman	Chang, Yu-Ming	Taiwan Institute of Directors	Make good use of policy tools to improve corporate governance and reduce R&D risks	3
		Taiwan Investor Relations Institute	Support the Carbon Exchange & Data-based Precision Carbon Reduction and drive further upgrade of operation management	3
Director	Chao, Tien-Tsung	Taiwan Institute of Directors	Make good use of policy tools to improve corporate governance and reduce R&D risks	3
		Taiwan Investor Relations Institute	Sharing of Sustainability Report Compilation Practices	3
Director	Huang, Nan-Hao	Taiwan Investor Relations Institute	Sharing of Sustainability Report Compilation Practices	3
		Taiwan Institute of Directors	Make good use of policy tools to improve corporate governance and reduce R&D risks	3
Director	Cheng, Yu-Tang	Taiwan Investor Relations Institute	Support the Carbon Exchange & Data-based Precision Carbon Reduction and drive further upgrade of operation management	3
		Taiwan Investor Relations Institute	Sharing of Sustainability Report Compilation Practices	3
		Taiwan Corporate Governance Association	Net Zero Carbon Emissions Promotion Conference	3
		Taiwan Corporate Governance Association	Net Zero Path with Infinite Business Opportunities: Analysis of Strategic Directions from the Industry Perspective	3
Independent Director	Hsu, Chi-Jeng	Taiwan Institute of Directors	Make good use of policy tools to improve corporate governance and reduce R&D risks	3
		Taiwan Investor Relations Institute	Steering the helm and moving forward with corporate governance	3
Independent Director	Huang, Ling-Tien	Taiwan Stock Exchange Corporation	Cathay Sustainable Finance and Climate Change Forum 2024	6
Independent Director	Huang, Hsiu-Hui	Taiwan Digital Governance Association	Future trends for the dual-axis transformation of digital and ESG net zero	3
		Independent Directors Association of Taiwan	ESG Practice in Taiwan	3
		Chinese Association of Industry and Commerce	2024 Taiwan Net Zero Forum	3
		Taipei Exchange	AI Strategy and Governance	3

◎ The information on the training received by the Corporate Governance Officer during 2024 is as follows:

Job title	Name	Organizer	Course title	Training hours
Corporate Governance Officer	Sung, Li-Lan	Taiwan Investor Relations Institute	Steering the helm and moving forward with corporate governance	3
		Taiwan Investor Relations Institute	Sharing of Sustainability Report Compilation Practices	3
		Taiwan Investor Relations Institute	Support the Carbon Exchange & Data-based Precision Carbon Reduction and drive further upgrade of operation management	3
		Taipei Exchange	Insider Equity Promotion Session	3

(IV) If the Company has established a remuneration committee, a nomination committee, the composition, responsibilities, and operations of the committees shall be disclosed:

i. Remuneration Committee:

1. Composition of the Committee: The Committee consists of three members, who are appointed by the Board of Directors, with one of them being the convener. The professional qualifications and independence of the members of the Committee are in compliance with Articles 5 and 6 of the Remuneration Committee's Charter.
2. Responsibilities of the Committee: The Committee shall faithfully perform the following duties with the attention of a good administrator and propose its recommendations to the Board of Directors for discussion.
 - (1) Set and periodically discuss the policies, formulations, standards and structures for performance evaluation and remuneration of directors and managerial officers.
 - (2) Periodically review and propose directors' and managerial officers' remuneration.
3. Operations of the Committee: The operations of the Committee are normal.
 - (1) Information on members of the Remuneration Committee

December 31, 2024

Qualifications Criteria \ Name		Professional qualification and experience	Status of independence	Number of other public companies where the individual serves as a member of the remuneration committee concurrently
Independent Director (Convener)	Hsu, Chi-Jeng	1. Department of Accounting, Tainan University of Technology. 2. Assistant Manager, Underwriting Department, MasterLink Securities Corporation, Assistant Vice President, Underwriting Department, Firsttrade Securities Inc., independent director, Clean Air Technology Limited, and independent director, Myson Century, Inc. 3. Not under any of the circumstances mentioned in Article 30 of the Company Act.	According to the Company's Articles of Incorporation and "Corporate Governance Best Practice Principles," the directors shall be elected under the candidate nomination system. When nominating and electing the Board members, the Company has received the written statement, information about work experience, current certificate of employment and kinship chart from each director and, therefore, already verified the independence of them, their spouses, and relatives within 3rd degree of	1

Qualifications Criteria Name		Professional qualification and experience	Status of independence	Number of other public companies where the individual serves as a member of the remuneration committee concurrently
Independent Director	Wu, Chang-Cheng (dismissed on 2024.05.27)	1. Doctoral degree, National Chiao Tung University 2. President of Truelight Corporation, President of InveStar Holdings Inc., and President of uSenlight Corporation. 3. Not under any of the circumstances mentioned in Article 30 of the Company Act.	kinship as to the Company. Meanwhile, upon verification, the three independent directors identified in the left column were held satisfying the qualification requirements under the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” promulgated by FSC and Article 14-2 of the Securities and Exchange Act within two years before they assume the positions and during their term of office. The independent directors have also been empowered to participate in the decision making and express opinions under Article 14-3 of the Securities and Exchange Act, in order to perform their job duties independently.	-
Independent Director	Huang, Ling-Tien	1. MBA of University of Leicester, UK 2. EMBA of National Yang Ming Chiao Tung University. 3. Vice President of Human Resources and Administration Center, ProLogium Technology, Head of Human Resources Division, Win Semiconductors Corp., Chief HR Officer of Spirox Corporation, Independent Director of Sun Yad Construction Co., Ltd. 4. Not under any of the circumstances mentioned in Article 30 of the Company Act.		-
Independent Director	Huang, Hsiu-Hui	1. EMBA of Fudan University. 2. Former Director of a TWSE-listed company, now renamed as RUN LONG CONSTRUCTION CO., LTD. 3. Former Director of the TWSE-Listed company – SKB Group BHD (Malaysia) 4. Former Global Vice President of The Chinese Women’s Business Association 5. NTU EMBA Alumni Foundation - Vice CEO. 6. Vice President of Deep01 Limited 7. Public Relations Manager, North District, Industrial and Commercial Development Research Association of the Republic of China. 8. Not under any of the circumstances mentioned in Article 30 of the Company Act.		-

(2) Information on the operation of the Remuneration Committee

- ① There are three members in the Remuneration Committee.
- ② The term of office of the current term is from May 27, 2024 to May 26, 2027. During 2024, the Remuneration Committee held 3 meetings, with the qualifications and attendance of the members are as follows:

Job title	Name	Attendance in person	Attendance by proxy	Attendance in person (%)	Remarks
Convener	Hsu, Chi-Jeng	3	-	100	-
member	Wu, Chang-Cheng	1	-	100	Dismissed on May 27, 2024
member	Huang, Ling-Tien	3	-	100	-
member	Huang, Hsiu-Hui	2	-	100	-

Additional information:

- I. Where the Board of Directors rejects or modifies the suggestions from the Remuneration Committee, please disclose the date and session of the meeting, contents of the motions, resolution made by Board of Directors' meeting, and how the Company has responded to Remuneration Committee's opinions (describe the differences and reasons, if any, should the Board of Directors approve a solution that is more favorable than the one proposed by the Remuneration Committee): None.
- II. For proposals resolved by the Remuneration Committee, if any members expressed objection or reservation with a record or written statement, the date of the Remuneration Committee meeting, the session, the content of the proposal, all members' opinions, and the response to the members' opinions shall be specified:

Date of Remuneration Committee Meeting	Proposal	Participation in voting
January 25, 2024 (1st meeting of the Remuneration Committee in 2024)	Proposal of 2023 year-end and performance bonuses for the Company's managers and above.	Independent Director Hsu, Chi-Jeng: Affirmed that the motion was approved. Independent Director Huang, Ling-Tien: Affirmed that the motion was approved. Independent Director Wu, Chang-Cheng: In consideration of the Company's current profitability, he opposed Chairman's 2023 year-end bonus and performance bonus. Voting result: The motion was approved by all members present with 2 votes in favor and 1 vote against. The motion is approved and submitted to the Board of Directors for discussion. (Material announcement on MOPS on 2024.1.25)

ii. Nomination Committee:

In order to improve the functions of the Board of Directors and strengthen the management mechanism, the Company promulgated the "Nomination Committee Charter" in accordance with Article 27 of the Corporate Governance Best Practice Principles.

- 1 Composition of the Committee: The Committee consists of three members. The Board of Directors resolved to appoint Chairperson Chang, Yu-Ming and Independent Directors Hsu, Chi-Jeng and Huang, Hsiu-Hui as the members of the Nomination Committee for the first term of office from May 27, 2024 to May 26, 2027 (the same as the Board of Directors' term of office by which the appointments were made).

Name of member of Nomination Committee:	Whether or not the member is an independent director	Expertise
Chang, Yu-Ming (Chairperson)	X	Finance, commerce, marketing, Industry technology
Hsu, Chi-Jeng	V	Finance, commerce, law, marketing
Huang, Hsiu-Hui	V	Commerce, Marketing

- 2 Responsibilities of the Committee: The Committee shall faithfully perform the following

duties with the attention of a good administrator and propose its recommendations to the Board of Directors.

Discussion:

- (1) Formulate and review the composition, qualifications, and other selection criteria for directors and managerial officers, and succession plans.
 - (2) Select and review suitable candidates for directors and managerial officers, evaluate the independence of independent directors, and propose a list of candidates to the Board of Directors.
 - (3) Formulate and review the establishment, duties and operations of various committees under the Board of Directors, and examine the qualifications and potential conflicts of interest of the members of the committees.
 - (4) Plan and implement a program of continuing education for directors.
 - (5) Any other tasks instructed by the Board of Directors to be handled by the committee.
- 3 Operations of the Committee: The Committee was established on November 10, 2023, and the 1st meeting of the Nominating Committee of the 1st term was held on February 27, 2024. The professional qualifications and experience of the members, their attendance, and matters discussed are as follows:

Job title	Name	Professional qualification and experience	Attendance in person	Attendance by proxy	Attendance in person (%)	Remarks
Convener	Chang, Yu-Ming	1 Master of Business Administration, National Taiwan University 2 With extensive experience in business administration, formerly Chairperson of U-Best Innovative Technology Co., Ltd., Chairperson of Myson Century, Inc., Chairperson of FEEI CHERNG DEVELOP TECHNOLOGY CO., LTD. and Chairperson of SUN YAD CONSTRUCTION CO., LTD	1	-	100	
member	Hsu, Chi-Jeng	1 Department of Accounting, Tainan University of Technology. 2 Assistant Manager, Underwriting Department, MasterLink Securities Corporation, Assistant Vice President, Underwriting Department, Firstrade Securities Inc., independent director, Clean Air Technology Limited, and independent director, Myson Century, Inc.	1	-	100	
member	Huang, Ling-Tien	1 MBA of University of Leicester, UK. 2 Vice President of Human Resources and Administration Center, ProLogium Technology, Head of Human Resources Division, Win Semiconductors Corp., Chief HR Officer of Spirox Corporation, Independent Director of Sun Yad Construction Co., Ltd.	1	-	100	

Additional information:

Main motions addressed by the Committee:

1. Election of the Convener - The members in attendance unanimously elected Mr. Chang, Yu-Ming as the Convener of the Company's "Nomination Committee" of the 1st term and the meeting chair.
2. Nomination and resolution of the list of director candidates - The Company shall elect four directors and three independent directors at this year's annual general shareholders' meeting under the candidate nomination system, and this motion was approved without objection after deliberation by all members in attendance.

(V) The promotion of sustainable development and the deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor:

Items	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
I. Has the company established a governance structure to promote sustainable development and set up a dedicated (concurrent) unit to promote sustainable development, governed by the senior management as authorized by the board of directors, which supervises the implementation?	V		A "Sustainable Development Committee" has been established with the President as the chairman and three working groups: The "Corporate Governance Task Force," "Environmental Sustainability Task Force," and "Corporate Social Responsibility Task Force" are responsible for implementing sustainability-related initiatives. The implementation status and results are disclosed in the "Sustainability Report" and reported to the Board of Directors annually.	No material difference.
II. Does the company conduct risk assessments of environmental, social, and corporate governance issues related to company operations as per the principle of materiality? Has the company formulated relevant risk management policies or strategies?	V		I. Environmental protection We have formulated energy conservation and carbon reduction policies and raise employees' awareness of environmental protection and relevant issues. II. Social issues To achieve the organization's goals and meet the talent development needs, we have formulated and implemented reasonable employee benefit measures and formulated the work rules with a clear and effective reward and punishment mechanism, to cultivate professional and technical talents. III. Labor-employment relations We recruit personnel based on each department's needs for manpower, identify manpower needs, find outstanding talents in alignment with the Company's core values, and strive to retain talents, while objectively learning about the reasons for employees' resignation through interviews and collecting relevant information, analyzing the data, and providing follow-up improvement plans. IV. Corporate governance We have formulated the Corporate Governance Best Practice	No material difference.

Items	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			Principles in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, regularly conduct board performance self-evaluations, and disclose the results in the annual report of the shareholders' meeting. V. Customer privacy We ensure the confidentiality of trade secrets and prohibit employees from inquiring about or collecting information on suppliers’ or clients’ trade secrets, trademarks, patents, works, and other intellectual property rights not related to their jobs, and they shall not disclose such information to others to protect our trade secrets. VI. Socioeconomic compliance We have formulated relevant operating procedures for compliance with laws and regulations and hold education and training on laws on a regular basis per year to enhance our employees' compliance with laws and regulations and reduce operational risks.	
III. Environmental issues				
(I) Has the company set up an appropriate environmental management system as per its industrial characteristics?	V		We adhere to the environmental protection concept in product R&D, design, production, and packaging and work to improve the use efficiency of various resources by adopting recycled raw materials, reducing waste, recycling resources, saving energy, and reducing water consumption.	No material difference.
(II) Is the Company committed to improving energy efficiency and using recycled materials with low impact on the environment?	V		The Company is committed to enhancing the power usage effectiveness and the efficiency of fuel oil and water usage, thereby improving the resource use efficiency. The Company's empty metal drums and wastewater are recycled and processed externally to increase the percentage of resources for reuse, thereby continuing to reduce the burden on the environment.	No material difference.

Items	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor																																								
	Yes	No	Brief description																																									
(III)Has the company assessed its current and future potential risks and opportunities of climate change and taken countermeasures against climate-related issues?	V		The Company has assessed the potential risks and opportunities of climate change for the business now and in the future, and has taken measures to address climate-related issues as follows: 1. Continue to reduce waste at source to reduce waste output and increase the reuse rate of waste materials. 2. Replace oil boilers with natural gas. 3. Commit to improving energy efficiency and recycling and reuse, increasing the recycling rate, and continuing to reduce the burden on the environment.	No material difference.																																								
(IV)Has the company counted the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and formulated policies on energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction, or other waste management?	V		Greenhouse gas emissions: Information on Hsin-Li’s annual greenhouse gas emissions, water consumption and waste Scope I: Inventory of natural gas <table><tr><th>Year</th><th>Natural gas (m3)</th><th>GJ</th><th>Coverage</th></tr><tr><td>2022</td><td>665,021</td><td>22,275</td><td>All plants, including PVC and PU plants</td></tr><tr><td>2023</td><td>356,102</td><td>11,928</td><td>All plants, including PVC and PU plants</td></tr><tr><td>2024</td><td>461,689</td><td>15,464</td><td>All plants, including PVC and PU plants</td></tr><tr><td></td><td></td><td></td><td></td></tr></table> Scope II: Inventory of electricity consumption <table><tr><th>Year</th><th>Electricity consumption (kWh)</th><th>GJ</th><th>Coverage</th></tr><tr><td>2022</td><td>2,164,744</td><td>7,798</td><td>All plants, including PVC and PU plants</td></tr><tr><td>2023</td><td>1,332,393</td><td>4,798</td><td>All plants, including PVC and PU plants</td></tr><tr><td>2024</td><td>1,529,580</td><td>5,508</td><td>All plants, including PVC and PU plants</td></tr><tr><td></td><td></td><td></td><td></td></tr></table> Scope II: Inventory of water consumption	Year	Natural gas (m3)	GJ	Coverage	2022	665,021	22,275	All plants, including PVC and PU plants	2023	356,102	11,928	All plants, including PVC and PU plants	2024	461,689	15,464	All plants, including PVC and PU plants					Year	Electricity consumption (kWh)	GJ	Coverage	2022	2,164,744	7,798	All plants, including PVC and PU plants	2023	1,332,393	4,798	All plants, including PVC and PU plants	2024	1,529,580	5,508	All plants, including PVC and PU plants					No material difference.
Year	Natural gas (m3)	GJ	Coverage																																									
2022	665,021	22,275	All plants, including PVC and PU plants																																									
2023	356,102	11,928	All plants, including PVC and PU plants																																									
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Items	Implementation				Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor		
	Yes	No	Brief description				
			Year	Water consumption (m3)	CO ₂ emissions (KG)	Coverage	
			2022	9,484	1,439	All plants, including PVC and PU plants	
			2023	6,555	1,031	All plants, including PVC and PU plants	
			2024	7,558	1,184	All plants, including PVC and PU plants	
			Statistics on waste: All of the Company’s waste is non-hazardous.				
			Year	Domestic waste (tonnes)	Waste and plastic mix (tonnes)	Coverage	
			2022	30.13	4.6	All plants, including PVC and PU plants	
			2023	28.91	0.8	All plants, including PVC and PU plants	
			2024	28.54	1.2	All plants, including PVC and PU plants	
			In an effort to help reduce the greenhouse gases, the Company replaced the heavy fuel oils for the boilers with natural gas. As natural gas is colorless, non-toxic, and non-corrosive with a high heating value and great combustion efficiency and emits less exhaust gas and pollutants after combustion, it is called green fuels.				
			All of the Company’s waste is non-hazardous.				
			Formulation of energy saving and carbon reduction plans: Switched boiler fuel from heavy oil to natural gas, lowered the floor slabs of all conference rooms, phased out LED lamps, installed the solar power generation system, and conducted garbage sorting.				
			In 2022, the Company invested in a solar power generation system with a total investment of NT\$91,460 thousand. In 2024, the system				

Items	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			generated a total of 2,691,441 kWh, reducing carbon emissions by 1,275,743 kg. The Company's total greenhouse gas emissions were 1,111.488 metric tons of CO ₂ e in 2023 and 1,520.279 metric tons of CO ₂ e in 2024.	
IV. Social issues (I) Does the company formulate relevant management policies and procedures in accordance with applicable laws and the International Bill of Human Rights?	V		We have formulated relevant labor operating procedures in accordance with labor laws and regulations and a human rights policy (published on the company website) to protect workers and avoid situations that may undermine their basic rights.	No material difference.
(II) Has the Company formulated and implemented reasonable employee benefit measures (including remuneration, leave, and other benefits) and reflected business performance or achievements in employee remuneration appropriately?	V		We value employees and care for them, with an complete employee retirement system and a friendly workplace. We also provide employees with a complete salary, bonus, dividends, and benefit system, to motivate them to make contribution to the Company. Relevant benefit measures include labor insurance, health insurance, and group insurance for employees; bonuses upon three major holidays; employee health checks and employee travel; an Employee Welfare Committee that provide subsidies/allowances for marriage, childbirth, travel, injury, illness, or death. We also provide parental leave. In addition, to encourage efficient production and outstanding contribution, when the production efficiency and contribution have reached a certain level, we will pay out corresponding bonuses. We have properly reflected the business performance in the employee remuneration. As per the Articles of Incorporation, to motivate employees and the management team, after a cumulative deficit is deducted from the Company's profit for the year, the Company shall provide not lower than 2%–5% of the balance for employee profit-sharing remuneration.	No material difference.

