

Stock Code: 2017



Formosan Rubber Group Inc.

2019 Annual Report

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Website of the company's annual report: <http://www.frg.com.tw/>

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This English version is only a translation of the Chinese version. If there is any inconsistency or discrepancy between the Chinese and English versions, the Chinese version shall prevail for intents and purposes.

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V. 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

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I. Letter to Shareholders

Letter to Shareholders

Dear Shareholders,

In light of the ongoing tense China-US trade war and the slow demand from overseas in 2019, the global economic growth momentum has substantially weakened. However, since the completion of the Company's "55 Timeless" residential tower in Xinyi Planning District, the Company's 2019 operating income, gross profit and income before tax remained outstanding, delivering profits for all of our shareholders.

Into 2020, and with the outbreak of COVID-19 rapidly spreading all over the world and looking to become more serious, the global economy has suffered a drastic collapse. However, Taiwan has set an exceptional example to the world by suppressing the virus which has seen the acceleration of the return of Taiwanese businessmen, resulting in more interest from international investors. With the help of the completion of the Company's "La Bella Vita" residential tower in Taichung, the future of the Company continues to look confident and stable in 2020.

Meanwhile, the Company will continue to enforce expanding business scopes as follows: 1. Rubber manufacturing: making good use of alternative equipment advantages in the plant as a means to develop composite materials and further expand new markets; 2. Warehousing: proactively developing the policy of "business expansion and professional services" by constantly seeking new customers in order to bring different types of businesses into the Park, increasing operating performance; 3. Construction and development: In addition to accelerating the development of the Company's real properties, suitable individual projects and land will be sought out for development.

The Company's operating income, gross profit and income before tax in 2019 have all grown by a large margin compared to the previous year mainly due to the completion of "55 Timeless" residential tower. We would like to present to shareholders the consolidated operating results and a summary of the operation plans of Formosan Rubber Group Inc. for 2020 as follows:

I. 2019 Consolidated Business Results

I. Performance of business plan implementation

(I) Consolidated operating income, gross profit and pre-tax income:

Item	2019	2018	Unit: thousand	
			Increase and decrease amount	Increase and decrease %
Operating income	2,701,777	1,373,818	1,327,959	96.66%
Operating margin	661,688	330,480	331,208	100.22%
Pre-Tax Income	552,687	260,427	292,260	112.22%

(II) The sales of the reserved apartments for "World Garden - Bridge Upto Zenith", and "Modesty Home"

There were only a few residential apartments remaining at "World Garden - Bridge Upto Zenith" and "Modesty Home". By judging the real estate market, we entrusted the sales of the residential apartments and took steps gradually, allowing steady sales, and we have now sold out all the residential apartments.

- (III) Xindian “Legend River”
With the opening of the MRT Circular Line soon and the development of the Yangbei Replanning Area, the market has gradually recovered and the selling rate has stabilized.
- (IV) The land development of “55 Timeless” in Xinyi Planning District
With the building of high specifications and the public facilities of an art gallery, it has become one of the international-grade landmarks for luxury residential apartments. Its exceptional construction quality has been widely favored by our customers. Under the impact of the US-China trade war, we have seen a situation where funds have gradually returned to Taiwan. The sales for high price with large space residential apartments have increased compared to the previous year. With the Company’s flexible use of strategies, the apartments continued selling.
- (V) The land development of “La Bella Vita” for the replanning area in Taichung Phase 7.
The entire selling area of “La Bella Vita” is approximately 15,150 pings (50,082 square meters), and the Company was allocated 27.25%, 4,128 pings (13,646 square meters). The residential building will finish on January 7, 2020. As of now, a series of matters in relation to handing over the apartment to customers who have purchased the apartment in the pre-sale have been conducted. The decoration of the show homes will begin as well as the sales of apartments.
- (VI) FRG Bridge Upto Zenith Business Plaza
FRG Bridge Upto Zenith Business Plaza is located on the first and second floors of No. 168-180, Section 1, Zhongshan Road, Banqiao, covering an area of 1,882 pings (6,221 square meters). The first floor of the business plaza has been leased to E.SUN Commercial Bank; the second floor has been leased to Nan Shan Life Insurance Co., Ltd. and SinoPac Securities Corporation; the second floor of the business plaza at building B has been leased to infant care center which is expected to take over in May. FRG Bridge Upto Zenith Business Plaza has become an exquisite business center of Banqiao.
- (VII) San Francisco and Hotel Development Project
Our subsidiary (FRG US Corp.) established in the US in 2017 participates in the construction investments. The subsidiary’s investment in the project is approximately 11.23%. The entire plan for the project consists of 242 luxury residential apartments, 10 retail stores, and a trendy hotel with 236 rooms.

II. Budget Execution: Based on the norms stipulated in the “Regulations Governing the Publication of Financial Forecasts of Public Companies”, the Company does not need to prepare financial forecast for 2019.

III. Analysis of Consolidated financial Income and Expenditure and Profitability

Consolidated financial income and expenditure

Unit: NT\$ thousand

Item \ Year	2019	2018
Net cash inflow (outflow) from operating activities	1,783,085	424,770
Net cash inflow (outflow) from investments	132,000	837,415
Net cash inflow (outflow) from financing activities	(1,764,554)	(1,189,587)

Analysis Table of Consolidated Profitability

Item \ Year	2019	2018
Return on Asset (%)	4.09	1.61
Return on Equity (%)	5.09	2.04
Pre-Tax Income to Paid-In Capital (%)	15.79	7.04
Profit Margin (%)	19.95	15.71
EPS after tax	NT\$1.54	NT\$0.59

IV. Research & Development (R&D)

1. Based on the Company's business philosophy "research makes the difference" at its establishment in 1979, we have continued to strive for search and innovation. The R&D results of 2019 are as follows:

(1) In 2019, we have successfully acquired 8 patents:

[1]	ROC Patent for Double-Sided High-Frequency Processing Composite Structure
[2]	ROC Patent for Silicone and Rubber Tarpaulin and their Manufacturing Method
[3]	ROC Patent for Foam Rubber, Composite Structure of Foam Rubber and its Manufacturing Method
[4]	ROC Patent for Foam Rubber and its Manufacturing Method
[5]	ROC Patent for Compound Tape and its Manufacturing Method
[6]	ROC Patent for Thermosetting Soft Light Transparent Five-Layer Structure Rubber Material and its Manufacturing Method
[7]	ROC Patent for Thermoplastic Polyurethane Composite Structure with High Bonding Strength and its Manufacturing Method
[8]	ROC Patent for Flame Retardant Fabric and its Manufacturing Method

(2) There are another 20 patent applications pending.

2. The rental and leasing in Nankan and the logistics center have entered the stable stage, but due to the COVID-19 outbreak affecting the global economy, and the impact caused during the pandemic, we expect to attract different types of businesses to enter the Park, developing logistics for customers. We also plan to cultivate elites, hoping to set an example for integration of providing services including professional rental and leasing, and logistics.

II. 2020 Business Plan Overview

I. 2020 Management Policy:

1. The 3 management policies for manufacturing industry are: “Innovation”, “international” and “service”.
“Innovation”: We thrive on innovation by using features of different equipment and process to develop new composite materials, improving the product performance and use range.
“International”: We enhance international services and continue to stabilize the Greater China region market while expanding the market of Southeast Asia. By participating in exhibitions and visits, we hope to increase the exchange opportunities with European, American and Japanese customers.
“Service”: Through ‘research makes the difference’ and quickly responding to fulfill customers’ needs, we hope to be the most profitable company to our customers.
2. We are proactively developing new customers for our rental and leasing business, we create new business model in a bid to provide our customers with professional service values. This year, we will continue to integrate our logistics, and rental and leasing business to provide our costumers with the most professional services; we will also provide our customers with best solutions while expanding our business in Longtan with historical experience, setting an example for integration of professional rental and leasing business, and logistics with our Nakan Logistics Park and Longtan Intelligent Park.
3. Real estate development and individual projects:
 - (1) The account for “Modesty Home” has been included when the project completed in 2014; we have reserved an ‘elite’ apartment for sale later when the real estate market rebounds.
 - (2) The reserved apartments of “Bridge Upto Zenith A⁺” are entrusted to gradually sell according to the market reaction in order to stabilize the selling rate.
 - (3) The development of Xindian “Legend River” is located near the MRT Circular Line and the Yangbei Replanning Area and with the market gradually recovered, the sales have been stable.
 - (4) The user’s license was acquired at the end of 2018 for the land development of “55Timeless” in Xinyi Planning District. For customers who have purchased the apartment in the pre-sale in 2019, all matters in relation to handing over of the apartment have been complete. The excellent building quality and technique have been well received by the market. The Company will continue to use strategies to find high-quality customers.
 - (5) The development of Taichung “La Bella Vita” was completed on January 7, 2020. As of now, a series of matters in relation to handing over the apartment to customers who have

purchased the apartment in the pre-sale have been carried out, followed by the sales of the completed apartment.

- (6) The development of the San Francisco residential apartments and hotel has begun its construction in 2018 which is estimated to complete in 2021.

II. Expected Sales and Their Basis

1. According to the long-term statistics of Germany, the total market of the future global rubber and plastic will maintain its slow growth each year. Of which, the life-saving industry, medical industry, and environmental protection will outperform, and the first 2 are precisely within the Company's technical strengths. With the complex and forever-changing ongoing situations including the US-China trade tensions, the uncertainty of Brexit, the rise of the trade protectionism and the worsening condition of the climate and environment, the global economy has continued to decline and the global trade has substantially weakened. The recent dip in the WTOI reflects declines in component indices for export orders and most service trade indices have all dropped their lowest levels. The global trade growth has slowed down which has also reflected all countries' unique cyclical and structural factors. The monetary policies of developed economies have also changed with it. The pandemic outbreak coronavirus that started at the end of 2019 has spread all over the world in the first half of 2020. All major economic business events have all been affected, resulting in further recession. Combining the above unfavorable elements, in 2020, we will do our utmost to pursue the Company's total target sales of rubber and plastic synthetic leather of 10,112 thousand yards which was reached in 2019.
2. Nankan warehouse logistics and logistics management: The Nankan Logistics Park is appropriately 15 minutes away from both the international airport and the highway. Given its excellent geographic location, we have been dedicating ourselves to training elites in terms of logistics and customs taxation while enhancing our customer service, allowing better rental rate than peers. In 2003, our logistics center acquired the Logistics License approved by the Customs Administration, Ministry of Finance Taipei Customs, and has been recognized 3 times by receiving the Award for Excellent Trading Businesses presented by the Ministry of Economic Affairs. In a bid to provide our customers with the best service, we will continue to work to strengthen the integration of both logistics and system information in order to increase added-value customer services, creating a win-win situation. In 1992, the logistics center obtained the license of the logistics center of the Taipei Customs Bureau of the Ministry of Finance and won the Gold Trade Award of the Ministry of Economy for three times. As a means to provide best service for our customers, the logistics center will continue to strengthen the integration of both the logistics system and systematic information to create more added values for our customers, forming a win-win situation. The income generated from the warehouse rent and logistics in 2020 is estimated to increase slightly compared to 2019 by 1% to 2%.
3. The sales of the remaining reserved apartments: "Legend River" - 4 completed apartments (2 joint ownership apartments), and the available completed apartments of "55Timeless" and "La Bella Vita" are gradually being sold. We reserved 11 apartments of "Bridge Upto Zenith" and "Modesty Home" and they have now been sold due to the rebound of the real estate market,

resulting in stabilized selling rate.

4. Banqiao Qian-Feng Business Plaza: The first and second floors consist of 1,882 pings (6221 square meters). The occupancy rate has decreased in 2019 due to the change of tenants. In May this year, new tenants have established in the plaza - the occupancy rate returned to 100%. In the future we will continue to enforce customer services and plaza management, creating a new image of exquisite business center in Banqiao District.

III. Important Production and Sales Policy

1. The 3 management policies for manufacturing industry are: “Innovation”, “international” and “service”.

“Innovation”: We thrive on innovation by using features of different equipment and process to develop new composite materials, improving the product performance and use range.

“International”: We enhance international services and continue to stabilize the Greater China region market while expanding the market of Southeast Asia. By participating in exhibitions and visits, we hope to increase the exchange opportunities with European, American and Japanese customers.

“Service”: Through ‘research makes the difference’, and quickly responding to fulfill customers’ needs, we hope to be the most profitable company to our customers.

2. The primary policy of logistics, and rental and leasing business is to maintain the existing customers while attracting more new customers to establish their business in the Park; So far, we are working proactively to increase the customer group of the logistic center and diversify our goods. We aim to extend our business area to Longtan Park, improving the overall use of land resources in the Park.
3. We acquired the prime land of the Xinyi Planning District in 2012, and in 2016, we cooperated with the mainland China construction company and introduced the projects of “55Timeless” in the end of 2012, we cooperated with KINGLAND Property Corporation Ltd. and introduced the projects of “Legend River”, and in 2015, we acquired the land in Taichung for the projects of “La Bella Vita” which began its sales in 2016. We have truly excelled in our our expectations, allowing significant improvement in both profit and brand image.

III. The Company’s Future Development Strategy

I. Secondary Processing Industries:

- A. By signing annual sales contracts with major customers - ensuring stable performance of 60% or more.
- B. By improving quality - continue to establish OEM/ODM partnership with international major manufactures to ensure turnover.
- C. By making good use of equipment - develop multi-colored and multi-specification productions, ensuring customers’ brand loyalty.
- D. By the continual technical partnership with European, American and Japanese plants - create new products and introduce them to new markets.

- E. By developing related products - add new production lines and one stop shop service, fulfilling customers' needs.
- F. By investing with precision - principles of full production, order delivery and gradually adjust the inventory.

II. Nankan Warehouse Logistics and Rental and Leasing Business:

In terms of rental and leasing business, we will tirelessly develop new customers and keep a sound relationship with our long-term customers, and in the future, we plan to integrate the Company's land assets; build warehouses or plants that favor future industries and foster related elites, as well as expand the business to the Longtan Intelligent Park, and attract new customers for their new establishment. This year, we continue to focus on the integration of logistics, and rental and leasing business. We will work diligently to enhance our customer services and provide them with the best solution, allowing Formosan Rubber Group Inc. to be the most fitted model for the integration of professional rental and leasing business, and logistics.

III. Real Estate Development:

In a bid to continue the real estate development experience and creating the long-term stable profit for the Company, not only do we have our own real estate assets, we also focus on other suitable land or individual projects. In addition to resident buildings, development of commercial spaces of considerable size is also planned. Not only can commercial real estate developments acquire long-term stable rent income, they also cover fields of business plaza operation, real estate management and property management. With the Company's accumulated strength and brand value increasing day by day with construction development business, and based on the needs of long-term development, aside the current development projects, we have also been diligently seeking individual projects that meet the Company's circumstances.

IV. Effects by External Competitive, Regulatory and Overall Operating Environments

I. Secondary Processing Industries:

The US-China trade negotiations have brought positive expectations now that they have reached a staged economic and trade agreement. The international community is also generally supporting free trade and the multilateral trading system, building confidence in promoting global trade. Although the American market is slowly showing a sign of recovery, with mainland China's slow growth and unfavorable factors, constant changing Middle Eastern situation and the threat of unstable regions of North Korea, the development of global economy still poses adverse impact. Especially with the spread of coronavirus from the beginning of the year, and due to the necessary measures to contain the virus, many economic activities have been forced to stop, impacting overall regional economic market. The Company's primary synthetic rubber materials are mostly exported to mainland China. Despite the fact that China was originally the world's largest manufacturing base, with the trade conflict between China and US as well as the rise of environmental protection, many process plants have gradually moved out to neighboring Southeast Asian countries, hence the adjustment of regional economies and impact of balance control, competitiveness between plants is especially apparent. Thus we can only ensure the Company's sustainable development by creating new products according to the market orientation and

improving quality while controlling the cost.

II. Nankan Warehouse Logistics and Rental and Leasing Business:

The Company isaced with the disease outbreak at the beginning of the year which has grounded the entire country of China to a standstill, and further affected the global supply chain, resulting in the continuing rise of freight cost and the delay of the global supply. The entire layout of supply chain is deemed to be affected, and the primary question at the moment is how to increase the willingness for customers to establish a transshipment center in Taiwan? Taiwan logistics must find better tax solutions and customers must also make investments in automation equipment as well as logistics system in order to create continuous profits.

III. Land Developments:

The new housing tax on new builds acquired after July 2014 for Taipei City and the “Joint Tax on Building and Land Sales” imposed in January 2016 for entire Taiwan have had an drastic effect on Taiwan’s real estate market and the its future business direction. However, for more than 4 years, we have been keeping a close eye on the market situation since the implementations, and there has indeed been a decrease in sales due to the change of laws and regulations. Given that the Company’s construction projects are well located in prime areas, the customers we sell products to are loyal who hold real estate for a long time, we use the solid strategy to sell while building them for individual projects under construction, and the fact that we do not reserve many apartments, but when the market is better, we introduce them to our customers, therefore, we are very slightly effected by the new measures; based on continuous low interest rate especially after 2019, and “living” is one of the 4 basic necessities, judging from the increasing people who view our showrooms, it is likely the real estate is slowly bouncing back.

Today, I am honored to present to all shareholders our 2019 business overview and 2020 business outlook. On behalf of all my colleagues, I thank each and every shareholder’s support and loyalty. In the future, we will strive toward excellence and hope to share with our shareholders yet another outstanding year.

I wish youwell and healthy

Chairperson: Hsu Zhen-Tsai

President: Hsu Zhen-Ji

II. Company Profile

II. Company Profile

I. Company Profile:

(I) Date of establishment: January 22, 1963 (the predecessor of the Company was established in the 1952)

(II) Addresses and Telephones of the Head office, Branches and Plants:

Company address: 8th Floor, No. 82, Section 1, Hankou Street, Taipei

Telephone: (02)23700988

Taoyuan plant: No. 1, Chaofeng Road, SanheVil, Longtan District, Taoyuan

Telephone: (03)4893456

Nankan International Logistics Center: 2F, No.53, Housheng Road, Luzhu District, Taoyuan

Telephone: (03)3216533

(III) Company History

1952	Established the Company, producing recycled rubber.
1963	Technical cooperation with Radium Rubber of West Germany.
1976	Established the plastic plant from the technical cooperation with Maruyama Industrial.
1980	Production of plastic foam latex leather from the technical cooperation with Nankai Plastic. Technical cooperation with GOODYEAR.
1981	Awarded with the “Gan Cheng Medal” for successfully developing military equipment including floating bridges, water cabinets, scout boats, attack boats, life raft, life jackets, gas proof clothing and aircraft fuel tanks.
1992	Officially listed on March 3.
1995	Established the PU Division for R&D and promotion of PU products. Established investment committee to conduct diversified investments.
1996	Combined the plant and office to enhance customer services. Established the Construction Division to effectively develop the land use values of Formosan.
1997	Launched the R&D building; established the precision lab to enhance the analysis of product research and development.
1998	Established the CPU Division to produce clear wet look PU products and PP synthetic paper.
1999	Invested in Wanexe Securities which later merged with SinoPac Securities then Huaxin Bank which has become the Sinopac Financial Holdings Company Established the Fenghe E-Library.
2000	Established the IP project to proactively conduct the development of various patents, forming a knowledge economy.
2001	Established the Silicone project to research and develop high-tech rubber products for the new century.
2002	Became the biggest manufacturer for Taiwan TPU and laminating products.
2003	Obtained the ISO9001 quality assurance; Formosan Logistics acquired the license of the

	<p>International Logistics Center.</p> <p>Established a 100% holding subsidiary for the land development of the Banqiao Special Project Six: Ban Chien Development Co., Ltd.</p>
2004	<p>2. The installation of the 4-meter ultra-wide laminating machine and electronic-grade plastic additive synthesizing machine was completed; entered the automotive interior and electronics market; received the third place in the 92nd "Excellent Trading Businesses".</p> <p>In December, it issued the first unsecured convertible corporate bonds of NT\$2.2 billion and began trading over-the-counter.</p>
2005	<p>Acquired ISO-14000 certification for environmental quality. The project of the land development in Banqiao of 2005 was sent to the Urban Planning Committee for review and began the development cooperation with China construction company.</p>
2006	<p>Signed the contract for the construction of land development project of Banqiao with the China construction company. Established the logistics center in Longtan for chemical products. The installation of the new steel belt drum vulcanization equipment and 2.4m ultra-wide dust-free precision coating machine are completed. In order to meet the capital needs to for the development of the Banqiao Special Project Six, a syndicated loan was signed with the bank with a limit line of NT\$3.1 billion.</p>
2007	<p>The first unsecured convertible corporate bonds of NT\$2.2 billion has been fully converted, and it was delisted on April 13. The pre-sale began in the end of January for the land development project of "World Garden - Bridge Upto Zenith" in Banqiao; the construction officially started on March19. Launched the brand new Central Lab.</p>
2008	<p>Launched the brand new steel belt and tank rubber vulcanization plant that were the largest in Asia.</p> <p>Signed a joint contract for the construction of the land development of Banqiao "Special Project One" which was sent to the Urban Planning pending review.</p>
2009	<p>The Company has passed the international quality certification of life rafts, biocompatibility, and life jackets.</p> <p>The Company cooperated with "Qia-Chu Construction Company" to develop the land at Zhuangjing Section, Xindian City, Taipei County and a joint construction contract was signed.</p>
2010	<p>The Company's new Banbury mixer and plant were officially launched on June 17.</p> <p>Ranked the second for the growth rate of Korea's key export market in 2009.</p> <p>The user's license was acquired in December for the land development project of "World Garden - Bridge Upto Zenith" in Banqiao.</p> <p>The land development project of "Modesty Home" in Banqiao was approved by the urban update planning of the New Taipei Government and the construction license was issued.</p>
2011	<p>The new TPU polishing machine was put into production.</p> <p>Fenghe Employee Sports & Health Center was completed.</p> <p>60th Anniversary of Formosan Rubber Group Inc.</p> <p>The apartments for the land development project of "World Garden - Bridge Upto Zenith" in</p>

	<p>Banqiao were handed over to customers; helped the residents to set up the Community Management Committee in September.</p> <p>The pre-sale for the land development project of “Modesty Home” in Banqiao completed in February with a 100% sales rate; the construction started in March.</p>
2012	<p>The Company cooperated with the “Mainland Construction Company”, “Heng Bang Construction Company” and “Heng Ju Construction Company” for the development of third Subsection of Xinyi Section, Xinyi District, Taipei; a joint construction contract was signed.</p>
2013	<p>The second set of energy-saving and high-efficiency steam and heat medium boilers in Taoyuan Plant was put into operation.</p> <p>The power-saving and energy-saving conversion of the heavy-duty mixer in Taoyuan Plant was completed.</p> <p>The user’s license was acquired in December for the “Modesty Home” project in Banqiao.</p>
2014	<p>A construction license was acquired for the “development of third Subsection of Xinyi Section, Xinyi District, Taipei (55Timeless)” and construction license was acquired in June 2014; the groundbreaking ceremony was held in September in the same year (2014).</p>
2015	<p>The installation of the new steel belt drum vulcanization equipment was put into use in the Taoyuan plant.</p> <p>A construction license was acquired for the “development of Huiguo Section of Taichung (La Bella Vita)” and a construction license was acquired in November 6, 2015; the groundbreaking ceremony was held on March 4, 2016.</p>
2016	<p>A regenerative thermal oxidizer (RTO) was added in December 2016, and testing was completed in April 2017.</p>
2017	<p>In October 2017, the subsidiary “FRG US CORP.” in the US was registered; the businesses are real estate investments, developments, and house and land leases/sales in the US.</p> <p>An upright oven and sulfuration tank equipment were added in the Taoyuan plant.</p>
2018	<p>A regenerative thermal oxidizer (RTO) was added in 2018.</p> <p>A xenon arc lamp weathering tester and an ozone resistance tester were added in the Taoyuan lab.</p> <p>To correspond to the government’s “National Vehicles Manufactured in Taiwan” policy, the rubber floor mat of the Taoyuan Plant vigorous researched and developed and the test was passed; orders of automobile floor mats were acquired by the “New Taipei City MRT Ankeng Light Rail Transportation System”.</p> <p>The user’s license was acquired for the “55Timeless” project in December 2018; the transfer of property rights and house delivery were carried out in January 2019.</p>
2019	<p>In 2019, two sets of gas heat medium boilers that met the requirements of the environmental regulations were added in the Taoyuan plant.</p> <p>A Spectrophotometer testing machine for color matching was added in the lab in the Taoyuan lab.</p>

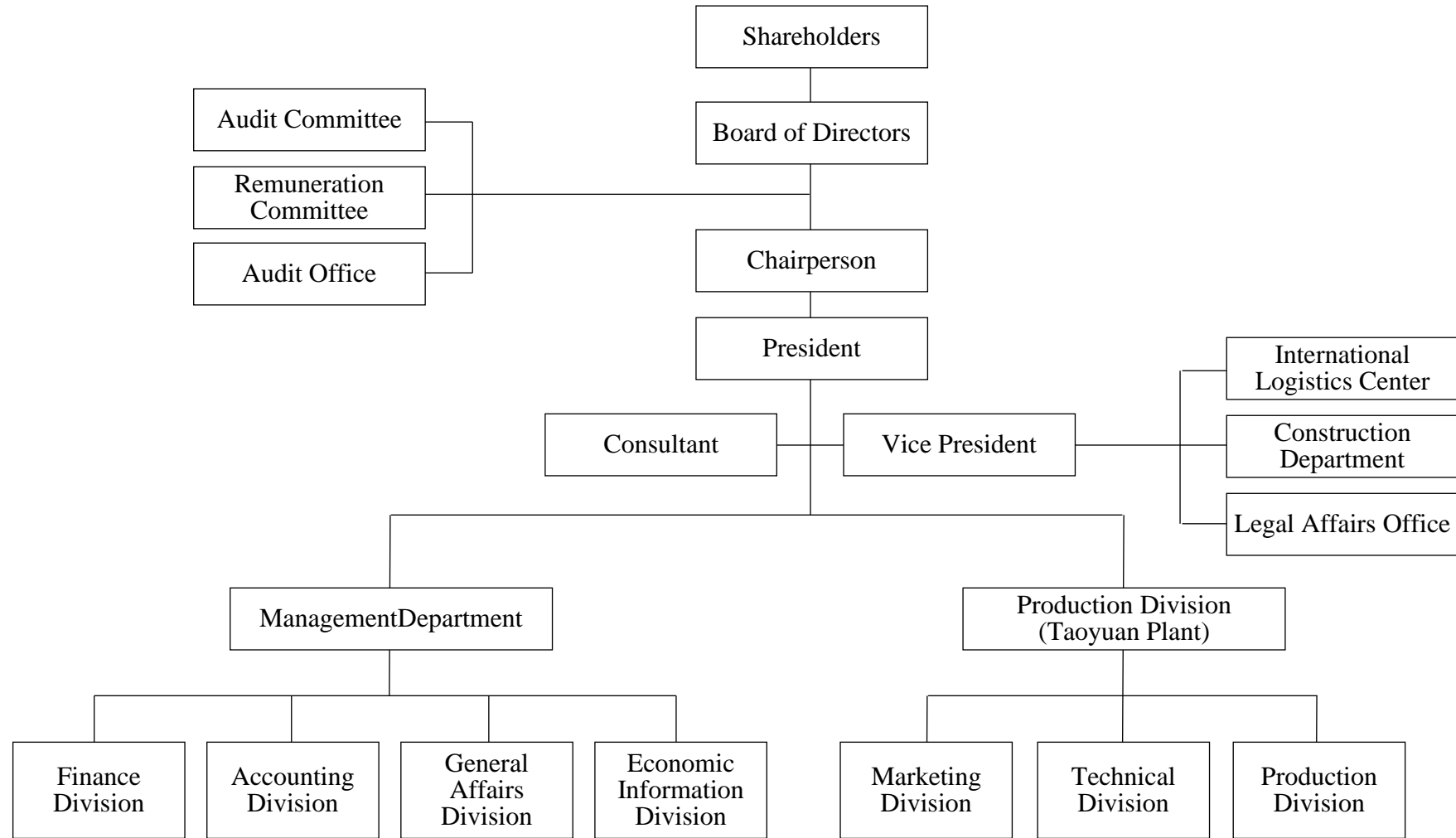
III. Corporate Governance Report

- I. Organizational System
- II. Information on Directors, Supervisors, Presidents, Vice Presidents, Assistant Managers, and the chief of various departments and branches
- III. Remuneration of Directors (Including Independent Directors), Supervisors, Presidents and Vice Presidents
- IV. Implementation of Corporate Governance
- V. Information Regarding the Company's Audit Fees
- VI. Change of CPA
- VII. Any of the Company's chairperson, president, or managerial officer in charge of finance or accounting held a position in the CPA's firm or its affiliates in the most recent year
- VIII. Changes in shareholding and shares pledged by directors, supervisors, managerial officers and shareholders with 10% shareholdings or more in most recent year and as of the publication date of the annual report
- IX. Top 10 shareholders who are related parties, spouses, or within second-degree of kinship to each other
- X. Number of shares held and shareholding percentage of the Company, the Company's directors, supervisors, managerial officers and directly or indirectly controlled entities on the same investee

III. Corporate Governance Report

I. Organizational System Chart

(I) Organizational Structure



(II) Operation of Main Departments/Divisions:

Department	Operation
Audit Office	Comprehensive management of drafting and implementing annual audit plans Inspection and reviews of the internal control system Inspection of the implementation of Board of Directors' meeting agendas Promotion of cooperate governance Other inspection and reviews designated by the competent authority
Legal Affairs Office	Comprehensive management of contract reviews Handling of litigation cases Planning of legal support
Construction Department	Comprehensive management of the development and constructions of real estates Matters in relation to commission of construction, leases and sales
International Logistics Center	Management of logistics and warehouses
Marketing Division	Comprehensive management of sales services Collection of market information Development of domestic and overseas market Customer service and execution of sales plans
Production Division	Comprehensive management of matters in relation to production, quality control, etc.
Technical Division	Comprehensive management of matters in relation to R&D, design, etc.
Management Development	Comprehensive management of matters in relation to company financial scheduling, capital management, investment management, stock affairs, HR, accounting, costs, general affairs, information, Board of Directors, etc.

II. Background information of directors, supervisors, president, Vice Presidents, assistant managerial officers, and the chief of various departments and branches

(I) Information on Directors and Supervisors:

Book closure: April 14, 2020

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Date Elected	Term of office	Date First Elected (Note 2)	Shareholding When Elected		Current Shareholding		Shares Currently Being Held by Spouse and Underage Children		Shares Held by Proxy		Main Career (Academic) Achievements (Note 3)	Current Concurrent Positions in the Company and Other Companies	Other Managers, Directors or Supervisors Who are Spouses or within Second-Degree of Kinship to Each Other			Remarks (Note 4)
							Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relation	
Chairperson	Republic of China	Hsu Zhen-Tsai	Male	June 5, 2019	3 years	November 5, 1981	3,389,588	0.97%	3,389,588	0.97%	898,200	0.26%	0	0%	Dropped out of University of San Francisco	Chairperson of Ban Chien Development Co., Ltd. and Formosan Construction Corp. (Taiwan). Chairperson of Shanghai Ruifu Property Development Co., Ltd.	Director and President Representative of juristic-person director	Hsu Zhen-Ji Hsu Zhen-Xin	Brother Brother	None
Director and President	Republic of China	Hsu Zhen-Ji	Male	June 5, 2019	3 years	June 12, 1989	1,947,781	0.56%	1,947,781	0.56%	0	0%	0	0%	Tamkang University MBA, University of Tennessee EMBA, International Business, National Taiwan University	Chairperson of Ruifu Development Co., Ltd.	Chairperson Representative of juristic-person director	Hsu Zhen-Tsai Hsu Zhen-Xin	Brother Brother	None
Director	Republic of China	Eurogear Corporation	Not applicable	June 5, 2019	3 years	June 15, 2007	2,161,988	0.62%	2,161,988	0.62%	0	0%	0	0%	None	None	None	None	None	None
Juristic-person representative of director	Republic of China	Representative of Eurogear Corporation.: Hsu Zhen-Xin	Male	June 5, 2019	3 years	June 12, 1989	0	0.00%	2,754,912	0.79%	0	0%	0	0%	Fu Jen Catholic University	Chairperson of Ruifu Investment Co., Ltd., Hallmark Int'l Co., Ltd., Quanxinfeng Co., Ltd.	Chairperson Director and President	Hsu Zhen-Tsai Hsu Zhen-Ji	Brother Brother	None
Director	Republic of China	Ruifu Development Co., Ltd.	Not applicable	June 5, 2019	3 years	June 7, 2016	33,362,754	9.53%	34,070,754	9.73%	0	0%	0	0%	None	None	None	None	None	None
Juristic-person representative of director	Republic of China	Representative of Ruifu Development.: Hsu Wei-Zhi	Male	June 5, 2019	3 years	June 15, 2007	0	0.00%	4,597	0.00%	64,800	0.02%	0	0%	Master, Architecture in Urban Design, Harvard University, USA Master, Architecture, University of California, Berkeley Adjunct Lecturer, Department of Architecture Institute, Tamkang University	Architect, Hsu Wei-Zhi Law Firm Adjunct Lecturer, Department of Architecture Institute, Tamkang University	None	None	None	None
Director	Republic of China	Formosan Construction Corp. (Taiwan)	Not applicable	June 5, 2019	3 years	June 7, 2016	11,871,726	3.39%	12,507,726	3.57%	0	0%	0	0%	None	None	None	None	None	None
Juristic-person representative of director	Republic of China	Representative of Formosan Construction Corp. (Taiwan) : Lin Kun-Rong	Male	June 5, 2019	3 years	June 15, 2007	0	0.00%	24,300	0.01%	0	0%	0	0%	MBA, Department of Business Administration, Taipei University Chairperson of Yingcheng Construction Co., Ltd.	Chairperson of Yingcheng Construction Co., Ltd.	None	None	None	None

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Date Elected	Term of office	Date First Elected (Note 2)	Shareholding When Elected		Current Shareholding		Shares Currently Being Held by Spouse and Underage Children		Shares Held by Proxy		Main Career (Academic) Achievements (Note 3)	Current Concurrent Positions in the Company and Other Companies	Other Managers, Directors or Supervisors Who are Spouses or within Second-Degree of Kinship to Each Other			Remarks (Note 4)
							Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relation	
Director	Republic of China	He Min-Chuan (Dismissed as supervisor on June 5, 2019, now a director)	Male	June 5, 2019	3 years	May 4, 1998	3,406,274	0.97%	3,406,274	0.97%	260	0%	0	0%	Kainan Vocational High School Chairperson of Houxin Industrial Co., Ltd.	None	None	None	None	None
Independent director	Republic of China	Xiao Sheng-Xian	Male	June 5, 2019	3 years	June 7, 2016	0	0.00%	0	0.00%	0	0%	0	0%	Doctor, Laws, University of International Business and Economics Master, Laws, Soochow University Bachelor, Commerce, National Taiwan University	Director, Jianhe Accounting Firm Senior Advisor, Myriad Attorney at Law Member of Mediation Committee, Civil Division, Taipei District Court Independent director, APEX Science & Engineering Corp.	None	None	None	None
Independent director	Republic of China	Chen Zhu-Sheng	Male	June 5, 2019	3 years	June 7, 2016	0	0.00%	0	0.00%	0	0%	0	0%	Master, Labor Research Institute, Chinese Culture University	Vice chairperson, Taipei Employment Service Institute Association President, Fullens Co., Ltd. Secretary General, Chung Hua Nursing and Family Services	None	None	None	None
Independent director	Republic of China	Wu Chun-Lai	Male	June 5, 2019	3 years	June 5, 2019	0	0.00%	0	0.00%	0	0%	0	0%	Doctor, Management, Shanghai Jiao Tong University Master, Department of Public Administration, National Chengchi University	General Consultant, Jet-Go Consulting Group Deputy Chief Executive Officer, Taiwan Active Aging Association	None	None	None	None
Supervisor	Republic of China	Fenghe International Co., Ltd. (Dismissal date: June 5, 2019)	Not applicable	June 7, 2016	3 years	June 15, 2007	1,316,630	0.27%	1,066,470	0.30%	Not applicable	0%	Not applicable	0%	None	None	None	None	None	None
Juristic-person representative of supervisor	Republic of China	Representative of Fenghe International Co., Ltd.: Tang Kun-Cheng (Dismissal date: June 5, 2019)	Male	June 7, 2016	3 years	June 17, 2010	0	0.00%	56,650	0.02%	Not applicable	0%	Not applicable	0%	National Chengchi University	Chairperson, Silverplay(H.K.)Ltd. Vice president, Thermos (China) Co., Ltd	None	None	None	None

Note 1: If a juristic-person shareholder, please list its name and the representative's name (if the representative of a juristic-person shareholder, please indicate the name of the juristic-person shareholder) and fill in Table 1 below.