Items	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
(III) Does the Company provide employees with a safe and healthy work environment and offer safety and health education to employees regularly?	V		The Company organizes health checkups and safety and health seminars for employees every year. For the prevention and treatment of obesity and the “three highs” (i.e. hyperglycemia, hyperlipidemia, high blood pressure) and other chronic diseases, the Company will assist in regular follow-ups and contact the employees with abnormal reports on health checkups. With the on-site health service contract signed with neighboring medical clinics, labor health physicians come every year, while labor health service nurses come to the site for consultation on health services once a month. The Company provides regular occupational safety and health training for employees. In 2024, there were 0 occupational injury cases and 0 fire incidents among employees.	No material difference.
(IV) Has the Company established an effective career development training program for employees?	V		We attach great importance to employee training and development. To provide them with a clear career development roadmap, we invest sufficient resources in employee training. We provide new employee training on the Company's business policy, corporate social responsibility concept, and relevant policies, and then offer training courses depending on individual competencies.	No material difference.
(V) Does the company comply with relevant regulations and international standards on issues such as customer health and safety, customer privacy, marketing, and labeling? Additionally, has the company established policies and grievance procedures to protect consumer or customer rights?	V		We have disclosed the contact numbers and emails for complaints on the Company's website, and established a channel to protect consumers' rights and interest and protect relevant people's rights. In addition, the Sales Department is responsible for responding to customer complaints and checking their needs as the basis for continuous improvement.	No material difference.

Items	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
(VI)Has the Company formulated a supplier management policy, required suppliers to follow applicable regulations on issues, such as environmental protection, occupational safety and health, or labor rights? The implementation thereof?		V	The contracts between the Company and our major suppliers do not contain the clauses on the left, and we will revise our contracts where appropriate in the future depending on our operations.	We will make plans depending on our needs in the future.
V. Has the Company referred to the internationally accepted reporting standards or guidelines to prepare reports, such as ESG reports that discloses the Company's non-financial information? Has a third-party verification entity provided assurance or assurance opinion for said report?	V		The Company has completed the preparation of the 2023 sustainability report in June 2024, and plans to engage a third-party verification unit to provide assurance or guarantee opinions in future years.	No material difference.
VI. Where the Company has formulated its own sustainable development code in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies ", please specified the differences between the implementation and the principles: The Company's Board of Directors approved to adopt the "Sustainable Development Best Practice Principles" on December 26, 2022, and we implement it accordingly without material deviation.				
VII. Other important information that facilitates the understanding of the promotion of sustainable development: 1 Environmental protection: We have personnel in place dedicated to environmental management and the planning, management, and auditing of environmental protection. We also have two Class B air pollution control and prevention personnel, one Class A waste personnel, and two Class B toxic chemical substances personnel in place and comply with laws and regulations, including the Waste Disposal Act and the Air Pollution Control Act to duly implement pollution prevention and control and maintain environmental quality. 2 Community participation, social contribution, social service, and social charity: We regularly sponsor social charity activities in the community, provide graduation scholarships to from nearby elementary and junior high schools, and participate in various activities of local police and firefighter associations, thereby actively giving back to the local community. 3 Consumer rights and interest: We learn about client satisfaction and ensure existing and potential clients' support, to improve the Company's competitiveness with proactive, rapid, and effective services. 4 Human rights: All our employees enjoy equal employment opportunities, regardless of gender, religion, and political affiliation, and we provide them				

Items	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
5			with a friendly work environment to ensure that they are free from discrimination and harassment. Safety and health: We comply with the government's regulations on labor safety and health and implement various safety and health tasks, while specifying labor safety and health details in the work rules.	

Climate-related information of listed companies:

1 Climate-related information implementation

Item	Implementation				
1 Describe the monitoring and governance of climate-related risks and opportunities by the Board of Directors and the management.	The greenhouse gas inventory and verification schedule were reported to the Board of Directors every quarter in 2024. By the end of September 2023, the talent training, strategic goals, control mechanism, internal verification plan, and internal verification plans were set, with the external verification being carried out by a qualified institution verification from that point.				
2 Describe how the identified climate risks and opportunities affect the business, strategy and finance of the Company (short-, medium-, and long-term).	1 Climate risk				
	Type of risk	Risk content	Time point	Responding measures	Financial impact
	Transformation risks	"Policies and regulations" National carbon tax/carbon tax laws are gradually applied	Short-term	In the future, we plan to introduce external greenhouse gas verification and formulate a feasible reduction plan based on the results of the inventory, in order to achieve the goal of low-carbon production.	Operating costs
	Transformation risks	[Policies and Regulations] In response to the trend of low-	Mid-term	Suppliers are required to disclose greenhouse gas emissions, and to set carbon reduction	Procurement cost

Item	Implementation				
		carbon products, it may be necessary to adjust or replace supporting suppliers		targets and plans. A supplier environmental assessment and screening mechanism has also been introduced.	
	Transformation risks	Changing customer behavior; rising demand for low-carbon products	Long-term	Develop and provide customers with low-carbon products, and work with major supply chain manufacturers to jointly set carbon reduction goals and plans to effectively reduce the carbon footprint of products and meet customer needs and low-carbon trends.	Operating revenue
	2 Climate Opportunities				
	Details of opportunity	Time point	Responding measures		Financial impact
	Use of renewable energy	Mid-term	Expand the use and installation of solar energy and other renewable energy facilities and set renewable energy use targets		Operating costs
3 Describe the financial impact of extreme climate events and transformation actions.			Extreme climate events such as typhoons, floods or extreme heat may damage a company's physical assets, including production facilities, supply chain logistics and inventory. These losses may lead to insurance claims and increased facility repair costs, which in turn may affect the Company's financial		

Item	Implementation
	performance. Transformational actions against extreme climates, such as green products and low-carbon economy strategies, will all require additional investment in the initial stage, including updating production technology, improving energy efficiency, or researching and developing more environmentally friendly products. The new investments may cause financial pressure in the short term, but are expected to realize long-term environmental and financial benefits in the medium to long term. Therefore, the Company is assessing the possible financial impacts of extreme climate events and transformation actions, and developing response strategies to ensure that the Company can adapt to these changes while maintaining financial stability during the transformation process.
4 Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	Risk management not only impacts the company's operations but also has a significant effect on its reputation. Hsin-Li Chemical's overall risk management policies have been approved by the Board of Directors and are governed by written principles. Each year, individual departments identify risk items and propose corresponding response strategies, which are first reported to the General Manager in meetings. The General Manager then presents the findings to the Corporate Governance Committee, which in turn reports them to the Board of Directors. Each relevant department is in charge of assessing the likelihood of the occurrence of each risk factor and the extent of the impact, formulating and implement necessary measures, and properly managing each risk.
5 If a scenario analysis is used to evaluate the resilience in the face of climate change risks, the scenarios, parameters, assumptions, analysis factors and main financial impacts used shall be explained.	The Company has not yet adopted scenario analysis to assess climate change risk resilience, but will actively consider introducing such an approach. Future scenario analysis may include assumptions of different climate scenarios, future emissions and policies to analyze their potential impacts on the Company's operations and finance.
6 If there is a transformation plan in response to the management of climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transformation risks.	Please refer to the description in 2 above.
7 If internal carbon pricing is used as a planning tool, the basis for setting the price shall be stated.	Internal carbon pricing not yet used as a planning tool.
8 If climate-related goals are set, the activities covered, the scope of greenhouse gas emissions, the planning period, and the progress of each year should be explained; if carbon offsets or renewable energy certificates (RECs) were used to achieve the goals, it should be explained The	Currently, carbon offsets or renewable energy certificates (RECs) are not used to achieve related goals.

Item	Implementation
source and quantity of carbon reduction credits or quantity of Renewable Energy Certificates (RECs) for which they are exchanged.	
9 Greenhouse gas inventory and assurance status, as well as reduction targets, strategies and concrete action plans (please fill in 1-1 and 1-2 separately).	For further details, please see the explanations provided in the table below.

1-1The Company's Greenhouse Gas Inventory and Assurance in the Recent Two Years

1-1-1Greenhouse Gas Inventory Information

Describe the greenhouse gas emissions volume (metric tons CO₂e), intensity (metric tons CO₂e/NTD million), and data coverage for the most recent two years.

I. According to the Company-wide inventory of greenhouse gas emissions, the main greenhouse gas generated by the Company's operations is carbon dioxide. The scope and boundaries are as follows:

(I) Scope 1 is direct greenhouse gas emissions: The boiler fuel has been changed from heavy oil to natural gas , and there are no other direct greenhouse gas emission sources.

Scope I: Inventory of natural gas

Year	Natural gas (m3)	GJ	Intensity (KGCO ₂ e/M2)	Coverage
2022	665,021	22,275	15.67	All plants, including PVC and PU plants
2023	356,102	11,928	8.39	All plants, including PVC and PU plants
2024	461,689	15,464	10.85	All plants, including PVC and PU plants

(II) Scope 2 is indirect greenhouse gas energy emissions: mainly purchased electricity and water.

Scope II: Inventory of electricity consumption

Year	Electricity consumption (kWh)	GJ	Intensity (KGCO ₂ e/M2)	Coverage
2022	2,164,744	7,798	12.56	All plants, including PVC and PU plants
2023	1,332,393	4,798	7.69	All plants, including PVC and PU plants
2024	1,529,580	5,508	8.67	All plants, including PVC and PU plants

Scope II: Inventory of water consumption

Year	Water consumption (m3)	CO ₂ emissions (KG)	Intensity (KGCO ₂ e/M2)	Coverage
2022	9,484	1,439	0.02	All plants, including PVC and PU plants
2023	6,555	1,031	0.02	All plants, including PVC and PU plants
2024	7,558	1,184	0.02	All plants, including PVC and PU plants

(III) Scope 3 is emissions from the Company's activities which are not classified as indirect energy emissions : No statistics available.

Note 1: Direct emissions (Scope 1, i.e. directly from emission sources owned or controlled by the Company), indirect energy emissions (Scope 2, i.e. indirect greenhouse gas emissions from imported electricity, heat or steam) and other indirect emissions (Scope 3: emissions generated from corporate activities that are not indirect emissions from energy sources but come from sources owned or controlled by other companies).

Note 2: The data coverage of direct emissions and indirect energy emissions shall be handled in accordance with the schedule specified in Article 10, Paragraph 2 of the guidelines. Other indirect emissions information may be disclosed voluntarily.

Note 3: Greenhouse gas inventory standard: Greenhouse Gas Protocol (GHG Protocol) or ISO 14064-1 issued by the International Organization for Standardization (ISO).

Note 4: The intensity of greenhouse gas emissions can be calculated per unit of product/service or turnover, but, at minimum, the data calculated in terms of turnover (NTD million) shall be stated.

1-1-2Greenhouse Gas Assurance Information

Describe the status of assurance in the last 2 years up to the date of publication of the annual report, including the scope of assurance, institutions of assurance, criteria of assurance, and opinions of assurance.

Assurance has not yet been implemented by external institutions. The process will be completed in accordance with the FSC's "Roadmap for the Sustainable Development of TWSE/TPEX Listed Companies."

Note 1: The process shall be conducted in accordance with the schedule specified in Article 10, paragraph 2 of the guidelines. If the company has not obtained the full greenhouse gas assurance by the date of publication of the annual report, it is necessary to indicate "complete assurance information will be disclosed in the sustainability report." If the Company does not prepare a sustainability report, it should be noted that "complete assurance information will be disclosed on the Market Observation Post System" and complete assurance information will be disclosed in the next annual report.

Note 2: The corroborated institutions shall comply with the relevant requirements of Taiwan Stock Exchange Corporation and the Taipei Exchange of the Republic of China on corroborated institutions for sustainability reports.

Note 3: The disclosed content can be referred to in the best practice reference examples on the Corporate Governance Center website of the Taiwan Stock Exchange.

1-2 Greenhouse gas reduction goals, strategies and concrete action plans

Describe the greenhouse gas reduction base year and data, reduction goals, strategies, and concrete action plans and achievement of the reduction goals.
The Company has not yet set a greenhouse gas reduction target and strategy.

Note 1: It shall be processed in accordance with the schedule prescribed in Article 10, paragraph 2 of the guidelines.

Note 2: The base year should be the year in which the inventory is completed based on the consolidated financial report boundary. For example, according to Paragraph 2, Article 10 of these guidelines, companies with paid-in capital of NT\$10 billion or more must complete the inventory for the 2024 fiscal year by 2025, making 2024 the base year. If a company completes the inventory based on the consolidated financial report earlier, that earlier year may be used as the base year. Additionally, the data for the base year may be calculated using either a single year or an average of multiple years.

Note 3: The disclosed content can be referred to in the best practice reference examples on the Corporate Governance Center website of the Taiwan Stock Exchange.

(VI) The Company's implementation of ethical management and any deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons therefor:

Evaluation indicators	Operations (Note 1)			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
I. Formulation of ethical management policies and plans				
(I) Has the company formulated an ethical management policy approved by the board of directors and disclosed the policy and practice of ethical management in its regulations and public documents? Are the board of directors and the senior management committed to actively implementing the policy?	V		(I) The Company has instituted the "Ethical Corporate Management Best Practice Principles" on December 26, 2022. These policies and practices have been disclosed on the Company's website, as well as the commitment of the Board of Directors and management to actively implement business policies.	No material difference.
(II) Has the Company established an assessment mechanism for the risk of unethical conduct to regularly analyze and evaluate the business activities with a higher risk of unethical conduct within the business	V		(II) The Company has established the "Ethical Management Best Practice Principles", which clearly defines the behavioral standards that all employees should follow, and the "Whistleblower Reporting System for Illegal	No material difference.

Evaluation indicators	Operations (Note 1)			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
scope and formulated a prevention plan accordingly, at least covering the prevention measures for the acts under each subparagraph under Article 7, paragraph 2 of the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”? (III) Has the Company clearly specified operating procedures, guidelines for conduct, and a violation punishment and complaint system in the unethical conduct prevention plan and duly implemented them? Does the Company regularly review and revise said plan?	V		(including Corruption) and Unethical Behavior by Internal and External Personnel", which stipulates that employees shall not speculate, conceal, or deceive in order to obtain undue benefits, and that employees shall be punished for violating the Principles in accordance with the provisions of the Company's work rules on disciplines. If a person subject to the preceding disciplinary measures believes that the Company has handled the matter improperly, he/she may file a complaint for relief in accordance with the Company's relevant complaint processing regulations. (III) The Company has established procedures for internal communication and investor relations, and organizes promotional education and training from time to time. An e-mail system has been set up on both the Company's internal and external websites to allow employees and related personnel to report any improper business practices, which will be handled by the Company's designated senior management.	No material difference.
II. Implementation of ethical management (I) Does the Company evaluate the records of all counterparties for ethics? Has the Company specified the terms of ethical conduct in each contract signed with each counterparty?	V		(I) Before engaging in business activities with suppliers, customers, or other transaction counterparties, we consider the legality of the transaction counterparties and whether they have a record of unethical conduct and only be carry out a transaction after the credit investigation is completed.	No material difference.
(II) Has the company established a dedicated (concurrent) unit under the board of directors to conduct ethical corporate management, regularly (at least once a year) report to the board of directors on its ethical	V		(II) The Company's Corporate Governance Committee governs the corporate governance, CSR, ethical management, environmental sustainability, and risk management task forces. The President assigns the heads	No material difference.

Evaluation indicators	Operations (Note 1)			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
management policies and prevention plans for unethical conduct, and supervise the implementation?			of relevant units to take charge of the work of each task force and implement related plans. At least once a year, the solely responsible unit will report to the Board of Directors on the implementation of ethical management.	
(III) Has the company formulated policies to prevent conflicts of interest, provided appropriate methods for stating one's conflicts of interest, and implemented them appropriately?	V		(III) An e-mail system has been set up on both the Company's internal and external websites to allow employees and related personnel to report any improper business practices, which will be handled by the Company's designated senior management.	No material difference.
(IV) Has the Company has established an effective accounting system and an internal control system for the implementation of ethical management and assigned the internal audit unit to formulate relevant audit plans based on the assessment results of the risk of unethical conduct and audit the compliance with the unethical conduct prevention plan accordingly or commissioned a CPA to perform such audits?	V		(IV) In order to enforce the implementation of ethical management, the Company has established an effective accounting system and an internal control system, and internal auditors regularly audit the compliance with the foregoing systems. Currently, there is no need to appoint CPAs to perform the audit.	No material difference.
(V) Does the company regularly hold internal and external education and training on ethical management?	V		(V) The Company has established procedures for internal communication and investor relations, and organizes promotional education and training from time to time.	No material difference.
III. Implementation of the Company's whistleblowing system				
(I) Has the company formulated a specific whistleblowing and reward system, established a convenient whistleblowing method, and assigned appropriate personnel to handle the party accused?	V		(I) An e-mail system has been set up on both the Company's internal and external websites to allow employees and related personnel to report any improper business practices, which will be handled by the Company's designated senior management.	No material difference.
(II) Has the company formulated standard operating procedures for investigation of reported cases, the	V		(II) If there is any violation of the Ethical Management Best Practice Principles, the Company will punish the violator	No material difference.

Evaluation indicators	Operations (Note 1)			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
follow-up measures to be taken after the investigation is completed, and a confidentiality mechanism? (III) Does the company take measures to protect whistleblowers from being mistreated due to their whistleblowing behavior?	V		in accordance with the provisions of the Company's work rules on disciplines. If a person subject to the preceding disciplinary measures believes that the Company has handled the matter improperly and that his/her legitimate rights and interests have been violated, he/she may file a complaint for relief to the management department in accordance with the Company's relevant complaint processing regulations. (III) The responsible personnel declare in writing that they will keep the identity of the whistleblower and the content reported confidential and promise to protect the whistleblower from being improperly treated due to the whistleblowing behavior.	No material difference.
IV. Enhanced information disclosure Has the company disclosed the content of its Corporate Governance Best Practice Principles and the effectiveness of the implementation of the principles on its website and the MOPS?	V		The Company has disclosed the contents of the Ethical Management Best Practice Principles on the Company's website and on the Market Observation Post System (MOPS). The Company's implementation of ethical management is disclosed in the Annual Report, which is available for investors to download from the MOPS.	No material difference.
V. If the Company has formulated its own Corporate Governance Best Practice Principles as per the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", please specify the difference between its operation and the principles: To establish a corporate culture of ethical corporate management for the Company's sustainable development, we have established the Company's "Ethical Management Best Practice Principles" in accordance with the "Ethical Corporate Management Best Practice Principles" for TWSE/TPEX Listed Companies". There is no material difference between the implementation and the principles.				
VI. Other important information that facilitates the understanding of the company's ethical corporate management: None.				

(VII) Other important information that may facilitate the understanding of the operation of corporate governance may be disclosed together:

1. In the 2022 Corporate Governance Evaluation, the Company scored 39.26, ranking in the 81–100 percentile among listed companies. In 2023, the total score increased to 66.86, ranking in the 21–35 percentile. For 2024, the Company achieved a total score of 69.64, maintaining its ranking in the 21–35 percentile, reflecting its ongoing commitment to enhancing corporate governance.

2. The Company discloses all material information on the Market Observation Post System (MOPS) in accordance with the regulations of the competent authority.

(VIII) The implementation of the internal control system

1. Statement of the Internal Control System

Hsin-Li Chemical Industrial Corp.
Statement of the Internal Control System

Date: February 27, 2025

The Company's internal control system for 2024 as per the results of our self-assessment is hereby declared as follows:

- I. The Company is clearly aware that the establishment, implementation, and maintenance of an internal control system is the responsibility of the Company's Board of Directors and managers, and the Company has established such a system. It aims to provide reasonable assurance for the achievement of the objectives, namely the effectiveness and efficiency of operations (including profitability, performance, and asset security protection), the reliability, timeliness, and transparency of financial reporting, and compliance with applicable laws and regulations.
- II. Some limitations are inherent in all internal control systems. No matter how perfect the design is, an effective internal control system can only provide a reasonable assurance regarding the achievement of the above three intended objectives; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system is equipped with a self-monitoring mechanism. Once a defect is identified, the Company will take action to rectify it.
- III. The Company judges whether the design and implementation of the internal control system is effective based on the criteria for judging the effectiveness of the internal control system set out in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). Said criteria under the Regulations are divided into five constituent elements as per the management and control process: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communication, and 5. monitoring activities. Each constituent element includes several items. For said items, please refer to the Regulations.
- IV. The Company has adopted the aforesaid judgment criteria for the internal control system to determine whether the design and implementation of the internal control system are effective.
- V. Based on the results of the assessment in the preceding paragraph, the Company is of the opinion that, as of December 31, 2024, the internal control system (including the supervision and management of its subsidiaries), including the understanding the effectiveness of operations and the extent to which efficiency targets are achieved, reliable, timely, and transparently reported, and compliance with applicable rules and applicable laws and regulations, is effective and can reasonably assure the achievement of the above-mentioned objectives.
- VI. This statement will form the main content of the Company's annual report and prospectus and will be made public. If the disclosed content above is false or there is material information concealed deliberately or otherwise, the Company will be legally liable pursuant to Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement has been approved by the Company's Board of Directors on February 27, 2025. Among the seven directors present, none of them expressed objections. All the others agreed with the content of this statement. Therefore, this statement is hereby declared.

Hsin-Li Chemical Industrial Corp.

Chairman: Chang, Yu-Ming  (signature/seal)

President: Cheng, Yu-Tang  (signature/seal)

2. Where a CPA is appointed to review the internal control system: None.

(IX) Important resolutions by the shareholders' meeting and the Board of Directors in the most recent year and up to the publication date of the annual report:

1 Proposals for the shareholders' meeting

Date	Summary of the contents
Shareholders' Meeting	
Motion	
2024/5/27	I. Date of the general shareholders' meeting: 2024/5/27 II. Important resolutions: Ratifications: No. 1: Proposed by the Board of Directors Brief: The Company's 2023 business report and financial statements are hereby submitted for adoption. Resolution: This proposal was voted on by shareholders on site and by electronic means: For: 44,329,600 voting rights; against: 1,621 voting rights; abstentions: 605,661 votes; null ballots: 0. The number of votes for accounted for 98.64% of the total voting rights represented by shareholders present, which exceeded the percentage as required by law; thus, this proposal was approved as proposed. Implementation: The resolution results have been followed. No. 2: Proposed by the Board of Directors Summary: The Company's 2023 statement of earnings distribution was submitted for ratification. Resolution: This proposal was voted on by shareholders on site and by electronic means: For: 44,325,261 voting rights; against: 3,607 voting rights; abstentions: 608,014 votes; null ballots: 0. The number of votes for accounted for 98.63% of the total voting rights represented by shareholders present, which exceeded the percentage as required by law; thus, this proposal was approved as proposed. Implementation: The resolution results have been followed. Discussion: No. 1: Proposed by the Board of Directors Brief: Amendments to the “Articles of Incorporation” of the Company are hereby submitted for discussion. Resolution: This proposal was voted on by shareholders on site and by electronic means: For: 44,322,593 voting rights; against: 3,623 voting rights; abstentions: 610,666 votes; null ballots: 0. The number of votes for accounted for 98.63% of the total voting rights represented by shareholders present, which exceeded the percentage as required by law; thus, this proposal was approved as proposed. Implementation: The resolution results have been followed. Election:

	No. 1: Proposed by the Board of Directors Brief: General re-election of the Company’s Board of Directors of the 12th term, which is hereby proceeded for voting. Resolution: The directors were elected in accordance with the Company's Rules for Election of Directors. Election results: <table><tr><th>Job title</th><th>Account Name</th><th>Number of votes elected</th></tr><tr><td>Director</td><td>Representative of Jing Hong Ltd.: Chang, Yu-Ming</td><td>47,820,330</td></tr><tr><td>Director</td><td>Representative of Jing Hong Ltd.: Ch Tien-Tsung</td><td>43,234,842</td></tr><tr><td>Director</td><td>Representative of U-Best Innovative Technology Co., Ltd.: Huang, Nan-H</td><td>43,281,219</td></tr><tr><td>Director</td><td>Representative of U-Best Innovative Technology Co., Ltd.: Cheng, Yu-Tan</td><td>43,234,681</td></tr><tr><td>Independent Director</td><td>Hsu, Chi-Jeng</td><td>43,250,603</td></tr><tr><td>Independent Director</td><td>Huang, Ling-Tien</td><td>43,223,216</td></tr><tr><td>Independent Director</td><td>Huang, Hsiu-Hui</td><td>43,222,091</td></tr></table> Implementation: The resolution results have been followed. Other motions: No. 1: Proposed by the Board of Directors Brief: The proposal to remove the non-compete clause for new directors is hereby submitted for discussion. Resolution: This proposal was voted on by shareholders on site and by electronic means: For: 44,197,009 voting rights; against: 88,988 voting rights; abstentions: 650,885 votes; null ballots: 0. The number of votes for accounted for 98.35% of the total voting rights represented by shareholders present, which exceeded the percentage as required by law; thus, this proposal was approved as proposed. Implementation: The resolution results have been followed. There were no questions from shareholders at the shareholders’ meeting.			Job title	Account Name	Number of votes elected	Director	Representative of Jing Hong Ltd.: Chang, Yu-Ming	47,820,330	Director	Representative of Jing Hong Ltd.: Ch Tien-Tsung	43,234,842	Director	Representative of U-Best Innovative Technology Co., Ltd.: Huang, Nan-H	43,281,219	Director	Representative of U-Best Innovative Technology Co., Ltd.: Cheng, Yu-Tan	43,234,681	Independent Director	Hsu, Chi-Jeng	43,250,603	Independent Director	Huang, Ling-Tien	43,223,216	Independent Director	Huang, Hsiu-Hui	43,222,091
Job title	Account Name	Number of votes elected																									
Director	Representative of Jing Hong Ltd.: Chang, Yu-Ming	47,820,330																									
Director	Representative of Jing Hong Ltd.: Ch Tien-Tsung	43,234,842																									
Director	Representative of U-Best Innovative Technology Co., Ltd.: Huang, Nan-H	43,281,219																									
Director	Representative of U-Best Innovative Technology Co., Ltd.: Cheng, Yu-Tan	43,234,681																									
Independent Director	Hsu, Chi-Jeng	43,250,603																									
Independent Director	Huang, Ling-Tien	43,223,216																									
Independent Director	Huang, Hsiu-Hui	43,222,091																									

2 Important resolutions by the Board of Directors during 2024 and the current year up to the publication date of this Annual Report:

Date	Summary of the contents	Circumstances referred to in Article 14-3 of the Securities and Exchange Act	Objection or reservation by independent directors
2024/01/25 (1st meeting)	1 Matters reviewed at the 1st meeting of the Remuneration Committee in 2024. Outcome of the resolution: Except for the Chairman's 2023 year-end and performance bonus, which was not approved, the bonuses for other managerial officers were unanimously approved by the attending directors.	V	Dissenting opinion from independent director

Date	Summary of the contents	Circumstances referred to in Article 14-3 of the Securities and Exchange Act	Objection or reservation by independent directors
			Wu, Chang-Cheng
2024/02/27 (2nd meeting)	1 The Company's 2023 Business Report and financial statements. 2 The Company's provision of 2023 employee and director remuneration and distribution method. 3 The 2023 statement of earnings distribution 4 Assessment of the effectiveness of the Company's internal control system and statement of internal control system. 5 Amendments to the "Articles of Incorporation" 6 Replacement of external auditors. 7 The proposal for appointing KPMG Taiwan for audit certification, public fee review, and evaluation of the independence and qualifications of the accountants for fiscal year 2024. 8 General re-election of the Company's Board of Directors of the 12th term. 9 Nomination and resolution of director candidates and their qualifications. 10 Proposal to remove the non-compete clause for new directors. 11 Proposal to set out the agenda for the 2024 general shareholders' meeting. Resolution: Passed by the directors present without objection.	V V V V V V V V V V V	None
2024/04/09 (3rd meeting)	1 Set the capital increase base date by issuing new shares after conversion of the Company's 1st domestic unsecured convertible corporate bonds in 1Q 2024. Resolution: Passed by the directors present without objection.	V	None
2024/04/30 (4th meeting)	1 Review of the 1Q 2024 financial statements of the Company. 2 Amendments to the "Articles of Incorporation." Resolution: Passed by the directors present without objection.	V V	None
2024/05/27 (5th meeting) (tentative)	1 The proposal to elect the Company's Chairman. 2 Appointment of the 6th Remuneration Committee members. 3 Appointment of the 2nd Corporate Governance Committee members. 4 Appointment of the second term of the Nomination Committee. Resolution: Passed by the directors present without objection.	V V V V	None
2024/05/27 (6th meeting) (tentative)	1 Matters reviewed at the 2nd meeting of the Remuneration Committee in 2024. Resolution: Passed by the directors present without objection.	V	None
2024/08/09 (7th meeting)	1 Review of the 2Q 2024 financial statements of the Company 2 Set the capital increase base date by issuing new shares upon conversion of the Company's 1st domestic unsecured convertible corporate bonds. 3 Renewal of credit line from Mega International Commercial Bank. 4 Proposal for the renewal of the credit limit with Taiwan Business Bank Ltd. 5 The credit line from First Commercial Bank. 6 Renewal of credit line from Mega Bills Finance Co., Ltd. 7 Renewal of credit line from Yunta Commercial Bank. 8 Formulated the rules for the distribution of employee cash bonus. 9 Establishment of management regulations for the distribution of year-end bonuses. 10 The convener of the Audit Committee represents the Company to sign transaction contracts with companies within the Group. 11 Preparation of the 2023 Sustainability Report. 12 The Company's authorization of the Chairman to dispose of real estate. Resolution: Passed by the directors present without objection.	V V V V V V V V V V V V	None

Date	Summary of the contents	Circumstances referred to in Article 14-3 of the Securities and Exchange Act	Objection or reservation by independent directors
2024/09/03 (8th meeting)	1 The Company's plan to acquire the equity of Pony Leather Corporation for cash. Resolution: Passed by the directors present without objection.	V	None
2024/11/12 (9th meeting)	1 Review of the 3Q 2024 financial statements of the Company 2 Proposal to draw up the general principles for the Company's pre-approval of the non-assurance financial policy. 3 The proposal to formulate relevant regulations of the Company. 4 Matters reviewed at the 3rd meeting of the Remuneration Committee in 2024. 5 Credit line from Taichung Commercial Bank. 6 SinoPac Securities' unrestricted loan. 7 The Company's shares of Century Minsheng were pledged to First Bank as collateral collateral. Resolution: Passed by the directors present without objection.	V V V V V V V	None
2024/11/26 (10th meeting)	1 Replacement of the Company's share registration service agency. Resolution: Passed by the directors present without objection.	V	None
2024/12/27 (11th meeting)	1 Proposal to draw up the 2025 annual internal audit plan. 2 Proposal of the Company's 2025 business goals. Resolution: Passed by the directors present without objection.	V V	None

(X) In the most recent year and up to the publication date of the annual report, if a director or supervisor has dissenting opinion on an important resolution passed by the board of directors, and there is a record or written statement, the main content thereof: On January 25, 2024, Director Wu Yi-Jen, Director Lin Ching-Lung, Independent Director Wu, Chang-Cheng dissented to the Chairman's 2023 year-end bonus and performance bonus.

IV. Information on CPA's audit fees

Unit: NT\$ Thousand

Name of CPA firm	Name of CPA	Audit period	Audit fees	Non-audit fees	Total	Remarks
KPMG Taiwan	Hsu, Chen-Lung Kao, Yu-Lun	2024.1.1~2024.12.31	1,290	372	1,662	Non-audit fees are for tax returns.

- (I) If the CPA firm is replaced and the audit fees paid during the year in which the replacement occurs are less than those paid in the prior year, the amount of the decrease in the audit fees and the reason thereof shall be disclosed: None.
- (II) When the audit fees paid for the current year are lower than those paid for the prior year by 10% or more, the amount and percentage of the decrease and thereof shall be disclosed: None.

V. Replacement of CPAs: Not applicable.

VI. Directors, the President, Chief Financial Officer, or Chief Accounting Officer, who has been employed by the accounting firm or its affiliates during the most recent year: None.

Assessment Form for the Independence and Suitability of CPAs of Hsin-Li Chemical Industrial Corp. for 2024

Assessment date: February 27, 2024

I. Basic information

Name of CPA	Hsu, Chen-Lung
Major education and experience	Education: Bachelor's Degree, Department of Accounting, Chung Yuan Christian University; KPMG; Master's Degree, Institute of Management Science, National Chiao Tung University; Experience: CPA, Audit Services Department, KPMG Taiwan
Name of CPA	Kao, Yu-Lun
Major education and experience	Education: Master of Finance, National Cheng Kung University; Department of Financial Management, National Sun Yat-sen University Experience: CPA, Audit Services Department, KPMG Taiwan

II. Contents of assessment

With reference to Article 47 of the Certified Public Accountant Act and the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10, it is stipulated that:

Item	Results
1 As of the last audit, the CPA has not been replaced for seven years.	☒ Yes ☐ No
2 The CPA is not involved in material interests with the client.	☒ Yes ☐ No
3 Any inappropriate relations with the client are avoided.	☒ Yes ☐ No
4 The CPA ensures the honesty, impartiality, and independence of their assistants.	☒ Yes ☐ No
5 The CPA avoids auditing the financial statements of the organization(s) where they served in the last two years.	☒ Yes ☐ No
6 The CPA avoids their name being used by others.	☒ Yes ☐ No
7 The CPA does not hold the shares of the Company and its affiliates.	☒ Yes ☐ No
8 The CPA is not involved in loans with the Company or its affiliates.	☒ Yes ☐ No
9 The CPA is not involved in joint investment or sharing interests with the Company or its affiliates.	☒ Yes ☐ No
10 The CPA does not hold a full-time job with a fixed regular payment at the Company or its affiliates.	☒ Yes ☐ No
11 The CPA is not involved in management at the Company or its affiliates.	☒ Yes ☐ No
12 The CPA is not concurrently operating other businesses that may cause them to lose the independence.	☒ Yes ☐ No
13 The CPA is not a spouse, lineal relative by blood, direct relative, or second-degree relative by marriage of any management personnel person at the Company.	☒ Yes ☐ No
14 The CPA dose not charge any business-related commissions.	☒ Yes ☐ No
15 As of today, the CPA has not been punished nor has their independence been undermined.	☒ Yes ☐ No

III. Work performance and plans:

- 1 Completed the audit of the Company's financial statements and tax compliance for each period as planned.
- 2 Provided consultation services for the Company's finance and taxation from time to time.

IV. Assessment results:

CPAs Hsu, Chen-Lung and Kao, Yu-Lun are independent from the Company and provide the Company with consultation services for finance, taxation, and certification in a timely and suitable manner.

V. Assessed by the Board of Directors

Basis: (1) A declaration of compliance with the independence requirements of the Norm of Professional Ethics for Certified Public Accountant of the Republic of China issued by KPMG Taiwan.

(2) Reference to the AQI audit quality indicators for the most recent year.

VII. The changes in the transfer or pledge of equity shares by directors, supervisors, managers, or shareholders holding more than 10% of the shares issued by the Company during the most recent year and up to the publication date of this annual report:

(I) Movements in shareholdings of directors, supervisors, managers, and major shareholders

Job title	Name	2024		2025 up to March 31, 2025	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged	Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged
Chairperson	He Rui Investment Ltd.	—	—	—	—
	Representative: Chang, Yu-Ming	—	—	—	—
Chairperson	Jing Hong Ltd.	—	—	—	—
	Representative: Chang, Yu-Ming	—	—	—	—
Director	Jing Hong Ltd.	—	—	—	—
	Representative: Chao, Tien-Tsung	(12,997)	—	—	—
Director/Major shareholder	U-Best Innovative Technology Co., Ltd.	—	—	—	—
	Representative: Chao, Tien-Tsung	—	—	—	—
Director/Major shareholder	U-Best Innovative Technology Co., Ltd.	(230,000)	—	(130,000)	—
	Representative: Huang, Nan-Hao	—	—	—	—
Director/Major shareholder	U-Best Innovative Technology Co., Ltd.	(230,000)	—	(130,000)	—
	Representative: Cheng, Yu-Tang	—	—	—	—
Director	Lin, Ching-Lung (resigned on 2024.02.06)	—	—	—	—
Director	Wu, Yi-Jen (resigned on 2024.02.06)	—	—	—	—
Independent Director	Wu, Chang-Cheng (relieved on 2024.05.27)	—	—	—	—

Job title	Name	2024		2025 up to March 31, 2025	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged	Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged
Independent Director	Chen, Chih-Chang (resigned on 2023.02.16)	—	—	—	—
Independent Director	Hsu, Chi-Jeng	—	—	—	—
Independent Director	Huang, Ling-Tien	—	—	—	—
Independent Director	Huang, Hsiu-Hui	—	—	—	—
President	Cheng, Yu-Tang	—	—	—	—
Assistant Vice President	Wu, Min-Tsung	—	—	—	—
Assistant Vice President	Li, Shan-Lung	(7,924)	—	—	—
Financial-cum-Accounting Officer	Chang, Chen-Ching (Resigned on 2023.08.31)	—	—	—	—
Financial-cum-Accounting Officer	Chen, Chien-Hung (Elected on 2023.11.10)	—	—	—	—
Corporate Governance Officer	Sung, Li-Lan	—	—	—	—
Major shareholder	FEEI CHERNG DEVELOP TECHNOLOGY CO., LTD. (elected on 2022.03.22 and discharged on 2024.01.18)	—	—	—	—
	Representative: Chang, Yu-Ming	—	—	—	—

Note 1: Decrease or changes in the number of shares held will not be disclosed from the date of dismissal.