Note 2: Please fill in the time of assuming the Company's director or supervisor position for the first time. If there is any interruption, please indicate.

Note 3: Experience related to the current position. If the person has worked for the Company's CPA firm or affiliates in the aforementioned period, please describe the titles and responsibilities.

Note 4: Where the chairperson of the Board of Directors and the president or person of an equivalent post (the highest level managerial officer) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (for example: method of increase the number of independent directors with a majority of the directors not serving as an employee or managerial officer).

Table 1: Major shareholders of juristic-person shareholders:

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Name of juristic-person shareholder (Note 1)	Major shareholders of the juristic-person shareholder (Note 2)
Ruifu Construction Co., Ltd.	Hsu Zhen-Tsai (81.99%) Ascend Gear International Inc. (18%)
Formosan Construction Corp. (Taiwan)	Formosan Rubber Group Inc.(26.2%) Hsu Zhen-Tsai (21.25%) Ruifu Construction Co., Ltd. (18.99%) Ascend Gear International Inc. (10.15%) Kuancheng International Inc. (3.67%) Chengxi Investment Co., Ltd. (3.51%) Hsu Mei-Ling (2.68%) Hsu Zhen-Ji (2.53%) Hsu Mei-Zhi (2.43%) Hsu Guo-Yue-Gui (2.32%)
Eurogear Corporation	Hsu Zhen-Xin (79.3%) Li Yue-Ling (20.7%)
Fenghe International Co., Ltd.	Ruifu Construction Co., Ltd. (24.89%) Hsu Zhen-Tsai (14.85%) Hsu Zhen-Qun (10.22%) Hsu Zhen-Xin (10.03%) Hsu Zhen-Ji (10.03%) Hsu Zhen-Tai (10.03%) Xiumei Investment Co., Ltd. (8.42%) Hsu Guo-Yue-Gui (4.11%) Chengxi Investment Co., Ltd. (4.11%) Hsu Mei-Ling (1.66%)

Note 1: If the Director or Supervisor is the representative of a juristic-person shareholder, please fill in the name of the juristic-person shareholder.

Note 2: Please fill in the name of the major shareholder of the juristic-person shareholder (top 10 in shareholding) and the shareholding ratio. If the major shareholder is a juristic-person shareholder, please also fill in Table 2.

Table 2: Major shareholders of the major shareholders in Table 1 who are juristic-person shareholders:

Name of the juristic-person (Note 1)	Major shareholders of the juristic-person shareholder (Note 2)
Formosan Rubber Group Inc.	Ruifu Construction Co., Ltd. (9.73%) Chengxi Investment Co., Ltd. (5.15%) Ascend Gear International Inc. (4.07%) Formosan Construction Corp. (Taiwan) (3.57%) Hsu Mei-Lun (2.74%) Quanxinfeng Co., Ltd. (2.55%) Citi (Taiwan) Commercial Bank is entrusted with the custody of the Norges Bank Investment (1.74%) JPMorgan Chase Bank Taipei Branch is entrusted with the custody of Vanguard Group Company Manager's Vanguard Global Market Stock Index Fund (1.33%) JPMorgan Chase Bank Taipei Branch is entrusted with the custody of the series of funds of the Progressive Global Investment International Stock Index Fund (1.10%) Song Quan Company Limited (1.04%)
Ruifu Construction Co., Ltd.	Hsu Zhen-Tsai (81.99%) Ascend Gear International Inc. (18%)
Chengxi Investment Co., Ltd.	Hsu Zhen-Ji (99.5%) Yang Xun-Wen (0.2%) Hsu Zhen-Tsai (0.1%)
Kuancheng International Inc.	Hsu Zhen-Tai (88.24%) Lin Ching-Rong (11.73%)
Ascend Gear International Inc.	Hsu Zhen-Tsai (64%) Chen Hui-Jin (36%)
Xiumei Investment Co., Ltd.	Hsu Mei-Zhi (76.92%) Ma Shang-Xiu (7.69%) Ma Jie-Xin (3.85%) Ma Jie-De (3.85%) Ma Jie-Shi (3.85%) Ma Zhen-Yi (3.84%)

Note 1: If the major shareholder in Table 1 is a juristic-person shareholder, please fill in their name.

Note 2: Please fill in the name of the juristic-person shareholder's major shareholder (top 10 in shareholding) and the shareholding ratio.

Information on Directors and Supervisors: (II)

April 14, 2020

Name (Note 1)	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 2)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities	Judge, public prosecutor, attorney-at-law, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company.	Required working experience in commerce, law, finance, accounting or other fields required by the business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Hsu Zhen-Tsai	None	None	V	V				V	V	V	V	V		V	V	0
Hsu Zhen-Ji	None	None	V			V		V	V	V	V	V		V	V	0
Hsu Zhen-Xin (Representative of Eurogear Corporation)	None	None	V			V				V	V	V		V		0
Hsu Wei-Zhi (Representative of Ruifu Construction Co., Ltd.)	Yes	Yes	V	V		V	V		V	V	V		V	V		0
Lin Kun-Rong (Representative of Formosan Construction Corp. (Taiwan))	None	None	V	V		V	V		V	V	V	V	V	V		0
He Min-Chuan	None	None	V	V		V	V	V	V	V	V	V	V	V	V	0
Xiao Sheng-Xian	None	Yes	V	V	V	V	V	V	V	V	V	V	V	V	V	1
Chen Zhu-Sheng	None	None	V	V	V	V	V	V	V	V	V	V	V	V	V	0
Wu Chun-Lai	None	None	V	V	V	V	V	V	V	V	V	V	V	V	V	0

Note 1: Adjust the number of columns as needed.

Note 2: A "V" is placed in the box if the director or supervisor met the following conditions at any time during active duty and two years prior to the date elected.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of an affiliate of the Company. (However, this restriction does not apply in cases where the person is an independent director of the Company, its parent or subsidiary or a subsidiary of the same parent established in pursuant to this law or local laws).
- (3) Not a natural-person shareholder or holder of shares, together with those held by a spouse, minor children, or held by the person under other names, in an aggregate amount of 1% or more of the total number of issued shares of the company or ranking within the top 10 in holdings.
- (4) Not a managerial officer listed in criteria (1) or a spouse, relative of second degree, or direct kin of third degree or closer to persons not qualified for criteria (2) and (3).
- (5) Not a director, supervisor, or employee of a juristic-person shareholder that directly holds 5% or more of the total number of issued shares of the company or of a juristic-person shareholder that ranks among the top five in shareholdings according to Paragraph 1 or Paragraph 2 Article 27 of the

- Company Act (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
- (6) Not a director, supervisor, or employee, holding a majority of the company's director seats or voting shares and those of any other company are controlled by the same person (the same does not apply, however, in cases where the person is an independent director of the company or its parent company, any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
 - (7) Not the same person with the company's director, general manager, or person of an equivalent post or of a specified company or institution's director, supervisor, or officer (the same does not apply, however, in cases where the person is an independent director of the company or its parent company, any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
 - (8) Not a director, supervisor, managerial officer, or shareholder holding more than 5% of a specified company or institution that has a financial or business relationships with the company (the same does not apply, to certain companies or institutions holding more than 20% of the total issued shares of the Company, but no more than 50% and to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent).
 - (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting, or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative remuneration exceeding NT\$500,000, or a spouse thereof. This restriction does not apply to a member of the salary and Remuneration Committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
 - (10) Not a spouse or relative of second degree or closer to any other directors.
 - (11) Not under any circumstances as stipulated in Article 30 of Company Law.
 - (12) Not elected as a government or corporate representative according to Article 27 of The Company Act.

(II) Information on Presidents, Vice Presidents, Assistant Managers, and the chief of various departments and branches:

Book closure: April 14, 2020

Title (Note 1)	Nationality	Name	Gender	Date Elected	Shareholding		Shares Held by Spouse and Underage Children		Shares Held by Proxy		Main Career (Academic) Achievements (Note 2)	Current Concurrent Positions in Other Companies	Managerial Officers Who are Spouses or Within Second- Degree of Kinship to Each Other			Remarks (Note 3)
					Number of Shares	Share- holding Percent- age	Number of Shares	Share- holding Percent- age	Number of Shares	Share- holding Percent- age			Title	Name	Relation	
President	Republic of China	Hsu Zhen-Ji	Male	June 5, 2019	1,947,781	0.56%	0	0%	0	0%	Tamkang University MBA, University of Tennessee EMBA, International Business, National Taiwan University President of Formosan Rubber Group Inc.	Chairperson of Ruifu Development Co., Ltd.	Director and Special Assistant	Hsu Zhen-Xin	Brother	None
Director and Special Assistant	Republic of China	Hsu Zhen- Xin	Male	July 4, 2014	2,754,912	0.79%	0	0%	0	0%	Fu Jen Catholic University Chairperson of Eurogear Corporation Chairperson of Quanxinfeng Co., Ltd.	Chairperson of Ruifu Investment Co., Ltd., Eurogear Corporation, Quanxinfeng Co., Ltd.	President	Hsu Zhen-Ji	Brother	None
Vice President	Republic of China	Jiang Rui- Tang	Male	May 1, 1992	129,357	0.04%	0	0%	0	0%	National Taiwan University Vice president of Formosan Rubber Group Inc.	Director of Ruifu Development Co., Ltd.	None	None	None	None
Chief financial officer	Republic of China	Lin Shi-Zhe	Male	July 1, 2007	35,640	0.01%	0	0%	0	0%	Master, National Taiwan University President of East Asia Trusted Co., Ltd. Manager of the Management Department of Formosan Rubber Group Inc.	None	None	None	None	None
Managerial Officer	Republic of China	Hsiao Zheng- Zhong	Male	January 1, 1998	10,418	0.00%	0	0%	0	0%	Lunghwa University of Science and Technology Manager of Production Development of Formosan Rubber Group Inc.	Supervisor of Ban Chien Development Co., Ltd.	None	None	None	None
Managerial Officer	Republic of China	Huang Hui Xian	Female	March 1, 2010	1,620	0.00%	0	0%	0	0%	Vanung University EMBA National Tsing Hua University Manager of the Warehouse Department Formosan Rubber Group Inc.	None	None	None	None	None

Title (Note 1)	Nationality	Name	Gender	Date Elected	Shareholding		Shares Held by Spouse and Underage Children		Shares Held by Proxy		Main Career (Academic) Achievements (Note 2)	Current Concurrent Positions in Other Companies	Managerial Officers Who are Spouses or Within Second- Degree of Kinship to Each Other			Remarks (Note 3)
					Number of Shares	Share- holding Percent age	Number of Shares	Share- holding Percen- tage	Number of Shares	Share- holding Percen- tage			Title	Name	Relation	
Managerial Officer	Republic of China	Liu Wen- Zheng	Male	February 1, 2013	15,786	0.00%	0	0%	0	0%	Tamkang University Chief Audit of Formosan Rubber Group Inc.	None	None	None	None	None
Chief accounting officer	Republic of China	Shi Ming-De	Male	February 1, 2010	0	0.00%	0	0%	0	0%	National Taipei University Chief of KPMG Taiwan	None	None	None	None	None

Note 1: It shall include information on president, Vice Presidents, assistant vice president, all departments and branch regardless of the title, and any position equivalent to general manager, vice general manager or associate manager

Note 2: Experience related to the current position. If the person has worked for the Company's CPA firm or affiliates in the aforementioned period, please describe the titles and responsibilities.

Note 3: Where the president or person of an equivalent post (the highest level managerial officer) and the chairperson of the Board of Directors and the of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (for example: method of increase the number of independent directors with a majority of the directors not serving as an employee or managerial officer) shall be disclosed.

III. Remuneration of Directors (Including Independent Directors), Supervisors, Presidents and Vice Presidents

(I) Remuneration to Directors (including Independent Directors) (Individual disclosure of names and remuneration)

Unit: NT\$

Title	Name	Remuneration to Directors								The sum of A, B, C and D as a percentage of net income (Note 10)		Remuneration as Company employee						The sum of A, B, C, D, E, F, and G as a percentage of net income (Note 10)		Remuneration from investees other than subsidiaries (Note 11)		
		Remuneration (A) (Note 2)		Pension (B)		Directors' remuneration (C) (Note 3)		Fees for services rendered (D) (Note 4)				Salaries, bonuses, special allowances, etc. (E) (Note 5)		Pension (F)		Employee remuneration (G) (Note 6)						
		The Company	All companies included in the financial reports (Note 7)	The Company	All companies included in the financial reports (Note 7)	The Company	All companies included in the financial reports (Note 7)	The Company	All companies included in the financial reports (Note 7)	The Company	All companies included in the financial reports (Note 7)	The Company	All companies included in the financial reports (Note 7)	The Company		All companies included in the financial reports (Note 7)		The Company	All companies included in the financial reports (Note 7)			
												Cash amount	Stock amount	Cash amount	Stock amount							
Chairperson	Hsu Zhen-Tsai	11,805,731	11,805,731	0	0	1,283,300	1,283,300	108,000	108,000	2.45%	2.45%	0	0	0	0	0	0	2.45%	2.45%	0		
Director and President	Hsu Zhen-Ji	675,000	675,000	0	0	841,950	841,950	132,000	132,000	0.31%	0.31%	6,719,536	6,719,536	0	0	468,000	0	468,000	0	1.64%	1.64%	0
Director and Special Assistant	Eurogear Corporation.	0	0	0	0	841,950	841,950	0	0	0.16%	0.16%	0	0	0	0	0	0	0.16%	0.16%	0		
	Juristic-person representative: Hsu Zhen-Xin	675,000	675,000	0	0	0	0	108,000	108,000	0.15%	0.15%	6,546,565	6,546,565	0	0	468,000	0	468,000	0	1.45%	1.45%	0
Director	Ruifu Construction Co., Ltd.	0	0	0	0	561,300	561,300	0	0	0.10%	0.10%	0	0	0	0	0	0	0.10%	0.10%	0		
	Juristic-person representative: Hsu Wei-Zhi	675,000	675,000	0	0	0	0	120,000	120,000	0.15%	0.15%	0	0	0	0	0	0	0.15%	0.15%	0		
Director	Formosan Construction Corp. (Taiwan)	0	0	0	0	561,300	561,300	0	0	0.10%	0.10%	0	0	0	0	0	0	0.10%	0.10%	0		
	Juristic-person representative: Lin Kun-Rong	675,000	675,000	0	0	0	0	132,000	132,000	0.15%	0.15%	0	0	0	0	0	0	0.15%	0.15%	0		
Director	He Min-Chuan	393,750	603,750	0	0	321,402	321,402	84,000	84,000	0.15%	0.19%	0	0	0	0	0	0	0.15%	0.19%	0		
Independent director	Xiao Sheng-Xian	675,000	675,000	0	0	280,650	280,650	132,000	132,000	0.20%	0.20%	0	0	0	0	0	0	0.20%	0.20%	0		
Independent director	Chen Zhu-Sheng	675,000	675,000	0	0	280,650	280,650	120,000	120,000	0.20%	0.20%	0	0	0	0	0	0	0.20%	0.20%	0		
Independent director	Wu Chun-Lai (Newly elected: June 5, 2019)	381,000	381,000	0	0	160,700	160,700	84,000	84,000	0.12%	0.12%	0	0	0	0	0	0	0.12%	0.12%	0		

1. Please describe the independent directors' remuneration policy, system, standards, and structure, and explain the factors including the independent directors' duties, risks, and invested time connecting to the remuneration amount: A re-election was carried out on June 5, 2019 and elected independent directors formed the Audit Committee to replace the duties of supervisors. The remuneration of the directors and independent directors is based on the participating degree and contribution the directors and independent directors have on the Company's operation as well as taking reference from Taiwan and overseas remuneration standards.

2. Remuneration received by directors for providing service to any company included in the financial statements (e.g. consultancy service without the title of an employee) in the last year, except those disclosed in the above table: None.

Note : (1) The salary of the chairperson's driver totaled NT\$504,730. (2) The salary of the president's driver totaled NT\$697,306.

Remuneration bracket table

Remunerations to individual directors in respective brackets along the remuneration scale	Name of director			
	Total remuneration (A+B+C+D)		Total remuneration (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies included in the financial reports (Note 9) H	The Company (Note 8)	All companies included in the financial reports (Note 9) I
Below NT\$1,000,000	5 Hsu Zhen-Xin, Hsu Wei-Zhi, Lin Kun-Rong, He Min-Chuan, Wu Chun-Lai	4 Hsu Zhen-Xin, Hsu Wei-Zhi, Lin Kun-Rong, Wu Chun-Lai	4 Hsu Wei-Zhi, Lin Kun-Rong, He Min-Chuan, Wu Chun-Lai	3 Hsu Wei-Zhi, Lin Kun-Rong, Wu Chun-Lai
NT\$1,000,000 (inclusive) - NT\$2,000,000 (exclusive)	3 Hsu Zhen-Ji, Xiao Sheng-Xian, Chen Zhu-Sheng	4 Hsu Zhen-Ji, He Min-Chuan, Xiao Sheng-Xian, Chen Zhu-Sheng	2 Xiao Sheng-Xian, Chen Zhu-Sheng	3 He Min-Chuan, Xiao Sheng-Xian, Chen Zhu-Sheng
NT\$2,000,000 (inclusive) - NT\$3,500,000 (exclusive)				
NT\$3,500,000 (inclusive) - NT\$5,000,000 (exclusive)				
NT\$5,000,000 (inclusive) - NT\$10,000,000 (exclusive)			2 Hsu Zhen-Ji, Hsu Zhen-Xin	2 Hsu Zhen-Ji, Hsu Zhen-Xin
NT\$10,000,000 (inclusive) - NT\$15,000,000 (exclusive)	1 Hsu Zhen-Tsai	1 Hsu Zhen-Tsai	1 Hsu Zhen-Tsai	1 Hsu Zhen-Tsai
NT\$15,000,000 (inclusive) - NT\$30,000,000 (exclusive)				
NT\$30,000,000 (inclusive) - NT\$50,000,000 (exclusive)				
NT\$50,000,000 (inclusive) - NT\$100,000,000 (exclusive)				
Above NT\$100,000,000				
Total	9	9	9	9

Note 1: Directors' names are presented separately (for juristic-person shareholders, the name of the juristic-person shareholder and its representatives are stated separately), whereas the amount of benefits and allowances are presented in aggregate sums. Any directors who co-headed the President or Vice President positions are disclosed in this table and in Table (3-1) or (3-2) below.

Note 2: Refers to director's remuneration in the last year (including salaries, allowances, severance pay, various bonuses and incentives, etc.)

Note 3: Represents the amount of directors' remuneration that the Board has proposed as part of the latest earnings appropriation.

Note 4: Refers to remuneration to directors for services rendered (including travel, special allowances, various subsidies, accommodation, corporate vehicle and other in-kind benefits). Where housing, cars, vehicles, or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol and other subsidies are also disclosed. Where personal drivers were allocated, please make a footnote disclosure explaining the amount of salaries made to drivers, but do not count them as part of the remuneration paid to the above benefits.

Note 5: Refers to any salaries, allowances, severance pay, bonuses, incentives, travel allowances, special allowances, subsidies, accommodation, vehicles and in-kind benefits that the director received in the last year for assuming the role of a company employee (such as President, Vice President, managerial officer or other employee). Where

housing, cars, vehicles, or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol and other subsidies are also disclosed. Where personal drivers were allocated, please make a footnote disclosure explaining the amount of salaries made to drivers, but do not count them as part of the remuneration paid to the above benefits. Part of the salary expense was recognized according to IFRS2 - "Share-based Payment." Amounts including employee stock options, restricted employee shares and subscription to cash issues are treated as remuneration.

- Note 6: Refers to any remuneration that the director has received (in cash or in shares) in the last year for assuming the role of an employee (such as President, Vice President, managerial officer or other employees). The amount of employee remuneration proposed by the Board of Directors in the last year has been disclosed (where the amount could not be estimated, the actual amount paid in the last year was presented instead). Table 1-3 has also been completed for reference.
- Note 7: The disclosure includes all companies covered by the consolidated financial statements (including the Company), and represents total amount of remuneration paid by all companies above to the Company's directors.
- Note 8: The amount of remuneration paid by the Company to each director has been disclosed in ranges.
- Note 9: The details represent the range of remuneration paid by the consolidated entity (including the Company) to each director.
- Note 10: Net income refers to the amount of profit shown in the latest financial reports of the consolidated/standalone entity; If International Financial Reporting Standards ("IFRS") has been adopted, Net Income is the after-tax profit in the consolidated financial statement in the most recent years.
- Note 11:
- a. This field represents all forms of remuneration that directors received from the Company's invested businesses other than subsidiaries.
 - b. For directors who received remuneration from invested businesses other than subsidiaries, amounts received from these invested businesses have been added to column I of the remuneration brackets table. In which case, column I will be renamed "All investees".
 - c. Remuneration refers to any returns, remuneration (including remuneration received as an employee, director and supervisor) and professional service fees which the director received for serving as directors, supervisors or managerial officers in invested businesses other than subsidiaries.
- * The basis of remuneration disclosed above is different according to the basis of the Income Tax Act; hence the above table has been prepared solely for information disclosure, and not for tax purpose.

2-1 Remuneration to supervisors (individual disclosure by name and amount)

Unit: NT\$

Title	Name	Remuneration to supervisors						The sum of A, B and C as a percentage of net income (Note 8)		Remuneration from the investees other than subsidiaries or parent company (Note 9)
		Remuneration (A) (Note 2)		Remuneration (B) (Note 3)		Fees for services rendered (C) (Note 4)		The Company	All companies included in the financial reports (Note 5)	
		The Company	All companies included in the financial reports (Note 5)	The Company	All companies included in the financial reports (Note 5)	The Company	All companies included in the financial reports (Note 5)			
Supervisor	He Min-Chuan (Newly elected director on June 5, 2019)	281,250	623,250	239,898	239,898	48,000	48,000	0.11%	0.17%	0
Supervisor	Fenghe International Co., Ltd. (Dismissal date: June 5, 2019)	0	0	239,900	239,900	0	0	0.04%	0.04%	0
	Juristic-person representative: Tang Kun-Cheng (Dismissal date: June 5, 2019)	169,000	169,000	0	0	36,000	36,000	0.04%	0.04%	0

Remuneration bracket table

Remunerations to individual supervisor in respective brackets along the salaries scale	Name of Supervisor	
	Total of 3 remunerations (A+B+C)	
	The Company (Note 6)	All companies included in the financial reports (Note 7) D
Below NT\$1,000,000	2 He Min-Chuan, Tang Kun-Cheng	2 He Min-Chuan, Tang Kun-Cheng
NT\$1,000,000 (inclusive) - NT\$2,000,000 (exclusive)		
NT\$2,000,000 (inclusive) - NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive) - NT\$5,000,000 (exclusive)		
NT\$5,000,000 (inclusive) - NT\$10,000,000 (exclusive)		
NT\$10,000,000 (inclusive) - NT\$15,000,000 (exclusive)		
NT\$15,000,000 (inclusive) - NT\$30,000,000 (exclusive)		
NT\$30,000,000 (inclusive) - NT\$50,000,000 (exclusive)		

Remunerations to individual supervisor in respective brackets along the salaries scale	Name of Supervisor	
	Total of 3 remunerations (A+B+C)	
	The Company (Note 6)	All companies included in the financial reports (Note 7) D
NT\$50,000,000 (inclusive) - NT\$100,000,000 (exclusive)		
Above NT\$100,000,000		
Total	2	2

- Note 1: Supervisors' names are presented separately (for juristic-person shareholders, the name of the juristic-person shareholder and its representatives are stated separately), whereas the amount of benefits and allowances are presented in aggregate sums.
- Note 2: Refers to supervisors' remuneration in the last year (including salaries, allowances, severance pay, various bonuses and incentives, etc.)
- Note 3: Represents the amount of supervisors' remuneration that the Board has proposed as part of the latest earnings appropriation.
- Note 4: Refers to remuneration to supervisors for services rendered (including travel, special allowances, various subsidies, accommodation, corporate vehicle and other in-kind benefits). Where housing, cars, vehicles, or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol and other subsidies are also disclosed. Where personal drivers were allocated, please make a footnote disclosure explaining the amount of salaries made to drivers, but do not count them as part of the remuneration paid to the above benefits.
- Note 5: The disclosure includes all companies covered by the consolidated financial statements (including the Company), and represents total amount of remuneration paid by all companies above to the Company's supervisors.
- Note 6: The amount of remuneration paid by the Company to each supervisor has been disclosed in ranges.
- Note 7: The details represent the range of remuneration paid by the consolidated entity (including the Company) to each supervisor.
- Note 8: Net income refers to the amount of profit shown in the latest financial reports of the consolidated/standalone entity. If International Financial Reporting Standards ("IFRS") has been adopted, Net Income is the after-tax profit in the consolidated financial statement in the most recent years.
- Note 9: a. This field represents all forms of remuneration that supervisors received from the Company's invested businesses other than subsidiaries.
b. For supervisors who received remuneration from invested businesses other than subsidiaries, amounts received from these invested businesses have been added to column I of the remuneration brackets table. In which case, column D will be renamed "All investees".
c. Remuneration refers to any returns, remuneration (including remuneration received as an employee, director and supervisor) and professional service fees which the supervisor received for serving as directors, supervisors or managerial officers in invested businesses other than subsidiaries.
- * The basis of remuneration disclosed above is different according to the basis of the Income Tax Act; hence the above table has been prepared solely for information disclosure, and not for tax purpose.

3-1 Remuneration to Presidents and Vice Presidents (individual disclosure by name and amount)

Unit: NT\$

	Name	Salary (A) (Note 2)		Pension (B)		Bonuses, special allowances, etc. (C) (Note 3)		Employee remuneration (D) (Note 4)				The sum of A, B, C and D as a percentage of net income (%) (Note 8)		Remuneration from the investees other than subsidiaries or parent company (Note 9)
		The Company	All companies included in the financial reports (Note 5)	The Company	All companies included in the financial reports (Note 5)	The Company	All companies included in the financial reports (Note 5)	The Company		All companies included in the financial reports (Note 5)		The Company	All companies included in the financial reports (Note 5)	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Hsu Zhen-Ji	3,136,675	3,136,675	0	0	3,582,861	3,582,861	468,000	0	468,000	0	1.33%	1.33%	0
Director and Special Assistant	Hsu Zhen-Xin	3,007,200	3,007,200	0	0	3,539,365	3,539,365	468,000	0	468,000	0	1.30%	1.30%	0
Vice President	Jiang Rui-Tang	2,306,036	2,306,036	108,000	108,000	3,376,393	3,376,393	468,000	0	468,000	0	1.16%	1.16%	0

Remuneration bracket table

Range of remunerations to the President and Vice Presidents	Name of President and Vice Presidents	
	The Company (Note 6)	All companies included in the financial reports (Note 7) E
Below NT\$1,000,000		
NT\$1,000,000 (inclusive) - NT\$2,000,000 (exclusive)		
NT\$2,000,000 (inclusive) - NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive) - NT\$5,000,000 (exclusive)		
NT\$5,000,000 (inclusive) - NT\$10,000,000 (exclusive)	3 Hsu Zhen-Ji, Hsu Zhen-Xin, Jiang Rui-Tang	3 Hsu Zhen-Ji, Hsu Zhen-Xin, Jiang Rui-Tang
NT\$10,000,000 (inclusive) - NT\$15,000,000 (exclusive)		
NT\$15,000,000 (inclusive) - NT\$30,000,000 (exclusive)		
NT\$30,000,000 (inclusive) - NT\$50,000,000 (exclusive)		
NT\$50,000,000 (inclusive) - NT\$100,000,000 (exclusive)		

Range of remunerations to the President and Vice Presidents	Name of President and Vice Presidents	
	The Company (Note 6)	All companies included in the financial reports (Note 7) E
Above NT\$100,000,000		
Total	3	3

- Note 1: The names of President and Vice Presidents are required to be presented separately; the amount of payments made can be presented in aggregate sums. Any directors who co-headed the President or Vice President positions are disclosed in this table and in Table (1-1) or (1-2) below.
- Note 2: Refers to salaries, allowances, and severance pay made to the President and Vice Presidents in the last year.
- Note 3: Refers to other compensations such as bonuses, incentives, travel allowances, special allowances, subsidies, accommodation, corporate vehicle or other in-kind benefits made to the President and Vice Presidents. Where housing, cars, vehicles, or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol and other subsidies are also disclosed. Where personal drivers were allocated, please make a footnote disclosure explaining the amount of salaries made to drivers, but do not count them as part of the remuneration paid to the above benefits. Part of the salary expense was recognized according to IFRS2 - "Share-based Payment." Amounts including employee stock options, restricted employee shares and subscription to cash issues are treated as remuneration.
- Note 4: Represents the amount of employee remuneration provided for the President and Vice Presidents (in cash or in shares), which the Board of Directors has proposed as part of the most recent earnings appropriation (where the amount could not be estimated, a calculation was made based on last year's payout ratio). Table 1-3 has been prepared in addition to the above details. Net income refers to the amount of profit shown in the latest financial reports of the consolidated/standalone entity. If International Financial Reporting Standards ("IFRS") has been adopted, Net Income is the after-tax profit in the consolidated financial statement in the most recent years.
- Note 5: The disclosure includes all companies covered by the consolidated financial statements (including the Company), and represents total amount of remuneration paid by all companies above to the Company's President and Vice Presidents.
- Note 6: The amount of remuneration made by the Company to its President and Vice Presidents has been disclosed separately in ranges.
- Note 7: The disclosure includes the sum of amounts paid by the consolidated entity (including the Company) to the Company's President and Vice Presidents; the names of President and Vice Presidents have been disclosed separately in ranges.
- Note 8: Net income refers to the amount of profit shown in the latest financial reports of the consolidated/standalone entity. If International Financial Reporting Standards ("IFRS") has been adopted, Net Income is the after-tax profit in the consolidated financial statement in the most recent years.
- Note 9: a. This field represents all forms of remuneration that the President and Vice Presidents received from the Company's invested businesses other than subsidiaries.
b. For President and Vice Presidents who receive remuneration from invested businesses other than subsidiaries, the amount of remuneration from these invested businesses have been added to column E of the remuneration brackets table. In which case, Column E will be renamed "All investees".
c. Remuneration refers to any returns, remuneration (including remunerations received as an employee, director and supervisor) and professional service fees which the Company's President and Vice Presidents received for serving as directors, supervisors, or managerial officers in invested businesses other than subsidiaries.
- * The basis of remuneration disclosed above is different according to the basis of the Income Tax Act; hence the above table has been prepared solely for information disclosure, and not for tax purpose.

4-1 Top 5 managers with the highest remuneration: Not applicable.

1. Names of managerial officers who received employee remuneration

December 31, 2019

	Title (Note 1)	Name (Note 1)	Stock amount	Cash amount	Total	As a percentage of net income (%)
Managerial Officer	President	Hsu Zhen-Ji	0	NT\$2,185,294	NT\$2,185,294	0.41%
	Director and Special Assistant	Hsu Zhen-Xin				
	Vice President	Jiang Rui-Tang				
	Managerial Officer	Hsiao Zheng- Zhong				
	Chief financial officer	Lin Shi-Zhe				
	Managerial Officer	Huang Hui Xian				
	Managerial Officer	Liu Wen-Zheng				
	Chief accounting officer	Shi Ming-De				

Note 1: Names and titles have been disclosed separately, whereas the amount of remuneration has been disclosed in aggregate.

Note 2: Represents the amount of employee remuneration provided for the managerial officers (in cash or in shares), which the Board of Directors has proposed as part of the most recent earnings appropriation (where the amount could not be estimated, a calculation was made based on last year's payout ratio). Net income refers to the amount of profit shown in the latest financial reports of the consolidated/standalone entity. If International Financial Reporting Standards ("IFRS") has been adopted, Net Income is the after-tax profit in the consolidated financial statement in the most recent years.