Note 2: The directors were discharged after the full board re-election at the shareholders' meeting on May 27, 2024.

(II) The counterparty to/for which the equity is transferred/pledged is a related party: None

VIII.Shareholders with the top ten shareholding ratios , and their relationship to each other:

As of the date of suspension of stock transfer on March 25, 2025; Unit: shares; %

Name	Shareholding of the individual		Shareholding of spouse or minor children		Total shareholding by nominee arrangement		Information on the relations among the top 10 shareholders if anyone is a related party, a spouse, or a relative within second degree of kinship of another and their names		Remarks
	Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding	Name (or title)	Relations	
U-Best Innovative Technology Co., Ltd.	9,850,219	12.49%	—	—	—	—	None	None	—
representative: Chang, Yu-Ming	—	—	—	—	—	—	—	—	—
HSBC (Taiwan) Commercial Bank Co., Ltd.	2,535,000	3.22%	—	—	—	—	None	None	—
	—	—	—	—	—	—	—	—	—
Citibank as custodian of UBS Europe SE investment account	2,111,000	2.68%	—	—	—	—	None	None	—
	—	—	—	—	—	—	—	—	—
HSBC (Taiwan) Commercial Bank Co., Ltd.	2,099,000	2.66%	—	—	—	—	None	None	—
	—	—	—	—	—	—	—	—	—
Investment account of Barclay Capital SBL/PB under the custody of Citibank	1,270,000	1.61%	—	—	—	—	None	None	—
	—	—	—	—	—	—	—	—	—
Capital Securities Corp. under custody of Capital Securities	1,011,000	1.28%	—	—	—	—	None	None	—
	—	—	—	—	—	—	—	—	—
Hsu, Ya-Chun	924,000	1.17%	—	—	—	—	None	None	—
Lee, Cheng-Yu	870,000	1.10%	—	—	—	—	None	None	—
Lu, Chun-Jui	860,000	1.09%	—	—	—	—	None	None	—
Chen, Ling-Hsuan	800,000	1.01%	—	—	—	—	None	None	—

IX. The total number of shares held and the consolidated shareholdings in any single investee by the Company, its directors, supervisors, managers, or any companies controlled either directly or indirectly by the Company:

December 31, 2024

Unit: Shares; %

Invested business (Note 1)	The Company's investment		Directors, managerial officers, and investments in businesses directly or indirectly controlled by directors, managers, and directors		Comprehensive investment	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
Pony Leather Corporation	27,800,000	69.67%			27,800,000	69.67%

Note 1: Investments accounted for by the Company under the equity method.

Chapter III Fundraising Status

I. Capital and shares

(I) Source of share capital

1 The formation of share capital

Year/Month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Quantity of shares (thousand shares)	Amount (NTD thousand)	Quantity of shares (thousand shares)	Amount (NTD thousand)	Source of share capital (NTD thousand)	Capital increased by assets other than cash	Others
1992.08	10	80,000	800,000	40,040	400,400	Cash capital increase by NT\$143,000 Capitalization of earnings to increase the capital by NT\$59,400	None	Per Letter (1992)-Tai-Cai-Zeng-(I) No. 00280 dated 1992.02.18
1993.12	10	80,000	800,000	70,070	700,700	Cash capital increase by NT\$220,220 Capitalization of earnings to increase the capital by NT\$80,080	None	Per Letter (1993)-Tai-Cai-Zeng-(I) No. 30074 dated 1993.08.11
1994.11	10	120,000	1,200,000	91,091	910,910	Cash capital increase by NT\$140,140 Capitalization of earnings to increase the capital by NT\$70,070	None	Per Letter (1994)-Tai-Cai-Zeng-(I) No. 32674 dated 1994.08.02
1995.10	10	120,000	1,200,000	99,289	992,891	Capitalization of earnings to increase the capital by NT\$81,981	None	Per Letter (1995)-Tai-Cai-Zeng-(I) No. 38820 dated 1995.07.03
1997.12	10	120,000	1,200,000	111,274	1,112,749	Cash capital increase by NT\$100,000 Capitalization of earnings to increase the capital by NT\$ 19,857	None	Per Letter (1997)-Tai-Cai-Zeng-(I) No. 53108 dated 1997.07.09
1998.08	10	128,000	1,280,000	122,402	1,224,024	Capitalization of earnings to increase the capital by NT\$55,637 Capitalization of capital surplus to increase the capital by NT\$55,637	None	Per Letter (1998)-Tai-Cai-Zeng-(I) No. 58328 dated 1998.07.09
1999.08	10	130,000	1,300,000	129,746	1,297,466	Capitalization of earnings to increase the capital by NT\$12,240 Capitalization of capital surplus to increase the capital by NT\$61,201	None	Per Letter (1999)-Tai-Cai-Zeng-(I) No. 72054 dated 1999.08.03
2000.07	10	135,000	1,350,000	133,639	1,336,390	Capitalization of earnings to increase the capital by NT\$38,923	None	Per Letter (2000)-Tai-Cai-Zeng-(I) No. 57672 dated 2000.07.04
2004.02	10	135,000	1,350,000	128,639	1,286,390	Cancellation of 50,000 treasury shares to apply for capital reduction	None	Per Letter Jing-Shou-Shang No. 09301024220 dated 2004.02.18

Year/Month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Quantity of shares (thousand shares)	Amount (NTD thousand)	Quantity of shares (thousand shares)	Amount (NTD thousand)	Source of share capital (NTD thousand)	Capital increased by assets other than cash	Others
2008.08	10	135,000	1,350,000	70,000	700,000	Capital reduction of NT\$586,390	None	Per Letter Jin-Guan-Zheng-I No. 970042678 dated 2008.08.12
2015.08	10	135,000	1,350,000	70,700	707,000	Capitalization of earnings to increase the capital by NT\$7,000	None	Per Letter Jin-Guan-Zheng-Fa No. 1040029989 dated 2015.08.06
2016.09	10	135,000	1,350,000	72,821	728,210	Capitalization of earnings to increase the capital by NT\$21,210	None	Per Letter Jing-Shou-Shang No. 10501228300 dated 2006.08.20
2017.08	10	135,000	1,350,000	20,000	200,000	Capital reduction of NT\$528,210	None	Per Letter Jin-Guan-Zheng-Fa No. 1060027607 dated 2017.08.01 issued by the FSC.
2018.09	10	135,000	1,350,000	70,000	700,000	Capitalization of earnings to increase the capital by NT\$500,000	None	Per Letter Jing-Shou-Shang No. 10701120350 dated 2018.09.17
2022.03	10	135,000	1,350,000	67,500	675,000	Cancellation of treasury shares to apply for capital reduction of NT\$25,000	None	Per Letter Jing-Shou-Shang No. 11101038340 dated 2022.03.16
2022.07	10	350,000	3,500,000	67,500	675,000	Increase in total capital	None	Per Letter Jing-Shou-Shang No. 11101129790 dated 2022.07.12
2024.05	10	350,000	3,500,000	77,965	779,648	Shares converted from convertible bonds 10,464,761 shares	None	Per Letter Jing-Shou-Shang No. 11330068520 dated 2024.05.03
2024.09	10	350,000	3,500,000	78,838	788,378	873,003 shares converted from convertible bonds	None	Per Letter Jing-Shou-Shang No. 11330159420 dated 2024.09.30

2 Type of share capital

March 31, 2025 Unit: Shares

Type of share	Authorized capital (NT\$)			Remarks
	Number of shares issued (Note)	Number of shares unissued	Total	
Registered ordinary shares	78,837,764	271,162,236	350,000,000	TPEX listed company's stock

3 Information on shelf registration: N/A.

(II) Information on major shareholders:

Date: March 25, 2025

Name of major shareholder	Shares	Number of shares held	Shareholding percentage

U-Best Innovative Technology Co., Ltd.	9,850,219	12.49%
HSBC (Taiwan) Commercial Bank Co., Ltd.	2,535,000	3.22%
Citibank as custodian of UBS Europe SE investment account	2,111,000	2.68%
HSBC (Taiwan) Commercial Bank Co., Ltd.	2,099,000	2.66%
Investment account of Barclay Capital SBL/PB under the custody of Citibank	1,270,000	1.61%
Capital Securities Corp. under custody of Capital Securities	1,011,000	1.28%
Hsu, Ya-Chun	924,000	1.17%
Lee, Cheng-Yu	870,000	1.10%
Lu, Chun-Jui	860,000	1.09%
Chen, Ling-Hsuan	800,000	1.01%

(III) The Company's dividend policy and implementation

1 Dividend policy:

- (1) Article 28-1 of the Articles of Incorporation was amended by the resolution of the general shareholders' meeting on May 27, 2024:

The Company's dividend distribution policy shall take into account the current and future investment environment, capital requirements, domestic and foreign competition, capital budget, interests of shareholders, and the Company's long-term financial planning. Shareholders' dividends from distributable earnings shall be provided with at least 30% of the distributable earnings for the year, provided that if the distributable earnings are less than 10% of the Company's paid-in capital, the Board of Directors may resolve not to distribute such earnings. Dividends may be distributed in the form of stock or cash, of which cash dividends may not be less than 10% of the total dividends.

- (2) Article 28 of the Articles of Incorporation was amended by the resolution of the general shareholders' meeting on May 27, 2024:

Where the Company makes a profit for a fiscal year, the profit shall be first used for paying the taxes in accordance with the laws and regulations, offsetting a cumulative deficit, setting aside 10% of the remaining profit as a legal reserve unless it has reached the total amount of the Company's paid-in capital, setting aside an amount for or reversing a special reserve in accordance with the laws and regulations. Then, any remaining profit, together with any undistributed retained earnings at the beginning of the period, shall be adopted by the Company's Board of Directors as the basis for making a distribution proposal, which shall then be submitted to the shareholders' meeting for a resolution before distribution. In accordance with Article 240 of the Company Act, the Board of Directors of the Company is authorized to distribute dividends and bonuses, or all or a portion of the legal reserve and capital surplus as provided in Article 241 of the Company Act, in the form of cash, by a resolution with the presence of at least two-thirds of the directors and approval of a majority of the directors present at the Board of Directors' meeting, and report the distribution proposal to the shareholders' meeting, notwithstanding the foregoing requirement of a resolution of the shareholders' meeting. In order to motivate employees and the management team,

after a cumulative deficit is deducted from the Company's profit for the year, the Company shall provide not lower than 2%–5% of the balance, if any, for employee profit-sharing remuneration and no higher than 5% for directors' profit-sharing remuneration. Employee profit-sharing remuneration shall be paid out in stock or cash with the consent of more than half of the directors present at a board meeting attended by at least two-thirds of all directors and reported to the shareholders' meeting.

2 The dividends proposed to be distributed at the shareholders' meeting:

The company's earnings distribution plan for fiscal year 2024 was approved by the Board of Directors on February 27, 2025. It includes a cash dividend of NT\$1 per share to shareholders, with a total cash distribution amounting to NT\$78,838 thousand. In addition, earnings will be capitalized to issue stock dividends of NT\$2 per share, resulting in a total of 15,768 thousand new shares to be distributed to shareholders. This proposal is pending approval at the 2025 Annual General Shareholders' Meeting.

3 Major changes in the dividend policy are expected: None.

(IV) The influence of the stock dividend proposed at the shareholders' meeting on the Company's operating performance and earnings per share

Unit: NT\$

Year Item			2024
Paid-in capital at the beginning of the period (NTD)			788,377,640
Dividends for the year (Note 1)	Cash dividend per share (NTD)		1
	Shares of stock dividend from capitalization of earnings per share		0.2
	Stock dividends per share from capital surplus		0
Changes in business performance	Operating income		Note 2
	Operating income increase (decrease) ratio year-on-year		
	Net profit after tax		
	Net profit after tax increase (decrease) from the same period last year		
	Earnings per share (NT\$)		
	Earnings per share increase (decrease) ratio year-on-year		
	Annual average return on investment (annual average PE ratio reciprocal)		
Pro forma EPS and P/E ratio	If capitalized earnings are fully capitalized, they will be distributed instead as cash dividends	Proposed earnings per share (NT\$)	Note 2
		Proposed average annual return on investment	
	If the capital surplus has not been transferred to capital	Proposed earnings per share (NT\$)	

	increase,	Proposed average annual return on investment	
	If no capital surplus is made and earnings are transferred to capital, cash dividends are paid instead	Proposed earnings per share (NT\$)	
		Proposed average annual return on investment	

Note 1: The estimated share distribution and dividend distribution for 2025 are based on the resolution of the board of directors on February 27, 2025, and will be processed in accordance with the relevant regulations once the shareholders' meeting this year has passed the share distribution.

Note 2: The Company did not disclose financial forecasts for 2025, so it is not necessary to disclose financial forecasts for 2025.

(V) Remuneration to employees, directors, and supervisors:

- 1 The percentage of the profit for or scope of employee remuneration and directors' and supervisors' remuneration as stated in the Company's Articles of Incorporation.
Pursuant to Article 28 of the Company's Articles of Incorporation, the Company's annual earnings, if any, shall be used to pay taxes as per law and offset losses; then, 10% of the balance shall be provided as a legal reserve, 2%–5% as employee remuneration, and no greater than 5% as director remuneration. Employee profit-sharing remuneration shall be paid out in stock or cash with the consent of more than half of the directors present at a board meeting attended by at least two-thirds of all directors and reported to the shareholders' meeting.
- 2 Basis for estimation of employee remuneration and directors' and supervisors' remuneration in this period, basis for the calculation of the number of shares for stock dividends to employees, and accounting treatment if the amount paid out is different from the estimated amount: The employee remuneration and directors' remuneration was appropriately estimated in accordance with applicable laws and regulations and the Articles of Incorporation and based on our past experience. Where there is a difference between the actual amount paid out and the estimated amount, it will be treated as a change in accounting estimates, and the difference will be recognized in profit or loss in the following year.
- 3 Information on the proposed distribution of employee dividends approved by the Board of Directors (2025.2.27):
 - (1) Amount of employee remuneration and directors' and supervisors' remuneration paid out in cash or stock. Where there is a difference with the estimated amount for the year, in which the expenses are recognized, the amount of difference, reason, and accounting treatment shall be disclosed:
The distribution of employee profit-sharing remuneration and directors' profit-sharing remuneration for 2024 passed by the resolution of the Board of Directors on February 27, 2025 is as follows:
The employee profit-sharing remuneration in cash was in the amount of NT\$17,130 thousands, while the directors' profit-sharing remuneration in cash was NT\$17,130 thousands.
The amount of employee profit-sharing remuneration and directors' profit-sharing

remuneration passed by resolution of the Board of Directors is the same as that of employee profit-sharing remuneration and directors' profit-sharing remuneration recognized in expenses for 2024.

- (2) Employee remuneration paid out in stock as a percentage of the total net income after tax for this period/total employee remuneration:

The Company did not pay out employee remuneration in stock for this period, so it is not applicable.

- 4 Where there is a difference the employee remuneration and directors' and supervisors' remuneration for the prior year (including the number of shares distributed, amount, and stock price), the amount of the difference, reason, and accounting treatment shall also be specified.

In 2023, the remuneration to employees was NTD 2,151 thousand and that to directors was NTD 2,151 thousand, which did not differ from the recognized amount.

(VI) Repurchase of the Company's shares: None.

II. Issuance of corporate bonds: None.

III. Issuance of preference shares: None.

IV. Issuance of overseas depository receipts: None.

V. Issuance of employee stock warrants and restricted stock awards: None.

VI. Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies:

- (1) In the most recent fiscal year and up to the date of the publication of the annual report, mergers, acquisitions, or issuance of new shares in exchange for acquiring shares of other companies have been completed:

1. Underwriter's evaluation opinion on mergers, acquisitions, or issuance of new shares in exchange for acquiring shares of other companies in the most recent quarter: Not applicable

2. Execution status in the most recent quarter: If the progress or benefits have not met the expected targets, the impact on shareholders' rights and interests and improvement plans should be specifically explained: Not applicable.

- (2) In the most recent fiscal year and up to the date of publication of the annual report, cases of mergers, acquisitions, or issuance of new shares in exchange for acquiring shares of other companies that have been approved by the Board of Directors:

Basic Information Table of the Acquired and Investee Companies

Company Name	PONY LEATHER CORPORATION
Company Address	1F, No. 191, Section 3, Zhongshan Rd., Wubian Village, Yongjing Township, Changhua County, Taiwan (R.O.C.)
Responsible Person	Chang, Yu-Ming
Paid-in Capital	NT\$ 399,000,000
	C805010 Manufacture of Plastic Leather,

Principal Business Activities		Fabric, Sheets, and Tubes C801100 Manufacture of Synthetic Resins and Plastics C601040 Manufacture of Processed Paper C303010 Non-woven Fabric Manufacturing C302010 Textile (Weaving) Manufacturing C801020 Petrochemical Raw Materials Manufacturing H704031 Real Estate Brokerage ZZ99999 Except for businesses requiring special permits, the company may engage in other activities not prohibited or restricted by law
Main Products		Leather Base Material、Woven Fabric Base Material、Non-woven Fabric Base Material、PU Film、MCM Composite Materials
Financial Data for the Most Recent Fiscal Year	Total Assets	1,093,541,565
	Total Liabilities	435,992,814
	Total Shareholders' Equity	657,548,751
	Operating Revenue	854,411,001
	Gross Profit	110,851,304
	Operating Profit (Loss)	4,453,619
	Net Profit (Loss) for the Period	10,652,879
	Earnings Per Share (EPS)	0.03

Note: The financial data are sourced from PONY LEATHER CORPORATION 2024 (FY 113) financial report

VII. Implementation of the capital allocation plans: None.

Chapter IV Overview of Operations

I. Information on business

(I) Scope of business

1 Details of main business:

- (1) Processing, manufacturing, and trading of various fiber plastic leather and plastic fabrics.
- (2) Manufacturing and trading of various plastic raw materials and auxiliary raw materials.
- (3) Processing, trading, and export of plastics and plastic products.
- (4) Manufacturing and trading of raw materials and auxiliary raw materials for the plastics industry.
- (5) Processing and trading of non-woven fabrics.
- (6) Import and export of the above products and raw materials thereof.
- (7) Production and sales of plastic leather and PU synthetic leather and lease-out of factories.

2 Business proportion:

(1) Proportion of each product to total sales:

Unit: NT\$ thousand

Type of product	Sales for 2024	Business proportion
Dry PU synthetic leather	135,371	36%
Wet PU synthetic leather	111,509	30%
Palm-grain synthetic leather	98,264	26%
Rental income	8,766	2%
Electricity sales revenue	6,227	2%
Others	13,790	4%
Total	373,927	100%

(2) Proportion of each region to total sales:

Unit: NT\$ thousand

Region/Year	2024	%
Domestic sales	299,500	80%
Export	74,427	20%
Asia	373,927	100%

(3) Current products (services)

Category	Main products and functions
PVC Division	Our main product is PVC plastic leather; the functions and items are as follows: 1 Soft leather: After it is processed by special machinery, its soft texture is

Category	Main products and functions
	like genuine leather. 2 Semi-PU: We adopted special paper grains from multiple countries to produce products that feel like genuine leather. 3 Upper series: We adopt imitation leather and PU surface treatment, so they are available in various styles. 4 Leather bag series: We adopt surface processing and treatment, so they are available in various styles with good quality. 5 SILICONE series: Its various grains are like genuine leather and is available in various styles. 6 Retro crazy horse leather: It features special surface treatment and retro imitation leather with special styles. 7 Miscellaneous series: This series can be used to develop various products based on clients' needs. 8 Sofa leather products: Special raw material formulas and surface treatment agents were developed to meet the physical property requirement for use. The leather can be specially processed with paper grains and wheels to express its particularity. 9 Public seats, bus cushions, and yacht series: There are strict physical property requirements for such products. It features special surface treatment effects. 10 Flame-resistant series: The flame resistant effect is improved with special raw material formula, and it passed the BS-5852 Lv.5 fire-proof standard.
PU Division	Its main products are dry and wet PU synthetic leather. The functions and items are as follows: 1 Veneer PU: It focuses on different grains and surface treatment effects, bring various changes to the surface. 2 High-solid smooth-finished leather: It features low solvent content and high wear resistance, with oil wax gloss. 3 Solvent-free foamed PU: It is developed for shoe materials and is soft with a certain degree of elasticity and solvent-free. 4 Dry PU: It features lightness, softness, and elasticity. 5 Dry waterproof and breathable membrane: It features waterproof, breathability, and warm-keeping. 6 TPU product: There can be a variety of surface grains and colors, as well as 3D paper grains, making it better than the general visual experience. 7 Conductive PU leather: It can be used to develop gloves for the touch screens of smart phones. 8 PU waterproof strip: It can be widely used in the waterproof function of ready-made garments, shoe materials, and other various products. 9 High-solid PU products: It was developed for home decorations, miscellaneous items, and PU films and features high wear resistance and elasticity. 10 Transfer and lamination: It is applied to ready-made garment materials and other miscellaneous items and features 10K waterproof and breathability. 11 Reusable products: Stereoscopic fabric texture variation, applied to shoe materials and packaging materials, etc..
Pony	Pony's PU leather has a wide range of applications, from sports shoes to golf gloves and baby carriage handles. Our PU can be applied to a variety of

Category	Main products and functions
	substrates according to customer needs. At present, PU has been used in footwear, apparel, purses, and golf gloves. Furthermore, we are developing water-based PU that can be used in car interiors and couches. By product category and application: 1 PU Film Utilize the diverse processability of PU film to provide semi-finished products with diverse surface changes, which are applied to various substrates. 2 PU Split Leather Using natural leather as the base material and laminating the PU film, it not only achieves the same hand feeling as real leather, but also has the characteristic high utilization rate of PU synthetic leather and leather. It can also be made into high-performance PU film with high abrasion resistance and scratch resistance for use in outdoor products. 3 PU Synthetic, the substrate includes: (1) Non-woven fabric PU non-woven products are often used together with leather in the finished product. It can also produce non-woven bottom products with high-quality properties such as peel strength, buckling resistance, and abrasion resistance. (2) Woven Provides the combination of substrates with the same appearance but more economical. (3) Stretch Knit Various effects or features can be made according to the requirements of the user, such as: imitation leather, mildew-proof, waterproof and vapor-permeable, flame-retardant, wear-resistant, non-slip, stretchable and so on. 4 PU+Hot Melt Hot melt adhesives are suitable for use on various substrates. They can be bonded at relatively low temperature and ensure that the surface texture is not affected by the underlying material.

(4) New products (services) planned to be developed

Plans for the most recent year	Current progress	R&D expenses to be further spent	The main factors influencing the success of future R&D
High-solid A7000	1 Softness 2 Development of high-solid foams 3 Continuous development of functional products 4 Development of completely solvent-free products with PUR machines 5 Low-solvent single films 6 Development of applications for the	NT\$1.5 million	1 Solvent-free to protect the environment. 2 High physical properties. 3 Continuous development of raw materials for new functional products. 4 New paper grains, color water, and patterns

Plans for the most recent year	Current progress	R&D expenses to be further spent	The main factors influencing the success of future R&D
	furniture market		5 Development of leisure furniture market
Medical beds	1 The product testing was completed 2 The formula and process conditions are adjusted to the needs of each fabric	NT\$1.5 million	1 The stability of the raw material production process should be controlled. 2 The width during machine processing should be controlled. 3 High frequency intensity should be controlled 4 Functional requirements
Functional PU films	1 The promotion of samples is gradually becoming effective 2 Improve functionality to meet demand 3 We have received ordered to produce some of the products	NT\$2 million	1 The stability of the raw material production process should be controlled. 2 The width during machine processing should be controlled. 3 Applied to the surface layer, it offers multifunctional properties such as fire resistance, thermal insulation, and weather resistance.
Continuous development of TPU sports shoe materials	1 Low DMF products 2 Chameleon laser product development 3 High-temperature fusion cut product development 4 New grain development 5 New colors of crushed leather 6 Low-temperature fusion cut product development	NT\$1.5 million	1 The physical property of TPU has reached the requirements 2 Dye-colored water, effect, and grain variability. 3 Rollmac printing. 4 Low-temperature welding and cutting materials to save energy consumption
Development of reusable color-changing products	1 Special thermoplastic thickener 2 New colors of crushed leather 3 Three-dimensional fabric grains 4 Heat press embossing machine to show the fabric grains 5 Low DMF 6 Prints	NT\$1.5 million	1 The repeated flexing at room temperature should reach 100,000 times. 2 It is wear resistant, and the stripping quality meets the requirements. 3 There a variety of fabric grains 4 There a variety of print patterns 5 Development of packaging materials markets

Plans for the most recent year	Current progress	R&D expenses to be further spent	The main factors influencing the success of future R&D
			6 Development of pearly-luster and chameleon colors
Sealing strips	1 Search for suitable resin 2 Search for suitable PET film 3 Reduce solvent content	NT\$1.5 million	1 The product meets the market demand 2 Flatness and elasticity 3 It is multi-functional through combined processing
Development of silicone/rubber products	1 We are seeking special materials. 2 It should be anti-slip. 3 It should be flame resistant.	NT\$2.5 million	1 The product meets the market demand 2 It should be multi-functional 3 Solvent-free products 4 Development for furniture and automotive markets
PP membrane composite	1 In response to the ban on fluorine in environmental protection materials 2 Replaces the existing Teflon material	NT\$1.5 million	1 The product meets the market demand 2 Increase the value of environmentally friendly materials
PMMA decorative materials and automobile/scooter trims	1 It is weather resistant without being delaminated in the environmental test. 2 It is scratch-resistant and hydrolysis-resistant. 3 We continue to develop functional products and are promoting the samples.	NT\$2 million	1 It should be able to be processed with excellent plasticity. 2 There should be a variety of grains and dye-colored water. 3 It should be able to be widely applied in the market and by a wide client base.
Rubber composite materials	1 Cooperate with customers to develop rubber composite materials	NT\$2 million	1 Rubber composite materials meet market demand 2 A variety of grains and dye-colored water.

(II) Industry overview:

1 Status and development of the industry

(1) PVC plastic leather:

After the first PVC factory, Formosa Plastics, was established in 1957, it has begun to produce plastic/artificial leather to partially replace the genuine leather since 1961. The Company was incorporated in 1973, and our PVC factory was established in 1982, mainly producing PVC materials for furniture, sofa, buildings, and interior design decoration, yacht leather, office desk and chair products, as well as indoor products and outdoor dining chairs.

At present, our main production equipment is one coating machine.

The post-processing equipment includes squaring shears, printing processing machines, embossing machines, polishing machines, graining machines, ironing machines and needle punching machines, etc.

Main PVC products:

- (A) Sofa leather products: Used in the processing of various sofa products. Its values, beauty, and styles will increase when genuine leather is adopted. It is a fashionable and practical. It can be processed to have different paper grains, embossed patterns, and dye-colored water, including luminous colors, pearlescent, and glitter; it can be available with layered color effects or with different thicknesses. It can be processed through different surface treatments to increase the diversity, changeability, and applicability. The physical and chemical properties of the products should be in compliance with the U.S. and EU regulations to increase their market competitiveness and safety functions. We improved the acid and alkali resistance, grease resistance, high wear resistance, and alcohol resistance of the surface so that they can be widely used for special functional requirements.
- (B) Automotive interior products: Used in vehicle interior materials and should be beautiful and durable after being processed. The products can also undergo various printing treatments and grain processing to increase the diversity and changeability. The products need to meet various physical and chemical property requirements. The Company has been certified by the domestic Automotive Research & Testing Center (ARTC), to ensure beautiful appearance, applicability, and safety.
- (C) Soft leather products: Used in bicycle seat cushions, leather bags, medical devices, massage chairs, strollers, slippers, book covers, jewelry boxes, decorative panels, anti-slip gloves, headset covers, and ready-made garments. The product can be made with different paper grains and embossed, so that the products are available in a variety of grains and layers of surface patterns. It can also undergo printing processing and be processed with dye-colored water to imitate the sense of genuine leather, thereby meeting different clients' needs. In addition to meeting clients' requirements for physical and chemical properties, it can be treated or processed in different ways to replace the increasingly scarce genuine leather.

(2) PU synthetic leather:

The synthetic leather is mainly used to make daily necessities, such as sports shoes, casual shoes, ready-made garments, gloves, leather bags, and furniture. In the past, there used to be many processing industries in Taiwan, which could form supply chains with the synthetic leather industry. Recently, the issue of carbon emissions, the main culprit for the global greenhouse effect, is gradually facilitating the transformation of the synthetic leather industry. In 2012, we developed TPU environmental materials and waterproof and breathable ready-to-wear materials and work with NIKI to develop no-sew processing, to alleviate the shortage of manpower. The added value has prompted various brands to follow suit, and it is the main force of future products. In recent years, we mainly worked on the research and development of functional

garment materials, such as wet microporous products and PTFE lamination products, and purchased sophisticated machinery and equipment. The combination of TPU products can be used with more different materials, creating different added values, such as translucent or pearlescent (luster), luminous colors, and 3D paper grains, to give bright luster or be used with our PU films to create more changes to increase the values of our products and prolong its useful lives. The development of solvent-free products can significantly reduce carbon emissions, while alleviating the shortage of manpower. They are star products in the future.

The Company's PU factory was established in 1994, mainly producing environmental PU materials.

At present, its main production equipment includes two wet coating machines, one dry coating machines, and two breathable PU film coating machines.

Its post-processing equipment includes printing processing machines, embossing machines, grinders, graining machines, splitting machines, and PUR equipment

Main PU products:

- (A) TPU products: Used in the processing of sports shoes. At present, TPU products are developed and produced for NIKE, ADIDAS, ASCIS, MIZUNO, UA, NB, etc., with hot-melt adhesives. We processed sports shoes through no-sew processing produced by NO-SEW. which are lightweight, beautiful, and diverse with the sports and leisure functions.

TPU products can be processed to have different paper grains and dye-colored water, including luminous colors, pearlescent, and glitter, with translucent and opaque effects and different thicknesses. TPU products can be processed through different surface treatments to increase the diversity and changeability.

- (B) PU breathable film: It features water pressure resistance and high breathability and is suitable for the processing of waterproof and breathable casual clothing. It is soft, easy to be processed, and high-temperature resistant.

The film can undergo printing treatment to have various patterns printed on it, creating diverse styles and options suitable for different seasons.

The thickness of the film is thin and lightweight, meeting the requirements of modern fashion for thinness and lightweight.

The film can go with PTFE lamination products, with an emphasis on high water pressure resistance, washing resistance, high breathability, to increase its added value.

The film is available in transparent and white colors and there are other colored films; they can also be developed with different grains and thicknesses.

- (C) PU synthetic leather: We can produce wet PU with different paper grains or embossed patterns depending on clients' needs; can undergo various treatments or processing to replace the increasingly scarce genuine leather; it can be applied to shoe materials, fitness equipment, ready-made garments, leather bags, gloves, headsets, etc.

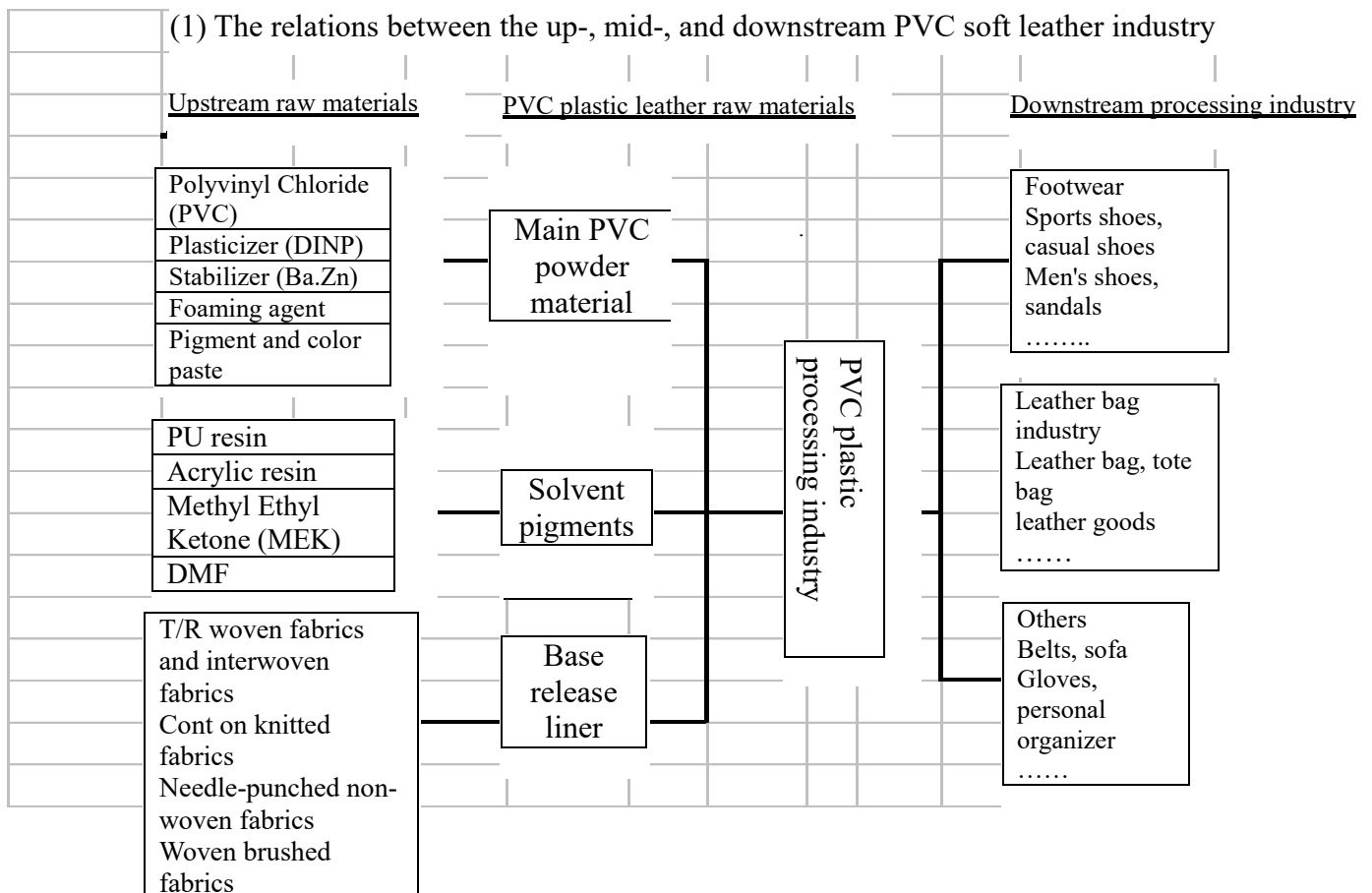
(a) PU veneer products:

Embossed products: Products can be embossed with different grains, leading to different textures on the surface.

Printing treatment: It allows the product to be leathery and diverse.

- (b) Dry PU is lightweight and elastic and can undergo surface treatment.
- (c) Crazy horse leather features oil wax, rich velvet feeling, with the sense of genuine leather and retro.
- (d) Anti-slip leather features anti-slip effect and is used in ski gloves and other anti-skid processing purposes, and can be conductive. It can be used to develop gloves that can use touch products, such as smartphones.
- (D) New PUR equipment purchased can be used to develop and replace the crude oil adhesive layer to reduce the solvent content of products. With a solvent-free layer, products can be completely solvent-free.

2 The relations between the up-, mid-, and downstream industries:

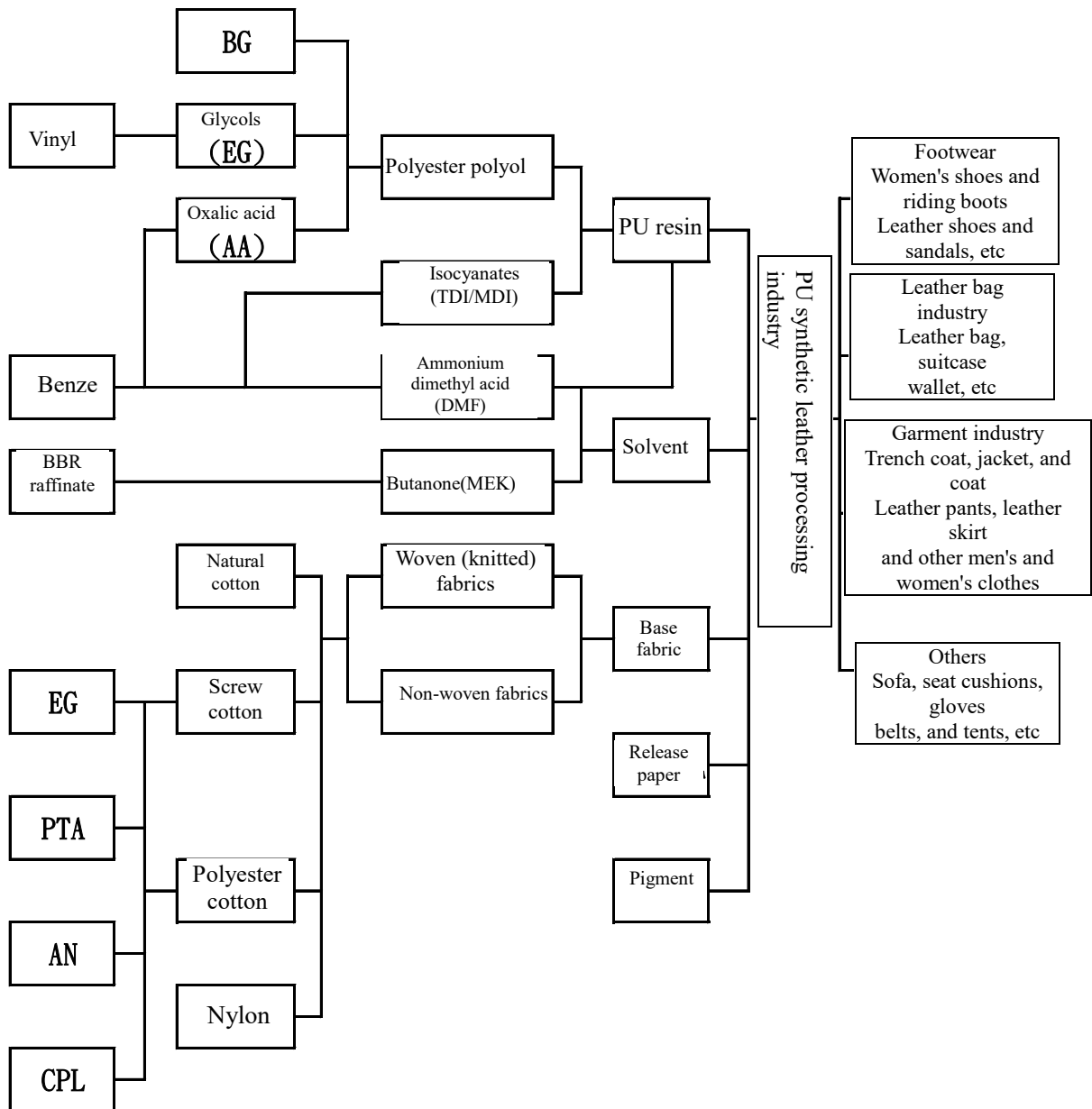


(2) The relations between the up-, mid-, and downstream synthetic leather industry

Upstream, midstream and downstream petrochemical raw materials

PU synthetic raw materials

Downstream processing industry



3 Various development trends and competition of products:

(1) Development trend of products:

PVC soft leather:

- (a) Integrating development resources and actively developing high value-added products to enhance our competitiveness in the industry.
- (b) Continuing to develop environmental, multi-functional products, such as yacht leather and imitation-leather furniture products.
- (c) Implementing a quality management testing mechanism to continue to improve product quality and increase production capacity and efficiency.