Note 3: Pursuant to FSC Letter No. Tai-Tsai-Cheng-3-0920001301 dated March 27, 2003; the role of managerial officer covers the following positions:

- (1) President or other equivalent position.
- (2) Vice President or other equivalent position.
- (3) Assistant Vice President or other equivalent position.
- (4) Chief of Finance Department
- (5) Chief of Accounting Department
- (6) Others with the right to manage affairs and sign for the Company

Note 4: Directors, President and Vice Presidents who receive employee remuneration (in cash or in shares) shall have details disclosed in this table in addition to Table 1-2.

2. Analysis of remuneration paid to Directors, Supervisors, Presidents and Vice Presidents by the Company and all consolidated entities in the recent 2 years as a percentage of net income in the parent company only or individual financial statements and explanation on remuneration policy, standards and composition, procedures and the correlation with operation performance and future risks.

Name	Ratio of 2019 total remuneration to net income		Ratio of 2018 total remuneration to net income	
	The Company	All companies in consolidated reports	The Company	All companies in consolidated reports
Director	6.87%	6.91%	15.09%	15.09%
Supervisor	0.19%	0.25%	0.95%	1.21%
President and Vice Presidents	3.79%	3.79%	9.02%	9.02%

- (1) The fixed remuneration of the directors and supervisors is authorized to the Board of Directors to determine based on the degree of involvement and value of contribution in the Company's operations. The Company also takes references from peers.
- (2) The salary structures of Presidents and Vice Presidents are basic salary, job allowance, food allowance and bonuses are distributed based on the annual operating performance.

IV. Implementation of Corporate Governance:

(I) Functionality of the Board of Directors

A total of 13 meetings (A) were held in the previous year (January 1, 2019 to March 20, 2020); below are the attendance records:

Title	Name (Note 1)	Actual Attendance B	Proxy Attendance	Percentage of actual (proxy) attendance (%) [B/A] (Note 1)	Remarks
Chairperson	Hsu Zhen-Tsai	11	0	84.6%	
Director	Hsu Zhen-Ji	13	0	100%	
Director	Eurogear Corporation Representative: Hsu Zhen-Xin	11	0	84.6%	
Director	Ruifu Construction Co., Ltd. Representative: Hsu Zhen-Ji	12	0	92.3%	
Director	Formosan Construction Corp. (Taiwan) Representative: Lin Kun-Rong	13	0	100%	
Director	He Min-Chuan	9	0	100%	
Independent director	Xiao Sheng-Xian	13	0	100%	
Independent director	Chen Zhu-Sheng	12	0	92.3%	
Independent director	Wu Chun-Lai	9	0	100%	Newly elected on June 5, 2019
Supervisor	He Min-Chuan	4	0	100%	(Re-elected as director on June 5, 2019)
Supervisor	Fenghe International Co., Ltd. Representative: Tang Kun-Cheng	3	0	75%	Left office on June 5, 2019

Other information required:

I. For Board of Directors meetings that meet any of the following descriptions, state the date, session, the discussed agenda, independent directors' opinions and how the company has responded to such opinions:

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

1. Motion of amending part of the Company's "Operational Procedures for Loaning Funds to Others" purposed on the 28th meeting of the 19th board on March 15, 2019.
Content: To accommodate the establishment of the Company's Audit Committee as required by the law. The duties of supervisors' are replaced by the Audit Committee and provisions in relation to requirements of supervisors are deleted. The motion was passed without objections after the chair consulted with all attending directors. It has been proposed for a discussion on the General Meeting of Shareholders in 2019 and the independent directors had no other opinions.
2. Motion of amending part of the Company's "Operational Procedures for Endorsements/Guarantees" purposed on the 28th meeting of the 19th board on March 15, 2019.
Content: To accommodate the establishment of the Company's Audit Committee as required by the law. The duties of supervisors' are replaced by the Audit Committee and provisions in relation to requirements of supervisors are deleted. The aggregate amount for providing endorsements/guarantees and the ceiling limit for providing endorsements/guarantees to a single entity are adjusted at the same time. The motion was passed without objections after the chair consulted with all attending directors. It has been proposed for a discussion on the General Meeting of Shareholders in 2019 and the independent directors had no other opinions.
3. Motion of amending part of the Company's "Operational Procedures for Acquisition or Disposal of Assets" purposed on the 28th meeting of the 19th board on March 15, 2019.
Content: To accommodate the establishment of the Company's Audit Committee as required by the law. The duties of supervisors' are replaced by the Audit Committee and provisions in relation to requirements of supervisors are deleted. Also, part of the Company's "Operational Procedures for

Acquisition or Disposal of Assets” has been amended to accommodate the amendments to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” required by the Order No. Jin-Guan-Zhi 1070341072 issued by the FSC on November 26, 2018. The motion was passed without objections after the chair consulted with all attending directors. It has been proposed for a discussion on the General Meeting of Shareholders in 2019 and the independent directors had no other opinions.

4. Motion of lifting the restriction to engage in competitive conduct for newly elected directors and their representatives proposed on the 28th meeting of the 19th board on March 15, 2019.
Content: As a means to make the most of the expertise and related experiences of the Company’s directors to complete various businesses, it was proposed to the shareholders’ meeting to lift the restriction to engage in competitive conduct for newly elected directors and their representatives of 2019’s General Meeting of Shareholders. As the chairperson Hsu Zhen-Tsai, directors Hsu Zhen-Xin, Hsu Wei-Zhi, Lin Kun-Rong and the independent director Xiao Sheng-Xian were stakeholders of the motion, they recused themselves as required by the law. The directors mentioned above recused themselves and therefore did not engage in the discussion and voting due to conflict of interests, the remaining attending directors passed the motion without any dissenting opinion and the independent directors did not have other opinions.
5. Update of the amount of endorsement/guarantee on the investment of 950 Market Street in San Francisco proposed on the 1st meeting of the 20th board on June 14, 2019.
Content: The Company completed the appointment of members of the Audit Committee on this Board of Directors’ meeting. As required in Article 6 of the “Regulations Governing the Exercise of Powers by Audit Committees of Public Companies” that states “The matters shall be subject to the consent of one-half or more of the entire membership of the Audit Committee and be submitted to the Board of Directors for a resolution.” The motion was passed without objections after the chair consulted with all attending directors and the independent directors expressed no other opinions.
6. Motion of the appointment of the 4th Remuneration Committee proposed on the 1st meeting of the 20th board on June 14, 2019.
Content: The Company’s 3rd Remuneration Committee was due to end and it was proposed to assign Xiao Sheng-Xian, Chen Zhu-Sheng and Wu Chun-Lai as the members of the Company’s 4th Remuneration Committee. As the independent directors Xiao Sheng-Xian, Chen Zhu-Sheng and Wu Chun-Lai were stakeholders; they therefore recused themselves. The directors mentioned above recused themselves and therefore did not engage in the discussion and voting due to conflict of interests, the remaining attending directors passed the motion without any dissenting opinion.
7. Motion of the appointment of the 1st Audit Committee proposed on the 1st meeting of the 20th board on June 14, 2019.
Content: It was proposed that Xiao Sheng-Xian, Chen Zhu-Sheng and Wu Chun-Lai to be assigned as members of the 1st Audit Committee. As the independent directors Xiao Sheng-Xian, Chen Zhu-Sheng and Wu Chun-Lai were stakeholders; they therefore recused themselves. The directors mentioned above recused themselves and therefore did not engage in the discussion and voting due to conflict of interests, the remaining attending directors passed the motion without any dissenting opinion.
8. Update of the amount of endorsement/guarantee on the investment of 950 Market Street in San Francisco proposed on the 2nd meeting of the 20th board on July 3, 2019.
Content: Amendments to the Company’s “Operational Procedures for Endorsements/Guarantees” have been approved by the shareholders’ meeting on June 5. It has been amended that the limit for providing endorsement/guarantees for a single entity may not exceed 15% of the Company’s net worth. The motion was approved to provide the aggregate amount of endorsements/guarantees and was approved by the Audit Committee through a discussion on July 3, 2019. It was submitted to the Board of Directors for discussion and the chairperson has been authorized to sign relevant additional documents. The motion was passed without objections after the chair consulted with all attending directors and the independent directors expressed no other opinions.
9. Motion of appointment of directors, supervisors and chief auditor as well as consultants of the Company’s subsidiary Ban Chien Development Co., Ltd. proposed on the 3rd meeting of the 20th board on August 9, 2019.
Content: The term of office of the 6th appointment of directors and supervise was proposed to be 3 years, starting August 9, 2019 to August 8, 2022. It was proposed to assign (1) 4 directors: Hsu Zhen-Tsai, Hsu Mei-Lun, Hsu Zhen-Qun and Tang Kun-Cheng. (2) 1 supervisor: Hsiao Zheng-Zhong (3) 1 chief auditor: Ou Jia-Bao Due to the needs of business developments of Banjian Development Co., Ltd., it was proposed to reappoint He Min-Chuan and Hsu Hsiu-De as consultants. The term of office started on August 9, 2019 till the end date of this board. Directors Hsu Zhen-Tsai and He Min-Chuan were stakeholders; they therefore recused themselves from the discussion. The directors mentioned above recused themselves and therefore did not engage in the discussion and voting due to conflict of interests, the remaining attending directors passed the motion without any dissenting opinion and

independent directors had no other opinions.

10. Motion of fees for appointed CPAs proposed on the 8th meeting of the 20th board on March 20, 2020.

Content: The Company's current appointed CPAs are Zhou Yin-Lai and Wu Xin-Liang of Baker Tilly Clock & Co. It was proposed to sign the appointment contract with Baker Tilly Clock & Co. The motion was approved by the Audit Committee through a discussion on March 20. The motion was passed without objections after the chair consulted with all attending directors and the independent directors expressed no other opinions.

(II) Any other documented objections or qualified opinions raised by independent directors against board resolutions in relation to matters other than those described above: None

II. For the implementation and state of directors' recusal for conflicts of interests, the directors' name, topic discussed, reasons for the required recusal, and participation in the voting process:

1. Motion of lifting the restriction to engage in competitive conduct for newly elected directors and their representatives proposed on the 28th meeting of the 19th board on March 15, 2019.

Content: As a means to make the most of the expertise and related experiences of the Company's directors to complete various businesses, it was proposed to the shareholders' meeting to lift the restriction to engage in competitive conduct for newly elected directors and their representatives of 2019's General Meeting of Shareholders. As the chairperson Hsu Zhen-Tsai, directors Hsu Zhen-Xin, Hsu Wei-Zhi, Lin Kun-Rong and the independent director Xiao Sheng-Xian were stakeholders of the motion, they recused themselves as required by the law. The directors mentioned above recused themselves and therefore did not engage in the discussion and voting due to conflict of interests, the remaining attending directors passed the motion without any dissenting opinion and independent directors had no other opinions.

2. Motion of the appointment of the 4th Remuneration Committee proposed on the 1st meeting of the 20th board on June 14, 2019.

Content: The Company's 3rd Remuneration Committee was due to end and it was proposed to assign Xiao Sheng-Xian, Chen Zhu-Sheng and Wu Chun-Lai as the members of the Company's 4th Remuneration Committee. As the independent directors Xiao Sheng-Xian, Chen Zhu-Sheng and Wu Chun-Lai were stakeholders; they therefore recused themselves. The directors mentioned above recused themselves and therefore did not engage in the discussion and voting due to conflict of interests, the remaining attending directors passed the motion without any dissenting opinion.

3. Motion of the appointment of the 1st Audit Committee proposed on the 1st meeting of the 20th board on June 14, 2019.

Content: It was proposed that Xiao Sheng-Xian, Chen Zhu-Sheng and Wu Chun-Lai to be assigned as members of the 1st Audit Committee. As the independent directors Xiao Sheng-Xian, Chen Zhu-Sheng and Wu Chun-Lai were stakeholders; they therefore recused themselves. The directors mentioned above recused themselves and therefore did not engage in the discussion and voting due to conflict of interests, the remaining attending directors passed the motion without any dissenting opinion.

4. Motion of appointment of directors, supervisors and chief auditor as well as consultants of the Company's subsidiary Ban Chien Development Co., Ltd. proposed on the 3rd meeting of the 20th board on August 9, 2019.

Content: The term of office of the 6th appointment of directors and supervise was proposed to be 3 years, starting August 9, 2019 to August 8, 2022.

It was proposed to assign (1) 4 directors: Hsu Zhen-Tsai, Hsu Mei-Lun, Hsu Zhen-Qun and Tang Kun-Cheng. (2) 1 supervisor: Hsiao Zheng-Zhong. (3) 1 chief auditor: Ou Jia-Bao Due to the needs of business developments of Banjian Development Co., Ltd., it was proposed to reappoint He Min-Chuan and Hsu Hsiu-De as consultants. The term of office started on August 9, 2019 till the end date of this board. Directors Hsu Zhen-Tsai and He Min-Chuan were stakeholders; they therefore recused themselves from the discussion. The directors mentioned above recused themselves and therefore did not engage in the discussion and voting due to conflict of interests, the remaining attending directors passed the motion without any dissenting opinion and independent directors had no other opinions.

III. TWSE/TPEX Listed Companies should disclose information including the evaluation cycle and period, evaluation scope, method and evaluation content of the Board's self (or peer) evaluation and the Evaluation of the Board of Directors in Attachment 2 (2) should be filled in: The Company started the evaluation of the Board of Directors in 2020; therefore 2019 is not applicable.

IV. Measures the objectives to strengthen the functionality of the Board (e.g. establish an Audit Committee, enhance information transparency) and execution status in the current year and the recent years:

1. The Company established the Audit Committee on June 14, 2019, with a total of 3 members.
2. The Company's Board of Directors had 13 board meetings in 2019. Important agendas are announced on the MOPS and complete meeting records have been disclosed on the Company's website reaching the goal of making information public.

- Note 1: If a director or supervisor is a juristic person, please disclose the name of the juristic person shareholder and their representative.
- Note 2: (1) If a director or supervisor resigns before the end of the year, the resignation date shall be indicated in the Remarks field. The actual attendance rate (%) was calculated on the basis of the number of board meetings held during each director's term and the number of meetings actually attended by that director.
- (2) If there is a re-election of directors and supervisors before the end of the year, the new and old directors and supervisors must be stated in the Remarks field, and indicate if such director and supervisor is old, new, or re-elected, as well as the re-election date. The percentage of actual (proxy) attendance (%) will be calculated based on the number of Board of Directors' meetings held during active duty and the number of actual (proxy) attendance.

(II) Evaluation of the Board of Directors:

Evaluation cycles (Note 1)	Evaluation periods (Note 2)	Evaluation scope (Note 3)	Evaluation method (Note 4)	Evaluation content (Note 5)
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Note 1: Should state the execution cycle of the evaluation of Board of Directors, such as: once a year.

Note 2: Should state the covering period of the evaluation of Board of Directors, such as: the performance evaluation was performed on the Board of Directors from January 1, 2019 to December 31, 2019.

Note 3: The evaluation scope includes the performance evaluation of Board of Directors, individual directors and functional committees.

Note 4: The evaluation method includes internal evaluation of the Board, self-evaluation by the Board members of themselves or peers, peer evaluation, and evaluation by an appointed external professional institution and experts or other suitable methods.

Note 5: The evaluation content should include the following items according to the evaluation scope:

- (1) Performance evaluation of the Board: Should at least include participation in the operation of the Company; improvement of the quality of the Board of Directors' decision making; composition and structure of the Board of Directors; election and continuing education of the directors; and internal control
- (2) Performance evaluation of the Board members: alignment of the goals and missions of the company; awareness of the duties of a director; participation in the operation of the company; management of internal relationship and communication; the director's professionalism and continuing education; and internal control.
- (3) Performance evaluation of the functional committees: participation in the operation of the company; awareness of the duties of the functional committee quality of decisions made by the functional committee; makeup of the functional committee and election of its members and internal control.

Note 6: The Company started the evaluation of the Board of Directors in 2020; therefore 2019 is not applicable.

(III) Operation of the Audit Committee

A total of 5 Audit Committee meetings (A) were held in the most recent year (July 3, 2019 to March 20, 2020); independent directors' attendance records are summarized below:

Title	Name	Actual attendance (B)	Proxy Attendance	Actual attendance (%) (B/A) (Note)	Remarks
Independent director a	Xiao Sheng-Xian	5	0	100%	
Independent director b	Chen Zhu-Sheng	5	0	100%	
Independent director c	Wu Chun-Lai	5	0	100%	Took office on June 5, 2019

Other information required:

I. For Audit Committee meetings that meet any of the following descriptions, state the date and meeting of Board of Directors meeting held, the discussed topics, the Audit Committee's resolution, and how the company has responded to Audit Committee's opinions.

(I) The listed items on Article 14-5 of the Securities and Exchange Act:
Refer to the following table.

Since the Company established the Audit Committee on June 14, 2019, the listed items on Article 14-5 of the Securities and Exchange Act are as follows:

The date and meeting of the Board of Directors	Motion content	How the company has responded to the Audit Committee's opinions
2nd meeting of the 20 board held on July 3, 2019	1. The amount of endorsement/guarantee on the investment of 950 Market Street in San Francisco. Content: the Company's "Operational Procedures for Endorsements/Guarantees" have been approved by the shareholders' meeting on June 5; the limit for providing endorsement/guarantees for a single entity may not exceed 15% of the Company's net worth. The motion was approved to provide the aggregate amount of endorsements/guarantees and was approved by the Audit Committee through a discussion on July 3, 2019. It was submitted to the Board of Directors for discussion and the chairperson has been authorized to sign relevant additional documents.	1. All attending members have resolved and approved the motion without any dissenting opinion; all attending directors have approved the motion without any dissenting opinion.
3rd meeting of the 20 board held on August 9, 2019	1. Motion of the second quarter of the Company's consolidated financial report. Content: The second quarter of the Company's consolidated financial report has been reviewed and compiled by Baker Tilly Clock & Co. and it was approved by the Company's Audit Committee.	1. All attending members have resolved and approved the motion without any dissenting opinion; all attending directors have approved the motion without any dissenting opinion.
5th meeting of the 20 board held on November 8, 2019	1. Motion of the third quarter of the Company's consolidated financial report. Content: The third quarter of the	1. All attending members have resolved and approved the motion without any dissenting opinion; all attending directors have approved

	<p>Company's consolidated financial report has been compiled and has been approved by the Company's Audit Committee.</p> <p>2. Motion of appointing representatives when matters involved the Company (both parties) Content: Due to the restriction of the laws and regulations, part of the land assets had to be registered under the chairperson Hsu Zhen-Tsai and mortgage rights had to be set up in order to secure the land assets. The case where the Company sold the land in Dahu Section of Miaoli County registered under the name of the chairperson to Taiwan Power Company. Subsequent matters regarding the cancellation of mortgage rights will be carried out. And the other case where the land at Qiaoshui Section in Logntan, Taoyuan returned (sold back) to the Company was registered under the name of the chairperson. Mortgage rights had to be subsequently set up in order to secure the land. Both cases have involved the Company (both parties). When involved in changes in real estate rights, reviews carried out by local land administration officers throughout the country are strict. Hence the proposal of the "If encountered with matters that involve the company regarding the Company's disposal of assets or setting up (Cancellation) mortgage rights, independent directors of the Audit Committee are appointed as the Company's representatives" has been proposed.</p>	<p>the motion without any dissenting opinion.</p> <p>2. Resolution of the Audit Committee: (1) If encountered with matters that involve the Company regarding representatives, it should be submitted as an individual proposal for a resolution by the committee. Therefore, the title of proposal has been renamed as "The motion of appointment of representatives for setting mortgage rights (cancellation) for the lands in Dahu Section of Miaoli County and Qiaoshui Section Longtan, Taoyuan." (2) All members of the Audit Committee have been assigned as representatives. (3) All attending members have resolved and approved the motion without any dissenting opinion; All attending directors have approved the motion without any dissenting opinion.</p>
6th meeting of the 20 board held on December 20, 2019	<p>1. Motion of 2020 internal control system and audit plans. Content: As required by the FSC Order No. 0960036652: the internal audit unit should submit the annual internal control system and internal audit plans to the Board of Directors for approval before the end of the year and should complete logging the relevant information. The motion was approved by the Audit Committee through a discussion on December 20, 2019.</p>	<p>1. All attending members have resolved and approved the motion without any dissenting opinion; all attending directors have approved the motion without any dissenting opinion.</p>
8th meeting of the 20 board held on March 20, 2020	<p>1. Motion of planning to enforce the 24th repurchase of the Company's</p>	<p>1. All attending members have resolved and approved the motion</p>

	<p>outstanding shares. Content: The Company has planned to enforce the 24th repurchase of the Company's outstanding shares in compliance with the regulations stipulated in Article 28-2 paragraph 1 subparagraph 3. The contents are as follows:</p> <ol style="list-style-type: none"> (1) Repurchase purpose: To maintain the Company's credit and the right and interest of our shareholders (2) Types of shares to be repurchased: ordinary shares. (3) Ceiling on total monetary amount of the repurchase: NT\$6,497,001,553. (4) Planned period for the repurchase, and number of shares to be repurchased: Starting from March 23, 2020 till May 22, 2020; estimated 20,000 thousand shares are to be repurchased. (5) Price range of the shares to be repurchased: NT\$13 to NT\$18. If the share price falls below the lower limit of NT\$13 in the repurchase range, the shares can still be bought back. (6) Method for the repurchase: At a centralized securities exchange market. (7) Number of shares held at the time of reporting: 0. (8) Any repurchases within three years prior to the time of reporting: 30,000 thousand shares. (9) Any repurchases that have been reported but not completed: None. <p>The shares bought back this time only accounted for 5.71% of the Company's paid-in capital - not enough to affect the Company's maintenance of financial situation and capital.</p> <p>As required by Article 2 of the "Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies", "the Declaration that the financial state of the company was considered at a meeting of the Board of Directors and that the maintenance of its capital would not be affected by the repurchase" should be enclosed at the time of reporting of repurchase of shares. The motion</p>	<p>without any dissenting opinion; all attending directors have approved the motion without any dissenting opinion.</p>
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	<p>was approved by the Audit Committee through a discussion on March 20, 2020.</p> <p>2. Motion of the Company's 2019 business report and financial report. Content: The Company's 2019 business report, financial report and consolidated statements have been compiled.</p> <p>3. Motion of the Company's 2019 earnings distribution. Content:</p> <p>(1) The Company's 2019 pre-tax income totaled 550,009,523, deducting the income tax of NT\$11,052,264 - the net income totaled NT\$538,957,259.</p> <p>(2) The Company's net income for the year totaled NT\$538,957,259. According to the related provisions of Article 29 in the Company's Articles of Incorporation, the Board of Directors proposed a motion of earnings distribution. The balance of 10% of the legal reserve of NT\$53,895,726 and reversal of the special reserve of NT\$44,610,924 were set aside, along with the accumulated undistributed earnings from the previous year, and among which, the allocation for shareholders' dividends may not be less than 5% of the distributable earnings. It has been submitted to the shareholders meeting for a resolution for the distributing of dividends. The proposed cash dividend is NT\$0.8 per share and the cash dividend totaled NT\$280,000,000 and the accumulated undistributed earnings totaled NT\$4,498,124,363.</p> <p>(3) The chairperson shall be authorized to set the ex-dividend record date prior to the distribution regarding the</p>	<p>2. Resolution of the Audit Committee:</p> <p>(1) Committee member Chen suggested that "% difference" can be added to the above condensed profit and loss table to present the annual fluctuation of the difference.</p> <p>(2) All attending members have approved the motion without any dissenting opinion. And all attending directors have approved the motion without any dissenting opinions.</p> <p>3. All attending members have resolved and approved the motion without any dissenting opinion; all attending directors have approved the motion without any dissenting opinion.</p>
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	<p style="text-align: center;">motion of cash dividend distribution</p> <p>(4) The impact of stock dividend distributions contemplated for the current fiscal year on company operating performance, earnings per share and return on shareholders' investment: The Company did not issue new shares this time, it is therefore not applicable.</p> <p>4. Motion of appointed CPAs' fees. Content: The Company's current appointed CPAs are Zhou Yin-Lai and Wu Xin-Liang of Baker Tilly Clock & Co. The motion was approved by the Audit Committee through a discussion on March 20.</p> <p>5. Motion of 2019 internal control system statement. Content: As required by the FSC, the Company should provide the internal control statement prior to March 31, 2020. Which has been proposed to be resolved by the Board of Directors: The Company provided its 2019 internal control statement in accordance with format stipulated in Article 24 of the Regulations Governing Establishment of Internal Control Systems: Statements of the designation of the Company's internal control system and effective regulations in compliance with all laws and regulations</p>	<p>4. All attending members have resolved and approved the motion without any dissenting opinion; all attending directors have approved the motion without any dissenting opinion.</p> <p>5. All attending members have resolved and approved the motion without any dissenting opinion; all attending directors have approved the motion without any dissenting opinion.</p>
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(II) Other than those described above, any resolutions not approved by the Audit Committee but passed by more than two-thirds of directors: None.

II. For the implementation and state of independent directors' recusal for conflicts of interests, the independent directors' name, topic discussed, reasons for the required recusal, and participation in the voting process:

1. Motion of the appointment of the Company's 4th Remuneration Committee proposed on the 1st meeting of the 20th board on June 14, 2019.
Content: The Company's 3rd Remuneration Committee has ended on June 6, 2019 and new appointment of the 4th members Remuneration Committee has been proposed. As the independent directors Xiao Sheng-Xian, Chen Zhu-Sheng and Wu Chun-Lai were stakeholders; they therefore recused themselves as required by the law. The independent directors mentioned above recused themselves and therefore did not engage in the discussion and voting due to conflict of interests, the remaining attending directors passed the motion without any dissenting opinion.
2. Motion of the appointment of the Company's 1st Audit Committee proposed on the 1st meeting of the 20th board on June 14, 2019.
Content: As required by the Order Letter Jin-Guan-Cheng-Fa-Zi No. 10703452331 issued on December 19, 2018 by FSA, TWSE/TPEX companies with a paid-in capital of more than NT \$ 2 billion should establish an Audit Committee by the end of 2019. The committee shall be comprised of at least three persons being independent directors, one of whom being the convener, and at least one should have accounting or financial expertise. As the independent directors Xiao Sheng-Xian, Chen Zhu-Sheng and Wu Chun-Lai were stakeholders; they therefore recused themselves as required by the law. The independent directors mentioned above recused themselves and therefore did not engage in the discussion and voting due to conflict of interests, the remaining attending directors passed the motion without any dissenting opinion.

III. State of communication between independent directors, internal audit supervisor and CPA (such as significant

items, methods and results of communications on the Company's finances and business status): The Company's independent directors may investigate the situation of the Company's finance and business at any time. It will then be reported by the Board of Directors, chief internal auditor or a managerial officer. An accountant may be contacted if necessary.

Note:

- * If an independent director resigns before the end of the year, the resignation date shall be indicated in the Remarks field. The actual attendance rate (%) was calculated on the basis of the number of board meetings held during the term of the Audit Committee and the number of meetings actually attended during active duty.
- * If there is a re-election of an independent director before the end of the year, the new and old independent directors must be stated, and indicate if such independent director is old, new, or re-elected, as well as the re-election date. The percentage of actual (proxy) attendance (%) will be calculated based on the number of Audit Committee meetings held during active duty and the number of actual (proxy) attendance.
- * The Company has established the Audit Committee to replace supervisors as of June 5, 2019.

(IV) Supervisors at Board Meetings:

A total of 4 meetings (A) were held in the previous year (January 1, 2019 to May 10, 2019); below are the attendance records:

Title	Name	Actual Attendance (B)	Proxy Attendance	Actual Attendance (%) [B/A] (Note)	Remarks
Supervisor	He Min-Chuan	4	4	100%	(Re-elected as director on June 5, 2019)
Supervisor	Fenghe International Co., Ltd. Representative: Tang Kun-Cheng	3	4	75%	Left office on June 5, 2019

Other information required:

I. Composition and responsibilities of the supervisors:

(I) Communication between Supervisors and Company employees and shareholders:

The Company maintains sound internal communication channels. The supervisors can go to the Company at any time and to understand suggestions of employees or shareholders through various reports or channels (such as, telephone, fax, email, etc.) to ensure smooth communication. Supervisors provide a "Review Report of Supervisors" on an annual basis.

(II) Communication between supervisors and internal audit manager and accountants:

The Company's independent directors may investigate the situation of the Company's finance and business at any time. It will then be reported by the Board of Directors, chief internal auditor or a managerial officer. An accountant may be contacted if necessary.

II. If the supervisors stated any opinions while attending board meetings, the date, session, contents of the case discussed, and resolution of the directors' meeting as well as The Company's disposition of opinions stated by the supervisors shall be described: None.

Note:

- * If a supervisor resigns before the end of the year, the resignation date shall be indicated in the Remarks field for supervisors. The percentage of actual attendance (%) is calculated based on the number of meetings actually attended during active duty.
- * If there is a re-election of supervisors before the end of the year, the new and old supervisors must be stated, and indicate if such supervisor is old, new, or re-elected, as well as the re-election date. The percentage of actual attendance (%) is calculated based on the number of meetings actually attended during active duty.
- * The Company has established the Audit Committee to replace supervisors as of June 5, 2019.