PU synthetic leather:

- (a) Integrating development resources and actively developing high value-added products to enhance our competitiveness in the industry.
- (b) Continuing to develop environmental, multi-functional products, such as microporous garment films and high-solid furniture products.
- (c) Implementing a quality management testing mechanism to continue to improve product quality and increase production capacity and efficiency.
- (d) Developing solvent-free products.

(2) Situation of market competition:

At this stage, the PU synthetic leather industry is gradually transforming the industry in response to the global greenhouse effect caused by issue of carbon emissions, and we are switching from products with solvent content to the ones through combined processing with low solvent, while developing functional garment materials, such as wet microporous products and PTFE lamination products. Our development of AB agent and solvent-free products can greatly reduce carbon emissions. Our subsequent development of one-piece products with different grains can effectively reduce manpower and costs, and we are transforming from a material supplier into a semi-finished goods one. As our products are gradually differentiated from our competitors, the pressure of market competition can to be reduced. We will strive to strengthen our innovation and R&D efforts and brand marketing, and increase the added values of our products with all our employees.

(III) Technology and R&D:

(1) Technological capabilities and overview of R&D

We have been working in the field of PVC and PU processing for decades. We process products as per the product drawings provided by clients, and the PVC and PU materials are determined in clients' design stage. Therefore, the Company's main R&D work is focused on the improvement to machinery and equipment and processes or the development of new product process technology to improve production efficiency and reduce costs. Additionally, we engage in technical cooperation with customers and suppliers, actively cultivate technical professionals, and regularly offer education and training inside and outside the Company to improve the overall quality of our personnel and increase our competitiveness in innovation

and R&D. Also, we are actively developing environmental materials and technologies, allowing our products to meet market trends and increasingly stringent environmental regulations.

(2) R&D personnel and their education and experience

The distribution of the R&D personnel's education attainment during the most recent year is as follows:

Unit: Person

Item \ Year	2023		2024		2025 up to March 31, 2025	
	Number of people	%	Number of people	%	Number of people	%
Master's degree or above	1	33.33	3	14.29%	3	14.29%
University	1	33.33	14	66.67%	14	66.67%
Junior college or below	1	33.34	4	19.04%	4	19.04%
Total	3	100.00	21	100%	21	100%

(3) The R&D expenses for each year of the recent years

Unit: NT\$ thousand

Item \ Year	2023	2024
R&D expenses	3,166	8,605
Operating revenue, net	161,724	373,927
R&D expenses as a percentage of operating revenue, net	2%	2.3%

(4) Technologies or products successfully developed in the most recent year

Year	Specific R&D achievements
2023	1 Developed PP film process composite products
	2 Developed customized low permeability films.
	3 Developed sealing strip products
	4 Developed fusion cut TPU for shoes
2024	1 Development of new PU film composite materials and products
	2 Developed customized low permeability films.
	3 PC single film decorative materials
	4 Products made from rubber composite materials

(IV) Long-term/short-term business development plans:

We will continue to innovate, research, and develop new products to meet the ever-changing market demand; our future business development priorities are as follows:

(1) Short- and medium-term plans:

- A Develop new products, expand into new markets, and increase revenue.
 - B Facilitate the transformation of the Company's product structure to increase profits.
 - C Accelerate the improvement to productivity, reduce losses, enhance quality and efficiency, and strengthen competitiveness.
 - D Reinforce internal management and control functions to cut costs and increase profits.
 - E Stay informed of main brands' environmental policies and actively develop environmental materials in alignment with various markets' environmental needs.
 - F Produce PVC products in an eco-friendly way and it has passed the REACH 210 testing standards.
 - G Develop artificial leather for sofas, yacht products, bus seat cushions, bicycle seat cushions, building decorative materials, car leather, massage chairs, office desks and chairs, and other book covers.
- (2) Long-term business development plan
- A Enhance development capabilities and mass production capacity and shorten delivery time
 - B Cultivate talents
 - C Dispose and make good use of idle assets
 - D Develop waterproof and breathable PU films
 - E Develop automotive materials
 - F Develop yacht materials
 - G Develop multiple versions of overprint sofa leather products
 - H Develop breathable sofa leather products
 - I Develop high-solid solvent-free products
 - J Develop cut-resistant PU leather
 - K Develop reusable color-changing products
 - L Develop office desk and chairs and outdoor dining chairs

II. Overview of the market and production and sales:

(I) Market analysis

(1) Regions where the Company's main products (services) are sold (provided)

Unit: NT\$ thousand

Item \ Year		2023		2023	
		Amount	%	Amount	%
Domestic sales		155,699	96.27	299,500	80.10
Export	Vietnam	1,017	0.63	45,651	12.20
	Japan	5,008	3.10		
	Others			28,776	7.70
	Exports total	6,025	3.73	74,427	19.90
Total		161,724	100	373,927	100

(2) Market share

The Company's products include PVC plastic leather and wet and dry PU synthetic leather. However, there are no detailed industry categories for the relevant statistical data, so we are unable to accurately calculate the market share.

Our PVC plastic leather has occupied a leading position in the market. In addition to diversifying the products, we are committed to the R&D of products with high added values. We are committed to reducing the costs of PU synthetic leather, improving

quality stability, strengthening our R&D capabilities, and focusing on the R&D and promotion of our niche products, while developing composite PU materials to diversify our products in line with the environmental protection trends.

- (3) Supply and demand, growth potential of the market in the future, and competitive niche
 - ① Facing the casual style trend in recent years, we have developed waterproof and breathable ready-made full-lamination products. Its lightweight, thinness, shortness, and functionality are the future trends. With well-known brands taking the lead in the casual-style products, our products will be more widely used.
 - ② Our TPU environmental materials can be applied to high-frequency, no-sew processing and can be used in sports shoes and leisure sports products. This product will help to increase our revenue and profits.
 - ③ In recent years, we have developed products well received by the market, such as furniture decoration materials, massage chairs, car seat covers, and medical devices. In the future, we aim to expand into the overseas furniture markets and develop automotive leather.
- (4) The favorable and unfavorable factors for future development and countermeasures
 - ① Favorable factors
 - A As natural leather is expensive and in short supply, it is conducive to the development of artificial leather
With animal protection groups' promotion, the sources of natural leather are bound to decrease day by day. With excellent processing technology, artificial leather features the effect of imitation leather. In addition, natural leather is increasingly expensive and in short supply, which will be conducive to the development of artificial leather.
 - B Product application areas are expanded with new needs arising
With the R&D of new materials, the scope of applications will be further expanded. For example, new synthetic leather, high-end artificial synthetic leather on the basis of microfiber, can be applied to high-end sports shoes and furniture items, to create new needs. To pursue lightweight automobiles and eco-friendly manufacturing processes, plastic materials for automotive components are developing rapidly in the future and can even be applied to medical devices, such as PVC leather gloves and toys, further expanding the scope of plastic processed products. The Company has laid a foundation for R&D for many years with complete product lines, and we have integrated clients' needs and our customized R&D capabilities, as we have long maintained the Company's product competitiveness and are able to diversify the risk of changes in the market demand.
 - C Market growth in the post-pandemic era
With the impact of the China-US trade war and the COVID-19 pandemic, many overseas Taiwanese businesses and talents have returned to Taiwan with a large amount of funds to invest in the real estate market. It is obvious that the prices of real estate have soared, not only in the metropolitan areas but the land near the industrial zones. This large group of people with relatively large amounts of funds has made up for the void left by Taiwan's high-income people as they have emigrated, facilitated the investment boom, and led to new consumption needs and patterns. This new consumption momentum will further increase the demand for consumer products and indirectly create new opportunities for the plastic leather market.
 - D We have established a good reputation through long-term development of the

local market.

We have been developing the local market for a long time and in the industry for more than 50 years. Our production technology, R&D capabilities, and distribution channels have been well-developed with a good reputation.

② Unfavorable factors and countermeasures

- A The global environmental awareness is increasing, and countries have stipulated more stringent environmental regulations.

With the increasing global environmental awareness, the relevant environmental protection regulations in the plastics industry are becoming more stringent, and it will raise the Company's operating costs and effect product promotion.

Countermeasures:

We have pollution prevention and control equipment in place and require that all product processes should be in compliance with the environmental laws and regulations, while improving the processes, adopting non-toxic solvents or reducing the use of solvents, reducing waste, and continuing to develop eco-friendly composite PU leather.

- B It is estimated that the international oil prices will witness an upward trend, putting pressure on the plastic leather industry with increased cost of purchases. In 2021, international oil prices continued to rise due to multiple factors, including global economic recovery, low inventories, and insufficient production capacity from 2020. The outbreak of the Russo-Ukrainian War in February 2022 has sent the fluctuating energy prices to continue to soar. As the international oil price is estimated to continue to rise, driving the prices of chemical materials to rise, it is necessary to pay close attention to the unfavorable factors of rising raw material prices, and the plastic leather companies still need to face the challenge of increasing purchasing costs.

Countermeasures:

In addition to strictly controlling costs, we will maintain stable supply with suppliers and adjust selling prices in a timely manner.

- C Neighboring countries expand their production capacity and the market competition is fierce, reducing the profit margins

Neighboring countries, such as South Korea, mainland China, and Southeast Asian countries, have continued to expand their production capacity and improved their technologies in recent years, posing a threat of low-price competition to Taiwan's companies.

Countermeasures:

In addition to maintaining the production and sales of our existing products, we are committed to differentiating our products of to avoid low-price competition. We will provide a variety of material solutions in alignment with customers' needs, develop long-term partnerships with customers, and enhance our R&D and sales of high value-added products to avoid low-price competition. In addition, we will keep abreast of customers' procurement trends and invest in the establishment of overseas factories in a timely manner.

(II) Usage and manufacturing processes for the main products

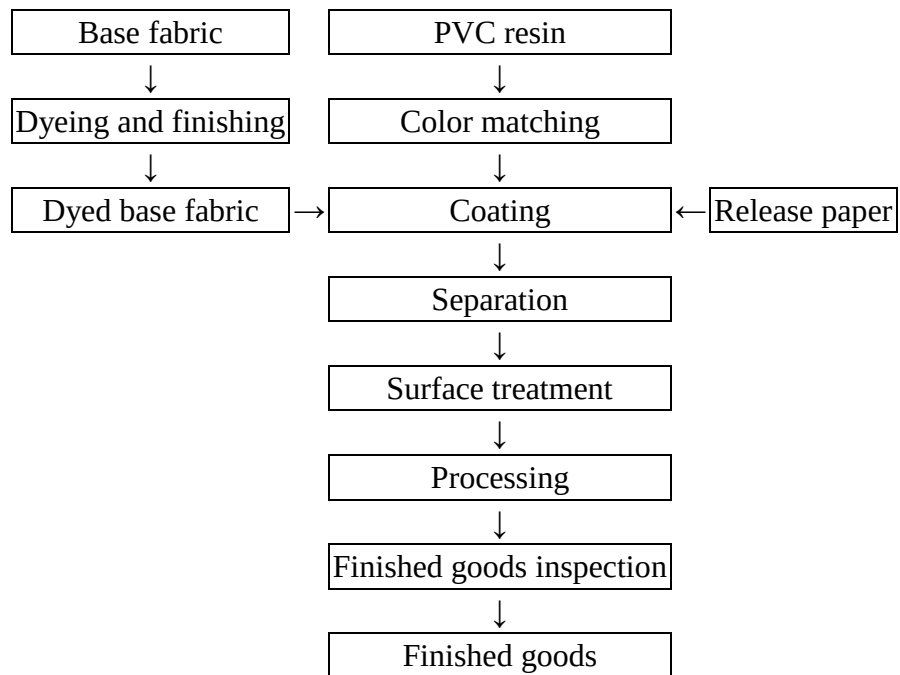
1 Important functions of main products

Main products	Important functions
PVC plastic leather	Raw materials for leather bags, shoes, toys, gloves, chair cushions, sofa,

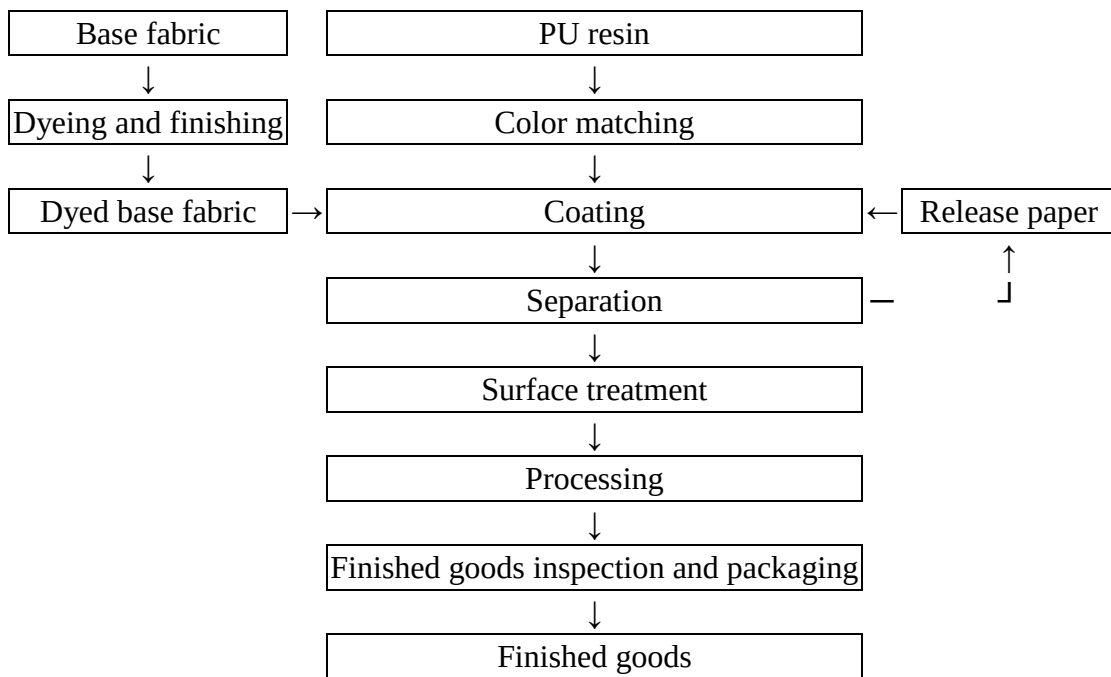
Main products	Important functions
	decorative panels, bus seats and car interior materials, and car leather.
PU synthetic leather	Raw materials for ready-made garments, leather bags, footwear, camera covers, toys, gloves, furniture, chair cushion covers, medical mattress covers, mouse pads, and mobile phone cases.

2 Production process:

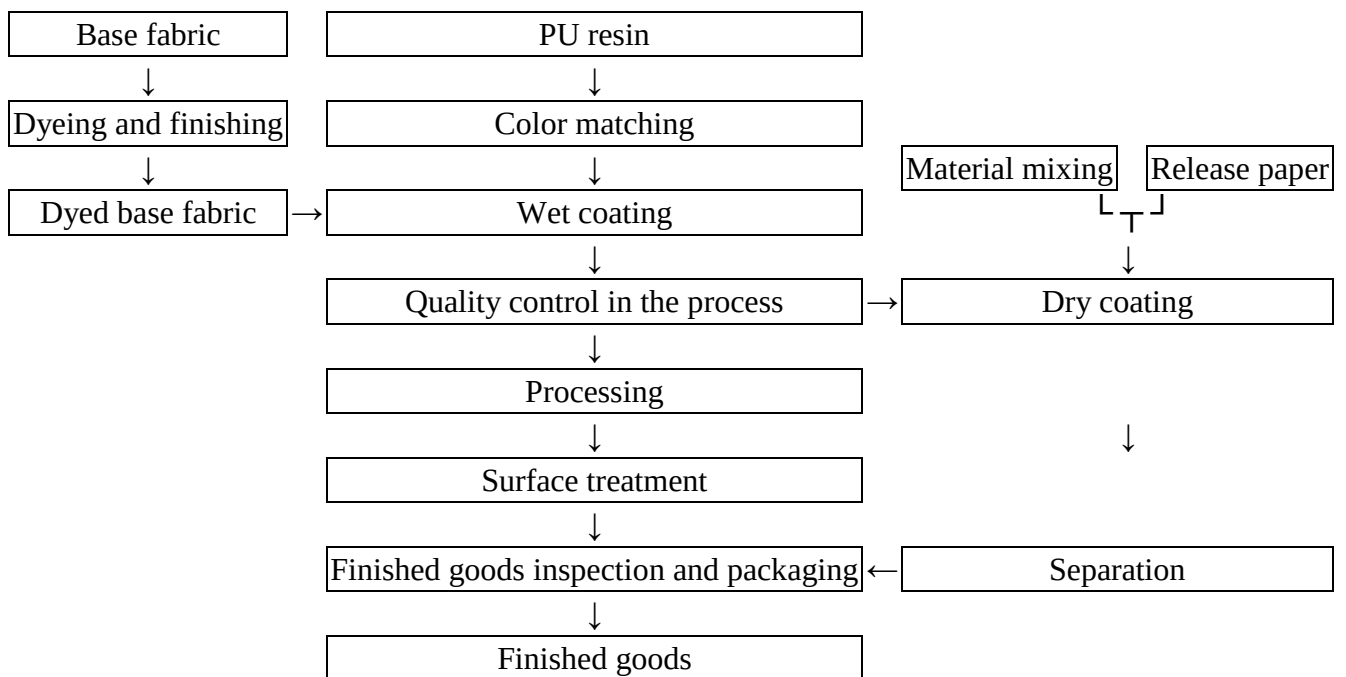
(1) Manufacturing process of PVC soft leather



(2) Manufacturing process of dry PU synthetic leather



(3) Manufacturing process of wet PU synthetic leather



(III) Supply of main raw materials

Main raw materials	Source of supply and region	Supply
Resin	Domestic	Normal
Solvent	Domestic	Normal
Calcium carbonate	Domestic	Normal
Plastic powder	Domestic	Normal
Plasticizer	Domestic	Normal
Release paper	It is supplied from abroad, mainly from the U.S., Italy, the U.K., and Japan.	Normal
Pigments	Domestic	Normal
Auxiliaries	Domestic	Normal
AGD (base fabric)	Domestic	Normal

(IV) Clients accounting for at least 10% of net purchase (sales) in the most recent two years

1 Major suppliers in the most recent two years

Unit: NT\$ thousands

Item	2023				2024			
	Name	Amount	Percentage (%)	Relations with the issuer	Name	Amount	Percentage (%)	Relations with the issuer
1	D215	13,553	17	Parent company of the Company	D215	42,086	22	Parent company of the Company
2	B196	11,616	14	None				
3	Others (less than 10%)	56,209	69		Others (less than 10%)	151,243	78	
	Net purchase amount	81,378	100		Net purchase amount	193,329	100	

Reason for increase/decrease:

The main raw materials of the Company are resin, solvent, release paper and pigment. The production capacity, quality and stability of the main suppliers are good. The changes in the main purchase amount are due to changes in the current year's orders and production and sales strategies. D215 and B196 accounted for more than 10% of net purchases in the year. The explanation is as follows:

- (A) D215 is the parent company of the Company, and the transaction item is resin raw materials. The increase in purchases is mainly due to the purchase of resin raw materials from Yongjie Company since 2022 in line with the development of materials and the integration of upstream and downstream resources of the Group.
- (B) The main trading items of B196 are PVC semi-finished products and finished products. Since the Company's PVC plastic skin production line has been discontinued, it is purchased and resold to the original customers.