(V) Corporate governance execution status and deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
I. Whether The Company establishes and discloses its rules of corporate governance in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has passed the “Rules of Corporate Governance” on the 8th session of the 20th Board held on March 20, 2020 and it has been disclosed on the Company’s website.	There are no deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
II. Equity structure and shareholders’ equity				
(I) Will the Company have the internal procedures regulated to handle shareholders’ proposals, doubts, disputes, and litigation matters; also, have the procedures implemented accordingly?	✓		(I) The Company has established stock personnel and legal affairs personnel to handle shareholders’ proposals, disputes, and litigation matters, and these matters are enforced according to procedures.	(I) There are no deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(II) Will the Company possess the list of the Company’s major shareholders and the list of the ultimate controllers of the major shareholders?	✓		(II) The Company has established stock affairs unit and stock affairs agency that can get hold of the list of the ultimate controllers of the major shareholders.	(II) There are no deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(III) Will the Company establish and implement the risk control and firewall mechanisms with the related parties?	✓		(III) The Company has established internal rules and internal control system of relevant legal mechanism in compliance with the laws and regulations and has enforced the rules accordingly. Aside from supervising important subsidiaries to establish internal control system as required by Article 3 of the "Corporate Governance Best-Practice Principles for	(III) There are no deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
(IV) Will the Company set up internal norms to prohibit insiders from utilizing the undisclosed information to trade securities?	✓		<p>TWSE/TPEX Listed Companies", the Company also reviews its and the important subsidiaries' internal and external changes to thoroughly enforce risk control and firewall mechanism.</p> <p>(IV) In compliance with the Company's "Procedures for Handling Material Inside Information" to regulate material inside information and disclosure mechanism to avoid improper disclosure and ensure that the information disclosed by the Company is consistent and positive. Prevention of insider trading will also be strengthened.</p>	(IV) There are no deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
<p>III. The Composition of the Board of Directors and Their Duties</p> <p>(I) Has the Board devised and implemented policies to ensure the diversity of its members?</p> <p>(II) Apart from the Remuneration Committee and Audit Committee, has the company assembled other functional committees at its own discretion?</p>	<p>✓</p> <p>✓</p>		<p>(I) The Company's Board of Directors currently has 9 directors and has adopted the nomination system. As the Board of Directors nominates candidates, aside from basic legal qualifications, they are also required to have knowledge and professional experience in terms of relevant business, law and industry in order to reach the goal of the implementation of diversified board members.</p> <p>(II) The Company has established a Remuneration Committee, Audit Committee, Employee Welfare Committee and labor pension fund supervisory Committee, and Corporate Social Responsibility committee is still pending establishment. Other functional committees will</p>	<p>(I) There are no deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.</p> <p>(II) There are no deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies".</p>

Evaluation Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
(III) as the company established the Regulations Governing the Board Performance Evaluation and its evaluation methods, and does the company perform a regular performance evaluation each year and submit the results of performance evaluations to the Board of Directors and use them as reference in determining compensation for individual directors, their nomination, and additional office terms?	✓		<p>be established as required by the Company's regulations or actual needs.</p> <p>(III) As a means to strengthen board functions, the Company evaluates its performance based on each director's attending situation on an annual basis; the Remuneration Committee also determines the Board functions. The Company reviews performance evaluation and salary and reward policies, system, standards and structure of directors, supervisors and managerial officers on a regular basis, and submits suggestions to the Board of Directors for discussion.</p>	(III) There are no deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(IV) Is an external auditor's independence assessed on a regular basis?	✓		<p>(IV) The Company's management department performs a self-evaluation on the independence of CPAs once a year. The result has been reported to the Audit Committee on November 8, 2019, and the Board of Directors on November 8, 2019. According to the evaluation performed by the Company's management department, CPAs Zhou Yin-Lai and Wu Xin-Liang of Baker Tilly Clock & Co. both met the Company's independence evaluation standards and are qualified to serve as the Company's</p>	(IV) There are no deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
			CPAs. For evaluation details, please refer to p.51 (VI)- CPAs' independence evaluation.	
IV. Is the company a TWSE/TPEX listed company, and has the company designated an appropriate number of personnel that specialize (or are involved) in corporate governance affairs (including but not limited to providing directors/supervisors with the information needed and assist directors and supervisors in complying with the laws and regulations to perform their duties, convention of board meetings and shareholders meetings, preparation of board meeting and shareholders meeting minutes, etc.)?	✓		<p>The Company has not appointed a corporate governance manager, but there is dedicated personnel who is in charge of matters in relation to the Company's corporate governance, which include:</p> <p>(I) Matters with regards to providing information needed by directors and independent directors, convention of board meetings and shareholders meetings, corporate registration and changes, preparation of board meeting and shareholders meeting minutes.</p> <p>(II) Making proposals for company system and organizational structure to improve the independence of the Board as well as the enforcement of the transparency of the Company, law compliance and internal audit and internal control.</p>	There are no deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
V. Does the Company establish mechanisms for communicating with stakeholders (including but not limited to stockholders, employees, customers and suppliers), and a stakeholder site on the company website to appropriately respond to material CSR topics they concern about?	✓		Aside from appointing dedicated personnel to handle stakeholder channels, the Company has also set up a stakeholder section on its website and responses accordingly to issues concerning stakeholders in terms of corporate social responsibility.	There are no deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
VI. Has the company appointed a professional shareholders service agent to process the affairs related to shareholders' meetings?	✓		The Company has appointed Stock Agency Department of Taishin International Bank as stock agency to handle stock related affairs.	There are no deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
VII. Information disclosure				
(I) Does the Company have a website setup and the financial business and corporate governance information disclosed?	✓		(I) The Company has set up a website to disclose information in relation to the Company's financial matters and businesses and is updated on a regular basis. The Company's website is www.frg.com.tw.	(I) There are no deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(II) Has the Company adopted other information disclosure methods (such as, establishing an English website, designating a responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar program on the Company's website, etc.)?	✓		(II) The Company has a spokesperson and an acting spokesperson and has established a website in both traditional Chinese and English. A dedicated personnel has been assigned to collect company information and information disclosure. There is related company introduction, production introduction and its latest news on the Company's website	(II) There are no deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(III) Has the company published and reported its annual financial report within two months after the end of a fiscal year, and published and reported its financial reports for the first, second, and third quarters, as		✓	(III) The Company has published and reported financial reports and operating status for each month based on the regulations specified in the "List of Matters Required to Be Handled by Issuers of Listed Securities"; however, the Company has not been publicly announced and	(III) There are no deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
well as its operating status for each month before the specified deadline.			reported the financial report within two months after the end of the fiscal year.	
VIII. Are there any other important information (including but not limited to the interests of employees, employee care, investor relations, supplier relations, the rights of stakeholders, the advanced study of directors and supervisors, the implementation of risk management policies and risk measurement standards, the execution of customer policy, the purchase of liability insurance for the Company's directors and supervisors) that are helpful in understanding the corporate governance operation of the Company?	✓		<p>(I) Employees' rights and benefits: The Company has reasonable salary system in accordance with the Labor Standards Act to protect the legal rights of employees.</p> <p>(II) Employees' care: The Company's various management rules are formulated based on the on the interests of employees and also purchases various types of insurance for employees such as health, nursing, employment, work injury and public welfare. The Company organizes annual health check-ups to protect employees.</p> <p>(III) Investor relations: The Company has a spokesperson and an acting spokesperson who are responsible for the Company's external communication; dedicated personnel has also been set up to disclose the Company's information on MOPs as required by the law.</p> <p>(IV) Supplier relations: The Company has exceptional supply relations with suppliers, reaching overall production cost optimization.</p> <p>(V) Rights of stakeholders: The Company maintains positive communication channels with</p>	<p>(I) There are no deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.</p> <p>(II) There are no deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.</p> <p>(III) There are no deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.</p> <p>(IV) There are no deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.</p> <p>(V) There are no deviations from Corporate</p>

Evaluation Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
			<p>stakeholders and respects and protects their legal rights. The Company also has a spokesperson and acting spokesperson system to handle issues and suggestions with regards to shareholders.</p> <p>(VI) Further training for directors and supervisors: The Company's directors and supervisors have participated in further training courses as required by the law. In the future, the Company will arrange suitable further training courses for directors and supervisors in the future on an unscheduled basis.</p> <p>(VII) Implementation of risk management policy and risk assessment standards: Various internal rules internal control system have been formulated as required by the law, and the Company conducts various risk management and evaluation. The internal audit unit carries out inspection of the implementation of the internal control system on a regular basis or on an unscheduled basis.</p> <p>(VIII) Implementation of customer service policy: The Company has exceptional relations with customers and provides customer service based on various internal control measures. The "customer satisfaction" is treated as an important part of the quality policy.</p> <p>(IX) The Company purchases liability insurance for directors and supervisors.</p>	<p>Governance Best-Practice Principles for TWSE/TPEX Listed Companies.</p> <p>(VI) There are no deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.</p> <p>(VII) There are no deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.</p> <p>(VIII) There are no deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.</p> <p>(IX) There are no deviations from Corporate Governance Best-Practice Principles for</p>

Evaluation Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
				TWSE/TPEX Listed Companies.
<p>IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified: Based on 2019 Corporate governance evaluation results:</p> <ol style="list-style-type: none"> 1. Has the Company uploaded an English version of its meeting handbook along with supplementary materials 30 days prior to the annual general meeting? The Company has uploaded its English version of its meeting handbook along with supplementary materials on May 12, 2020 which met the requirements of uploading its English version of its meeting handbook along with supplementary materials 30 days prior to the General Shareholders' Meeting. 2. Has the company uploaded an English version of its annual report 7 days prior to the General Shareholders' Meeting? The Company plans to upload its 2019 English version of its annual report 7 days prior to the General Shareholders' Meeting. 3. Has the company established its Corporate Governance Best-Practice Principles and have the Corporate Governance Best-Practice Principles been approved by the Board of Directors? They Company's Board of Directors has approved the Corporate Governance Best-Practice Principles on March 20, 2020. 4. Does the company truthfully disclose the reason of discussions and resolutions of the Remuneration Committee and the company's response to members' opinions in the annual report? The Company has truthfully disclosed the reason of discussions and resolutions of the Remuneration Committee and the company's response to members' opinions in the annual report. For more details, please refer to p.56 III. Other Information Required. 5. Has the Board of Directors of the Company performed periodic assessment (at least once per year) on the independence of the CPAs and disclosed the assessment procedure in its Annual Report in detail? For the assessment procedure, please refer to p.45 - (IV) Is an external auditor's independence assessed on a regular basis. and p.51 (VI) Independence evaluation of CPAs. 6. Has the company uploaded an English version of its financial report 7 days prior to the General Shareholders' Meeting? The Company plans to upload its 2019 English version of its financial report 7 days prior to the General Shareholders' Meeting. 				

Note: Regardless of clicking "yes" or "no", it should be explained in the summary field.

(VI) Independence evaluation of CPAs

Evaluation Item	Evaluation result	Whether or not they meet the independence criteria
1. Whether the CPAs have directly or indirectly significant financial interest related to the Company.	No	Yes
2. Whether the CPAs are involved in any financing or guarantee arrangement with the Company or its directors	No	Yes
3. Whether the CPAs and audit team members currently or previously assumed a role as the Company's director, managerial officer, or any position that may significantly affect the audit in the last two years	No	Yes
4. Whether the CPAs are related to the Company's directors, managerial officer, or any person that is significant to the audit task	No	Yes
5. Whether the CPAs provide any non-auditing services	Yes	Yes
6. The rationality of the CPAs' public audit fees and whether there is an agreement as to the fees?	No	Yes
7. Whether the CPAs receive any commission as regards to any business from the Company	No	Yes
8. Have the CPAs provide audit services for more than 7 consecutive years	No	Yes

Note 1: When the result of the above evaluation is "yes", an explanation must be given as consideration for the impact of their independence and if it is necessary to replace the CPAs.

Note 2: (1) As reference to the Sarbanes–Oxley Act, and in order to enforce corporate governance mechanism, the Company may not hire audit CPAs for non-audit services at the same time (such as bookkeeping services, evaluation services or financing services).

(2) In order to prevent long-term relationship with the CPAs for providing services to the Company, and the CPAs have become over-familiar with the Company's management and further lose their independence, the TWSE has clearly stipulated that CPAs must be replaced on a fixed period (7 years). Before 7 years of providing service to the same client is due, the CPAs must be changed from time to time.

Note 3: The non-audit services Baker Tilly Clock & Co. non-audit services are as follows:

Non-audit services	Amount
1. Business registration - registration form of the matters regarding the re-election of directors	NT\$10,000
2. Review of the annual shareholders' meeting handbook and shareholders' annual report	NT\$20,000
3. The English version of the 2018 consolidated financial report	NT\$90,000

(VII) The Composition, Duties and Operation of the Remuneration Committee:

1. The Company has established the Remuneration Committee after passing the formulation of the “Remuneration Committee Charter” by the Board of Directors. The main duties of the Remuneration Committee are as follows and should submit suggestions to the Board of Directors for discussion.
 - (1) Establish and regularly review policies, system, standards and structures for performance evaluation and remuneration for directors and managerial officers.
 - (2) Regularly assess and set up the 2salary remuneration for directors and managerial officers.
2. The Company's has appointed Xiao Sheng-Xian, Chen Zhu-Sheng and Wu Chun-Lai as members of the Company’s 4th Remuneration Committee on the first meeting of the 20th Board of Directors’ meeting (June 14, 2019). It was proposed that the term of appointment should be June 14, 2019 to June 4, 2022, same as this board.
3. A total of 8 meetings (A) were held in the Company’s 3rd Remuneration Committee during June 14, 2019 and March 20, 2020. It has helped the Board of Directors to enforce and evaluate the Company's overall remuneration policies and has made suggestions to the Board of Directors.

Information on Remuneration Committee members

Title (Note 1)	Conditions	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Member of the Remuneration Committee	Remarks		
		Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities	Judge, public prosecutor, attorney-at-law, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company.	Required working experience in commerce, law, finance, accounting or other fields required by the business of the Company	1	2	3	4	5	6	7	8	9	10				
	Name																	
Convener	Xiao Sheng-Xian		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	None
Member	Chen Zhu-Sheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Member	Wu Chun-Lai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None

Note 1: Please fill in director, independent director or other in the “title”.

Note 2: A “✓” is placed in the box if the member met the following conditions at any time during active duty and two years prior to the date elected.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of its affiliates of the Company. (However, this restriction does not apply in cases where the person is an independent director of the Company, its parent or subsidiary or a subsidiary of the same parent established in pursuant to this law or local laws).
- (3) Not a natural-person shareholder or holder of shares, together with those held by a spouse, minor children, or held by the person under other names, in an aggregate amount of 1% or more of the total number of issued shares of the company or ranking within the top 10 in holdings.

- (4) Not a managerial officer listed in criteria (1) or a spouse, relative of second degree, or direct kin of third degree or closer to persons not qualified for criteria (2) and (3).
- (5) Not a director, supervisor, or employee of a juristic-person shareholder that directly holds five percent or more of the total number of issued shares of the company or of a juristic-person shareholder that ranks among the top five in shareholdings according to Paragraph 1 or Paragraph 2 Article 27 of the Company Act (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
- (6) Not a director, supervisor, or employee, holding a majority of the company's director seats or voting shares and those of any other company are controlled by the same person (the same does not apply, however, in cases where the person is an independent director of the company or its parent company, any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
- (7) Not the same person with the company's director, general manager, or person of an equivalent post or of a specified company or institution's director, supervisor, or officer (the same does not apply, however, in cases where the person is an independent director of the company or its parent company, any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
- (8) Not a director, supervisor, manager, or shareholder holding more than 5% of a specified company or institution that has a financial or business relationships with the company (the same does not apply, to certain companies or institutions holding more than 20% of the total issued shares of the Company, but no more than 50% and to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting, or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative remuneration exceeding NT\$500,000, or a spouse thereof. This restriction does not apply to a member of the salary and Remuneration Committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not under any circumstances as stipulated in Article 30 of Company Law.

Information on the Operation of the Remuneration Committee

- I. The Company's Remuneration Committee is comprised of 3 members.
- II. The term of the members: June 14, 2019 to June 4, 2022. As of March 20, 2020, a total of 3 (A) meetings were held by the remuneration committee. The qualification of members and their attendance are as follows:

Title	Name	Actual attendance (B)	Proxy Attendance	Actual attendance (%) (B/A) (Note)	Remarks
Convener	Xiao Sheng-Xian	3	0	100%	None
Member	Chen Zhu-Sheng	3	0	100%	None
Member	Wu Chun-Lai	3	0	100%	None

Other information required:

- I. If the Board of Directors declines to adopt or modify a recommendation of the Remuneration Committee, the date, session, topic discussed and the resolution of the Board meeting and handling of the resolution of the Remuneration Committee shall be specified (if the compensation package approved by the Board is better than the recommendation made by the committee, please specify the discrepancy and its reason): None.
- II. As to the resolution of the Remuneration Committee, if a member expresses any objection or reservation, either by recorded statement or in writing, the date, session and topic discussed of the committee meeting, all members' opinions and handling of members' opinions shall be specified: None.

- Note: (1) If a member of the Remuneration Committee resigns before the end of the year, the resignation date shall be indicated in the Remarks field. The actual attendance rate (%) was calculated on the basis of the number of board meetings held during the term of the Remuneration Committee and the number of meetings actually attended during active duty.
- (2) If there is a re-election of the Remuneration Committee before the end of the year, the new and old members of the Remuneration Committee must be stated, and indicate if such member is old, new, or re-elected, as well as the re-election date. The percentage of actual (proxy) attendance (%) will be calculated based on the number of Remuneration Committee meetings held during active duty and the number of actual (proxy) attendance.

III. Other information required:

1. Motion contents and resolution results of the Remuneration Committee

Meeting date of the Remuneration Committee	Motion content	Resolution result	The Company's handling of the Remuneration Committee's opinions
The 8th meeting of the 3rd Remuneration Committee (March 15, 2019)	1. Motion of 2018 remuneration to the Company's employees, directors and supervisors.	1. The motion has been approved by all attending members without any dissenting opinion.	It was submitted to the Board of Directors' meeting for approval.
The 9th meeting of the 3rd Remuneration Committee (May 10, 2019)	<ol style="list-style-type: none"> 1. 2019 Dragon Boat Festival bonus for the Company and the subsidiary Ban Chien Development. 2. Motion of the distribution of the Company's 2018 remuneration to directors and supervisors. 3. Motion of the distribution of the Company's 2018 remuneration to employees. 4. Motion to amend some part of the Company's "Measures of the Remuneration Payment to Directors and Supervisors" and change its name to "Remuneration Payment to Directors". 	<ol style="list-style-type: none"> 1. The motion has been approved by all attending members without any dissenting opinion. 2. The motion has been approved by all attending members without any dissenting opinion. 3. The motion has been approved by all attending members without any dissenting opinion. 4. The motion has been approved by all attending members without any dissenting opinion. 	It was submitted to the Board of Directors' meeting for approval.
The 1st meeting of the 4th Remuneration Committee (July 3, 2019)	<ol style="list-style-type: none"> 1. The nomination of the convener for the 4th Remuneration Committee. 2. Motion of the Company's 20th Board of Directors, members of the Remuneration Committee and members of the Audit Committee. 3. Motion of remuneration of the Company's appointed consultants 	<ol style="list-style-type: none"> 1. The attending members have all nominated Chen Zhu-Sheng as the convener for this term of office. 2. Aside from remuneration for members of the Remuneration Committee, attending members have approved the motion without any dissenting opinion. 3. The motion has been approved by all attending members without any dissenting opinion. 	It was submitted to the Board of Directors' meeting for approval.

Meeting date of the Remuneration Committee	Motion content	Resolution result	The Company's handling of the Remuneration Committee's opinions
	4. Motion of remuneration of the directors, supervisors and consultants for the Company's subsidiary Ban Chien Development.	4. The motion has been approved by all attending members without any dissenting opinion.	
The 2nd meeting of the 4th Remuneration Committee (December 20, 2019)	1. Motion of the Company's 2019 year-end bonus. 2. Motion of 2019 year-end bonus for the Company's subsidiary Ban Chien Development Co., Ltd. 3. Motion of remuneration for the Company's managerial officers.	1. The motion has been approved by all attending directors without any dissenting opinion. 2. The motion has been approved by all attending directors without any dissenting opinion. 3. The motion has been approved by all attending directors without any dissenting opinion.	It was submitted to the Board of Directors' meeting for approval.

2. If the Board of Directors declines to adopt or modify a recommendation of the Remuneration Committee, the date, session, topic discussed and the resolution of the Board meeting and handling of the resolution of the Remuneration Committee shall be specified (if the compensation package approved by the Board is better than the recommendation made by the committee, please specify the discrepancy and its reason): None.
3. As to the resolution of the Remuneration Committee, if a member expresses any objection or reservation, either by recorded statement or in writing, the date, session and topic discussed of the committee meeting, all members' opinions and handling of members' opinions shall be specified: None.

(VIII)The state of the company's performance of social responsibilities, any deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies:

Evaluation Item	Implementation Status (Note 1)			Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and the reasons
	Yes	No	Summary (Note 2)	
I. Has the company performed risk assessments on environmental, social, and corporate issues in relation to the Company's operations according to material principles, and formulated relevant risk management policies or strategies? (Note 3)		✓	Although the Company has not performed risk assessments on environmental, social, and corporate issues in relation to the Company's operations according to material principles, and formulated relevant risk management policies or strategies, the Company is doing its utmost for environmental protection responsibility, community improvement, creating social benefits, protecting consumers' rights, promoting the harmonious relationship between labor and management as well as supervising the operation of subsidiaries.	Formulation of applicable policies or strategies will be discussed.
II. Does the company have a specific (or part-time) unit set up to promote corporate social responsibility, have the management been authorized by the Board of Directors to handle matters and report the processing results to the Board of Directors?		✓	The Company has yet to set a dedicated unit, it is mainly handled by the management department.	Establishment of specific (or part-time) unit to promote corporate social responsibility will be discussed.
III.Environmental Issues				
(I) Does the company have an appropriate environmental management system established in accordance with its industrial character?	✓		(I) In order to reduce the impact to the environment, the Company tries its best to use non-toxic raw materials and is dedicated to the R&D of eco-friendly products.	It has met the regulations stipulated in the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies
(II) Is the company committed to enhance the utilization efficiency of	✓		(II) The internal of the Company is dedicated to waste classification, and has set goals for	

Evaluation Item	Implementation Status (Note 1)			Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and the reasons
	Yes	No	Summary (Note 2)	
<p>resources and use renewable materials that are with low impact on the environmental?</p> <p>(III) Has the company assessed the potential risks and opportunities for business operations now and the future regarding climate change and will it adopt response measures relating to climate issues?</p> <p>(IV) Has the company calculated the greenhouse gas emissions, water consumption, and total weight of waste in the past 2 years, and formulated policies on energy conservation and carbon reduction, greenhouse gas reduction, water consumption, or other waste management?</p>	<p>✓</p> <p>✓</p>		<p>reducing waste as well as recovering resources that can be reused, making a contribution to environmental protection and energy saving and carbon reduction.</p> <p>(III) The global climate has changed dramatically due to the greenhouse effect and its impact scope poses potential risk for a corporate sustainable operation. The Company has established emergency response measures as to minimize the impact when disaster strikes.</p> <p>(IV) The Company did not calculate its greenhouse emissions, water consumption and total weight of waste for the past 2 years but it has been proactively promoting energy saving and carbon reduction, and reducing the use of energy and paper. Office temperature control and the use of energy-saving bulbs have been enforced in order to reach the goal of reducing carbon.</p>	
<p>IV. Social Issues</p> <p>(I) Does the company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?</p> <p>(II) Has the company established and</p>	<p>✓</p> <p>✓</p>		<p>(I) The Company complies with applicable labor laws and regulations. Employees' appointment and remuneration are handled according to the Company's measures of appointment of employees to protect the basic employees' basic rights.</p> <p>(II) The Company has various clear employee</p>	<p>(I) It has met the regulations stipulated in the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies</p> <p>(II) It has met the regulations</p>

Evaluation Item	Implementation Status (Note 1)			Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and the reasons
	Yes	No	Summary (Note 2)	
implemented reasonable measures for employee benefits (including: remuneration, holidays and other benefits), and appropriately reflect the business performance or achievements in the employee remuneration?			welfare measures and they can be found on the Company's website. According to the Company's Articles of Incorporation, the Company distributes no less than 1% of profit before tax as remuneration to employees.	stipulated in the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies
(III) Does the company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?	✓		(III) The Company arranges regular employee health check-ups and disaster drills, ensuring a safe and healthy workplace for employees.	(III) It has met the regulations stipulated in the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies
(IV) Does the company establish effective training programs for employee's career development?	✓		(IV) The Company asks employees to take part in training courses on an unscheduled basis to improve their career capability.	(IV) It has met the regulations stipulated in the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies
(V) Has the company complied with laws and international standards with respect to customers' health, safety and privacy, marketing and labeling in all products and services offered, and implemented consumer protection policies and complaint	✓		(V) The Company has set up a section for stakeholders on the website and dedicated personnel has been assigned to handle questions in relation to customers as a means to protection the rights of consumers. The Company continues to update and comply with relevant laws and regulations, and internal standards.	(V) It has met the regulations stipulated in the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies

Evaluation Item	Implementation Status (Note 1)			Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and the reasons								
	Yes	No	Summary (Note 2)									
<p>procedures?</p> <p>(VI) Has the company established supplier management policies demanding compliance with relevant regulations and their execution status regarding issues such as environmental, occupational safety, and health or labor rights?</p>		✓	<p>(VI) The Company has not established relevant policies, however, domestic and overseas suppliers have mostly had a long-term business relationship with the Company, and all products comply with laws and regulations.</p>	<p>(VI) Formulation of applicable policies will be discussed.</p>								
<p>V. Has the company taken reference from the internationally accepted reporting standards or guidance when compiling CSR reports to disclose non-financial information? Have the reports mentioned previously obtained the assurance of third party verification?</p>		✓	<p>Although the Company has not compiled CSR reports, other financial information of the Company has been publicly announced on the section of “Shareholders’ Services” on its website where important business information is also regularly disclosed.</p>	<p>Compiling of CSR reports will be discussed.</p>								
<p>VI. For companies who have established corporate responsibility code of conducts in accordance with the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies”, please describe the current practice and any deviations from the code of conduct: The Company is still in the process of formulating Corporate Social Responsibility Best Practice Principles and relevant rules.</p>												
<p>VII. Any other essential information that may help us to understand the performance of corporate social responsibility better: Any donation to community participation, social contribution, social service or social welfare that reached NT\$100,000 or more in 2019 is as follows:</p> <table border="0"> <tr> <td>1. Donation made to the academic research funding of surgical regenerative medicine at Taipei Medical University Hospital</td> <td>NT\$150,000</td> </tr> <tr> <td>2. Donation made to National Taiwan University Dental School Alumni Association</td> <td>NT\$150,000</td> </tr> <tr> <td>3. Donation made to Taiwan Liver Research Foundation</td> <td>NT\$150,000</td> </tr> <tr> <td>4. Donation made to Taiwan Good Liver Foundation</td> <td>NT\$150,000</td> </tr> </table>					1. Donation made to the academic research funding of surgical regenerative medicine at Taipei Medical University Hospital	NT\$150,000	2. Donation made to National Taiwan University Dental School Alumni Association	NT\$150,000	3. Donation made to Taiwan Liver Research Foundation	NT\$150,000	4. Donation made to Taiwan Good Liver Foundation	NT\$150,000
1. Donation made to the academic research funding of surgical regenerative medicine at Taipei Medical University Hospital	NT\$150,000											
2. Donation made to National Taiwan University Dental School Alumni Association	NT\$150,000											
3. Donation made to Taiwan Liver Research Foundation	NT\$150,000											
4. Donation made to Taiwan Good Liver Foundation	NT\$150,000											

Evaluation Item	Implementation Status (Note 1)		Summary (Note 2)	Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and the reasons
	Yes	No		
5. Donation made to the academic research funding of molecular cardiology and cell medicine at Taipei Medical University Hospital			NT\$600,000	
VIII. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions:ISO14001 Quality Assurance and ISO9001 International Quality Management System Certification				

Note 1: Regardless of clicking “yes” or “no”, it should be explained in the summary field.

Note 2: If the company has prepared a CSR report, the summary description may be completed by providing page references to the CSR report instead.

Note 3: Material principles refer to a significant impact on the Company’s investors and other stakeholders on environmental, social, and corporate governance issues.

(IX) The state of the company's performance in the area of ethical corporate management, any variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance:

Evaluation Item	Implementation Status (Note 1)			Nonconformity to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and reasons thereof
	Yes	No	Summary	
<p>I. Ethical Management Policies and Action Plans</p> <p>(I) Has the company established an ethical management policy that has been passed by its Board of Directors, and clearly specified in its rules and external documents the ethical corporate management policies and the commitment by the Board of Directors and senior management on rigorous and thorough implementation of such policies and methods?</p> <p>(II) Has the company established a risk assessment mechanism against unethical behavior, analyzed and assessed business activities within their business scope on a regular basis which are at a higher risk of being involved in unethical behavior, and established prevention programs at least covering the preventive measures specified in Paragraph 2, Article 7 “Ethical Corporate Management Best Practice</p>		<p>✓</p> <p>✓</p>	<p>(I) The Company has not formulated ethical management policy, however the Company has strict rules upon internal managers (management level) in terms of ethics and self-disciplined. The Company uploads its policy of looking after employees trying its utmost to comprehend their feelings. In terms of the relationship between external manufacturers and customers, the Company adheres to its policy of transparency, fairness and being ethical, and subsidiaries are urged to do so.</p> <p>(II) The Company is in the process of formulating applicable ethical management policies or system. However, the Company has established effective accounting system and internal control system, and there shall not be any external account or reserved secret account. The systems should be reviewed at any time to ensure its design and effectiveness upon execution.</p>	<p>Formulation of applicable ethical management policies or system will be discussed.</p>

Evaluation Item	Implementation Status (Note 1)			Nonconformity to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and reasons thereof
	Yes	No	Summary	
<p>Principles for TWSE/TPEX Listed Companies”?</p> <p>(III) Has the company specified operational procedures, behavioral guidelines, disciplines of violations, as well as an appeal system in the program against unethical behavior, and implemented such programs, and reviewed and revised the previous program on a regular basis?</p>		✓	(III) The Company is in the process of formulating applicable ethical management policies or system.	
<p>II. Implementation of Ethical Management</p> <p>(I) Does the company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?</p> <p>(II) Has the company set up a dedicated responsible unit to promote corporate ethical management under the Board of Directors, and has such unit reported its execution in terms of ethical management policy and preventive programs against unethical behaviors and the supervision status to the Board of Directors on a regular basis (at least</p>	✓	✓	<p>(I) Prior to having a business relationship with a counterparty, the Company shall take into consideration of their legality and goodwill, and the contract is advised to include ethical terms and conditions.</p> <p>(II) The Company has yet to set a dedicated unit, it is mainly handled by the management department and audit office.</p>	<p>(I) It has met the requirements stipulated in the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.</p> <p>(II) Establishment of a dedicate unit for corporate ethical management will be discussed.</p>

Evaluation Item	Implementation Status (Note 1)			Nonconformity to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and reasons thereof
	Yes	No	Summary	
once a year)? (III) Does the company have any policy that prevents conflict of interest, and channels that facilitate the reporting of conflicting interests?	✓		(III) As a means to prevent conflict of interest, when a proposal at a given Board of Directors meeting concerns the personal interest of, or the interest of the juristic person represented by any of the directors, supervisors, managerial officers, and other stakeholders attending or present at board meetings of the Company, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as a proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings.	(III) It has met the requirements stipulated in the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
(IV) Has the company established an effective accounting system and internal control system in order to implement ethical management, and propose relevant audit plans according to the assessment results of the risks of unethical behaviors, and review the compliance status of the prevention of unethical	✓		(IV) All units shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act and other relevant laws and regulations, and audit and internal rules which specify the compliance of employees. Internal auditors shall inspect the implementation status of ethical management on an unscheduled basis in the form of a project.	(IV) It has met the requirements stipulated in the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status (Note 1)			Nonconformity to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and reasons thereof
	Yes	No	Summary	
<p>behaviors, or entrust an account to carry out the review?</p> <p>(V) Does the company organize internal or external training on a regular basis to maintain business integrity?</p>	✓		(V) Regular promotion is carried out, so that employees understand the Company's policy and consequences to a violation.	(V) It has met the requirements stipulated in the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
<p>III. Whistleblowing system</p> <p>(I) Does the company have a specific whistleblowing and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported?</p> <p>(II) Has the company implemented any standard procedures and/or subsequent measures after carrying out an investigation or confidentiality measures for handling reported misconduct?</p> <p>(III) Has the company taken appropriate measures to protect the whistleblower from suffering any consequences of reporting an</p>		<p>✓</p> <p>✓</p> <p>✓</p>	<p>(I) The Company has not formulated any concrete whistleblowing and reward system. However, employees of the Company can make a report to the management or HR unit through communication channels such as the Company's internal website and the complain mailbox of the HR unit.</p> <p>(II) Although the Company has not formulated relevant operational procedures and confidentiality mechanism, the Company handles reports with confidentiality.</p> <p>(III) The Company protects the identity of the whistleblower.</p>	<p>(I) Formulation of concrete whistleblowing and reward system will be discussed.</p> <p>(II) Formulation of relevant operational procedures and confidentiality mechanism will be discussed.</p> <p>(III) It has met the requirements stipulated in the Ethical Corporate Management Best</p>

Evaluation Item	Implementation Status (Note 1)			Nonconformity to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and reasons thereof
	Yes	No	Summary	
incident?				Practice Principles for TWSE/TPEX Listed Companies.
IV. Strengthening of Information Disclosure Does the company have the contents of ethical corporate management and its implementation disclosed on the website and MOPS?	✓		The Company shall disclose its implementation status in the annual report as required by the Regulations Governing Information to be Published in Annual Reports of Public Companies, and disclose the annual report on the Company's website: www.frg.com.tw.	It has met the requirements stipulated in the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
V. For companies who have established Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe the current practice and any deviations from the code of conduct: The Company is still in the process of formulating Ethical Corporate Management Best Practice Principles and relevant rules.				
VI. Other material information that helps to understand the practice of ethical management of the company: (e.g., the review and revision of the best-practice principles of the Company in ethical management) The Company adheres to its philosophy of the 7 highest principles including 'making a contribution to the society', "being loyal and honest", "being modest", "being responsible", "refinement", "striving for success" and "being grateful". The Company requires all employees to abide by the spirit of these 7 principles and all laws and regulations as well as measures. Various employee rules have been formulated to ensure the implementation of ethical management and law compliance.				

Note 1: Regardless of clicking "yes" or "no", it should be explained in the summary field.

(X) If the Company established the corporate governance guidelines and related articles, please disclose the inquiry method: None.

(XI) Other important information that is sufficient to enhance the understanding of the operation of corporate governance shall be disclosed all together:

1. As described in Chapter 3 (17) of this Article “Risk Management Policy and Organizational Structure of Formosan Rubber Group Inc.”
2. Further education of corporate governance for managerial officers and chief internal auditor:

Title	Name	Date of Appointment	Date of the Continuing Education		Organizer	Course Name	Hours of Course	Whether the Continuing Education Meets the Requirements(Not e 1)
			From	To				
President	Hsu Zhen-Ji	June 5, 2019	October 31, 2019	October 31, 2019	Taiwan Corporate Governance Association	Strategy, Risk, Crisis Management and Competitiveness	6	Yes
			November 21, 2019	November 21, 2019	Securities and Futures Institute	The Disclosure of Corporate Information and False Responsibility		
General Auditor	Liu Wen-Zheng	March 1, 2010	October 2, 2019	November 7, 2019	Securities and Futures Institute	Internal Audit Training Course	12	Yes
Chief accounting officer	Shi Ming-De	February 1, 2010	May 23, 2019	May 24, 2019	Accounting Research and Development Foundation	2019 Continuous Further Education of the Accounting Manager Course	12	Yes

Note 1: Whether continuing education hours, scope of continuing education, continuing education system, arrangement of continuing education and disclosure of information are in compliance as required in the “Regulations Governing Establishment of Internal Control Systems by Public Companies”.

3. Continuing Education for Directors:

Title	Name	Date of Appointment	Date of the Continuing Education		Organizer	Course Name	Hours of Course	Whether the Continuing Education Meets the Requirements (Note 1)
			From	To				
Chairperson	Hsu Zhen-Tsai	June 5, 2019	October 17, 2019	October 17, 2019	Securities and Futures Institute	Insight of Corporate Financial Crisis and Analysis of Types	6	Yes
			December 19, 2019	December 19, 2019		Corporate Governance and Latest Changes in Law		

Title	Name	Date of Appointment	Date of the Continuing Education		Organizer	Course Name	Hours of Course	Whether the Continuing Education Meets the Requirements (Note 1)
			From	To				
Director and President	Hsu Zhen-Ji	June 5, 2019	October 31, 2019	October 31, 2019	Taiwan Corporate Governance Association	Strategy, Risk, Crisis Management and Competitiveness	6	Yes
			November 21, 2019	November 21, 2019	Securities and Futures Institute	The Disclosure of Corporate Information and False Responsibility		
Director	He Min-Chuan (Re-elected as director on June 5, 2019)	June 5, 2019	October 24, 2019	October 24, 2019	Securities and Futures Institute	Corporate Governance and Latest Changes in Law	6	Yes
			December 11, 2019	December 11, 2019		Employee Remuneration Strategy and Tool Application		
Representative of juristic-person director	Hsu Zhen-Xin	June 5, 2019	July 17, 2019	July 17, 2019	Securities and Futures Institute	2019 Insider Equity Trading and Legal Compliance for Listed Companies	6	Yes
			November 21, 2019	November 21, 2019	TWSE	Seminar of Effective Use of Directors' Functions		
Representative of juristic-person director	Hsu Wei-Zhi	June 5, 2019	July 31, 2019	July 31, 2019	Securities and Futures Institute	Legal Compliance of Insider Equity for TWSE Listed Companies and Non-TWSE/TPEX Listed Companies	6	Yes
			September 4, 2019	September 4, 2019		Reason and Application Behind 5G and IoT		
Representative of juristic-person director	Lin Kun-Rong	June 5, 2019	May 15, 2019	May 15, 2019	TWSE	Promotion Forum of ESG Investment	6	Yes
			September 4, 2019	September 4, 2019	Securities and Futures Institute	Reason and Application Behind 5G and IoT		
Independent director	Xiao Sheng-Xian	June 5, 2019	May 15, 2019	May 15, 2019	TWSE	Promotion Forum of Task Force on Climate-related Financial Disclosures (TCFD)	6	Yes
			July 17, 2019	July 17, 2019	Securities and Futures Institute	2019 Insider Equity Trading and Legal Compliance for Listed Companies		

Title	Name	Date of Appointment	Date of the Continuing Education		Organizer	Course Name	Hours of Course	Whether the Continuing Education Meets the Requirements (Note 1)
			From	To				
Independent director	Chen Zhu-Sheng	June 5, 2019	July 18, 2019	July 18, 2019	Securities and Futures Institute	Analysis of Corporate Financial Information and Decision-Making	6	Yes
			July 23, 2019	July 23, 2019		Legal Risks and Responses to Major Corporate Malfeasance		
Independent director	Wu Chun-Lai (Newly elected: June 5, 2019)	June 5, 2019	July 16, 2019	July 16, 2019	Securities and Futures Institute	How do Directors and Supervisors Help the Company to Strengthen Internal Control and Internal Audit System for	12	Yes
			July 17, 2019	July 17, 2019		2019 Insider Equity Trading and Legal Compliance for Listed Companies		
			September 4, 2019	September 4, 2019		Reason and Application Behind 5G and IoT		
			October 1, 2019	October 1, 2019	Corporate Operation Association	Case Studies of Leadership Excellence, Corporate Transformation and Succession		

Note 1: Whether continuing education hours, scope of continuing education, continuing education system, arrangement of continuing education and disclosure of information are in compliance as required in the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies.”

4. Procedures for Handling Material Inside Information:

Procedures for Handling Material Inside Information Formosan Rubber Group Inc.

Established on the 11th meeting of the 17th Board

Article 1 (Purpose of these Procedures)

These Procedures are specially adopted to establish sound mechanisms for the handling and disclosure of material inside information by the Company, in order to prevent improper information disclosures and to ensure the consistency and accuracy of information released by the Company to the public.

Article 2 (Material inside information shall be handled in accordance with applicable laws and regulations and these Procedures)

The Company shall implement its handling and disclosure of material inside information in accordance with applicable laws and regulations, the rules and regulations of the Taiwan Stock Exchange Corporation (TWSE) or the Taipei Exchange (TPEX), and these Procedures.

Article 3 (Scope of application)

These Procedures shall apply to all directors, supervisors, managerial officers, and employees of this Corporation.

This Corporation shall ensure that any other person who acquires knowledge of this Corporation's material inside information due to their position, profession, or relationship of control shall comply with the applicable provisions of these Procedures.

Article 4 (Scope of material inside information)

For the purposes of these Procedures, the term "material inside information" refers to information that, with reference to the Securities and Exchange Act, other applicable laws and regulations, and the applicable rules and regulations of the TWSE or the TPEX, is defined as material inside information by the responsible unit in charge of handling of such information and is further approved by a resolution of the Board of Directors.

Article 5 (Responsible unit in charge of the handling of material inside information)

The Company has assigned the management division as the responsible unit with handling material inside information. The unit shall have the following functions and authorities:

- I. Responsibility for formulating the drafts of these Procedures and any amendments to them.
- II. Responsibility for receiving inquiries in connection with the methods of handling material inside information, and for consultation, review, and recommendations relating to these Procedures.
- III. Responsibility for receiving reports on unauthorized disclosures of material inside information and formulation of corresponding measures.
- IV. Responsibility for designing a system for preserving all documents, files, electronic records, and other materials related to these Procedures.
- V. Other activities related to these Procedures.

Article 6 (Confidentiality firewall operations - Personnel)

The Company's directors, supervisors, managerial officers, and employees shall exercise the due care and fiduciary duty of a good administrator and act in good faith when performing their duties, and shall sign confidentiality agreements.

No director, supervisor, managerial officer, or employee with knowledge of material inside information of this Corporation may divulge the information to others.

No director, supervisor, managerial officer, or employee of this Corporation may inquire about or collect any non-public material inside information of this Corporation not related to their individual duties from a person with knowledge of such information, nor may they disclose to others any non-public material inside information of this Corporation of which they become aware for reasons other than the performance of their duties.

Article 7 (Confidentiality firewall operations - Documents and information)

Proper protection of confidentiality shall be given to files and documents containing the Company's material inside information when transmitted in written form. When transmitted by e-mail or other electronic means, such files and documents must be processed with appropriate security technology such as encryption or electronic signatures.

Files and documents containing the Company's material inside information shall be backed up and stored in a secure location.

Article 8 (Operation of confidentiality firewalls)

The Company shall ensure that the firewalls specified in the preceding two articles are established, and take the following additional steps:

- I. Adopt adequate control measures for the firewalls and perform periodic testing.
- II. Enhance measures for custody and maintaining the secrecy of files and documents containing non-public material inside information of this Corporation.

Article 9 (Confidentiality obligations of outside organizations and persons)

Any organization or person outside of this Corporation that is involved in any corporate action of this Corporation relating to a merger or acquisition, major memorandum of understanding, strategic alliance, other business partnership plans, or the signing of a major contract shall be required to sign a confidentiality agreement, and may not disclose to another party any material inside information of this Corporation's thus acquired.

Article 10 (Principles of disclosure of material inside information)

The Company shall comply with the following principles when making external disclosures of material inside information:

- I. The information disclosed shall be accurate, complete, and timely.
- II. There shall be a well-founded basis for the information disclosure.
- III. The information shall be disclosed fairly.

Article 11 (Implementation of the spokesperson system)

Any disclosure of the Company's material inside information, except as otherwise provided by law or regulation, shall be made by this Corporation's spokesperson, or by a deputy spokesperson acting in such capacity in a confirmed sequential order. When necessary, the disclosure may be made directly by a responsible person of this Corporation.

The Company's spokesperson or deputy spokesperson shall communicate to outside parties only information within the scope authorized by the Company, and no personnel of the Company's other than those serving as the Company's responsible person, spokesperson, or deputy spokesperson may disclose any material inside information of the Company's to outside parties without authorization.

Article 12 (Record of disclosure of material inside information)

The Company shall keep records of the following in respect of any disclosure of information to outside parties:

- I. The person who discloses the information, the date, and the time.
- II. How the information is disclosed.
- III. What information is disclosed.
- IV. What written material is delivered.
- V. Any other relevant details.

Application form for public announcements: please see Table 1 and Table 2

Article 13 (Response to false media coverage)

If a media agency releases information that is in any respect inconsistent with material information disclosed by this Corporation, the Company shall promptly issue a clarification on the Market Observation Post System (MOPS) and request the media agency to correct the information.

Article 14 (Reporting of unusual events)

Any director, supervisor, managerial officer, or employee of the Company that becomes aware of any unauthorized disclosure of the Company's material inside information shall report to the responsible unit and the internal audit department of the Company as soon as practicable.

Upon receipt of a report made pursuant to the preceding paragraph, the responsible unit shall formulate corresponding measures. When necessary, it may invite members from the internal audit and other departments to meet for discussion of the measures, and shall keep a record of the results of the measures for future reference. The internal auditors shall also perform such audits as their duties may require.

Article 15 (Disciplinary measures)

The Company shall take measures to discover those responsible and take appropriate legal action against any personnel under either of the following circumstances:

- I. Personnel of the Company disclose material inside information without authorization to any outside party, or otherwise violate these Procedures or any other applicable law or regulation.
- II. A spokesperson or deputy spokesperson of this Corporation communicates to any outside party any information beyond the scope authorized by the Company, or otherwise violates these Procedures or any other applicable law or regulation.

If any person outside the Company divulges any material inside information of the Company, thereby causing damage to any property or interest of the Company, the Company shall pursue appropriate measures to hold the person divulging the information legally liable.

Article 16 (Internal controls)

These Procedures shall be incorporated into the Company's internal control system. The internal auditors shall keep themselves regularly informed of the status of compliance with these Procedures and shall prepare related audit reports, so as to ensure full implementation of the procedures for handling material inside information.

Article 17 (Awareness campaigns)

At least once per year, the Company shall conduct educational campaigns to promote awareness among all directors, supervisors, managerial officers, and employees with respect to these Procedures and related laws and regulations.

The Company shall also provide educational campaigns to new directors, supervisors, managerial officers, and employees in a timely manner.

Article 18

These Procedures, and any amendments to them, shall be implemented upon approval by the Board of Directors.

Article 19

These Operational Procedures were formulated on June 9, 2011

(XII) The following shall also be disclosed in the implementation status of the internal control system:

1. Internal Control Statement:

Formosan Rubber Group Inc.
Internal Control Statement

Date: March 20, 2020

The following declaration was made based on the 2019 self-assessment of the Company's internal control policies:

- I. The Company is aware that the establishment, execution, and maintenance its internal control policies are the responsibilities the Company's board of directors and managers; such policies were implemented throughout the Company. The purpose of the system is to reasonably ensure that the effectiveness and efficiency of operations (including profits, performance, and protecting the security of assets), reliability, timeliness, transparency, and regulatory compliance of reporting, as well as the compliance with applicable laws, regulations, and bylaws are achieved.
- II. The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. However, a self-monitor mechanism is installed in the internal control system of the Company. The Company will make corrections once the deficiencies are identified.
- III. The Company evaluates the design and execution of its internal control system based on the criteria specified in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations") to determine whether the existing system continues to be effective. The criteria defined in "the Regulations" include five elements depending on the management control process: 1. environment control; 2. risk assessment; 3. control process; 4. information and communication; and 5. supervision. Each element further encompasses several sub-elements. Please refer to "the Regulations" for details.
- IV. The Company has adopted the said criteria to validate the effectiveness of its internal control system design and execution.
- V. Basing on the aforementioned audit findings, the company holds that has reasonably preserved the achievement of the aforementioned goals within the aforementioned period ended on 2019.12.31 of internal control (including the monitoring over the subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant legal rules, and that the design and enforcement of internal control are effective.
- VI. The Statement of Declaration will be the major contents of the annual report and prospectus of the Company and to be publicly disclosed. Any illegalities such as misrepresentations or concealments in said published contents will be considered a breach of Articles 20, 32, 171, and 174 of the Securities and Exchange Act and incur legal responsibilities.
- VII. This declaration was passed unanimously without objection by all 7 Directors present at the board meeting dated March 20, 2020.

Formosan Rubber Group Inc.
Chairperson: Hsu Zhen-Tsai
President: Hsu Zhen-Ji

2. If an accountant is entrusted to perform a special audit on the internal control system, the audit report shall be disclosed: None.

(XIII) In the most recent year and as of the date of publication of the annual report, whether the company and its internal personnel have been disciplined according to law, or whether the company has disciplined its internal personnel for violating the provisions of the Internal Control System. The content of the disciplinary measures should be listed, as well as the main deficiencies and improvements: None.

(XIV) Major resolutions at shareholders meetings and Board of Directors meetings in most recent year and as of the publication date of the annual report:

1. Review of the execution of the resolutions of the shareholders meeting:
The matters resolved by the previous shareholders meeting on June 5, 2019 have all been enforced according to the resolution; the review of the execution is as follows:

Important resolutions	Execution review
<ol style="list-style-type: none"> 1. Recognition of the motion of the Company's 2019 business report and financial report. 2. Recognition of the motion of the Company's 2019 earnings distribution. 3. Motion of amendments to part of the provisions of the Company's "Article of Incorporation" has been approved. 4. Motion of amendments to part of the provisions of the Company's "Rules of Procedure for Shareholders Meetings" has been approved. 5. Motion of amendments of part of the Company's "Operational Procedures for Lending Funds to Others" has been approved. 6. Motion of amendments of part of the Company's "Operational Procedures for Endorsements/Guarantees" has been approved. 7. Motion of amendments of part of the Company's "Operational Procedures for Acquisition or Disposal of Assets" has been approved. 8. Election of the 20th Board of Directors. 9. Motion of lifting the restriction to engage in competitive conduct for newly elected directors and their representative has been approved. 	<ol style="list-style-type: none"> 1. The motion has been passed by all attending directors. 2. The motion was passed without objections after the chair consulted with all attending directors. June 30, 2019 was set as the ex-dividend date, and cash dividends were distributed on July 18, 2019 with a par value of NT\$0.68 per share. The cash dividends have been distributed as scheduled. 3. The change has been registered at the Ministry of Economic Affairs on June 14, 2019. 4. The motion has been passed by all attending directors. 5. The motion has been passed by all attending directors. 6. The motion has been passed by all attending directors. 7. The motion has been passed by all attending directors. 8. The change has been registered at the Ministry of Economic Affairs on June 14, 2019. 9. The motion has been passed by all attending directors.

2. Important resolutions of the Board of Directors' meeting:

Date of important resolutions	Important discussions	Resolution
The 27th meeting of the 19th board (January 24, 2019)	1. Cancellation of the 22nd and 23rd repurchase of the Company's outstanding shares; proposal of setting January 24 as the record date of a capital reduction.	1. The motion has been approved by all attending directors without any dissenting opinion.
The 28th meeting of the 19th board (March 15, 2019)	1. Motion of 2018 remuneration to the Company's employees, directors and supervisors. 2. Motion of the Company's 2018 business report and financial report. 3. Motion of the Company's 2018 earnings distribution. 4. Motion of amendments to part of the provisions of the Company's "Article of Incorporation". 5. Motion of amendments to part of the provisions of the Company's "Rules of Procedure for Shareholders Meetings". 6. Motion of amendments of part of the Company's "Operational Procedures for Lending Funds to Others". 7. Motion of amendments of part of the Company's "Operational Procedures for	1. The motion has been approved by all attending directors without any dissenting opinion. 2. The motion has been approved by all attending directors without any dissenting opinion. It has been delivered to the supervisors for review and for recognition at the shareholders meeting. (Note: The term of office for supervisors ended on June 5, 2019) 3. The motion has been approved by all attending directors without any dissenting opinion, and submitted for recognition to the shareholders meeting. 4. The motion has been approved by all attending directors without any dissenting opinion, and submitted for recognition to the shareholders meeting. 5. The motion has been approved by all attending directors without any dissenting opinion, and submitted for recognition to the shareholders meeting. 6. The motion has been approved by all attending directors without any dissenting opinion, and submitted for recognition to the shareholders meeting. 7. The motion has been approved by all attending directors without any

Date of important resolutions	Important discussions	Resolution
	<p>Endorsements/Guarantees”.</p> <p>8. Motion of amendments of part of the Company’s “Operational Procedures for “Acquisition or Disposal of Assets”.</p> <p>9. Motion of the Company’s 20th board election.</p> <p>10. Motion of nomination of the Company’s 20th board candidates (including independent directors).</p> <p>11. Motion of lifting the restriction to engage in competitive conduct for newly elected directors and their representative.</p> <p>12. Motion of formulation of the “Audit Committee Charter”.</p> <p>13. Motion of amendments to part of the provisions of the Company’s “Rules of Procedure for Board of Directors’ Meetings”.</p> <p>14. Motion of amendments of part of the Company’s “Halt and Resumption Applications”.</p> <p>15. Relevant matters in connection with the Company’s convening of 2019’s General Meeting of Shareholders.</p>	<p>dissenting opinion, and submitted for recognition to the shareholders meeting.</p> <p>8. The motion has been approved by all attending directors without any dissenting opinion, and submitted for recognition to the shareholders meeting.</p> <p>9. The motion has been approved by all attending directors without any dissenting opinion.</p> <p>10. The motion has been approved by all attending directors without any dissenting opinion.</p> <p>11. The chairperson recused himself due to conflict of interest and director Hsu Zhen-Ji was appointed as the temporary chair. The directors mentioned above recused themselves and therefore did not engage in the discussion and voting due to conflict of interests, the remaining attending directors passed the motion without any dissenting opinion.</p> <p>12. The motion has been approved by all attending directors without any dissenting opinion.</p> <p>13. The motion has been approved by all attending directors without any dissenting opinion.</p> <p>14. The motion has been approved by all attending directors without any dissenting opinion.</p> <p>15. The motion has been approved by all attending directors without any dissenting opinion.</p> <p>16. The motion has been</p>

Date of important resolutions	Important discussions	Resolution
	16. Motion of 2018 internal control system statement. 17. Motion of credit limit with corresponding banks.	approved by all attending directors without any dissenting opinion. 17. The motion has been approved by all attending directors without any dissenting opinion.
The 29th meeting of the 19th board (April 26, 2019)	No discussion items.	None.
The 30th meeting of the 19th board (May 10, 2019)	1. Motion of the consolidated financial report for the first quarter of 2019. 2. Motion of formulation of some part of the Company's "Measures of the Remuneration Payment to Directors and Supervisors". 3. "Standard Operating Procedures when Handling Requests of Directors" has been newly established. 4. Motion of the 2019 Dragon Boat Festival bonus for the Company and the subsidiary Ban Chien Development. 5. Motion of the distribution of the Company's 2018 remuneration to directors, supervisors, and employees.	1. The motion has been approved by all attending directors without any dissenting opinion. 2. The motion has been approved by all attending directors without any dissenting opinion. 3. The motion has been approved by all attending directors without any dissenting opinion. 4. The motion has been approved by all attending directors without any dissenting opinion. 5. The motion has been approved by all attending directors without any dissenting opinion.
1st extraordinary meeting of the 20th board (June 5, 2019)	1. Motion of director Hsu Zhen-Tsai's nomination for serving another term as the chairperson for the 20th board. 2. Motion of director Hsu Zhen-Ji's reappointment as the Company's president.	1. The motion has been approved by all attending directors without any dissenting opinion. 2. The motion has been approved by all attending directors without any dissenting opinion.
1st meeting of the 20th board (June 14, 2019)	1. Motion of the appointment of the Company's 4th Remuneration Committee members.	1. Independent directors Xiao Sheng-Xian, Chen Zhu-Sheng and Wu Chun-Lai recused themselves due to conflict of interest; the remaining attending directors passed the motion

Date of important resolutions	Important discussions	Resolution
	<ol style="list-style-type: none"> 2. Motion of the appointment of the Company's 1st Audit Committee members. 3. Update of the amount of endorsement/guarantee on the Company's investment of 950 Market Street in San Francisco. 	<p>without any dissent opinion.</p> <ol style="list-style-type: none"> 2. Independent directors Xiao Sheng-Xian, Chen Zhu-Sheng and Wu Chun-Lai recused themselves due to conflict of interest; the remaining attending directors passed the motion without any dissent opinion. 3. The motion has been approved by all attending directors without any dissenting opinion.
<p>2nd meeting of the 20th board (July 3, 2019)</p>	<ol style="list-style-type: none"> 1. Motion of the Company's 20th Board of Directors, members of the Remuneration Committee and members of the Audit Committee. 2. Motion of appointment (including salary) of the Company's consultants. 3. Update of the amount of endorsement/guarantee on the Company's investment of 950 Market Street in San Francisco. 	<ol style="list-style-type: none"> 1. The motion has been approved by all attending directors without any dissenting opinion. 2. The motion has been approved by all attending directors without any dissenting opinion. 3. The motion has been approved by all attending directors without any dissenting opinion.
<p>3rd meeting of the 20th board (August 9, 2019)</p>	<ol style="list-style-type: none"> 1. Motion of the Q2 of 2019 consolidated financial report. 2. Motion of credit limit with corresponding banks. 3. Motion of appointment of directors, supervisors and chief auditor as well as consultants of the Company's subsidiary Ban Chien Development Co., Ltd. 	<ol style="list-style-type: none"> 1. The motion has been approved by all attending directors without any dissenting opinion. 2. The motion has been approved by all attending directors without any dissenting opinion. 3. Hsu Zhen-Tsai, He Min-Chuan, Tang Kun-Cheng, Ou Jia-Bao and Hsiao Zheng-Zhong had themselves due to conflict of interest; the remaining attending directors passed the motion without any dissent opinion.

Date of important resolutions	Important discussions	Resolution
4th meeting of the 20th board (September 20, 2019)	1. Motion of appointment for Ou Jia-Bao to be the consultant.	1. The motion has been approved by all attending directors without any dissenting opinion.
5th meeting of the 20th board (November 8, 2019)	1. Motion of the Q3 of 2019 consolidated financial report. 2. Motion of credit limit with corresponding banks. 3. Motion of appointing representatives when matters involved the Company (both parties)	1. The motion has been approved by all attending directors without any dissenting opinion. 2. The motion has been approved by all attending directors without any dissenting opinion. 3. The motion has been approved by all attending directors without any dissenting opinion.
6th meeting of the 20th board (December 20, 2019)	1. Motion of the 2019 year-end bonus for the Company and the subsidiary Ban Chien Development. 2. Motion of 2020 income for president, deputy president and managerial officers. 3. Motion of 2020 internal control system and audit plans. 4. Motion of 2020 operating plans (budget).	1. The motion has been approved by all attending directors without any dissenting opinion. 2. The motion has been approved by all attending directors without any dissenting opinion. 3. The motion has been approved by all attending directors without any dissenting opinion. 4. The motion has been approved by all attending directors without any dissenting opinion.
7th meeting of the 20th board (February 25, 2020)	No discussion items.	None.
8th meeting of the 20th board (March 20, 2020)	1. Motion of planning to enforce the 24th repurchase of the Company's outstanding shares. 2. Motion of 2019 remuneration to the Company's employees, directors and supervisors. 3. Motion of the Company's 2019 business report and financial report.	1. The motion has been approved by all attending directors without any dissenting opinion. 2. The motion has been approved by all attending directors without any dissenting opinion. 3. After the motion has been delivered to the Audit Committee for review, it was approved by all attending directors without

Date of important resolutions	Important discussions	Resolution
	<p>4. Motion of the Company's 2019 earnings distribution.</p> <p>5. Motion of amendments to part of the provisions of the Company's "Article of Incorporation".</p> <p>6. Amendments to part of the provisions of the Company's "Rules of Procedure for Shareholders Meetings".</p> <p>7. Motion of amendments to part of the provisions of the Company's "Rules of Procedure for Board of Directors' Meetings" has been approved.</p> <p>8. Motion of amendments to part of the provisions of the Company's Audit Committee Charter".</p> <p>9. Motion of formulation of the Company's "Regulations Governing the Board Performance Evaluation".</p> <p>10. Motion of formulation of the Company's Rules of Corporate Governance".</p> <p>11. Relevant matters in connection with the Company's convening of 2020's General Meeting of Shareholders.</p> <p>12. Motion of appointed CPAs' fees.</p> <p>13. Motion of authorization for</p>	<p>any dissenting opinion, and was submitted for recognition at the shareholders meeting.</p> <p>4. After the motion has been delivered to the Audit Committee for review, it was approved by all attending directors without any dissenting opinion, and was submitted for recognition at the shareholders meeting.</p> <p>5. The motion has been approved by all attending directors without any dissenting opinion.</p> <p>6. The motion has been approved by all attending directors without any dissenting opinion.</p> <p>7. The motion has been approved by all attending directors without any dissenting opinion.</p> <p>8. The motion has been approved by all attending directors without any dissenting opinion.</p> <p>9. After amendments have been made, all attending directors approved.</p> <p>10. After amendments have been made, all attending directors approved.</p> <p>11. The motion has been approved by all attending directors without any dissenting opinion.</p> <p>12. The motion has been approved by all attending directors without any dissenting opinion.</p>

Date of important resolutions	Important discussions	Resolution
	<p>opening accounts at SinoPac Securities and Masterlink Securities.</p> <p>14. Motion of discussion of the Company's investment preferred stocks and best value offshore financial products.</p> <p>15. Motion of 2019 internal control system statement.</p> <p>16. Motion of increasing the investment limit to NT\$1 billion for domestic TWSE/TPEX stocks.</p>	<p>13. The motion has been approved by all attending directors without any dissenting opinion.</p> <p>14. The motion has been approved by all attending directors without any dissenting opinion.</p> <p>15. The motion has been approved by all attending directors without any dissenting opinion.</p> <p>16. The motion has been approved by all attending directors without any dissenting opinion.</p>

(XV) Any other documented objections or qualified opinions raised by directors or supervisors against board resolutions in relation to matters, and their content in most recent year and as of the publication date of the annual report: None.

(XVI) Resignation or discharge of chairperson, president and managerial staff of accounting, finance, internal audit, corporate governance manager and research and development in most recent year and as of the printed date of the annual report: None.

(XVII) Risk Management Policy and Organizational Structure of Formosan Rubber Group Inc.:

1. Description of the Company's risk management policy

1	The risk management policy has been enacted for the Company to strengthen internal control and and improve corporate risk management, Including risk detection, assessment, reporting and how to handle risks.,
2	The Company has set up a 3-level risk management organization. Specific operating method has been formulated from responsibilities of main departments→auditoffice→Board of Directors with a set goal of achieving risk control for all employees from all aspects.
3	The Company has set up a 3-level risk management organization (main departments→auditoffice→Board of Directors) and specific operating method has been formulated with a goal of achieving risk control for all employees from all aspects.
4	As a means to improve the transparency of information disclosure for “risk control”, the Company discloses information in terms of its organization and operation of risk management policy, important risk assessments and risk management on the website and in the annual report as required by the competent authority.

2. Important risk assessments for risk management

0	Designated items for information disclosure	0-1	External factors such as exchange rate, interest rate, inflation, law and politics, causing the risk of segment loss.
1	Risk of business or service	1-1	Poor quality of business or service. Compensation risk of delivery disputes (such as incompliance of specifications) or violation of the law (such as poison or infringement)
		1-2	Compensation risk of business or service production process (such as environmental pollution or accidents)
		1-3	Risks directly or indirectly causes business or service loss due to misplacement of business or service personnel's duties/concurrent job/salary/assessment
2	Risk of finance	2-1	Accounts receivable with insufficient guarantee or collection and payment
		2-2	Accumulated loss unrecognized this year
		2-3	Engaging in risk operation specified by the Securities and Exchange Bureau (such as lending funds to others, providing endorsement for others, financial operation of derivatives and related party transactions).
3	Risk of assets	3-1	Risks of disasters (such as fires or explosion) or natural disasters (such as floods, windstorms and earthquakes).
		3-2	Risks of vandalism or theft

3. Organizational Operation of Risk Management

Organizational Risk Management	Level 1	Level 2	Level 3
Responsible department	Main departments	Audit Office	Board of Directors
Operation method	When carrying out daily control activities or self-assessments on annual important risk assessment items, departmental management risks, if occurrence estimates of management risks is moderate - high, such important risk assessment item and its measures to reduce operating risks shall be reported to the Organizational Risk Management at Level 2 and Level 3. It shall be included in the next year's internal control system amendment.	When carrying out a risk self-assessment on the departmental operations or performing an annual audit plans, if the operating risk estimate occurrence is moderate - high of the level 1 of Organizational Risk Management, such important risk assessment item and its measures to reduce operating risks shall be included in the next year's internal control system amendment and audit plan adjustment. It shall also be reported to the Organizational Risk Management at Level 3.	In terms of Organizational Risk Management at Level 1 and Level 2, it is submitted to the next year's internal control system amendment and audit plan adjustment according to the risk management items listed and shall be implemented upon approval.

V. Information Regarding the Company's Audit Fees:

(I) Information of Audit Fee

Name of the Accounting Firm	Name of the CPAs		Audit Period	Remarks
Baker Tilly Clock & Co Clock & Co.	Zhou Yin-Lai	Wu Xin-Liang	January 1, 2019 - December 31 2019	

Note: If the Company has changed the CPAs or the accounting firm this year, please indicate the audit period separately, and explain the reason for the replacement in the Remarks field.

Breakdown of CPA Professional Fees

Unit: NT\$ thousand

Price Range	Fee Item	Audit Fee	Non-Audit Fee	Total
1	Below NT\$2,000	V	V	
2	NT\$2,000 thousand (inclusive) - 4,000 thousand			V
3	NT\$4,000 thousand (inclusive) - NT\$6,000 thousand			
4	NT\$6,000 thousand (inclusive) - NT\$8,000 thousand			
5	NT\$8,000 thousand (inclusive) - NT\$10,000 thousand			
6	NT\$10,000,000 (inclusive) and above			

Information Regarding the Company's Audit Fees

Unit: NT\$ thousand

Name of the Accounting Firm	Name of the CPAs	Audit Fee	Non-Audit Fee					Whether the audit period CPAs carry out covers the entire accounting year			Remarks (Note 2)
			System designation	Business registration	HR	Others(Note 1)	Subtotal	Yes	No	Audit Period	
Baker Tilly Clock & Co Clock & Co.	Zhou Yin-Lai	1,910	0	10	0	110	120	V		January 1, 2019 - December 31, 2019	Review of the annual report for shareholders and the English version of the 2018 consolidated financial report.
	Wu Xin-Liang										

Note 1: If the Company has changed the CPAs or the accounting firm this year, please indicate the audit period separately, and explain the reason for the replacement in the Remarks field and disclose the audit and non-audit profession fees and other information.

Note 2: Please list the service items for non-audit fees. If "other" reaches 25% or more of the total amount of non-audit fees, its content of service shall be disclosed in the Remarks field.

- (II) Audit fee for the change of accounting firms paid in the year is less than the previous year, the decreased amount, percentage and reason of the audit fee shall be disclosed: None.

(III) Over 10% decrease in audit fee on a year-to-year basis, the decreased amount, percentage and reason of the audit fee shall be disclosed: None.

VI. Change of CPA: None.

VII. Any of the Company's chairperson, president, or managerial officer in charge of finance or accounting held a position in the CPA's firm or its affiliates in the most recent year: None.

VIII.Changes in shareholding and shares pledged by directors, supervisors, managerial officers and shareholders with 10% shareholdings or more in most recent year and as of the publication date of the annual report:

(I) Changes in shareholding by directors, supervisors, managers and major Shareholders

Title	Name	2019		Year-to-date as at April 14, 2020	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairperson	Hsu Zhen-Tsai	0	0	0	0
Director	Hsu Zhen-Ji	0	0	0	0
Director	Eurogear Corporation	0	0	0	0
Director representative	Representative of Eurogear Corporation: Juristic-person representative Hsu Zhen-Xin	0	0	0	0
Director	Ruifu Construction Co., Ltd.	2,086,000	0	0	0
Director representative	Representative of Ruifu Construction Co., Ltd.: Juristic-person representative Hsu Wei-Zhi	0	0	0	0
Director	Formosan Construction Corp. (Taiwan	423,000	0	330,000	0
Director representative	Formosan Construction Corp. (Taiwan: Juristic- person representative Lin Kun-Rong	0	0	0	0
Director	He Min-Chuan	0	0	0	0
Independent director	Xiao Sheng-Xian	0	0	0	0
Independent director	Chen Zhu-Sheng	0	0	0	0
Independent director	Wu Chun-Lai	0	0	0	0
Supervisor	He Min-Chuan (Dismissal date: June 5, 2019)	0	0	Not applicable	Not applicable
Supervisor	Fenghe International Co., Ltd. Dismissal date: June 5, 2019)	0	0	Not applicable	Not applicable
Supervisor	Fenghe International Co., Ltd.: Juristic-person representative Tang Kun-Cheng (Dismissal date: June 5, 2019)	0	0	Not applicable	Not applicable
President	Hsu Zhen-Ji	0	0	0	0
Special assistant	Hsu Zhen-Xin	0	0	0	0

Title	Name	2019		Year-to-date as at April 14, 2020	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Vice President	Jiang Rui-Tang	0	0	0	0
Managerial Officer	Hsiao Zheng-Zhong	0	0	0	0
Managerial Officer	Huang Hui Xian	0	0	0	0
General Auditor	Liu Wen-Zheng	0	0	0	0
Chief financial officer	Lin Shi-Zhe	0	0	0	0
Chief accounting officer	Shi Ming-De	0	0	0	0

(II) Information on transfer of equity: No transfers or equity; therefore, not applicable.

(III) Information on pledge of equity: Not applicable.

IX. Top 10 shareholders who are related parties, spouses, or within second-degree of kinship to each other:

Relationships among top-10 shareholders

Serial number	Name (Note 1)	Shares Held In Own Name		Shares Held by Spouse and Underage Children		Number of Shares Held Under Another Person's Name		Names and Relationship of Top 10 Shareholders who are Related Parties, Spouses or Within Second-Degree of Kinship to Each Other (Note 3)		Remarks
		Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Title (or Name)	Relation	
1	Ruifu Construction Co., Ltd.	34,070,754	9.73%	0	0.00%	0	0.00%	None	Not applicable	None
	Representative: Hsu Zhen-Ji	4,597	0.0%	64,800	0.02%	0	0%			
2	Chengxi Investment Co., Ltd.	18,010,989	5.15%	0	0%	0	0%	Quanxinfeng Co., Ltd./Ascend Gear International Inc. Hsu Mei-Lun	Company's representative is of second-degree of kinship Affinity	None
	Representative: Yang Xun-Wen	0	0.0%	1,947,781	0.56%	0	0%			
3	Ascend Gear International Inc.	14,251,047	4.07%	0	0%	0	0%	Quanxinfeng Co., Ltd./Chengxi Hsu Mei-Lun	Company's representative is of second-degree of kinship Affinity	None
	Representative: Chen Hui-Jin	313,300	0.09%	3,974,488	1.14%	0	0%			
4	Formosan Construction Corp. (Taiwan)	12,507,726	3.57%	0	0%	0	0%	None	Not applicable	None
	Representative: Lin Kun-Rong	24,300	0.01%	0	0%	0	0%			
5	Hsu Mei-Lun	9,596,720	2.74%	0	0%	0	0%	Chengxi/Quanxinfeng Co., Ltd./Ascend Gear International Inc.	Directors and juristic-person representatives are relatives within the second degree of kinship.	None

Serial number	Name (Note 1)	Shares Held In Own Name		Shares Held by Spouse and Underage Children		Number of Shares Held Under Another Person's Name		Names and Relationship of Top 10 Shareholders who are Related Parties, Spouses or Within Second-Degree of Kinship to Each Other (Note 3)		Remarks
		Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Title (or Name)	Relation	
6	Quanxinfeng Co., Ltd.	8,942,410	2.55%	0	0%	0	0%	Chengxi/Ascend Gear International Inc.	Company's representative is of second-degree of kinship Affinity	None
	Representative: Hsu Zhen-Xin	2,754,912	0.79%	0	0%	0	0%	Hsu Mei-Lun		
7	Citi (Taiwan) Commercial Bank is entrusted with the custody of the Norges Bank Investment	6,086,980	1.74%	0	0%	0	0%	None	Not applicable	None
8	JPMorgan Chase Bank Taipei Branch is entrusted with the custody of Vanguard Group Company Manager's Vanguard Global Market Stock Index Fund Special Account	4,658,135	1.33%	0	0%	0	0%	None	Not applicable	None
9	JPMorgan Chase Bank Taipei Branch is entrusted with the custody of the series of funds of the Progressive Global Investment International Stock Index Fund Investment Special Account	3,839,306	1.10%	0	0%	0	0%	None	Not applicable	None
10	Song Quan Co., Ltd.	3,650,000	1.04%	0	0.00%	0	0.00%	None	Not applicable	None

Note 1: List the top 10 shareholders. List both the titles of the shareholders and the names of the representatives for institutional shareholders.