2 Major clients in the most recent two years

Unit: NT\$ thousand

Item	2023				2024			
	Name	Amount	Percentage (%)	Relations with the issuer	Name	Amount	Percentage (%)	Relations with the issuer
1	8A49	58,565	36	None	8A49	87,286	23	None
2	Others (less than 10%)	103,159	64		Others (less than 10%)	286,641	77	
	Net sales	161,724	100		Net sales	373,927	100	

III. Employee information for the most recent two years and for the current year up to the date of publication of the annual report:

Unit: Person

Year		2023	2024	2025 up to March 31, 2025
Number of employees	Direct labor	19	104	110
	Indirect labor	24	115	117
	Total	43	219	227
Average age (years)		49.58	47.87	48.52
Average years of service (years)		8.87	11.04	10.71
Distribution of education attainment	Doctoral Degree	0	1	1
	Master's Degree	2	11	11
	University	8	87	88
	Senior High School	30	94	99
	Below high school	3	26	28

IV. Information on environmental protection expenditure:

- For companies that should apply for a pollution facility installation permit or a pollution discharge permit, or pay pollution prevention and control fees, or set up a dedicated unit for environmental protection, as required by law, specify the circumstances of such application, payment, or establishment

(1) Application for a pollution facility installation permit or a pollution discharge permit

Name of permit	Permit No.	Permit period
Simple permit document for wastewater (sewage) discharged to surface water bodies	Per Letter Nan-Shi-Fu-Huan-Shui No. 01629-07	August 4, 2023 to August 3, 2028
(Wet) PU leather manufacturing procedure (M01) (220002)	Per Letter Nan-Shi-Huan-Kong-Cao-Zheng No. D0592-02	September 5, 2024 to September 3, 2029
(Dry) PU leather manufacturing procedure	Per Letter Nan-Shi-Huan-Kong-Cao-Zheng No. D0966-00	October 20, 2022–October 19, 2027

Name of permit	Permit No.	Permit period
(M02)(220002)		
Heating medium heating procedure (M05) (000002)	Per Letter Nan-Shi-Huan-Kong-Cao-Zheng No. D0798-00	May 18, 2023 to May 17, 2028

(2) Pollution prevention and control fees payable: We paid a total of NT\$445 thousands for air pollution prevention and control and a total of NT\$300 thousands for soil and groundwater pollution remediation fees during 2024.

(3) Personnel in the unit dedicated to environmental protection should be appointed.

Name	Content of permit	Permit No.
Tsai, Yueh-Hsun	Class-B personnel dedicated to prevention of air pollution	Per Letter (2021)-Huan-Shu-Xun-Zheng No. FB130041
Tsai, Yueh-Hsun	Class-A waste treatment professional and technical personnel	(2020)-Huan-Shu-Xun-Zheng No. HA130473
Chan, Chin-Ju	Level B toxic chemical substances management specialist	Per Letter (2016)-Huan-Shu-Xun-Zheng No. JB090282

2 The investment in pollution prevention equipment, functions, and potential benefits

December 31, 2024/Unit: NT\$

Equipment	Number	Date of acquisition	Investment cost	Unreduced balance	Functions and estimated benefits
Wastewater treatment equipment	1 unit	1991.12.31	9,374,295	0	The sewage produced by factories is treated to the standard for discharge.
Exhaust gas treatment equipment	1 unit	2017.5.22	2,425,000	220,002	The exhaust gas produced by factories is treated to the standard for emissions.

- Please describe the process undertaken by the Company to improve environmental pollution during the most recent two years and up to the publication date of this annual report. Please also specify the handling process should there be any pollution dispute: None.
- Please describe any losses suffered by the Company during the most recent two years and up to the publication date of this annual report due to environmental pollution incidents (including any compensation) and total amount of the penalty, as well as the countermeasures (including improvement measures) and an estimate of potential expenses (including the potential loss, penalty, and compensation that might be incurred due to the failure to take countermeasures. If the amount cannot be reasonably estimated, please specify the fact that it cannot be reasonably estimated): None.
- The impact of the current pollution, the influence of the improvement on the Company's earnings, competitiveness, and capital expenditures, and the major environmental capital expenditures in the following two years: None.

V. Labor-management relations:

- The Company's various employee benefit measures, continuing education, training, pension system, and implementation thereof, as well as labor-management agreements and various employee rights protection measures
 - Employee benefit policy

- ① In accordance with the Employee Welfare Fund Act, all employees of the Company join the “Employee Welfare Committee”, which meets regularly to discuss issues related to employee welfares.
 - ② The Committee is responsible for handling various employee benefits and contributes the welfare funds depending on the Company's monthly revenue, employee salaries, and the sales of scrap.
 - ③ The Employee Welfare Committee handles the matters, including employee travel, monthly birthday gifts, gifts upon three major holidays, an employee military service subsidy, funeral and wedding allowances, a childbirth subsidy, teambuilding activities, and group insurance.
 - Information on employee activities in the past two years:
 - Three-day trip to Penghu, June 11 - June 13, 2023
 - Mid-Autumn barbecue, September 16, 2023
 - Family day trip for employees, November 5, 2023.
 - Family day trip for employees, May 25, 2024
- In 2024, a total of seven overseas trips were organized for the Group's employees, including a 5-day Tokyo trip and a 5-day Kansai trip.

(2) Continuing education, training, and implementation

The Company provides employees with a suitable and effective learning environment, and the training personnel proactively assist new employees in solving problems, so that employees can feel the joy of learning and are willing to take the initiative to learn and achieve their performance improvement goals.

Based on the job requirements of employees and the overall environment of the Company, we provide a wide range of external training courses to strengthen employees' professional skills and encourage them to continue learning in order to achieve good learning results.

- **On-the-job training for employees during 2024**

Training date	Course date	Lecturer	Number of participants	Lecture date
2024.03.18	The first unannounced toxic disaster drill of the year	Chan, Chin-Ju	13	2024.03.18 (1 hour)
2024.04.29	Self-defense Fire-fighting Group Training	Tsai, Yueh-Hsun	61	2024.04.29 (4 hours)
2024.05.17	Safety management of dangerous equipment operations, explanation of laws and regulations, explanation of types of occupational hazards, and explanation of accident cases	Chiu, Jui-Lung	61	2024.05.17 (1.5 hours)
2024.06.18	Tobacco Hazards Prevention Act and Occupational Safety and Health Facilities Regulations Safety management and regulations explanation, smoking disaster prevention explanation, accident case explanation	Huang, Tsai-Chih	61	2024.06.18 (1 hour)
2024.10.28	Self-defense Fire-fighting Group Training	Tsai, Yueh-Hsun	91	2024.10.28 (4 hours)
2024.12.09	The second unannounced toxic disaster drill of the year	Chan, Chin-Ju	61	2024.12.09 (1 hour)
2024.12.16	Annual air pollution incident and overall drill	Chan, Chin-Ju	61	December 16, 2024 (1 hour)
2024.12.19	Fire safety equipment operation safety management and regulations explanation, fire safety equipment types explanation, accident case explanation	Hsieh, Chin-Te	59	2024.12.19 (1.5 hours)
2024/11/29	Implementation of human rights policy	Cheng, Yu-Tang	30	3
2024/08/14	Insider trading prevention seminar	Chen, Chien-Hung	15	2
2024/11/29	Insider trading prevention seminar	Cheng, Yu-Tang	50	2
2024/06/07	Promotional Education on the Ethical Management Best Practice Principles and Prevention of Unethical Behavior	Cheng, Yu-Tang	40	1
2024/12/24	Promotional Education on the Ethical Management Best Practice Principles and Prevention of Unethical Behavior	Cheng, Yu-Tang	38	1

(3) **Employee retirement system and implementation**

- ① We have established a Supervisory Committee of Labor Retirement Reserve in accordance with the old scheme of the pension system for employees who chose the old scheme under the Labor Standards Act and make a monthly contribution, equal to 15% of employees' total monthly salary and wages, to the retirement reserve account with Bank of Taiwan in the name of the committee. The pensions shall be made from the account, and the Company shall make up for any insufficiency. Retirement criteria shall be subject to the Labor Standards Act. One person retired in fiscal year 2024. As of the end of October 2024, there were no workers still covered by the retirement system under the Labor Standards Act. On November 18, 2024, a request was made to the Labor Affairs Bureau of Tainan City Government to cancel the "Labor Retirement Fund Supervisory Committee" special account and withdraw the remaining balance and interest from the account. The request was approved by the Labor Affairs Bureau of Tainan City Government on December 31, 2024.
- ② For employees who chose the new scheme of the pension system under the Labor Pension Act, we make a monthly contribution, equal to 6% of employees' monthly

salary and wages, to employees' individual pension accounts with the Bureau of Labor Insurance.

- (4) Labor-management agreements
We have formulated company rules and has set out a complete plan, covering employee recruitment, promotion, retirement, and pensions, as a common standard for the Company and employees, while regularly holding labor-management meetings to enhance the exchange of views between employees and the Company. Thus, the labor-management relations are harmonious without any labor-management dispute occurring so far.
- (5) Protection measures for various employee rights
We adopt employees' suggestions and have established systematic proposal, communication, and grievances channels to reasonably and appropriately respond to and cope with employees' expectations, suggestions, questions, and grievances. We attach great importance to employees' rights and interest and care for them. We have formulated the Employee Sexual Harassment Prevention and Grievance Regulations and established a work environment on the basis of gender equality. The Employee Welfare Committee organizes various employee travel activities per year. We award outstanding employees awards for their outstanding work performance at the end of each year.
- (6) Work environment and employee personal safety protection measures
To prevent occupational accidents and maintain employees' safety and health, we have formulated the safety and health principles in accordance with the Occupational Safety and Health Act to specify relevant safety management matters for employees to follow.
 - ① Managers at all levels should pay close attention to their employees' safety and health and guide them where appropriate.
 - ② Safety and health managers at all levels should pay attention to whether there is any unsafe situation at any time and rectify and report unsafe practices at any time.
 - ③ We should regularly pay attention to and maintain all safety and health facilities in the plants to maintain their effectiveness. If any unusual situation is discovered, we should respond or adopt other necessary measures immediately.
 - ④ The Company regularly organize health examination for employees in accordance with laws and regulations and should bear all the costs.
 - ⑤ The Management Section is responsible for notifying, announcing, or keeping meeting records of occupational safety awareness-raising events, exercises, and training, and keeping the implementation documents.
 - ⑥ Safety rules for managers:
 - A Management should be responsible for preventing accidents and clearly understand the safe operating procedures for the work they supervise.
 - B When any dangerous situation may put personnel or equipment in danger, managers should be responsible for immediate improvement. If an improvement cannot be made, they should immediately report to their supervisors.
 - C Without a manager's prior consent, personnel are not allowed to carry out any repair or adjustment operations in departments other than theirs.
 - D The managers in charge of production equipment should check the pressure of pipelines and equipment in person before the repair personnel begin their repair work or make sure that the liquid that should be drained has been completely drained or that the equipment that should avoid collision is temporarily protected when necessary.
 - ⑦ General safety rules

- A The safety and health equipment in place shall not be dismantled or rendered ineffective without permission. When safety and health equipment is found to be dismantled or rendered ineffective, workers should report to their supervisor immediately.
 - B Workers should be familiar with their plans and safety requirements for the work they do to prevent hazards.
 - C In dangerous work areas or places, workers should pay attention to all danger signs set up and follow accordingly.
 - ⑧ Each employee should duly follow the various operating safety rules set by the Company. Various operating principles include fire, electrical safety, material transport and storage, machinery safety, hand tools, protective equipment, forklift operation, boiler operation, lift standard operation, and hanging operation best practice principles; organic solvent use guidelines, work rules for operations with special chemical substances, as well as general health, ventilation and exhaust, lighting rules, and first aid rules.
 - ⑨ We formulated outsourced operations management regulations to clearly set out the regulations and fire control measures for contractors carrying out work in our plants.
- 2 Please specify the losses suffered due to labor disputes in the most recent two years and up to the publication date of this annual report, the estimated potential amount at present and in the future, and countermeasures. If the amount cannot be reasonably estimated, please specify the fact that it cannot be reasonably estimated
- (1) The Company did not suffer financial losses due to labor disputes in the most recent two years and up to the publication date of this annual report.
 - (2) We abide by the Labor Standards Act and the applicable laws and regulations, and the Company and workers have formed positive interactive relations, so it is predicted that there will be no such losses in the future.

VI. Cyber security management

- (I) Specify the cyber security risk management framework, policy, specific management plans, and resources put into cyber security management.
 - 1. On December 22, 2023, the Company set up the organizational structure for information security management with a dedicated information security officer and a dedicated information security specialist, which was presented to the Board of Directors.
 - 2. Information security risk management framework.

3. Network management: Provide for internal protection mechanisms, VPN control and usage notifications, backup equipment for each major device to minimize the impact of failures, and lease certified network attack protection, spam filtering and virus filtering protection, with the Chunghwa Telecom Information Security Fleet services providing an extra layer of protection.
4. Computer control: Introduce computer asset management system to control the Company's computers in real time, to keep track of computer abnormalities, the legal use of computer software, the activation of mandatory protection software, and the disposal of end-of-life.
5. Account control: All system privileges are subject to application and approval review, personnel transfer and separation privilege inspection, and annual review and verification of personnel privileges.
6. System development: Establish specific operating procedures and regulations for system operation privileges, access management, function changes, and problem solving.
7. Education and promotion: Promote the concept of security immediately after the delivery of the machine, conduct regular training for new employees, and announce high-risk information from time to time to remind employees to enhance the concept of security.
8. Organizational management: Appoint a dedicated information management department and personnel, and regular report to the top management on the status of implementation and operations.

(II) Specify the losses incurred due to major cyber security incidents, potential impacts, and countermeasures in the most recent year and up to the publication date of this annual report. If the amount cannot be reasonably estimated, please specify the reasons as to why it cannot be reasonably estimated.

The Company did not suffer financial losses due to cyber security incidents in the most recent two years and the current year up to the publication date of this Annual Report.

VII.Important contracts

The supply and sales, technical cooperation, engineering, long-term loan, and other important contracts that could affect shareholders' rights and interests during fiscal year 2024 and those that were still valid as of March 31, 2025, or expired in the most recent year.

(I) The Company

Category of contract	Party concerned	Start and end dates	Main contents	Restrictive covenants
Loan contract	Mega International Commercial Bank	2024.8.27~2025.8.26	1. Credit line: NT\$200,000 thousands 2. Interest rate: Based on TAIBOR for three or six months, plus 1% 3. Collateral: Plants 1 and 4 in Xuejia	None

Category of contract	Party concerned	Start and end dates	Main contents	Restrictive covenants
Loan contract	TAIWAN BUSINESS BANK,	2024.8.21~2025.8.21	1. Credit line: NT\$90,000 thousand 2. Interest rate: Floating rate for one-year time deposits + 0.26% 3. Collateral: Plant 1 in Xuejia	None
Loan contract	Taichung Commercial Bank	2024.12.19~2025.12.19	1. Credit line: NT\$50,000 thousands 2. Interest rate: Time deposit monthly rate index, plus 0.91%	None
Loan contract	Bank of Panhsin	2022.5.30~2025.5.30	1. Credit line: NT\$50,000 thousands 2. Interest rate: Time deposit monthly rate + floating rate of 0.81%	None
Loan contract	Yuanta Commercial Bank	2024.11.7~2025.11.7	1. Credit line: NT\$30,000 thousand 2. Interest rate: Time deposit rate index + floating rate of 0.43%	None
Loan contract	First Commercial Bank	2024.7.29~2025.7.29	1. Credit line: NT\$130,000 thousand 2. Interest rate: For short-term secured loans with a term of up to 3 months, the interest rate is the 3-month fixed deposit floating rate plus 0.69%; for short-term loans with a term of up to 3 months, the interest rate is the 3-month fixed deposit floating rate plus 0.77%. 3. Collateral: Plant 1 in Xuejia	None
Loan contract	First Commercial Bank	2025.3.20~2026.3.20	1. Credit line: NT\$90,000 thousands 2. Interest rate: Short-term floating rate for three-month time deposits + 0.77% for a loan with duration of less than three months;	None

Category of contract	Party concerned	Start and end dates	Main contents	Restrictive covenants
Loan contract	CTBC Bank	2025.1.1~2025.12.31	1. Credit line: NT\$50,000 thousands 2. Interest rate: TAIBOR (1M) + 1% 3. Collateral: 57 households on the 1st to 3rd floors of Sec. 2, Yonghua Road, Anping District, Tainan City	None
Loan contract	Mega Bills Finance Co., Ltd.	2024.8.21~2025.8.20	1. Credit line: NT\$50,000 thousands 2. Working capital borrowings	None
Loan contract	SinoPac Securities	2024.9.11~2025.9.2	1. Credit line: NT\$95,000 thousands 2. Unrestricted-purpose borrowings	None

(II) Pony Company

Category of contract	Party concerned	Start and end dates	Main contents	Restrictive covenants
Medium-term unsecured comprehensive limit	O-Bank	2025.3.3~2026.3.2	Operating working capital loans	Repayment 6 months after contract expiration
Medium-term unsecured comprehensive limit	O-Bank	2024.1.4-2029.1.3	Loans for machinery and equipment upgrades	RTO equipment for Yongjing Plant
Medium-term unsecured comprehensive limit	O-Bank	2021.12.2-2026.12.2	Construction financing for Douliu Plant	Deputy guarantor of Douliou No. 1 Plant
Long-term unsecured comprehensive limit	O-Bank	2018.5.15-2025.7.15	Unsecured long-term loan; repayable in installments	None
Lease contract	Yunlin Science and Technology Industrial Park Service Center, Industrial Development	2017.9.13-2037.9.12	Shuiweikou Section, Douliu City, Yunlin County Land No. 0096-0000	No sublet

Category of contract	Party concerned	Start and end dates	Main contents	Restrictive covenants
	Bureau, Ministry of Economic Affairs			
Lease contract	Yunlin Science and Technology Industrial Park Service Center, Industrial Development Bureau, Ministry of Economic Affairs	2017.10.25-2037.10.24	Shuiweikou Section, Douliu City, Yunlin County Land No. 0097-0000	No sublet
Lease contract	Yunlin Science and Technology Industrial Park Service Center, Industrial Development Bureau, Ministry of Economic Affairs	2018.12.18-2038.12.17	Shuiweikou Section, Douliu City, Yunlin County Land No. 0089-0000, 0090-000 2 lots.	No sublet

Chapter V Financial Position and Financial Performance Review

Analysis and Risk Management

I. Review and Analysis of Financial Position

(I) Financial position

Specify the main reasons for major changes in the Company's assets, liabilities, and equity in the most recent two years, and the impact thereof. If the impact is considered material, please also explain the future response plan.