Note 2: The calculation of proportion of shareholding shall be the holding by the person, spouse, and dependents or in the name of a third party separately.

Note 3: The aforementioned shareholders for disclosure shall include institutional shareholders and natural persons, with the relations between the shareholders as required by the Criteria for the Compilation of Financial Statements by Securities Issuers.

X.Number of shares held and shareholding percentage of the Company, the Company's directors, supervisors, managerial officers and directly or indirectly controlled entities on the same investee:

Unit: Share; %; December 31, 2019

Invested Business (Note 1)	The Company's investment		Investments by the Directors, supervisors, managerial officers, and companies directly or indirectly controlled by the Company		Combined investment	
	Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)
Da-Guan Recreation Company	4,800,000	80.00	0	0.00	4,800,000	80.00
Ruifu Development Co., Ltd.	48,260	48.26	42,160	42.16	90,420	90.42
Fenghe Development Co., Ltd.	3,990,000	39.90	328,333	3.28	4,318,333	43.18
Formosan Construction Corp. (Taiwan)	7,597,927	26.20	13,248,101	45.68	20,846,028	71.88
Formosa Plastics Corp.	583,000	0.01	0	0	583,000	0.01
Huaku Development Co., Ltd.	1,280,000	0.46	0	0	1,280,000	0.46
E.SUN Financial Holding Co., Ltd.	1,510,076	0.01	0	0	1,510,076	0.01
Formosan Chemical Ind. Corp.	22,516	2.25	0	0	22,516	2.25
Formosan Glass & Chemical Industrial Co.	10,000	5.13	0	0	10,000	5.13
Ningbo Formosan Rubber Group Inc. (Note 2)	71,927				71,927	
	(NTD thousand)	12.86	0	0	(NTD thousand)	12.86
BrightekOptoelectronic Co., Ltd.	267,241	0.44	0	0	267,241	0.44
TSEC Corporation	5,984,888	1.58	0	0	5,984,888	1.58
Sinopac Financial Holdings Company Limited.	35,969,700	0.32	42,062,322	0.37	78,032,022	0.69
Formosa Chemicals &Fibre Corporation	4,599,170	0.08	0	0	4,599,170	0.08
Taiyang Co., Ltd.	111,395	1.24	0	0	111,395	1.24
ShineMore Technology Materials Co., Ltd.	1,158,250	1.52	118,250	0.16	1,276,500	1.68
Ban Chien Development Co., Ltd.	56,000,000	100.00	0	0	56,000,000	100.00
Nan Ya Plastics Corporation	3,847,900	0.05	0	0	3,847,900	0.05
Grand Fortune Securities Co., Ltd.	690,000	0.28	0	0	690,000	0.28
Yuji Venture Capital Co., Ltd.	2,700,000	10.00	0	0	2,700,000	10.00
The Eslite Corporation	1,604,379	1.65	0	0	1,604,379	1.65
Far EasTone Telecommunications Co., Ltd.	2,007,000	0.06	0	0	2,007,000	0.06
Far Eastern Department Stores Ltd.	5,266,447	0.37	0	0	5,266,447	0.37
Far Eastern New Century	4,101,761	0.08	0	0	4,101,761	0.08

Invested Business (Note 1)	The Company's investment		Investments by the Directors, supervisors, managerial officers, and companies directly or indirectly controlled by the Company		Combined investment	
	Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)
Tashee Recreation Co., Ltd. - Preferred stock	1	—	0	0	1	—
ASUSTeK Computer Inc.	200,000	0.03	0	0	200,000	0.03
WPG Holding Co Ltd.	283,600	0.02	0	0	283,600	0.02
Continental Holdings Corp.	2,205,000	0.27	0	—	2,205,000	0.27
Formosa Petrochemical Corp.	1,678,000	0.02	0	0	1,678,000	0.02
Pegatron Corporation	635,000	0.02	0	0	635,000	0.02
Chong Hong Construction Co., Ltd.	0	0	560,000	0.19	560,000	0.19
FRG US CORP.	7,506,000	100.00	0	—	7,506,000	100.00
KINGSHALE INDUSTRIAL LIMITED	9,999	99.99	0	0	9,999	99.99
TRIMOSA HOLDINGS LLC(Note 2)	14,964,052 (USD)	14.67	7,482,025 (USD)	7.34	22,446,077 (USD)	22.01

Note 1: Refers to the Company's long-term or short-term investment.

Note 2: The number for unissued shares is listed as their original investment amount.

IV. Funding Status

- I. Capital and Shares
- II. Corporate Bonds
- III. Preferred Stocks
- IV. Global Depository Receipts
- V. Employee Stock Options
- VI. New Restricted Employee Shares
- VII. New Shares Issued for Merger or Acquisition (including mergers, acquisitions, and demergers)
- VIII. Progress on Planned Use of Capital

I.Capital and Shares:

(I) Source of Capital Formation of Capital:

Unit: NTD/Share

Year/Month	Issue Price	Authorized capital		Paid-up capital		Source of Capital	Remarks	
		Number of Shares	Amount	Number of Shares	Amount		Paid in Properties Other Than Cash	Others
January 1963	10	240,000	2,400,000	240,000	2,400,000	Partnership was registered in 1952 when founded; it became a company in 1963	None	
August 1964	10	500,000	5,000,000	500,000	5,000,000	Cash Capital Increase - NT\$2,600,000	None	
August 1966	10	1,200,000	12,000,000	1,200,000	12,000,000	Cash Capital Increase - NT\$7,000,000	None	
June 1970	10	1,800,000	18,000,000	1,800,000	18,000,000	Cash Capital Increase - NT\$6,000,000	None	
August 1971	10	3,000,000	30,000,000	3,000,000	30,000,000	Cash Capital Increase - NT\$12,000,000	None	
October 1972	10	6,000,000	60,000,000	6,000,000	60,000,000	Cash Capital Increase - NT\$30,000,000	None	
September 1973	10	8,000,000	80,000,000	8,000,000	80,000,000	Cash Capital Increase - NT\$20,000,000	None	
January 1974	10	10,000,000	100,000,000	10,000,000	100,000,000	Cash Capital Increase - NT\$20,000,000	None	
December 1974	10	11,500,000	115,000,000	11,500,000	115,000,000	Capital Reserve to Increase Capitalization - NT\$15,000,000	None	
December 1975	10	14,500,000	145,000,000	14,500,000	145,000,000	Cash Capital Increase - NT\$10,000,000, Capital Reserve to Increase Capitalization - NT\$20,000,000	None	
September 1978	10	16,000,000	160,000,000	16,000,000	160,000,000	Capitalization of Retained Earnings - NT\$15,000,000	None	
October 1979	10	19,000,000	190,000,000	19,000,000	190,000,000	Capitalization of Retained Earnings - NT\$30,000,000	None	

Year/Month	Issue Price	Authorized capital		Paid-up capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Paid in Properties Other Than Cash	Others
September 1980	10	22,500,000	225,000,000	22,500,000	225,000,000	Cash Capital Increase - NT\$15,000,000, Capitalization of Retained Earnings - NT\$20,000,000	None	
December 1983	10	36,000,000	360,000,000	36,000,000	360,000,000	Cash Capital Increase - NT\$135,000,000	None	Approved under Taiwan-Finance-Securities-(1) 2777 dated December 17, 1983 (1983)
October 1985	10	42,353,000	423,530,000	42,353,000	423,530,000	Cash Capital Increase - NT\$63,530,000	None	Approved under Taiwan-Finance-Securities-(1) 304 dated October 29, 1985 (1985)
November 1986	10	66,000,000	660,000,000	60,003,000	600,030,000	Cash Capital Increase - NT\$136,500,000, Capital Reserve to Increase Capitalization - NT\$40,000,000	None	Approved under Taiwan-Finance-Securities-(1) 13053 dated September 23, 1986 (1986)
September 1987	10	66,000,000	660,000,000	66,000,000	660,000,000	Cash Capital Increase - NT\$59,970,000	None	Approved under Taiwan-Finance-Securities-(1) 3440 dated August 7, 1987 (1987)
November 1988	10	76,000,000	760,000,000	76,000,000	760,000,000	Cash Capital Increase - NT\$100,000,000	None	Approved under Taiwan-Finance-Securities-(1) 08958 dated August 26, 1988 (1988)
December 1989	10	130,000,000	1,300,000,000	130,000,000	1,300,000,000	Cash Capital Increase - NT\$375,000,000, Capitalization of Retained Earnings - NT\$145,200,000, Capital Reserve to Increase Capitalization - NT\$19,800,000	None	Approved under Taiwan-Finance-Securities-(1) 02539 dated December 19, 1988 (1989)
October 1991	10	180,000,000	1,800,000,000	156,000,000	1,560,000,000	Capitalization of Retained Earnings - NT\$130,000,000, Capital Reserve to Increase Capitalization - NT\$130,000,000	None	Approved under Taiwan-Finance-Securities-(1) 02944 dated October 11, 1992 (1992)
July 1993	10	180,000,000	1,800,000,000	180,000,000	1,800,000,000	Capital Reserve to Increase Capitalization - NT\$240,000,000	None	Approved under Taiwan-Finance-Securities-(1) 30829 dated July 31, 1993 (1993)
September 1994	10	234,000,000	2,340,000,000	207,000,000	2,070,000,000	Capital Reserve to Increase Capitalization - NT\$270,000,000	None	Approved under Taiwan-Finance-Securities-(1) 32558 dated September 7, 1994 (1994)

Year/Month	Issue Price	Authorized capital		Paid-up capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Paid in Properties Other Than Cash	Others
March 1995	10	234,000,000	2,340,000,000	234,000,000	2,340,000,000	Cash Capital Increase - NT\$270,000,000	None	Approved under Taiwan-Finance-Securities-(1) 55170 dated March 16, 1995 (1995)
June 1995	10	269,100,000	2,691,000,000	269,100,000	2,691,000,000	Capitalization of Retained Earnings - NT\$135,720,000, Capital Reserve to Increase Capitalization - NT\$215,280,000	None	Approved under Taiwan-Finance-Securities-(1) 37123 dated June 23, 1995 (1995)
July 1996	10	285,246,000	2,852,460,000	285,246,000	2,852,460,000	Capital Reserve to Increase Capitalization - NT\$161,460,000	None	Approved under Taiwan-Finance-Securities-(1) 41715 dated July 10, 1996 (1996)
June 1997	10	373,770,600	3,737,706,000	313,770,600	3,137,706,000	Capital Reserve to Increase Capitalization - NT\$285,246,000	None	Approved under Taiwan-Finance-Securities-(1) 51629 dated June 27, 1997 (1997)
June 1998	10	411,423,072	4,114,230,720	351,423,072	3,514,230,720	Capital Reserve to Increase Capitalization - NT\$376,524,720	None	Approved under Taiwan-Finance-Securities-(1) 54404 dated June 22, 1998 (1998)
June 1999	10	435,319,840	4,353,198,400	375,319,840	3,753,198,400	Capital Reserve to Increase Capitalization - NT\$238,967,680	None	Approved under Taiwan-Finance-Securities-(1) 54833 dated June 11, 1999 (1999)
June 2000	10	457,088,390	4,570,883,900	397,088,390	3,970,883,900	Capital Reserve to Increase Capitalization - NT\$217,685,500	None	Approved under Taiwan-Finance-Securities-(1) 50705 dated June 13, 2000 (2000)
July 2003	10	457,088,390	4,570,883,900	389,869,390	3,898,693,900	Cancellation of Treasury Shares NT\$72,190,000	None	Approved under Taiwan-Finance-Securities-(3) 0920134406 dated July 25, 2003
July 2004	10	680,000,000	6,800,000,000	385,264,400	3,852,643,900	Cancellation of Treasury Shares NT\$46,050,000	None	Approved under Letter No. Jing-Shou-Shang-09301112810 dated July 9, 2004
April 2005	10	680,000,000	6,800,000,000	461,767,899	4,617,678,990	Conversion of Corporate Bonds to Common Shares - NT\$765,035,090	None	Approved under Taiwan-Finance-Securities-(3) 09401061520 dated April 15, 2005
July 2005	10	680,000,000	6,800,000,000	469,023,521	4,690,235,210	Conversion of Corporate Bonds to Common Shares - NT\$72,556,220	None	Approved under Taiwan-Finance-Securities-(3) 09401130940 dated July 15, 2005

Year/Month	Issue Price	Authorized capital		Paid-up capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Paid in Properties Other Than Cash	Others
October 2005	10	680,000,000	6,800,000,000	475,812,986	4,758,129,860	Conversion of Corporate Bonds to Common Shares - NT\$67,894,650	None	Approved under Taiwan-Finance-Securities-(3) 09401210150 dated October 20, 2005
December 2005	10	680,000,000	6,800,000,000	455,812,986	4,558,129,860	Cancellation of treasury shares NT\$200,000,000	None	Approved under Taiwan-Finance-Securities-(3) 09401260020 dated December 16, 2005
January 2006	10	680,000,000	6,800,000,000	455,828,023	4,558,280,230	Conversion of Corporate Bonds to Common Shares - NT\$150,370	None	Approved under Taiwan-Finance-Securities-(3) 09501016010 dated January 26, 2006
March 2006	10	680,000,000	6,800,000,000	452,980,023	4,529,800,230	Cancellation of Treasury Shares NT\$28,480,000	None	Approved under Taiwan-Finance-Securities-(3) 09501036310 dated March 6, 2006
April 2006	10	680,000,000	6,800,000,000	467,303,329	4,673,033,290	Conversion of Corporate Bonds to Common Shares - NT\$143,233,060	None	Approved under Taiwan-Finance-Securities-(3) 09501064670 dated April 12, 2006
July 2006	10	680,000,000	6,800,000,000	474,310,828	4,743,108,280	Conversion of Corporate Bonds to Common Shares - NT\$70,074,990	None	Approved under Taiwan-Finance-Securities-(3) 09501141160 dated July 10, 2006
October 2006	10	680,000,000	6,800,000,000	481,431,107	4,814,311,070	Conversion of Corporate Bonds to Common Shares - NT\$71,202,790	None	Approved under Taiwan-Finance-Securities-(3) 09501228400 dated October 12, 2006
November 2006	10	680,000,000	6,800,000,000	477,684,107	4,776,841,070	Cancellation of Treasury Shares NT\$37,470,000	None	Approved under Taiwan-Finance-Securities-(3) 09501262890 dated November 21, 2006
January 2007	10	680,000,000	6,800,000,000	512,526,074	5,125,260,740	Conversion of Corporate Bonds to Common Shares - NT\$348,419,670	None	Approved under Taiwan-Finance-Securities-(3) 09601003550 dated January 9, 2007
April 2007	10	680,000,000	6,800,000,000	523,962,133	5,239,621,330	Conversion of Corporate Bonds to Common Shares - NT\$114,360,590	None	Approved under Taiwan-Finance-Securities-(3) 09601077550 dated April 14, 2007
April 2007	10	680,000,000	6,800,000,000	524,082,432	5,240,824,320	Conversion of Corporate Bonds to Common Shares - NT\$1,202,990	None	Approved under Taiwan-Finance-Securities-(3) 09601091420 dated April 30, 2007

Year/Month	Issue Price	Authorized capital		Paid-up capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Paid in Properties Other Than Cash	Others
March 2008	10	680,000,000	6,800,000,000	523,296,432	5,232,964,320	Cancellation of Treasury Shares NT\$7,860,000	None	Approved under Taiwan-Finance-Securities-(3) 09701071000 dated March 27, 2008
December 2008	10	680,000,000	6,800,000,000	503,652,432	5,036,524,320	Cancellation of Treasury Shares NT\$196,440,000	None	Approved under Taiwan-Finance-Securities-(3) 09701317960 dated December 18, 2008
December 2011	10	680,000,000	6,800,000,000	501,980,432	5,019,804,320	Cancellation of Treasury Shares NT\$16,720,000	None	Approved under Taiwan-Finance-Securities-(3) 10001273350 dated December 1, 2011
March 2012	10	680,000,000	6,800,000,000	497,689,432	4,976,894,320	Cancellation of Treasury Shares NT\$42,910,000	None	Approved under Taiwan-Finance-Securities-(3) 10101035730 dated March 2, 2012
August 2012	10	680,000,000	6,800,000,000	497,189,432	4,971,894,320	Cancellation of Treasury Shares NT\$5,000,000	None	Approved under Taiwan-Finance-Securities-(3) 10101166240 dated August 13, 2012
December 2015	10	680,000,000	6,800,000,000	490,468,432	4,904,684,320	Cancellation of Treasury Shares NT\$67,210,000	None	Approved under Taiwan-Finance-Securities-(3) 10401267800 dated December 18, 2015
May 2016	10	680,000,000	6,800,000,000	481,777,432	4,817,774,320	Cancellation of Treasury Shares NT\$86,910,000	None	Approved under Taiwan-Finance-Securities-(3) 10501087510 dated May 5, 2016
August 2016	10	680,000,000	6,800,000,000	433,600,000	4,336,000,000	Capital Reduction - NT\$481,774,320	None	Approved under Taiwan-Finance-Securities-(3) 10501192820 dated August 15, 2016
February 2017	10	680,000,000	6,800,000,000	425,000,000	4,250,000,000	Cancellation of Treasury Shares NT\$86,000,000	None	Approved under Taiwan-Finance-Securities-(3) 10601017260 dated February 13, 2017
May 2017	10	680,000,000	6,800,000,000	422,222,000	4,222,220,000	Cancellation of Treasury Shares NT\$27,780,000	None	Approved under Taiwan-Finance-Securities-(3) 10601055000 dated May 1, 2017
August 2017	10	680,000,000	6,800,000,000	380,000,000	3,800,000,000	Capital Reduction - NT\$422,220,000	None	Approved under Taiwan-Finance-Securities-(3) 10601111970 dated August 3, 2017

Year/Month	Issue Price	Authorized capital		Paid-up capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Paid in Properties Other Than Cash	Others
March 2018	10	680,000,000	6,800,000,000	370,000,000	3,700,000,000	Cancellation of Treasury Shares NT\$100,000,000	None	Approved under Taiwan-Finance-Securities-(3) 10701029640 dated March 20, 2018
February 2019	10	680,000,000	6,800,000,000	350,000,000	3,500,000,000	Cancellation of treasury shares NT\$200,000,000	None	Approved under Taiwan-Finance-Securities-(3) 10801013940 dated February 15, 2019

Note 1: Shall be filled with the data of the current year as of the publication date of the annual report.

Note 2: Effective (approval) date and letter number shall be filled in for increase of capital.

Note 3: Shares issued lower than their par value shall be marked in a clear manner.

Note 4: Offsetting shares using currency claims, technology or goodwill shall be indicated with information on type and amount of offset.

Note 5: Private placements shall be marked in a clear manner.

Stock Class	Authorized capital			Remarks
	Outstanding Shares	Unissued Shares	Total	
Registered Stocks	350,000,000	330,000,000	680,000,000	None

Note 1: The Company's capital is amounted to NT\$6.8 billion which is divided into NT\$680 million shares with a par value of NT\$10 per share. Among these, the unissued shares are reserved as convertible bonds.

Note 2: They are shares of a public company.

General Information About the Reporting System: None.

(II) Shareholder Structure:

April 14, 2020

Shareholder Structure Count	Government Agencies	Financial Institutions	Other Corporations	Individuals	Foreign Institutions and Foreigners	Total
	Number of Persons	1	11	123	43,084	99
Shares Held	437	4,232,035	109,014,313	205,353,940	31,399,275	350,000,000
Proportion of Shareholding (%)	0.00%	1.21%	31.15%	58.67%	8.97%	100.00%

Note: All companies listing for the first time on TWSE/TPEX are required to disclose Chinese investors' holding interests. A Chinese investor refers to an individual, corporation, organization, or institution of Mainland origin, or any company owned by the above party in a foreign location, as defined in Article 3 of the "Regulation Governing Mainland Residents' Investment in Taiwan"

(III) Diversity of Ownership:

Par value of NT\$10 per share

Unit: Share; April 14, 2020

Range of Shares	Number of Shareholders	Shares Held	Shareholding Percentage (%)
1 to 999	24,380	5,970,411	1.71%
1,000 to 5,000	13,192	30,894,785	8.83%
5,001 to 10,000	2,904	21,963,358	6.28%
10,001 to 15,000	785	9,569,939	2.73%
15,001 to 20,000	635	10,986,276	3.14%
20,001 to 30,000	506	12,467,541	3.56%
30,001 to 40,000	210	7,334,310	2.10%
40,001 to 50,000	185	8,282,559	2.37%
50,001 to 100,000	272	19,468,774	5.56%
100,001 to 200,000	125	17,240,786	4.93%
200,001 to 400,000	53	15,194,538	4.34%
400,001 to 600,000	22	11,303,433	3.23%
600,001 to 800,000	4	2,867,900	0.82%
800,001 to 1,000,000	8	7,148,019	2.04%
1,000,001 and above is classified according to actual situation	37	169,307,371	48.36%
Total	43,818	350,000,000	100.00%

Preferred Stock: None.

(IV) Major Shareholders:

Shareholders holding 5% or more of the shares or names, numbers of shareholding and ratio of the top 10 shareholders:

Unit: Share; April 14, 2020

Names of Major Shareholders/Shares	Shares Held	Shareholding Percentage
Ruifu Construction Co., Ltd.	34,070,754	9.73%
Chengxi Investment Co., Ltd.	18,010,989	5.15%
Ascend Gear International Inc.	14,251,047	4.07%
Formosan Construction Corp. (Taiwan)	12,507,726	3.57%
Hsu Mei-Lun	9,596,720	2.74%
Quanxinfeng Co., Ltd.	8,942,410	2.55%
Citi (Taiwan) Commercial Bank is entrusted with the custody of the Norges Bank Investment	6,086,980	1.74%
JPMorgan Chase Bank Taipei Branch is entrusted with the custody of Vanguard Group Company Manager's Vanguard Global Market Stock Index Fund Special Account	4,658,135	1.33%
JPMorgan Chase Bank Taipei Branch is entrusted with the custody of the series of funds of the Progressive Global Investment International Stock Index Fund Investment Special Account	3,839,306	1.10%
Song Quan Co., Ltd.	3,650,000	1.04%

(V) Market Price, Net Worth, Earnings, Dividends per Share and Other Relevant Information for the Most Recent 2 Years:

Item	Year		2018	2019	Year-to-date as at March 31, 2020 (Note 8)
Market Price per Share (Note 1)	Highest		16.55	20.45	19.85
	Lowest		13.90	15.10	13.25
	Average		15.14	18.25	17.14
Net Worth per Share (Note 2)	Before Distribution		28.00	30.87	30.06
	After Distribution		27.35	(Note 9)	(Note 9)
Earnings Per Share	Weighted average shares		367,033,080	350,000,000	-
	Earnings per Share (Note 3)		0.59	1.54	-
Dividends per Share	Cash Dividends		0.68	0.8 (Note 9)	-
	Bonus Shares	Retained Shares Distribution	0	0	-
		Stock Dividends from Capital Surplus	0	0	-
	Cumulative Undistributed Dividends (Note 4)		0	0	-
Return on Investment	P/E ratio (Note 5)		25.34	11.66	-
	Price / Dividend Ratio (Note 6)		21.99	22.45	-

Item		Year	2018	2019	Year-to-date as at March 31, 2020 (Note 8)
Analysis	Cash Dividend Yield (Note 7)		4.55%	4.45%	-

* If there is a surplus or capital reserve to increase capitalization for distributing shares, the market price and cash dividend information adjusted retrospectively based on the number of shares to be issued shall be disclosed.

Note 1: The highest and lowest market prices of common stocks for each year are listed, and are calculated on the basis of the annual transaction value and volume.

Note 2: Please fill in the number of shares issued at the end of the year and the distribution according to the resolution of the general meeting of shareholders of next year.

Note 3: If there is a retroactive adjustment from distribution of bonus shares, the pre-adjustment and adjusted surplus per share shall be listed.

Note 4: Dividends that have not been issued in the current year are accrued to the issuer of the annual surplus; the accumulated undistributed dividends of the current year should be disclosed separately.

Note 5: Price/Earnings Ratio = Average Closing Price for the Year / Earnings per Share

Note 6: Price/Dividend Ratio = Average Closing Price for the Year / Cash Dividends per Share

Note 7: Cash Dividend Yield = Cash Dividends per Share / Average Closing Price for the Year

Note 8: The data of net worth per share and earnings per share shall be based on the most recent quarter numbers audited by CPAs as of the printed date of the annual report; the remaining columns shall fill in the current year's data as of the publication date of the annual report.

Note 9: Earnings distribution of 2019 is still pending a resolution on the 2020 general meeting of shareholders.

(VI) The Company's Dividend Policy and Implementation Status:

1. Dividend Policy:

If there is a profit within the Company in the year, no less than 1% of the profit shall be set aside for employees' remuneration and no less than 2% of the profit shall be set as remuneration for directors and supervisors. Where there is an accumulated loss, the profit shall be reserved to make up for the loss.

The employee remuneration may be determined by shares or cash and its receiving parties must include its serving employees in accordance with the requirements established by the Board of Directors. The remuneration of directors and supervisors of the preceding paragraph is determined by cash. The preceding 2 paragraphs are enforced after the Board of Directors' resolution, and the shareholders must be reported to.

From the profit earned by the Company as shown through the final account, if any, the sum should first be used to pay taxes and make up for previous loss, the remaining should be distributed as follows:

- (1) 10% should be set aside as legal reserve, except for when the legal reserve has reached the total capital;
- (2) If necessary, it can be set aside according to the laws and regulations or for reversal of special reserve.
- (3) The remaining earnings as well as the accumulated undistributed earnings from the previous year, when the Board of Directors proposes the motion of earnings distribution, the appropriation of shareholder dividends shall not be less than 5% of the accumulated distributable earnings, and motion shall be submitted to the shareholder meeting for a resolution.

The life cycle of the Company is currently classified as the "mature period". The Company strives to the pursuit of cooperate sustainable operation and

corresponds with the future market needs. We take into consideration of the Company's future capital expenditure budget and the need to maintain dividend distribution, among which, cash dividends may not be less than 10% of the aggregate amount of shareholders' dividends. Whereas there are capital demands including significant investment, significant operation change, capacity expansion during the year, and other significant capital expenditures, the Board of Directors must propose a motion to change its cash dividends to all shares. The motion may be proceeded after an approval is gained by the shareholders meeting.

2. Dividend Distribution Proposed for the this Shareholders Meeting:

Formosan Rubber Group Inc.
Earnings Distribution Table
2019

Unit: NTD

Item	Amount
Undistributed earnings at the beginning of the period	4,344,098,121
Less: Treasury stock write-off due to capital reduction	(73,317,517)
Disposal of equity instruments investment measured at fair value through other comprehensive income	(29,919,632)
Add: Other comprehensive income (actuarial gains and losses of defined benefit plans)	2,033,921
Add: Reversal of IFRS accounts and special reserve of related unrealized revaluation increments	5,557,013
Subtotal	(95,646,215)
Undistributed earnings after adjustment	4,248,451,906
Add: Current net income	538,957,259
Less: 10% provision for legal reserve	(53,859,726)
Add: Reversal of special reserve (Note 1)	44,610,924
Subtotal	529,672,457
Distributable net profit	4,778,124,363
1. Shareholder Dividends (350,000,000 shares x cash dividend NT\$0.8)	(280,000,000)
Subtotal	(280,000,000)
Accumulated undistributed earnings at the end of the period	4,498,124,363

Note 1: Special reserve is handled according to the Order No. Jin-Guan-Zhi 1010012865 issued on April 6, 2012 by the Financial Supervisory Commission of Executive Yuan. 2019 current shareholder equity NT\$167,341,036 (including: (1) exchange difference in the conversion of the financial statements by foreign operations NT\$-7,448,108 (2) Unrealized gains or losses of Financial Assets Measured at FVTOCI NT\$174,789,144). However, NT\$44,610,924 was recognized under special reserve in the previous year, the reversal of special reserve this time is NT\$44,610,924.

Note 2: The amount of earnings are distributed with priority of 2019 net.

Note 3: Should the Company decide to buy back shares or transfer, cancel treasury stocks, or any other factor on a later date, to the extent that this affects the number of outstanding shares and shareholders' dividend yield, the Board of Directors has been proposed to be authorized to exercise discretion over the relevant details.

Chairperson:
Hsu Zhen-Tsai

Managerial Officer:
Hsu Zhen-Ji

Chief Accounting Officer:
Shi Ming-De

(VII) The effects of stock grants drafted by this shareholders' meeting on The Company's operating performance and earnings per share: There was no non-distributable shares, it is therefore not applicable.

(VIII) Remuneration of Employees, Directors and Supervisors:

1. Information Relating to Remuneration of Employees, Directors and Supervisors in the Company's Articles of Incorporation: Please refer to Chapter (VI) of this Article - "Dividend Policy".
2. The accounting of the difference between the estimates of remuneration to employees, directors and supervisors, the basis for the calculation of outstanding shares for dividend payment and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure:
According to the charter, the Company's remuneration to employees is recognized as expenses and not distribution of earnings. It is recognized during the accounting period when employees provide labor services according to the charter. If the estimated amount differs from the actual distribution amount passed by the shareholders meeting, it is treated according to the changes in accounting estimates which is adjusted into account on the shareholders meeting the following year.
3. Information on the proposed remuneration to employees passed by the Board of Directors:
Passed on the Company's board meeting on March 20, 2020
 - (1) The amount of proposed distribution to employees in cash and remuneration to director and supervisors: Cash remuneration of NT\$5,613,000 to employees and NT\$5,613,000 to directors and supervisors.
 - (2)
 - i. Proposed remuneration to employees in shares: NT\$0.
 - ii. Amount of stock distributed as employee remuneration and as a percentage to net income of parent company only or individual financial statements and aggregate remuneration to employees: None.
 - (3) After remuneration to employees, directors and supervisors, the proposed EPS is NT\$1.54.
 - (4) The amount of estimated distribution of remuneration to employees, directors and supervisors approved by the Board of Directors is consistent with the amount in the 2019 financial statements.

4. Actual remuneration distributed to employees, directors and supervisors (including distribution number of shares, amount, and share price) in the previous year, any difference with its recognized remuneration distributed to employees, directors and supervisors, its reason and in which they were handled:

Passed on the Company's board meeting on March 15, 2019 and the actual distribution

- (1) Actual remuneration distributed to employees: NT\$2,661,000, and NT\$2,661,000 to directors and supervisors.
- (2)
 - i. Proposed remuneration to employees in shares: NT\$0.
 - ii. Amount of stock distributed as employee remuneration and as a percentage to net income of parent company only or individual financial statements and aggregate remuneration to employees: None.
- (3) Actual remuneration to employees, directors and supervisors, the proposed EPS is NT\$0.59.
- (4) There is no difference between the proposed distribution of 2018 to employees in cash and remuneration to director and supervisors and the amount recognized as a provision.

(IX) Repurchase of Shares:

	May 13, 2020
Repurchase period	24th time (period)
Repurchase purpose	To maintain the Company's credit and the right and interest of our shareholders
Types of shares repurchased	Common shares
Estimated repurchase period	March 23, 2020 - May 22, 2020
Estimated repurchase amount	20,000,000 shares
Repurchase range price	NT\$13 - NT\$18
Class and number of shares already repurchased	Common shares 5,512,000 shares
Amount of repurchased shares	NT\$90,727,124
The number of repurchased shares to estimated repurchase number (%)	27.6%
Remarks	As of the date of the financial report for Q1 2020 of the Meeting Handbook, the repurchase of shares was still in progress and the above information regarding the situation is as of May 13, 2020. The actual execution of the repurchase of shares will be reported on the shareholders' general meeting.

Note 1: Adjust the number of columns according to the numbers of issuance.

II.The Company's Handling of Corporate Bonds: None.

III.The Company's Preferred Stocks: None.

IV.Global Depository Receipts: None.

V.Employee Stock Options: None.

VI.New Restricted Employee Shares: None.

VII.New Shares Issued for Merger or Acquisition: None.

VIII.Progress on Planned Use of Capital: None.

V. Operational Overview

I. Business Activities

- (I) Scope of Business
- (II) Industry Overview
- (III) Technology and R&D Status and the Progress of Future Plans and Estimated Investment Expenses
- (IV) Long-Term and Short-Term Business Development Plans

II. Market and Production and Sales Overview

- (I) Market Analysis
- (II) Important Uses and Production Process of Major Products
- (III) Supply Situation for Major Raw Materials
- (IV) The Major Customers that Accounted for more than 10% of the Total Procurement (sales) of Goods in any of the Past Two Years and the Amount and Proportion of the Goods Sold
- (V) Production Volume and Value in the Last 2 Years
- (VI) Sales Volume in the Last 2 Years

III. The Number of Employees Employed for the 2 Most Recent Years, and during the Current Year as of the Date of Publication of the Annual Report

IV. Expenditure for Environmental Protection

V. Labor Relations and Employee Rights

VI. Important Contracts

V. Operational Overview

I. Business Activities

(I) Scope of Business:

1. The main business contents:

- (1) Manufacturing and selling products including: plastic raincoat material, plastic clip fabric, polyvinyl chloride rubber, plastic air bed, automotive parts, rubber boat material, rubber tape, rubber foam bag fabric, rubber air bed, rubber space bag, Polyurethane inflatable bed, and polyurethane inflatable boat fabric.
- (2) In terms of diversified operation, the Company has added the following to its business items:
 1. Manufacturing and selling products including: plastic space bags, plastic oil canvas, polyurethane high-performance fabrics, polyurethane high-inflatable fabrics, and rubber foam women's bags
 2. Purchasing and selling of related machinery and equipment for the production, trading and raw materials of the preceding paragraph.
 3. Operation of general import and export trade and agency services (except licensing business).
 4. Management of cinemas, department stores and supermarkets.
 5. Manufacturing and trading of environmental protection equipment.
 6. Manufacturing and sales of rubber and plastic products for aircraft fuel tanks and inflatable rescue ladders.
 7. Manufacturing and trading of IC products.
 8. Operation of leisure and sports facilities (bowling, tennis, table tennis, badminton, billiards and swimming pool).
 9. Commission construction companies to build public housing, commercial buildings and general industrial plant, and warehouse rental and sales.
 10. Lease and sale of the remaining plant buildings and office buildings.
 11. Manufacturing and selling of silicone rubber, silicone resin, silicone oil, silicone sealant, resin materials for electronics, protective film for electronic wafers, and printed circuit boards.
 12. Manufacturing and selling of various industrial synthetic resins, resin pellets, and adhesives.
 13. Manufacturing and selling of color inkjet photo paper and polyolefin films.
 14. D101050 Steam and Electricity Paragenesis
 15. G801010 Warehousing and Storage
 16. All business items that are not prohibited or restricted by law, except those that are subject to licensing business.

2. Business ratios:

(1) Business ratios for various products:

Item	Unit: thousand	
	2019	%
Construction	1,518,732	56.21%
Rubber Sheet	556,186	20.59%
SyntheticLeather	162,082	6.00%
Eco-Friendly Synthetic Leather	203,603	7.54%

Warehouse	222,147	8.22%
Others	39,027	1.44%
Total	2,701,777	100%

(2) Business ratios for various regions:

Unit: thousand

Region\year	2019	%
Domestic sales	277,604	29%
Overseas sales	Asia	407,605
	Europe	196,929
	North America	78,433
	Other regions	327
	Total of overseas sales	683,294
Total	960,898	100%

Note: Construction and warehouse revenue are not included in domestic sales.

3. Statistics on Key Performance Indicator (KPI) of Formosan Rubber Group Inc.

Explanation: The KPI of Formosan Rubber Group Inc. is the product recovery rate = $\frac{\text{Grade A}}{\text{input}}$

Unit	Target Value	Division	Total of the First Half	Total of the Second Half	Annual Total
Rubber Sheet	90.0%	Input	1,147,056	1,219,830	2,366,886
		Grade A	1,043,946	1,126,254	2,170,200
		Recovery Rate	91.0%	92.3%	91.7%
Synthetic Leather	99.0%	Input	1,611,724	2,029,030	3,640,754
		Grade A	1,575,868	1,983,397	3,559,265
		Recovery Rate	97.8%	97.8%	97.8%
Eco-Friendly Synthetic Leather	94.0%	Input	1,337,053	1,506,414	2,843,467
		Grade A	1,247,799	1,422,013	2,669,812
		Recovery Rate	93.3%	94.4%	93.9%

(II) Industry Overview:

1. Secondary Processing Industries:

According to the long-term statistics of Germany, the total market of the future global rubber and plastic will maintain its slow growth each year. Of which, the life-saving industry, medical industry, and environmental protection will outperform, and the first 2 are precisely within the Company's technical strengths. With the complex and forever-changing ongoing situations including the US-China trade tensions, the uncertainty of Brexit, the rise of the trade protectionism and the worsening condition of the climate and environment, the global economy has continued to decline and the global trade has substantially weakened. The

recent dip in the WTOI reflects declines in component indices for export orders and most service trade indices have all dropped their lowest levels. The global trade growth has slowed down which has also reflected all countries' unique cyclical and structural factors. The monetary policies of developed economies have also changed with it. The pandemic outbreak coronavirus that started at the end of 2019 has spread all over the world in the first half of 2020. All major economic business events have all been affected, resulting in further recession. Combining the above unfavorable elements, in 2020, we will do our utmost to pursue the Company's total target sales of rubber and plastic synthetic leather of 10,112 thousand yards which was reached in 2019.

2. Nankan Warehouse and Logistics Industry:

(1) The Company had started to plan for the investment development of Nankan Logistics Park ever since 1996. As the means for the Park to be unique, each building was designed to have a slewing lane, ensuring direct uploading and unloading of shipment for trucks on each floor and that the second floor could be used as the first floor. Our warehouse has met the international logistic and warehouse standards and has attracted large European, American and Japanese companies to enter. Since 1996, we have completed the construction of 6 buildings on its 12,000 pings (39,670 square meters) of land with a total of 38,220 pings (126,248 square meters) of space, among these, 10,500 pings (34,711 square meters) were for sale and 27,720 pings (91,637 square meters) were for lease. We provided higher warehouse building standards than the industry in order to attract well-known customers to enter the Park, allowing Formosan Rubber Group Inc. to be the most fitted model in the logistics rental and leasing business and services for Formosan. It is estimated that the revenue for warehouse leases and logistics in 2020 will be more than NT\$200,000,000

(2) In 2003, our logistics center acquired the Logistics License approved by the Customs Administration, Ministry of Finance Taipei Customs, and has been recognized 3 times by receiving the Award for Excellent Trading Businesses presented by the Ministry of Economic Affairs. We provide our customers a logistics environment that is safer as well as diversified service models. We also introduce customers of different industries, allowing Formosan Rubber Group Inc. to be the most fitted model in the logistics services.

3. Land Development Status of the Company:

(1) The sales of the reserved apartments for “World Garden - Bridge Upto Zenith”, and “Modesty Home”

There were only a few residential apartments remaining at “World Garden - Bridge Upto Zenith” and “Modesty Home”. By judging the real estate market, we entrusted the sales of the residential apartments and took steps gradually, allowing steady sales, and we have now sold out all the

residential apartments.

(2) Xindian “Legend River”

With the opening of the MRT Circular Line soon and the development of the Yangbei Replanning Area, the market has gradually recovered and the selling rate has stabilized.

(3) The land development of “55 Timeless” in Xinyi Planning District

With the building of high specifications and the public facilities of an art gallery, it has become one of the international-grade landmarks for luxury residential apartments. Its exceptional construction quality has been widely favored by our customers. Under the impact of the US-China trade war, we have seen a situation where funds have gradually returned to Taiwan. The sales for high price with large space residential apartments have increased compared to the previous year. With the Company’s flexible use of strategies, the apartments continued selling.

(4) The land development of “La Bella Vita” for the replanning area in Taichung Phase 7.

The entire selling area of “La Bella Vita” is approximately 15,150 pings (50082 square meters), and the Company was allocated 27.25%, 4,128 pings (13646 square meters). The residential building will finish on January 7, 2020. As of now, a series of matters in relation to handing over the apartment to customers who have purchased the apartment in the pre-sale have been conducted. The decoration of the show homes will begin as well as the sales of apartments.

(5) FRG Bridge Upto Zenith Business Plaza

FRG Bridge Upto Zenith Business Plaza is located on the first and second floors of No. 168-180, Section 1, Zhongshan Road, Banqiao, covering an area of 1,882 pings (6221 square meters). The first floor of the business plaza has been leased to E.SUN Commercial Bank; the second floor has been leased to Nan Shan Life Insurance Co., Ltd. and SinoPac Securities Corporation; the second floor of the business plaza at building B has been leased to infant care center which is expected to take over in May. FRG Bridge Upto Zenith Business Plaza has become an exquisite business center of Banqiao.

(6) San Francisco and Hotel Development Project

Our subsidiary (FRG US Corp.) established in the US in 2017 participates in the construction investments; The subsidiary’s investment in the project is approximately 11.23%. The entire plan for the project consists of 242 luxury residential apartments, 10 retail stores, and a trendy hotel with 236 rooms.

(III) Technology and R&D Status and the Progress of Future Plans and Estimated Investment Expenses:

(1) The technical level and research development of the business:

As a means to lead the transformation of the technology industry, the Company established the R&D center in the early 1990s and recruited researches with a master's degree. The Company worked vigorously to research and develop products for new uses, new materials and new process and has become a successful example in the transformation of traditional industries by establishing advanced technology research and develop capabilities. We are the only company in Taiwan to have won the National Quality Award for 5 consecutive years (1991-1995) presented by the Industrial Development Bureau. Aside maintaining the same production quality for the current products, we constant work on the further development on aspects including defense, medical, industrial, safety maintenance, special environmental airtightness, green energy environmental protection, electrical protection, and nuclear protection.

(2) R&D Personnel and Their Education and Experiences:

The Company has a total of 14 R&D personnel, among these 8 people hold a master degree, 5 people hold a bachelor degree and 1 person is an undergraduate.

(3) R&D expenses for the most recent 5 years (2015-2019):

Unit: thousand

2015	2016	2017	2018	2019
17,342	14,383	14,047	13,056	13,097

(4) Material Results:

Patent Results:

[1]	ROC Patent for Double-Sided High-Frequency Processing Composite Structure
[2]	ROC Patent for Silicone and Rubber Tarpaulin and their Manufacturing Method
[3]	ROC Patent for Foam Rubber, Composite Structure of Foam Rubber and its Manufacturing Method
[4]	ROC Patent for Foam Rubber and its Manufacturing Method
[5]	ROC Patent for Compound Tape and its Manufacturing Method
[6]	ROC Patent for Thermosetting Soft Light Transparent Five-Layer Structure Rubber Material and its Manufacturing Method
[7]	ROC Patent for Thermoplastic Polyurethane Composite Structure with High Bonding Strength and its Manufacturing Method
[8]	ROC Patent for Flame Retardant Fabric and its Manufacturing Method

There are another 20 patent applications pending.

(5) The process of the future R&D plans and estimated R&D investment expenses for Formosan Rubber Group Inc.

Recent annual plans	Current process	R&D expenses that should be further invested	Time to complete mass production	Major factors for the future R&D to succeed
Product development of rubber soundproofing buffer products	<ol style="list-style-type: none"> The sample of rubber soundproofing buffer has been sent to the national lab for testing. The improvement of production equipment suitable for the production of rubber soundproofing buffer products. 	USD \$ 100,000	December 2021	<ol style="list-style-type: none"> Established by laws and regulations with a market and customers. To overcome the stability of the vulcanization products, which has affected the product yield at the beginning of the period.
National-level national vehicles manufactured in Taiwan plan	<ol style="list-style-type: none"> Flexible rubber duct. Rubber floor materials with high-wear resistance and low smoke carriages for trains which have met the requirements of the EN standards. It has been delivered to use at the MRT Circular Line and will be continually followed-up. 	USD \$ 10,000	December 2020	<ol style="list-style-type: none"> Replacement of special rubber floor materials for high-speed rail, MRT and railway carriages. Close partnership with customers to increase the technology level to increase orders for rubber floor used in carriages.
To develop high-wear-resistant and low-smoke joint seam materials used in carriages in compliance with EN & BS standards	<ol style="list-style-type: none"> The high-wear-resistant and low-smoke joint seam carriage materials for trains have been delivered to the customer and we continue to follow up. Competitors in Europe and the US already have joint seam materials used in carriages that comply with EN & BS standards. 	USD \$ 10,000	December 2020	<ol style="list-style-type: none"> The high-wear-resistant and low-smoke joint seam carriage materials for trains is a market trend; therefore the quality must be fully confirmed. Close partnership with customers to increase the technology level to increase orders for joint seam materials used in carriages.
Development project for diversified products such as joint seam materials used in carriages.	<ol style="list-style-type: none"> A small quantity of orders has been delivered to customers and it is being constantly tracked. The molding machine area has been established, pending operator training to familiarize with the machine in order to 	USD \$ 10,000	December 2020	<ol style="list-style-type: none"> Customers use joint materials with corners, and extended the development on the existing core expertise. The corner forming and vulcanization accommodate each other.

Recent annual plans	Current process	R&D expenses that should be further invested	Time to complete mass production	Major factors for the future R&D to succeed
	improve the yield.			
Life raft cold-resistant formula (-70 C) project	<ol style="list-style-type: none"> 1. The second large quantity of samples has been completed and delivered to the customer for testing. 2. Competitors have already had corresponding products to the customer which pose a price advantage. 	USD \$ 5,000	December 2020	<ol style="list-style-type: none"> 1. Large goods of the cold resistance must be confirmed to meet customer requirements. 2. The time for the customer to make confirmation has affected the number of the current orders.
Product development project for rubber and TPU drop-stitch inflatable air cushion	<ol style="list-style-type: none"> 1. Various drop-Stitch rubber and TPU inflatable air cushions have been completed and delivered for trial use by thousands of aircrafts. 2. Drop-Stitch is imported fabrics, information on market price and quantity should be searched and plan inventory quantities. 	USD \$ 10,000	December 2020	<ol style="list-style-type: none"> 1. The production procedures for Drop-Stitch products are complex and difficult, and there are still wrinkles in the packing which should be fixed. 2. Technology is continuously being developed and new equipment added; the Company is trying to simplify the production process and improve yield.
TPU slippery product development project	<ol style="list-style-type: none"> 1. A small quantity of slippery TPU has been delivered to the customer - pending confirmation regarding the durability. 2. Film temperature machine equipment has been added. 	USD \$ 5,000	December 2020	<ol style="list-style-type: none"> 1. To control the surface temperature of the TPU film effectively during the production process. 2. To ensure the quality of the customer's demand.

(IV) Long-Term and Short-Term Business Development Plans:

The business developments of the Company are divided into 3 sections:

I. Secondary Processing Industries:

(1) Short-term development plans:

- A. By signing annual sales contracts with major customers - ensuring stable performance of 60% or more.
- B. By improving quality - continue to establish OEM/ODM partnership with international major manufactures to ensure turnover.
- C. By making good use of equipment - develop multi-colored and specification productions, ensuring customers' brand loyalty.
- D. By the continual technical partnership with European, American and Japanese plants - create new products and introduce them to new markets.
- E. By additional new production lines - develop related products and one stop shop service, fulfilling customers' needs.
- F. By investing with precision - principles of full production, order delivery and gradually adjust the inventory.

(2) Long-term development plans:

- A. By developing new products - set the goal of new product performance accounting for 30% of the overall manufacturing performance, hoping for steady growth in annual turnover.
- B. By adding energy-related industries - rubber products needed for process supply chain, constantly creating products that meet the needs of green energy.
- C. By continuing to optimize environmentally friendly products - to obtain long-term orders from advanced European and American customers who attach great importance to the environment.
- D. By promoting Formosan Dragon (Formosan popular products) - expand the products of Formosan Dragon and enhance promotion by providing customers the certification report to accelerate the recognition of Formosan products.
- E. By providing customers the opportunity for "one stop shopping" - including rubber, plastics, green plastics, PU coating, PU lamination, silicone), providing most customers multiple product choices that allows horizontal integration and development between departments.
- F. By offering a wide range of product applications - mainly applied on medical, clothing, industrial safety, nautical, inflatable, shoe materials, boxes and bags, electronic consumables fields; each manufacturing department is able to share the result of R&D as well as develop unique products horizontally so that new products and popular products complement each other.

II. Nankan Warehouse Logistics and Rental and Leasing Business:

(1) Short-term business development plans:

Logistics rental and leasing services proactively continue to invest in the operation of integrated property management service center to meet different needs of customers. In the short term, Formosan Longtan R&D building and land will be integrated for effective uses, providing customers a choice for new bases, hoping to build new warehouses to expand the service performance of the Company.

(2) Long-term business development plans:

Logistics rental and leasing services and experiences in logistics will be integrated into a one-stop service which will provide customized services according to the needs of customers, allowing satisfying customer needs while expanding their plant area to prevent the loss of customers. A plant will also be built in Longtan, increasing the Company's diversified management direction.

III. Real Estate Development:

(1) Short-term development plans:

In a bid to continue the real estate development experience and creating the long-term stable profit for the Company, not only do we have our own real estate assets, we also focus on other suitable land or individual projects. In addition to resident buildings, development of commercial spaces of considerable size is also planned. Not only can commercial real estate developments acquire long-term stable rent income, they also covers fields of business plaza operation, real estate management and property management.

(2) Long-term development plans:

With the Company's accumulated strength and brand value increasing day by day with construction development business, and based on the needs of long-term development, aside the current development projects, we have also been diligently seeking individual projects that meet the Company's circumstances.

II. Market and Production and Sales Overview:

(I) Market Analysis:

1. Market supply and demand status and growth:

(1) Main product sales areas:

Unit: thousand

Region\year	2018	%	2019	%	
Domestic sales	327,142	29.34%	277,604	28.89%	
Overseas sales	Asia	405,198	36.34%	407,605	42.42%
	Europe	266,438	23.90%	196,929	20.50%
	North America	115,691	10.38%	78,433	8.16%
	Other regions	408	0.04%	327	0.03%
	Subtotal	787,735	70.66%	683,294	71.11%
Total	1,114,877	100.00%	960,898	100.00%	

Note: Construction and warehouse revenue are not included in domestic sales.

(2) Market share:

Global Market Share of Rubber Sheet in 2019:

Approximately 0.50%

Global Market Share of Synthetic Leather in 2019:

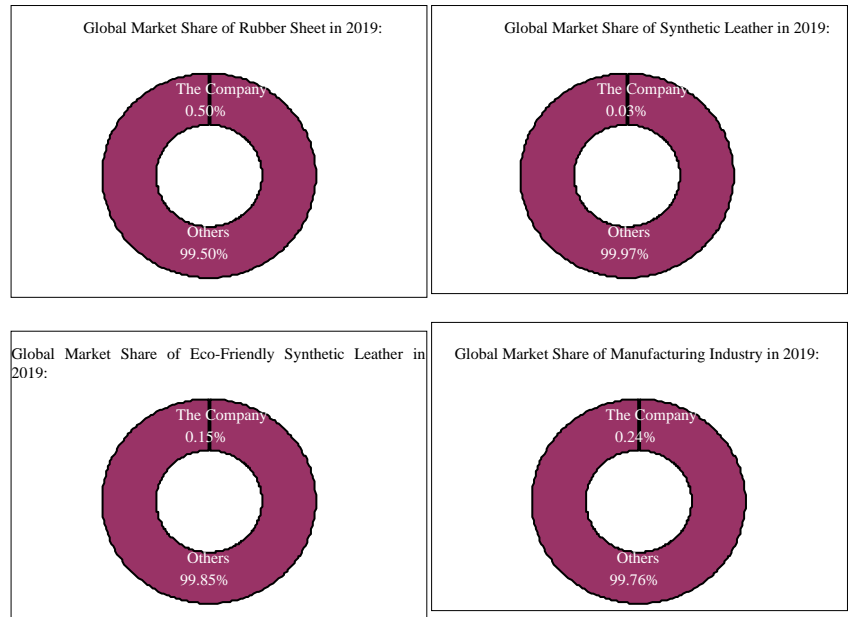
Approximately 0.03%

Global Market Share of Eco-Friendly Synthetic Leather in 2019:

Approximately 0.15%

Global Market Share of Manufacturing Industry in 2019:

Approximately 0.24%



(3) Market Supply and Demand Status and Growth in the Future:

According to the long-term statistics of Germany, the total market of the future global rubber and plastic will maintain its slow growth each year. Of which, the life-saving industry, medical industry, and environmental protection will outperform, and the first two are precisely within the Company's technical strengths. With the complex and forever-changing ongoing situations including the US-China trade tensions in 2019, the uncertainty of Brexit, the rise of the trade protectionism, resulting in the worsening condition of the climate and crisis, the global economy has continued to decline and the global trade has substantially weakened. The recent dip in the WTOI reflects declines in component indices for export orders and most service trade indices have all dropped their lowest levels. The global trade growth has slowed down which has also reflected all countries' unique cyclical and structural factors. The monetary policies of developed economies have also changed. With all the factors mentioned above, it is estimated that the growth for the global economy will be slow or stay flat.

(4) Competitive Niche:

Due to high barriers to entry in terms of production scales, technology patents, and quality assurance, currently there are only European, American and Japanese advanced manufacturers (such as the Company) who are able to produce the 3 big growing fields mentioned above,; there are very limited competitors. We have advantages such as a capital scales of more than USD 10 million, 66 technologies and various of patents, ISO-14001 and 5 National Quality awards; therefore we have devoted ourselves to invest in the 3 big

growing markets mentioned above. We differ ourselves to our competitors in order to staying in the leader position of one-stop purchase for rubber, plastics, and eco-Friendly synthetic leathers in Taiwan.

(5) Favorable Factors for the Development Vision:

Product Lines	Market Type	Staple Merchandise Market	Electronic Materials Market	Medical Materials Market	Automotive Materials Market	Environmental Materials Market
Rubber Sheet	Future Favorable Factors	Rubber sheet used in the staple merchandise market - the Company is the only manufacturer in Taiwan with such technology	Rubber sheet used in the electronic materials market - the Company has the largest manufacturing scales among Taiwanese manufacturers	Rubber sheet used in the medical materials market - the Company has the largest manufacturing scales among Taiwanese manufacturers	Rubber sheet used in the automotive materials market - the Company has the largest manufacturing scales among Taiwanese manufacturers	Rubber sheet used in the environmental materials market - the Company is the only manufacturer in Taiwan with such technology
Synthetic Leather	Future Favorable Factors	Synthetic leather used in the staple merchandise market - the Company has the largest manufacturing scales among Taiwanese manufacturers	Synthetic leather used in the electronic materials market - the Company has the largest manufacturing scales among Taiwanese manufacturers	Synthetic leather used in the medical materials market - the Company has the largest manufacturing scales among Taiwanese manufacturers	Synthetic leather used in the automotive materials market - the Company has the largest manufacturing scales among Taiwanese manufacturers	Synthetic leather used in the environmental materials market - the Company has the largest manufacturing scales among Taiwanese manufacturers
Eco-Friendly Synthetic Leather	Future Favorable Factors	Eco-friendly synthetic leather used in the staple merchandise market - the Company has the largest manufacturing scales among Taiwanese manufacturers	Eco-friendly synthetic leather used in the electronic materials market - the Company has the largest manufacturing scales among Taiwanese manufacturers	Eco-friendly synthetic leather used in the medical materials market - the Company has the largest manufacturing scales among Taiwanese manufacturers	Eco-friendly synthetic leather used in the automotive materials market - the Company has the largest manufacturing scales among Taiwanese manufacturers	Eco-friendly synthetic leather used in the environmental materials market - the Company has the largest manufacturing scales among Taiwanese manufacturers

(6) Unfavorable factors for the development vision:

Product Lines	Market Type	Staple Merchandise Market	Electronic Materials Market	Medical Materials Market	Automotive Materials Market	Environmental Materials Market
Rubber Sheet	Future Unfavorable Factors	Due to the conservative market, needs for rubber sheet used in the staple merchandise market slow down	Due to the conservative market, it is not easy to expand business for rubber sheet used in the electronic materials market	Due to the conservative market, it is not easy to expand business for rubber sheet used in the medical materials market	Due to the conservative market, it is not easy to expand business for rubber sheet used in the automotive materials market	Due to the conservative market, it is not easy to expand business for rubber sheet used in the environmental materials market
Synthetic Leather	Future Unfavorable Factors	Due to the conservative market, the competitiveness decreases in synthetic leather used in the staple merchandise market	Due to the conservative market, it is not easy to expand business for synthetic leather used in the electronic materials market	Due to the conservative market, it is not easy to expand business for synthetic leather used in the medical materials market	Due to the conservative market, it is not easy to expand business for synthetic leather used in the automotive materials market	Due to the conservative market, it is not easy to expand business for synthetic leather used in the environmental materials market
Eco-Friendly Synthetic Leather	Future Unfavorable Factors	Due to the conservative market, the competitiveness decreases in eco-friendly synthetic leather used in the staple merchandise market	Due to the conservative market, it is not easy to expand business for eco-friendly synthetic leather used in the electronic materials market	Due to the conservative market, it is not easy to expand business for eco-friendly synthetic leather used in the medical materials market	Due to the conservative market, it is not easy to expand business for eco-friendly synthetic leather used in the automotive materials market	Due to the conservative market, it is not easy to expand business for eco-friendly synthetic leather used in the environmental materials market

(7) Countermeasures for the development vision:

Product Lines	Market Type	Staple Merchandise Market	Electronic Materials Market	Medical Materials Market	Automotive Materials Market	Environmental Materials Market
Rubber Sheet	Future countermeasures	All innovative products will gain patents and be produced exclusively, to create high profits and high barriers to entry.	All innovative products will gain patents and be produced exclusively, to create high profits and high barriers to entry.	All innovative products will gain patents and be produced exclusively, to create high profits and high barriers to entry.	All innovative products will gain patents and be produced exclusively, to create high profits and high barriers to entry.	All innovative products will gain patents and be produced exclusively, to create high profits and high barriers to entry.
Synthetic Leather	Future countermeasures	Sign annual supply contract with long-term quality customers, ensuring monthly basic shipments.	Sign annual supply contract with long-term quality customers, ensuring monthly basic shipments.	Sign annual supply contract with long-term quality customers, ensuring monthly basic shipments.	Sign annual supply contract with long-term quality customers, ensuring monthly basic shipments.	Sign annual supply contract with long-term quality customers, ensuring monthly basic shipments.
Eco-Friendly Synthetic Leather	Future countermeasures	Establish international business line in Europe, America, Japan and Greater China, increasing the proportion of overseas sales.	Establish international business line in Europe, America, Japan and Greater China, increasing the proportion of overseas sales.	Establish international business line in Europe, America, Japan and Greater China, increasing the proportion of overseas sales.	Establish international business line in Europe, America, Japan and Greater China, increasing the proportion of overseas sales.	Establish international business line in Europe, America, Japan and Greater China, increasing the proportion of overseas sales.

2. Analysis of the Overall Economic Environment of the Formosan and the Trends of its Industry

(1) Current Status and Development of the Industry

Industry Trends	Product Lines	Item	Staple Merchandise Market	Electronic Materials Market	Medical Materials Market	Transportation Materials Market	Environmental Materials Market
(1)Current Status and Development of the Industry	Rubber Sheet	Current Status of the Industry	Rubber sheet used in the staple merchandise market - the Company is currently the only manufacturer in Taiwan with such technology	Rubber sheet used in the electronic materials market - the Company currently has the largest manufacturing scales among Taiwanese manufacturers	Rubber sheet used in the medical materials market - the Company currently has the largest manufacturing scales among Taiwanese manufacturers	Rubber sheet used in the transportation materials market - the Company currently has the largest manufacturing scales among Taiwanese manufacturers	Rubber sheet used in the environmental materials market - the Company currently is the only manufacturer in Taiwan with such technology
		Development of the Industry	Current annual growth rate is approximately 2%	Current annual growth rate is approximately 2%	Current annual growth rate is approximately 4%	Current annual growth rate is approximately 5%	Current annual growth rate is approximately 4%
	Synthetic Leather	Current Status of the Industry	Synthetic leather used in the staple merchandise market - the Company currently has the largest manufacturing scales among Taiwanese manufacturers	Synthetic leather used in the electronic materials market - the Company currently has the largest manufacturing scales among Taiwanese manufacturers	Synthetic leather used in the medical materials market - the Company currently has the largest manufacturing scales among Taiwanese manufacturers	Synthetic leather used in the transportation materials market - the Company currently has the largest manufacturing scales among Taiwanese manufacturers	Synthetic leather used in the environmental materials market - the Company currently has the largest manufacturing scales among Taiwanese manufacturers
		Development of the Industry	Current annual growth rate is approximately 1%	Current annual growth rate is approximately 2%	Current annual growth rate is approximately 3%	Current annual growth rate is approximately 3%	Current annual growth rate is approximately 3%
	Eco-Friendly Synthetic Leather	Current Status of the Industry	Eco-friendly synthetic leather used in the staple merchandise market - the Company currently has the largest manufacturing scales among Taiwanese manufacturers	Eco-friendly synthetic leather used in the electronic materials market - the Company currently has the largest manufacturing scales among Taiwanese manufacturers	Eco-friendly synthetic leather used in the medical materials market - the Company currently has the largest manufacturing scales among Taiwanese manufacturers	Eco-friendly synthetic leather used in the transportation materials market - the Company currently has the largest manufacturing scales among Taiwanese manufacturers	Eco-friendly synthetic leather used in the environmental materials market - the Company currently has the largest manufacturing scales among Taiwanese manufacturers
		Development of the Industry	Current annual growth rate is approximately 1%	Current annual growth rate is approximately 2%	Current annual growth rate is approximately 3%	Current annual growth rate is approximately 4%	Current annual growth rate is approximately 3%

(2) Industry relevance of upstream, midstream and downstream companies

Industry Trends	Product Lines	Item	Staple Merchandise Market	Electronic Materials Market	Medical Materials Market	Transportation Materials Market	Environmental Materials Market
(2) Industry relevance of upstream, midstream and downstream companies.	Rubber Sheet	Upstream Companies	Manufacturer for rubber raw materials (example: Denka)	Manufacturer for rubber raw materials (example: Denka)	Manufacturer for rubber raw materials (example: Denka)	Manufacturer for rubber raw materials (example: Denka)	Manufacturer for rubber raw materials (example: Denka)
		Midstream Companies	Manufacturer for synthetic rubber (example: the Company)	Manufacturer for synthetic rubber (example: the Company)	Manufacturer for synthetic rubber (example: the Company)	Manufacturer for synthetic rubber (example: the Company)	Manufacturer for synthetic rubber (example: the Company)
		Downstream Companies	Process plant of rubber staple merchandise	Process plant of rubber electronic materials	Process plant of rubber medical materials	Process plant of rubber transportation materials	Process plant of rubber environmental materials
	Synthetic Leather	Upstream Companies	Manufacturer for plastic raw materials (example: Formosa Plastics Group)	Manufacturer for plastic raw materials (example: Formosa Plastics Group)	Manufacturer for plastic raw materials (example: Formosa Plastics Group)	Manufacturer for plastic raw materials (example: Formosa Plastics Group)	Manufacturer for plastic raw materials (example: Formosa Plastics Group)
		Midstream Companies	Manufacturer for PU synthetic leather (example: the Company)	Manufacturer for PU synthetic leather (example: the Company)	Manufacturer for PU synthetic leather (example: the Company)	Manufacturer for PU synthetic leather (example: the Company)	Manufacturer for PU synthetic leather (example: the Company)
		Downstream Companies	Process plant of plastic staple merchandise	Process plant of plastic electronic materials	Process plant of plastic medical materials	Process plant of plastic transportation materials	Process plant of plastic environmental materials
	Eco-Friendly Synthetic Leather	Upstream Companies	Manufacturer for eco-friendly synthetic leather raw materials (example: Merquins)	Manufacturer for eco-friendly synthetic leather raw materials (example: Merquins)	Manufacturer for eco-friendly synthetic leather raw materials (example: Merquins)	Manufacturer for eco-friendly synthetic leather raw materials (example: Merquins)	Manufacturer for eco-friendly synthetic leather raw materials (example: Merquins)
		Midstream Companies	Manufacturer for eco-friendly synthetic leather (example: the Company)	Manufacturer for eco-friendly synthetic leather (example: the Company)	Manufacturer for eco-friendly synthetic leather (example: the Company)	Manufacturer for eco-friendly synthetic leather (example: the Company)	Manufacturer for eco-friendly synthetic leather (example: the Company)
		Downstream Companies	Process plant of eco-friendly synthetic leatherstaple merchandise	Process plant of eco-friendly synthetic leather electronic materials	Process plant of eco-friendly synthetic leather medical materials	Process plant of eco-friendly synthetic leather transportation materials	Process plant of eco-friendly synthetic leather environmental materials

(3) Various Product Development Trends and Competitiveness Status

Industry Trends	Product Lines	Item	Staple Merchandise Market	Electronic Materials Market	Medical Materials Market	Transportation Materials Market	Environmental Materials Market
(3) Various Product Development Trends and Competitiveness Status	Rubber Sheet	Future Favorable Factors and Development Trends	Rubber sheet used in the staple merchandise market - the Company will be the only manufacturer in Taiwan with such technology	Rubber sheet used in the electronic materials market - the Company will have the largest manufacturing scales among Taiwanese manufacturers	Rubber sheet used in the medical materials market - the Company will have the largest manufacturing scales among Taiwanese manufacturers	Rubber sheet used in the transportation materials market - the Company will have the largest manufacturing scales among Taiwanese manufacturers	Rubber sheet used in the environmental materials market - the Company will be the only manufacturer in Taiwan with such technology
		Future Unfavorable Factors and Competitiveness Status	Due to the conservative market, needs for rubber sheet used in the staple merchandise market decreases. Also, the capital expenditure of this product is large, making it more difficult for newcomers.	Due to the conservative market, it is not easy to expand business for rubber sheet used in the electronic materials market. Also, the capital expenditure of this product is large, making it more difficult for newcomers.	Due to the conservative market, it is not easy to expand business for rubber sheet used in the medical materials market. Also, the capital expenditure of this product is large, making it more difficult for newcomers.	Due to the conservative market, it is not easy to expand business for rubber sheet used in the transportation materials market. Also, the capital expenditure of this product is large, making it more difficult for newcomers.	Due to the environmental new materials, it is not easy to expand business for rubber sheet used in the environmental materials market. Also, the capital expenditure of this product is large, making it more difficult for newcomers.

Industry Trends	Product Lines	Item	Staple Merchandise Market	Electronic Materials Market	Medical Materials Market	Transportation Materials Market	Environmental Materials Market	
		Future countermeasures	All innovative products will gain patents and be produced exclusively, to create high profits and high barriers to entry.					
	Synthetic Leather	Future Favorable Factors and Development Trends	Synthetic leather used in the staple merchandise market - the Company currently has the largest manufacturing scales among Taiwanese manufacturers	Synthetic leather used in the electronic materials market - the Company will have the largest manufacturing scales among Taiwanese manufacturers	Synthetic leather used in the medical materials market - the Company will have the largest manufacturing scales among Taiwanese manufacturers	Synthetic leather used in the transportation materials market - the Company will have the largest manufacturing scales among Taiwanese manufacturers	Synthetic leather used in the environmental materials market - the Company will have the largest manufacturing scales among Taiwanese manufacturers	
		Future Unfavorable Factors and Competitiveness Status	Due to the conservative market, the competitiveness decreases in synthetic leather used in the staple merchandise market. Also, the capital expenditure of this product is large, making it more difficult for newcomers.	Due to the conservative market, it is not easy to expand business for synthetic leather used in the electronic materials market. Also, the capital expenditure of this product is large, making it more difficult for newcomers.	Due to the conservative market, it is not easy to expand business for synthetic leather used in the medical materials market. Also, the capital expenditure of this product is large, making it more difficult for newcomers.	Due to the conservative market, it is not easy to expand business for synthetic leather used in the transportation materials market. Also, the capital expenditure of this product is large, making it more difficult for newcomers.	Due to the environmental new materials, it is not easy for the Company to expand business for synthetic leather used in the environmental materials market. Also, the capital expenditure of this product is large, making it more difficult for newcomers.	
		Future countermeasures	Sign annual supply contract with long-term quality customers, ensuring monthly basic shipments.					
	Eco-Friendly Synthetic Leather	Future Favorable Factors and Development Trends	Eco-friendly synthetic leather used in the staple merchandise market - the Company currently has the largest manufacturing scales among Taiwanese manufacturers	Eco-friendly synthetic leather used in the electronic materials market - the Company will have the largest manufacturing scales among Taiwanese manufacturers	Eco-friendly synthetic leather used in the medical materials market - the Company will have the largest manufacturing scales among Taiwanese manufacturers	Eco-friendly synthetic leather used in the transportation materials market - the Company will have the largest manufacturing scales among Taiwanese manufacturers	Eco-friendly synthetic leather used in the environmental materials market - the Company will have the largest manufacturing scales among Taiwanese manufacturers	
		Future Unfavorable Factors and Competitiveness Status	Due to the conservative market, the competitiveness decreases in eco-friendly synthetic leather used in the staple merchandise market. Also, the capital expenditure of this product is large, making it more difficult for newcomers.	Due to the conservative market, it is not easy to expand business for eco-friendly synthetic leather used in the electronic materials market. Also, the capital expenditure of this product is large, making it more difficult for newcomers.	Due to the conservative market, it is not easy to expand business for eco-friendly synthetic leather used in the medical materials market. Also, the capital expenditure of this product is large, making it more difficult for newcomers.	Due to the conservative market, it is not easy to expand business for eco-friendly synthetic leather used in the transportation materials market. Also, the capital expenditure of this product is large, making it more difficult for newcomers.	Due to the environmental new materials, it is not easy for the Company to expand business for eco-friendly synthetic leather used in the environmental materials market. Also, the capital expenditure of this product is large, making it more difficult for newcomers.	
		Future countermeasures	Establish international business line in Europe, America, Japan and Greater China, increasing the proportion of overseas sales.					