Financial position analysis

Unit: NT\$ thousand

Item \ Year	2024	2023	Increase (decrease) in amount	Increase (decrease) (%)
Current assets	1,433,683	406,543	1,027,140	252.65
Property, plant and equipment	1,131,366	637,095	494,271	77.58
Other assets	743,774	505,670	238,104	47.09
Total assets	3,308,823	1,549,308	1,759,515	113.57
Current liabilities	970,243	512,256	457,987	89.41
Non-current liabilities	165,957	83,713	82,244	98.25
Total liabilities	1,136,200	595,969	540,231	90.65
Share capital	788,378	675,000	113,378	16.80
Capital surplus	191,457	9,252	182,205	1969.36
Retained earnings	993,376	269,042	724,334	269.23
Other equity	(115)	45	(160)	(355.56)
Non-controlling interests	199,527	—	—	—
Total shareholders' equity	2,172,623	953,339	1,219,284	127.90
The main reasons for the material changes and the impact thereof and the future response plan: (only for the increase/decrease by 20% or more and the increase/decrease reaches NT\$10 million or more in amount) 1 Increase in current assets: Primarily due to an increase in financial assets at fair value through profit or loss in 2024. 2 Property, plant, and equipment: Primarily due to the acquisition of a subsidiary's PPE through business combination in 2024. 3 Increase in other assets: Primarily due to the acquisition of a subsidiary's financial assets at fair value through profit or loss and right-of-use assets through business combination in 2024. 4 Increase in current liabilities: Primarily due to the acquisition of a subsidiary's short-term borrowings and payables through business combination in 2024. 5 Increase in non-current liabilities: Primarily due to the acquisition of a subsidiary's long-term borrowings and lease liabilities through business combination in 2024. 6 Increase in capital surplus: Recognition of conversion premium from corporate bonds. 7 Increase in retained earnings: Due to higher profits in 2024.				

II. Review and Analysis of Financial Performance

The main reasons for the material changes in operating revenue, net operating income, and net income before tax during the most recent two years, the estimated sales volume and the basis, as well as the potential impact on the Company's future finance and business and response plans

1 Comparative analysis of financial performance

Unit: NT\$ thousand

Item \ Year	2024	2023	Increase (decrease) in amount	Increase (decrease) (%)
Operating revenue, net	373,927	161,724	212,203	131.21
Operating costs	330,167	152,605	177,562	116.35
Gross profit	43,760	9,119	34,641	379.88
Operating expenses	117,677	39,240	78,437	199.89
Net operating loss	(73,917)	(30,121)	(43,796)	(145.40)
Non-operating income and expenses	896,468	154,815	741,653	479.06
Net profit (loss) before tax	822,551	124,694	697,857	559.66
Income tax expenses	8,375	1,235	7,140	578.14
Net income (loss) for this period	814,176	123,459	690,717	559.47
The main reasons for the material changes and the impact thereof and the future response plan: (only for the increase/decrease by 20% or more and the increase/decrease reaches NT\$10 million or more in amount) 1. Main reasons for the increase in net operating revenue, operating cost, and gross profit: 2. Primarily due to the consolidation of subsidiaries in 2024 and increased shipments by vendors following the completion of destocking efforts in the previous year. The revenue from sales of solar power also increased, resulting in an increase in revenue and an increase in gross profit. 2. Increase in operating expenses: due to the increase in profit for 2024, the remuneration to directors and employees was appropriated in accordance with the Articles of Incorporation. 3. Increase in operating net loss: Primarily due to the provision for employee and director compensation. 4. Increase in non-operating income and expenses: Primarily due to valuation gains on financial asset investments. 5. Increase in profit before tax: Primarily due to valuation gains on financial asset investments. 6. Increase in income tax expense: Due to the increase in net profit for the period. 7. Taken together, net income after tax increased compared to the previous period.				

2 Estimated sales volume and the basis for estimation

The Company expects that after the merger of Pony, the two parties will actively form a strong synergistic effect in terms of technology, product line and market expansion. Leveraging the synergies of the merger, operating revenues will grow significantly.

3 The potential impact on the Company's future finance and response plans

We will continue to explore new markets, expand into more markets with our existing products, increase TPU environmental materials and breathable waterproof garment/full-lamination products, and develop new PUR equipment to replace the crude oil adhesive

layer to reduce the solvent content in products, while continuing to invest in R&D to increase the added values of our products.

III. Cash flow

The analysis of the movement in the cash flow in the most recent year, the improvement plan for insufficient liquidity, and the analysis of cash flow in the coming year are as follows:

1 Analysis of the movement in the cash flow in the most recent year

Unit: NT\$ thousand

Item	Year	2024	2023	Increase/ Decrease in amount	Increase/ Decrease (%)
Net cash inflow from operating activities		37,368	34,595	2,773	8.02%
Net cash outflow from investing activities		(130,319)	(101,085)	(29,234)	28.92%
Net cash inflow from financing activities		204,677	8,521	196,156	2302.03%
Analysis of the movement in the cash flow in the most recent year:					
1. Investing activities: Increase in net cash outflows, primarily due to increased long-term equity investments under the equity method in 2024.					
2. Financing activities: Increase in net cash inflows, primarily due to the disposal of financial assets and acquisition of a subsidiary in 2024.					

2 Improvement plan for insufficient liquidity

Item \ Year	December 31, 2024	December 31, 2023	Increase (decrease) (%)
Cash flow ratio (%)	3.85	6.75	(42.96)
Cash flow adequacy ratio (%)	52.74	51.62	2.17%
Cash reinvestment ratio (%)	(2.20)	3.10	(170.97)
Explanation of the changes in the percentage of increase or decrease: (Only changes exceeding 20% require explanation)			
Cash flow ratio, cash flow adequacy ratio and cash in investment ratio: mainly due to the increase in short-term borrowings.			

We have built close relations with domestic banks with excellent credit ratings. Therefore, with reasonable capital needs, we have no concern about insufficient financial liquidity or shortage of funds.

3 Analysis of liquidity for the coming year

Unit: NT\$ thousand

Opening balance of cash (1)	Annual estimated net cash inflow (outflow) from operating activities (2)	Annual estimated other cash inflows (outflows) (3)	Estimated cash flow surplus (deficit) amount (1)+(2)+(3)	Remedial measures for estimated cash flow deficit	
				Investment plan	Financial management plan
78,818	30,000	(15,000)	93,818	-	-
1 Analysis of the movement in the cash flow in the coming year: (1) Operating activities: The expected growth of the consumer market and the expected net inflow of annual operating activities. (2) Other activities: Investment activities such as purchase of securities are expected. 2 Remedial measures for projected cash deficits and liquidity analysis: N/A.					

IV. Impact of major capital expenditures on financial business in the most recent year: None.

V. Investment policy for the most recent year, the main reasons for profit or loss, improvement plan, and investment plan for the following year:

(1) Investment policy

The Company's investment in other businesses is mainly to meet business needs. We manage investees as per the investment cycle in the internal control system and the Procedures for Asset Acquisition and Disposal.

(2) The main reasons for the profit or loss from reinvestment in the most recent year, and the improvement plan: The loss is due to the increase in production costs due to changes in raw material supply and demand. In the future, the Company will actively integrate the Group's resources and streamline related expenses to create profits.

VI. Risk analysis and assessment

(I) Risk factors

(1) Impact of interest rate/foreign exchange rate fluctuations and inflation on the Company's profit or loss and future countermeasures

Unit: NT\$ thousand

Item	2023	2024
Net revenue	161,724	373,927
Interest expenses	(10,800)	(8,525)
Interest expenses/Net revenue	(6.68)%	(2.28)%
Net foreign exchange gains (losses)	-10	5,755
Foreign exchange gains (losses)/Net revenue	(0.01)%	1.54%

- (2) The impact of interest rate, exchange rate changes, and inflation on the Company's profit or loss and future countermeasures
- (A) Impact of interest rate fluctuations on the Company's profit or loss and future countermeasures:
 The exposure of the Company's financial assets and financial liabilities to interest rate risk is described in liquidity risk management.
 The sensitivity analysis below is based on the exposure of derivative and non-derivative instruments to the interest rate risk at the reporting date. The method of analysis of liabilities at floating rates is to assume that the amount of liabilities outstanding at the reporting date is outstanding throughout the year. One percent increase or decrease in interest rates is the sensitivity rate used in reporting the interest rate risk to the Company's key management team and represents the management's assessment of the reasonable range of potential changes in interest rates.
 If the interest rate had increased or decreased by 1%, with all other variables holding constant, the Company's net income after tax would have increased or decreased by NT\$5,852 thousand for 2024 and NT\$1,456 thousand for 2023, mainly due to the Company's borrowings at floating interest rates.
- (B) Impact of exchange rate fluctuations on the Company's profit or loss and future countermeasures:
 The company's foreign exchange risk on monetary items primarily arises from cash and cash equivalents, financial assets at amortised cost, other financial assets, receivables, and payables denominated in foreign currencies, resulting in foreign exchange gains or losses during conversion. As of December 31, 2024 and December 31, 2023, if the New Taiwan Dollar had depreciated or appreciated by 1% relative to the US Dollar and Chinese Yuan, while all other factors remained unchanged, the net income after tax for fiscal years 2024 and 2023 would have increased or decreased by NT\$928 thousand and NT\$124 thousand, respectively. The analyses in the two periods are on the same basis.
 We mainly sell products to the domestic market, so exchange rate fluctuations have little impact on the Company. To reduce the impact of exchange rate fluctuations, we pay close attention to exchange rate trends and enhance our revenue and expenditure budgets and adopt a natural hedging approach. The currencies held are the same as those used for import and export transactions, and we made overseas purchases with foreign currencies earned from sales, to reduce the impact of exchange rate fluctuations on the Company in flexible manner.
- (C) Impact of inflation on the Company's profit or loss and future countermeasures
 In recent years, affected by the spread of the pandemic, major countries in the world have adopted quantitative easing policies, with upward pressure on inflation. However, we will continue to pay close attention to the impact of the price index on our procurement costs and adjust strategies in a timely manner to avoid the risk of inflation.
- (II) The policy on engagement in high-risk and highly leveraged investment, loans to others, endorsements/guarantees provided, and derivatives trading, the main reason for profit or loss, and future countermeasures:
 Adhering to the principle of prudent and pragmatic business operations, we do not engage in high-risk and highly leveraged investment, nor do we engage in derivative trading. We only focus on the development of our core business. We did not loan funds to others or provide endorsements/guarantees for others. We have established the Procedures for Asset Acquisition and

Disposal, the Procedures for Loaning of Funds to Others, and the Operating Procedures for Endorsements and Guarantees, which were adopted by the resolution of the shareholders' meeting, as the basis for the Company's relevant transactions.

(III) Future R&D plans and estimated R&D expenses

Plans for the most recent year	Current progress	R&D expenses to be further spent	The main factors influencing the success of future R&D
High-solid A7000	1. Softness 2. Development of high-solid foams 3. Continuous development of functional products 4. Development of completely solvent-free products with PUR machines 5. Low-solvent single films 6. Development of applications for the furniture market	NT\$1.5 million	1. Solvent-free to protect the environment. 2. High physical properties. 3. Continuous development of raw materials for new functional products. 4. New paper grains, color water, and patterns. 5. Development of leisure furniture market
Medical beds	1. The product testing was completed 2. The formula and process conditions are adjusted to the needs of each fabric	NT\$1.5 million	1. The stability of the raw material production process should be controlled 2. The width during machine processing should be controlled. 3. High frequency intensity should be controlled 4. Functional requirements
Functional PU films	1. The promotion of samples is gradually becoming effective. 2. Improve functionality to meet demand 3. We have received ordered to produce some of the products	NT\$2 million	1. The stability of the raw material production process should be controlled 2. The width during machine processing should be controlled. 3. It can be applied to the surface layer with multiple functions, such as fire resistance or thermal insulation, etc
Continuous development of TPU sports shoe materials	1. Low DMF products 2. Chameleon laser product development 3. High-temperature fusion cut product development 4. New grain development 5. New colors of crushed leather	NT\$1.5 million	1. The physical property of TPU has reached the requirements 2. Dye-colored water, effect, and grain variability. 3. Rollmac printing. 4. Low-temperature welding and cutting materials to save energy consumption

Plans for the most recent year	Current progress	R&D expenses to be further spent	The main factors influencing the success of future R&D
	6. Low-temperature fusion cut product development		
Development of reusable color-changing products	1. Special thermoplastic thickener 2. New colors of crushed leather 3. Three-dimensional fabric grains 4. Heat press embossing machine to show the fabric grains 5. Low DMF 6. Prints	NT\$1.5 million	1. The repeated flexing at room temperature should reach 100,000 times. 2. It is wear resistant, and the stripping quality meets the requirements. 3. There a variety of fabric grains 4. There a variety of print patterns 5. Development of packaging materials markets 6. Development of pearly-luster and chameleon colors
Sealing strips	1. Search for suitable resin 2. Search for suitable PET film 3. Reduce solvent content	NT\$1.5 million	1. The product meets the market demand 2. Flatness and elasticity 3. It is multi-functional through combined processing
Development of silicone/rubber products	1. We are seeking special materials. 2. It should be anti-slip. 3. It should be flame resistant.	NT\$2.5 million	1. The product meets the market demand 2. It should be multi-functional 3. Solvent-free products 4. Development for furniture and automotive markets
PP membrane composite	1. In response to the ban on flourine in environmental protection materials 2. Replaces the existing Teflon material	NT\$1.5 million	1. The product meets the market demand 2. Increase the value of environmentally friendly materials
PMMA decorative materials and automobile/scooter trims	1. It is weather resistant without being delaminated in environmental test. 2. It is scratch-resistant and hydrolysis-resistant. 3. We continue to develop functional products and are promoting the samples.	NT\$2 million	1. It should be able to be processed with excellent plasticity. 2. There should be a variety of grains and dye-colored water. 3. It should be able to be widely applied in the market and by a wide client base.
Rubber composite materials	1. Cooperate with customers to develop rubber	NT\$2 million	1. Rubber composite materials meet market demand

Plans for the most recent year	Current progress	R&D expenses to be further spent	The main factors influencing the success of future R&D
	composite materials		2. There should be a variety of grains and dye-colored water.

(IV) The impact of the changes in important policies and regulatory environment at home or abroad on the Company's financial business, and countermeasures:

In response to the amendment to and the promulgation of important corporate governance policies and laws, the Company Act, and the Securities and Exchange Act by competent authorities, we have actively cooperated accordingly, and our management team has paid close attention to changes in important policies and laws at home and abroad and put forth countermeasures as appropriate. Therefore, they do not cause a significant impact on our finance.

(V) The influence of changes in technology (including cyber security risks) and the industry on the Company's financial business and countermeasures:

In recent years and up to the date of this annual report's publication, no events resulting from technological or industry changes have had a material impact on the Company's financial or business operations. The Company continuously monitors technological advancements and industry developments, and promptly tracks industry trends to respond effectively to the potential impacts of technological and industry changes on its operations.

(VI) The impact of a change in corporate image on corporate crisis management and countermeasures: None.

(VII) Estimated benefits and potential risks of M&A and countermeasures:

On September 3, 2024, the Company's Board of Directors resolved to acquire up to 70% of the shares of Puda Applied Materials Co., Ltd., with a maximum purchase price of NT\$561,393,000. Through this equity acquisition, the Company aims to achieve business diversification and expand its operating scale. Building upon its existing product foundation, the Company will enhance the development of new products and eco-friendly leather for both domestic and international customers, thereby improving efficiency and competitiveness. This transaction will establish a solid foundation for corporate growth. Going forward, the Company will continue to focus on its core business, actively promoting steady operational development and moving step by step toward the vision of sustainable corporate management. Potential risks, such as changes in tariff policies, may arise; however, the Company will seek to expand into diversified markets to reduce reliance on any single market.

(VIII) Estimated benefits and potential risks of plant expansion and countermeasures: None.

(IX) Risks of supplier or client concentration and countermeasures:

The Company's main clients and suppliers, as disclosed in this report, are our long-term partners. Considering our operations and the growth trend of the industry, we will continue to increase the business with existing partners and work with new ones, to further diversify customers and suppliers.

(X) The impact of massive transfer or replacement of shares by the directors, supervisors, or shareholders each holding more than X % of the shares issued by the Company, the risk thereof, and countermeasures: None.

(XI) The impact of change in the Company's management right, the risk thereof, and countermeasures: None.

(XII) In the case of a court case or a non-contentious case, specify the names of the directors, supervisors, the President, the de facto responsible person, shareholders each holding more than 10% of company shares, or subsidiaries with final ruling made or still in major legal proceedings, non-contentious matters, or administrative disputes, and where the result thereof may significantly affect shareholders' equity or stock price, disclose the fact of the contentions, the amount involved, the commencement date of the proceedings, the major litigants in the proceedings, and the status as of the publication date of this report: None.

(XIII) Other important risks and countermeasures: None.

Chapter VI Special Matters

I. Information related to the company's affiliates:

(I) Consolidated business report of affiliated companies:

<https://doc.twse.com.tw/server->

[java/t57sb01?step=1&colorchg=1&co_id=4303&year=&mtype=K&isnew=true](https://doc.twse.com.tw/server-java/t57sb01?step=1&colorchg=1&co_id=4303&year=&mtype=K&isnew=true)

(II) Consolidated financial statements of affiliated enterprises: see the 2024 consolidated financial statements.

(III) Affiliation report:

<https://doc.twse.com.tw/server->

[java/t57sb01?step=1&colorchg=1&co_id=4303&year=&mtype=K&isnew=true](https://doc.twse.com.tw/server-java/t57sb01?step=1&colorchg=1&co_id=4303&year=&mtype=K&isnew=true)

- II. Private placement of securities in the most recent year up to the publication date of this annual report: None.
- III. Other necessary supplementary information: None.

Chapter VII Event with a Material Impact

- I. Any event specified in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act with a material impact on shareholders' equity or securities prices in the most recent year and the current year up to the publication date of this Annual Report: None.

Hsin-Li Chemical Industrial Corp.



Chairman: Chang, Yu-Mi