(II) Important Uses and Production Process of Major Products:

1. Important Uses:

(1) Uses for Plastics and Latex:

These can be made into raincoats, windbreakers, leather bags, suitcases, furniture, wallpapers, tents, air beds, sofas, car seat cushions, canvas, ready-to-wear, life jackets, school bags, safety seats, medical materials, automotive materials, etc.

(2) Uses for Rubber Sheet:

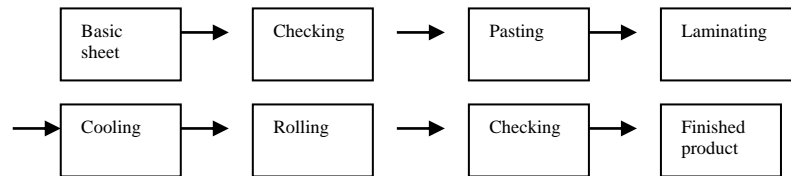
It can be made into raincoats, windbreakers, snow coats, footwear, waterproof engineering, air beds, boats, pontoons, aircraft tanks, water tanks, conveyor belts, ready-to-wear, life jackets, medical materials, automotive materials, dry diving suits, etc.

(3) Uses for Eco-Friendly Synthetic Leather

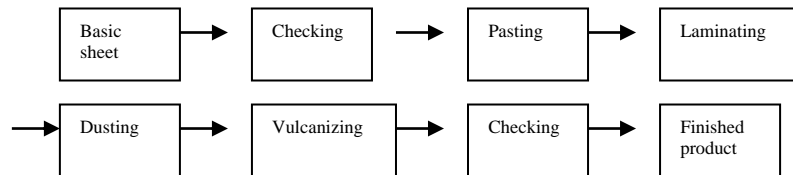
These can be made into high-end ready-to-wear, raincoat, windbreaker, ski wear, medical materials, automotive materials, etc.

2. Manufacturing Process:

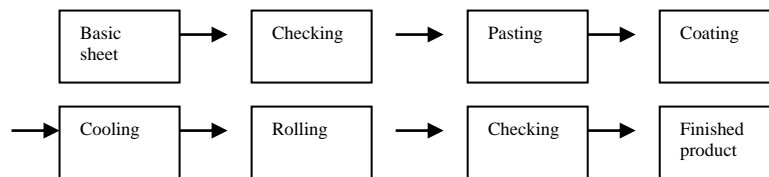
(1) Synthetic Leather:



(2) Rubber Sheet:



(3) Eco-Friendly Synthetic Leather:



(III) Supply Situation for Major Raw Materials:

1. Main raw materials:

A. Rubber raw materials: synthetic rubber, natural rubber, nylon.

B. Plastic raw materials: PVC dust, DOP, nylon.

C. Eco-friendly synthetic leather raw materials: PC paste, nylon.

2. Main source of supply:

A. Synthetic rubber: Domestic: USI Corp and NANTEX.

Overseas: Japan and the US.

B. Natural rubber: Southeast Asia.

C.D.O.P: Domestic: UPC Group and Chung Yong.

Overseas: Germany, Italy and Korea.
D.PVC dust: Domestic: Formosa Plastics Group, Ocean Plastics
Overseas: the US and Japan.
E. PU paste: Overseas: the UK and Japan.
F. Nylon: FORMOSA TAFFETA and Far Eastern New Century.

(IV) The Names and Purchases (Sales) and Proportion of the Customers that Accounted for more than 10% of the Total Procurement (sales) of Goods in any of the Past Two Years and the Amount and Proportion of the Goods Sold:

1. The Names of Manufacturers that Accounted for more than 10% of the Total Procurement of Goods in any of the Past Two Years and the Amount and Proportion of the Goods Sold: Unit: thousand

Item	2018				2019				2020 ended the previous quarter (Note 2)			
	Name	Amount	Ratio to net annual purchase (%)	Relation to the issuer	Name	Amount	Ratio to net annual purchase (%)	Relation to the issuer	Name	Amount	Ratio to net purchase in current year to the end of the previous quarter (%)	Relation to the issuer
1	Supplier A	109,667	15.96	None	Supplier A	69,234	13.55	None	Supplier A	16,915	11.85	None
	Others	577,640	84.04		Others	441,681	86.45		Others	125,777	88.15	
	Net purchase	687,307	100		Net purchase	510,915	100		Net purchase	142,692	100	

Note 1: A list of any suppliers and clients accounting for 10 % or more of the company's total procurement amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement accounted for by each, or where a trading counterpart is an individual person who is not a related party, it may use a code in place of the actual name

Note 2: The financial information of the first quarter of 2020 has been reviewed by the CPA prior to the publication of the annual report.

The reason for increases or decreases in the above figures: The manufacturer accounted for more than 10% of the total purchase of the most recent years has been the same; therefore there is no major difference.

2. The Names of Customers that Accounted for more than 10% of the Total Sales of Goods in any of the Past Two Years and the Amount and Proportion of the Goods Sold: Unit: thousand

Item	2018				2019				2020 ended the previous quarter (Note 2)			
	Name	Amount	Ratio to net annual sales (%)	Relation to the issuer	Name	Amount	Ratio to net annual sales (%)	Relation to the issuer	Name	Amount	Ratio to net sales in current year to the end of the previous quarter (%)	Relation to the issuer
1	Customer A	142,118	12.75	None	Customer A	81,976	8.53	None	Customer A	17,670	7.80	None

2	Customer B	124,750	11.19	None	Customer B	112,937	11.75	None	Customer B	13,905	6.13	None
	Others	848,009	76.06		Others	765,985	79.72		Others	195,099	86.07	
	Net sales	1,114,877	100		Net sales	960,898	100		Net sales	226,674	100	

Note 1: A list of any suppliers and clients accounting for 10 % or more of the company's total procurement amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement accounted for by each, or where a trading counterpart is an individual person who is not a related party, it may use a code in place of the actual name

Note 2: The financial information of the first quarter of 2020 has been reviewed by the CPA prior to the publication of the annual report.

The reason for increases or decreases in the above figures: The manufacturers accounted for more than 10% of the total sales of the most recent years have been the same; therefore there is no major difference.

(V) Table of Production Volume and Value in the Last 2 Years:

Unit: thousand yards; amount: thousand

Production Volume/Value Major Products (or by Segment)	Year	2018			2019		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Synthetic Leather		9,240	4,693	186,181	9,240	3,579	142,291
Rubber Sheet		4,488	3,202	539,290	4,488	2,435	427,843
Eco-Friendly Synthetic Leather		15,998	3,274	154,693	15,998	3,147	147,378
Others		—	274	35,932	—	268	36,324
Total		29,726	11,443	916,096	29,726	9,429	753,836

Note 1: Product capacity refers to the capacity that the Company produces under normal operation using existing production equipment after considering the factors for suspension of work or holidays.

Note 2: For any production equipment that has a replacement, the calculation for the capacity may be combined with an explanation provided.

(VI) Table of Sales Volume in the Last Two Years

Unit: thousand yards; amount: thousand

Sales Volume/ Value Major Products (or by Segment)	Year	2018				2019			
		Domestic		Overseas Sales		Domestic		Overseas Sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Synthetic Leather		3,380	144,717	1,361	61,021	2,621	107,462	1,141	54,620
Rubber Sheet		597	69,653	2,734	597,570	624	63,211	2,212	492,975
Eco-Friendly Synthetic Leather		1,847	87,389	1,462	114,963	2,086	93,639	1,395	109,964
Sales of raw materials		2	406	11	232	3	455	5	220
Others		83	9,858	190	29,068	109	12,837	162	25,515
Total		5,909	312,023	5,758	802,854	5,443	277,604	4,915	683,294

Note: 1. The amounts above have been expressed by net revenue.

2. Note: Construction and warehouse revenue are not included in domestic sales.

III. Employees:

Year		2018	2019	Year-to-date as at March 31, 2020
Number of employees	Staff	102	97	90
	Operator	114	105	109
	Total	216	202	199
Average age		47.80	49.01	49.18
Average years of service		7.60	8.66	8.79
Education level distribution ratio (%)	Doctor	0.00%	0.00%	0.00%
	Master	5.21%	5.61%	5.67%
	College	23.70%	23.98%	24.23%
	Senior high school	52.61%	51.02%	50.52%
	Below senior high school	18.48%	19.39%	19.58%

Note: The Company has adopted the retirement plan in the end of 2007 re-hired employees are entitled to adopt the new system.

IV. Information on environmental protection expenditure:

As of the end of the publication of the annual report, the losses and the total amount compensation paid due to a violation that resulted in a penalty, and future countermeasures and possible expenditure:

(I) Environmental Protection:

1. Total fine for the violation of the law and regulations: NT\$40,000. Due to the violation of energy use and efficiency specified in Article 8 of the Energy Administration Act and efficiency regulations in the Company's coal steam boilers, and were fined in accordance with Article 23.
2. Countermeasures: In order to comply with the stricter requirements of new boiler emission standards, it is necessary to reinvest in environmental treatment equipment
3. Possible expenditure in the future: NT\$16 million

(II) Fire Prevention:

1. Total fine for the violation of the law and regulations: None.
2. Countermeasures: R plant, automatic detected smoke alarms will be installed in the warehouse.
3. Possible expenditure in the future: within NT\$1 million

(III) Work Safety:

1. Total fine for the violation of the law and regulations: NT\$60,000 Due to the violation of the provisions stated in Article 6, paragraph 1 of the Occupational Safety and Health Act, the Company has been given a penalty in accordance with Article 43 subparagraph 2 and Article 49 subparagraph 2.
2. Countermeasures: Continue to improve the facilities within the plant in order to meet the laws and regulations stipulated in the Occupational Safety and Health Act.
3. Possible expenditure in the future: within NT\$500,000.

V. Labor Relations and Employee Rights:

(I) Various aspects of employee welfare measures, continuing education, job training, retirement system and its implementation, as well as labor agreements, labor rights and employment protection measures:

1. Employee welfare measures:

(1) The Company has established the employee welfare committee to implement benefit measures. The charter is as follows:

Article 1: The Charter has been established as required in the provisions stipulated in the Organization Regulations on Employee Welfare Committee.

Article 2: The Company is called Employee Welfare Committee of Formosan Rubber Group Inc. (the Committee).

Article 3: The Committee is located in the Formosan Rubber Group Inc. (8th Floor, No. 82, Section 1, Hankou Street, Taipei).

Article 4: There are 15 members in the Committee and is composed of union representatives and company representatives. Among these, there are 10 union representatives and 5 company representatives. However, members selected by the union members may not be less than two-thirds of the total number of members (the number of alternatives may not exceed one-third of the number of members). An reelection may be held before the end of the term.

- Article 5: The Committee has one chairperson who is selected by the members. Committee members serve a term of 3 years and are unpaid. Re-elected members shall be no more than two-thirds of the total number of members, however, and the term of executive member is not limited. The Committee shall be notified of any resignation of the chairperson or members. Those who fail to attend the Committee meeting for three consecutive times without reason are deemed to have resigned. Members of the Committee shall not be recalled if their term of office is less than one year.
- Article 6: The Committee shall have one director-general, one cashier general manager, and one accounting officer. The chairperson shall nominate among the employees of the Company shall be appointed after an approval of the majority of the Committee (dismissal of chiefs shall be approved by half of the Committee).
- Article 7: The Committee has research teams including business and general affairs which conduct researches and improvements. The business team of the Committee submits proposals to the chairperson or members for discussion. The business team has been divided into 2 sections: business and recreation; general affairs team: education and finance; there are 7 members in these research teams, respectively.
- Article 8: The employee welfare committee shall hold a meeting every three months, and an ad hoc meeting shall be called when necessary. The committee meetings are called by the chairperson. When the chairperson cannot perform his or her duties for specific reason(s), a personal shall be selected among the director-general or members. The resolutions of the Committee shall be attended by the majority of the members, and approved by the majority of the attendance. However, the resolution of the following shall be approved upon by more than the majority of the attendance.
1. The formulation and amendments of the Charter.
 2. The disposal of the employee welfare fund.
 3. Other material matters in relation to member rights and obligations.
- Article 9: Tasks of an employee welfare committee are as follow:
Reviewing, promoting and supervising employee welfare business.
Planning, custody and utilizing employee welfare fund.
Allocating, auditing and reporting revenues and expenses of employee welfare business expenditures.
Other matters related to employee welfare.
- Article 10: Employee welfare fund is allocated according to the left:
At the time of establishment, 1~5% of the paid-in capital was allocated.
0.11% of the total monthly operating revenue is allocated.
0.5% of the monthly wages of employees is deducted.
20% of the reject product is allocated.
- Article 11: Employee welfare fund is allocated as required by the law shall be deposited in the bank by the Committee and shall be not used unless approved by the Committee.
- Article 12: After the dissolution of the Committee, the remaining property of the employee benefits shall be handled in accordance with the

following:

1. In case of dissolution and the business has been eliminated, both the employer and employees shall appoint representatives and propose measures with the employee welfare committee for the remaining property of the welfare fund and shall be distributed to their original employees. A report shall be compiled and submitted to the competent authority for reference.
2. If the employee benefit committee is registered as a nonprofit corporation, in case of dissolution, the remaining property of the profit deposit shall be handled in accordance with Article 44 of Civil Code.

Article 13: The Committee shall set up a plan and budget for the following year within one month before the end of a year and submit it to the competent authority for record and review after they are approved by the committee meeting. Within three months following the end of each year, the Committee shall submit a report on the execution of the plan and budget as well as the financial statement to the competent authority for record and review, and also send a copy to the business entity.

Article 14: The meeting rules and enforcement rules are separately stipulated.

Article 15: Matters not covered in the Committee's charter shall be approved by the Committee before making amendments.

Article 16: The Charter has been enforced after the review of the competent authority.

- (2) Education scholarships for the children of employees and incentive for the further education of employees.

2. Retirement System:

(1) To accommodate the new allocation system for labor's retirement funds, the employees who choose to apply for the pension as stipulated in the Labor Standards Act (old system), the Company has established a Labor Pension Fund Supervisory Committee and 2% of the monthly wages will be allocated as the retirement fund. The pension funds are administered by the Labor Pension Fund Supervisory Committee and deposited in the Committee's name in the Bank of Taiwan. The Company will make up for the insufficient amount. Employee retirement conditions shall be handled in accordance with the Labor Standards Act.

(2) To accommodate the new allocation system of labor retirement fund, for those who choose the carrying account (new system), 6% of the monthly wages will be allocated to their personal account opened by the Bureau of Labor Insurance, Ministry of Labor.

3. Agreement and various employee rights protection measures between laborers and the management:

As required by the Labor Unit Act, the Company's Taoyuan plant has established the Professional Union and a regular communication is engaged with the Company (employee) in the written or verbal form.

- (II) List any loss sustained as a result of labor disputes in the most recent fiscal year, and during the current fiscal year up to the date of publication of the annual report, disclose an estimate of losses incurred to date or likely to be incurred in the future, and indicate mitigation measures being or to be taken:

In the most recent fiscal year, and during the current fiscal year up to the date of publication of the annual report, there were no labor disputes. The Company will continue to enhance the communication between the laborers and management as to reach the goal of prospect together.

(III) Education and Training System for Employees and its Implementation

(1) Operational Procedures for Education and Training System for Employees of Formosan Rubber Group Inc.:

1. Purpose:

These Operational Procedures are promulgated as a means to effectively improve the quality of personnel, implement correct quality concepts and professional skills, and carry out suitable training on employees who may produce significant impact to the environment so that they are relatively aware in order to achieve the effectiveness of the management and the goal of productive business management, ensuring that the quality management system and environmental management system are being enforced and promoted adequately.

2. Application Scope:

These Procedures are applicable for the courses, seminars, talks, practical training, visits and inspections, and planning and implementation of competence held by relevant institutions internally or externally for all of the Company's employees.

3. Reference: None.

4. Definition:

4.1 Internal training:

Training courses organized by the Company internally.

4.2 External training:

Training outside of the Company; refers to outside training, observation or overseas training assigned by the Company.

5. Operational procedures:

5.1 Application for training requirements:

5.1.1 Internal training:

Training plans should be proposed by the unit requesting (organizing) with contents including course items, course hours, participants, lecturers, and other matters that should be included, and submit such proposal to the president for approval.

5.1.2 External training:

Any employee participating in external training should complete the "External Training Application (Tracking) Form" with an introduction of the course and relevant information included and have it submitted to the manager then approved by the president.

5.2 Training implementation:

5.2.1 Internal training:

- (1) A notification should be sent out to the personnel participating 3 days prior to the course date by the handling personnel.
- (2) The handling personnel should be responsible of all things regarding training, such as venue arrangement, teaching material distribution and coordination of lecturers.
- (3) The lecturer should send the original handouts and teaching materials to the handling personnel for printing one week prior to the course date if any and they shall be given to the participants before lesson.
- (4) When the internal training ends, a test should be carried out according to

needs and the handling personnel or lecturer should monitor the test. Tests should be sent to the handling unit prior to the class by the lecturer.

- (5) The handling personnel should compile roster when various trainings carry out and each participant should sign the “Education and Training Sign-in Form for Employees’ ” as a certificate for the class.
- (6) During the training period, if failing to attend the class for a cause, a prior, procedures for taking a leave must be handled prior to the class. If absent for no reason, it is deemed as absenteeism.
- (7) The consequence and seriousness caused by violating the Operational Procedures when carrying out employee training.

5.2.2 External training:

- (1) Temporary loan for the expenses needed for the course must be applied from the accountant after the “External Training Application (Tracking) Form” has been approved by the manager of the employees who participate in external training and the registration procedures for the course may begin.
- (2) After the personnel participating in the external training completes the registration procedures, a form for taking a leave must be filled out, along with the course notification and the “External Training Application (Tracking) Form”; they should be submitted to the HR for subsequent tracking purpose.
- (3) Suppliers that have a significant impact on the company must request relevant training or be assisted by the Company.

5.3 Report of training reports:

5.3.1 Internal training:

- (1) The training results are archived by the HR and is treated as important reference basis for promotion or appointment.
- (2) Those that are absent, late, or leave early for no cause must be noted down in the column of the sign-in form.

5.3.2 External training:

- (1) Those that participate in an external seminar or should write a training report whereas needed for the manager to review then it shall be sent to the HR to archive.
- (2) Employees receiving external training should hand in a copy of their course completion certificate or relevant certificate to the HR to archive.
- (3) The HR may ask the personnel who participate in external training to compile a report of what they have learned if which needed can be passed down as teaching materials for relevant personnel.

5.3.3 A record of the training procedures may be kept in forms of photographs or videos if needed. Whereas there is a fire drill, a photograph record should be kept.

5.3.4 The personnel participating in the external training should provide the finance department a payment document to write off expenses within one week after the training ends.

5.3.5. The HR archives and safeguards training applications and relevant information.

5.4 Training assessment:

5.4.1 The HR should summarize the training results every 6 months and fill in the

“Education and Training Analysis Form” for the president to check the effectiveness of the outcome. The form will also be provided to each departmental manager as a reference basis for promotion.

5.5. Requirements for environmental management education and training

5.5.1 The representative for environmental management should identify suitable training on employees of the plant who may produce significant impact to the environment so that they have necessary skills and sufficient environmental awareness.

5.5.2 According to the outcome of the identification of environmental training requirements, the environmental management representative should make plans to promote environmental policies and procedures in relation to the environment as well as an explanation of various requirements, contents of training and drills in terms of emergency response plans, and training of the outcome after handling an emergency.

5.5.3 The environmental management representative should be responsible for or appoint the arrangement and enforcement of the training course on the approved objects for the training plan. An on-site enforcement should be performed by the internal manager acting as the training lecturer or an external professional should be hired to do so. Personnel may be appointed to receive professional training courses in relation to environmental issues when necessary outside of the Company.

5.5.4 Whereas there is a request regarding improvement technique of possible environmental impact arising from the material environmental considerations, the “External Training Application (Tracking) Form” should be submitted to the president. An external training may be assigned after an approval.

5.5.5. Requirements for the competence of environmental management personnel:

(1) Relevant personnel of fire response organization:

The personnel in the fire emergency response plan should be equipped with various skills. Suitable training should be provided, and the environmental promotion chairperson should especially appoint at least one member from the plant to take part in the fire fighting training organized by the fire fighting unit and a qualified certification shall be held.

(2) Environmental audit personnel:

It should be appointed to personnel who is qualified from receiving the internal audit training of the Company’s environmental management system and who has also received training courses of environmental procedures and explanation of material requirements.

(3) Material environmental impact personnel:

It should be appointed to personnel who have a degree of above junior high school and have work experience in related filed for more than a year, and should have received the Company’s training courses of relevant procedures of material environmental impact and explanation of material requirements.

6. Relevant forms:

6.1 External Training Application (Tracking) Form.

6.2 Education and Training Sign-in Form for Employees.

6.3 Education and Training Analysis Form.

(2) 2019 Personnel Education and Training Record Form of Formosan Rubber Group Inc.

Item number	Unit	Name	Item	Relevant license	Effective period (course time)	Amount
1	Accounting Course	Shi Ming-De	2019 Continuous Further Education of the Accounting Manager Course	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	May 23 - 24, 2019 12 hours	8,000
2	Audit Office	Liu Wen-Zheng	Internal Audit Training Course	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	October 2, November 7, 2019 12 hours	6,600
3	Audit Office	Wen Shu-Lan	Internal Audit Course	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	June 18, July 15, 2019 12 hours	6,600
4	Audit Office	Peng Fang-Qin	Internal Audit Course	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	June 18, July 15, 2019 12 hours	6,600
5	Audit Office	Wen Shu-Lan	First Aid Training Course	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	June 27, 2019 3 hours	450
6	Legal Office	Li Ying-Chao	Credit Risks of Customers and Continuous Further Education Course	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	April 18, 2019 6 hours	4,500
7	Legal Office	Tang Guan-Han	Class C Occupational Safety and Health Operations Supervisor	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	December 23 - 25, 2019 21 hours	4,500
8	Nankan Warehouse	Wu Min-Rui	Course of Bonded Warehouse Management for Dedicated Personnel	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	November 30 - December 7, 2019 24 hours	4,500
9	Nankan Warehouse	Shen Jia-Yan	Course of Bonded Warehouse Management for Dedicated Personnel	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	November 30 - December 7, 2019 24 hours	4,500
10	Nankan Warehouse	Lin Ruo-Qi	Course of Bonded Warehouse Management for Dedicated Personnel	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	November 30 - December 7, 2019 24 hours	4,500
11	Production Division	Hsu Bing-Rui	Security Supervisor Course	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	April 23, 2019 8 hours	2,700
12	Production Division	Chen Zhen-Hong	First Aid Training Course	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	June 27, 2019 3 hours	450
13	Production Division	Chiu Chian-Min	Fire Protection Manager Retraining Course	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	October 28, 2019 6 hours	1,600
14	Quality Assurance Division	Huang Shi-Qin	First Aid Training Course	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	July 9 - 11, 2019 18 hours	3,500
15	Technical Division	Hsu Yuan-Ru	Waste Clearing for Professional Technician Course	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	October 19 - November 23, 2019 51 hours	12,800

(IV) Code of Conduct or Ethics for Employees

Code of Conduct for Employees of Formosan Rubber Group Inc.

Established in August 2008

- I. I abide by the three precepts of Formosan Rubber Group Inc.: no corruption, no gambling, and filial piety.
- II. I respect personal sacred privacy and I do not discuss issues including politics, regions and races in the work place; unless approved by the manager, I do not discuss issues in relation to salary.
- III. I abide by the employees' industrial safety rules of Formosan Rubber Group Inc.:
 1. Operators working on site must wear safety shoes and work clothes.
 2. Work clothes must be tucked into the trousers to prevent them from being caught in the machine.
 3. Prior to operating the machine and equipment, the emergency braking device must be checked whether it is operating normally.
 4. A qualified certificate must be provided to operate on the stationary crane; prior to use, the rope must be checked whether it is complete and when the crane is in use, people walking underneath the load is strictly prohibited.
 5. A qualified certificate must be provided to drive a forklift, and be aware of personnel's safety when driving.
 6. Fire extinguishers in the work place should be checked whether they have expired and or if the pressure is enough.
 7. Dust masks must be worn when working in dusty places.
 8. Activated carbon masks must be worn when working in organic solvent places, and air circulation must be maintained.
 9. Heat-resistant gloves and arm bands must be worn in high-temperature places to prevent burns.
 10. Protective covers must be installed for transmission belts and chains of machinery and equipment.
 11. When using electrical equipment, plugs, socket must be carefully checked whether they are fixed, and whether the wire is broken to prevent leakage, short circuit, and electric shock.
 12. Protective gloves and goggles must be worn when using electric welding machines.
 13. Goggles must be worn when using grinders.
 14. When using a mobile ladder, it must be fixed to prevent falling
 15. Follow the smoking rules (smoking at the required time and location)
 16. Compliance of other safety rules later formulated by all managers

(V) Workplace and employees' safety protection measures:

1. Workplace and safety and health enforcement status of Formosan Rubber Group Inc.
 - (1) As required by the Ministry of Labor, an industrial safety and labor safety and health management committee has been set up. Chairperson: the director of the plant Hsiao Zheng-Zhong and all units have a responsible member.
 - (2) A safety and health month events are organized each year in March and September. Various workplace, safety and health checks and education and training will be implemented strictly and participation is compulsory for all members.
 - (3) Audit units of ISO-9001 and ISO-14001 come to the Company to check various workplace, safety and health operations and the enforcement of education and training.
 - (4) Employees are insured with occupational accidents and group insurances; if an accident of safety and health occurs, he/she is entitled the insurance protection.

2. Safety and Health Work Rules of Formosan Rubber Group Inc.

(1) 10 Industrial Safety and Health Rules of Formosan Rubber Group Inc.

1. Safety first, health first.
2. Follow laws and regulations in terms of safety and health.
3. Enhance safety and health equipment.
4. Improve safety and health organizations.
5. Strengthen safety and health education.
6. Have safety and health habits.
7. Build safety honor concepts.
8. Increase the awareness for prevention of disasters.
9. Implement industrial automatic checks.
10. Work together to ensure safety.

(2) Responsibilities of Managers

1. Managers (including commanding several workers, such as shift leader, team leader, and section chief) should be responsible for preventing accidents.
2. Be an example in following safety and health rules.
3. Guide and supervise the department to follow safety and health rules.
4. Maintain the sound environment and equipment of the management area; if poor safety and health situation is discovered, it must be corrected at any time.
5. Managers should remain in contact and cooperation with the safety and health management personnel to prevent accidents together.
6. When an accident occurs, the safety and health management department and the safety and health committee must be contacted immediately to seek a solution for improvement.
7. All managers must be aware of the safe working methods of the work they are supervising, and supervise their subordinates to follow, and they should be an example to their subordinates.
8. All managers must be familiar with the safety fence devices and protection equipment of human safety of the work they are in charge of and the application of maintenance.
9. Assignment of work should be appropriate. If there are no more than 2 foremen being in charge, one of them should be appointed as the person in charge for commanding.
10. The purpose of plant management is to maintain a working environment that is neat, clean and comfortable.

(3) Personal conduct

1. Follow the rules in terms of safety and health.
2. Work must be conducted according to the standard working method or manager instructions; they may not be changed without consent.
3. Machines may not be operated on without authorization by other personnel aside from the responsible personnel (unless authorized by the manager).
4. Lingering or wandering in the work area of others for no reason at any time is prohibited.
5. Ensure that materials being used at work that are placed on the scaffold, tower or other high places do not trip others or hurt others from falling.
6. If objects must be thrown from the high place, the ground should be fenced up and warning should be displayed to prohibit others from entering.
7. When moving equipment or scaffold, unfixed objects placed on top should be removed.

8. Do not run, shout, play, and pull pranks or other behaviors that obstruct order in the plant.
9. Do not use compressed air to blow dust off a body and use the compressed tube to point at others.
10. Do not take shortcuts and enter production operation area when walking.
11. It is prohibited to sit on the conveyor belt or walk on the frame.
12. It is strictly prohibited for people to walk on the roof of asbestos tiles.
13. Do not walk underneath an overhead crane or hanging heavy objects during work.
14. If an area with oil leakage, air leakage, broken and damaged ladder, platform, railing or other unsafe places are discovered, please report to the manager or safety and health management personnel at any time.
15. Do not use tools with poor performance or malfunctioning machinery.
16. It is prohibited to place sharp knives into the pocket and throw objects in the workshop.
17. It is prohibited to smoke inside the workplace or when walking; cleanness must be maintained and fruit skin and garbage must not be discarded inside the plant.
18. Do not push the door too hard when entering and exiting to prevent hitting people at the other side.
19. Take extra care when walking up and down stairs or anywhere that is slippery.
20. Injuries occur when moving objects, please take extra care.
21. Remember all entries and exits and emergency exit of the workplace by heart. Orders must be complied with and guidance must be followed when there is an emergency.
22. Each employee should be responsible for preventing accidents and encourage one another regarding following the safety rules.
23. If any unsafe situation is discovered, the manager or safety and health management committee must be reported to immediately to seek a solution for improvement.

(All enforcement rules are published in the chapters in the “Safety and Health Work Rules of Formosan Rubber Group Inc.”)

VI. Important Contracts:

Type of contract	Party	Contract Duration	Contract content	Restrictions
Long-term loans	Hua Nan Bank	February 10, 2015 - February 10, 2020	Financing line of NT\$802 million for the land development of Huiguo Section of Taichung (※The case was closed on January 16, 2020 and the registration has been written off.)	None
Sales contract	Japan Ajinomoto	January 26, 2005	Co-produced additives for electronic chemistry	None
Real Estate Development Contract	Continental Development Corporation. Heng Bang Construction Co., Ltd. Heng Ju Construction Co., Ltd.	May 16, 2012	The B7 land development in Xinyi Section	None
	Continental Development Corporation.	October 17, 2014	The land development in Huiguo Section of Taichung	None

VI. An Overview of the Company's Financial Status

- I. Condensed balance sheets and statements of comprehensive income for the past 5 fiscal years
- II. Finance analysis for the past 5 fiscal years
- III. Audit committee review report of the most recent annual financial report
- IV. Financial report for the most recent fiscal year,
- V. A parent company only financial statement for the most recent fiscal year, certified by a CPA
- VI. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation

VI. An Overview of the Company's Financial Status

I. Condensed balance sheets and comprehensive income statements for the past 5 fiscal years:

(I) The International Financial Reporting Standards have been adopted

1. Consolidated Condensed Balance Sheet

Unit: NT\$ thousand

Item	Year	Financial information for the past 5 years (Note 1)					Financial Information of Year-to-date as at March 31, 2020 (Note 1)
		2015	2016	2017	2018	2019	
Current Assets		10,714,652	10,097,817	10,616,690	9,877,351	8,575,654	7,820,511
Property, Plant and Equipment		868,729	869,608	890,506	942,204	891,585	878,539
Intangible Assets		0	0	0	0	0	0
Other Assets		3,546,251	3,424,663	3,365,337	3,304,535	3,512,195	3,462,807
Total Assets		15,129,632	14,392,088	14,872,533	14,124,090	12,979,434	12,161,857
Current Liabilities	Before Distribution	2,930,438	2,976,101	3,818,373	3,544,274	1,919,580	1,389,550
	After Distribution	3,347,336	3,209,851	4,058,873	3,782,274	(Note 2)	(Note 2)
None Current Liabilities		232,446	233,854	217,322	220,894	254,232	252,829
Total Liabilities	Before Distribution	3,162,884	3,209,955	4,035,695	3,765,168	2,173,812	1,642,379
	After Distribution	3,579,782	3,443,705	4,276,195	4,003,168	(Note 2)	(Note 2)
Equity Attributable to Parent Company Shareholders		11,967,735	11,183,129	10,837,841	10,359,932	10,806,639	10,520,495
Shares		4,904,684	4,336,000	3,800,000	3,700,000	3,500,000	3,500,000
Capital reserve		528,814	519,530	506,026	492,836	466,463	466,463
Retained Earnings	Before Distribution	6,745,831	6,611,617	6,512,624	6,473,080	6,672,834	6,926,499
	After Distribution	6,328,933	6,377,867	6,272,124	6,235,080	(Note 2)	(Note 2)
Other Equity		(204,550)	(179,047)	20,523	(44,611)	167,342	(342,267)
Treasury Stock		(7,044)	(104,971)	(1,332)	(261,373)	0	(30,200)
Non-Controlling Interest		(987)	(996)	(1,003)	(1,010)	(1,017)	(1,017)
Total Equity	Before Distribution	11,966,748	11,182,133	10,836,838	10,358,922	10,805,622	10,519,478
	After Distribution	11,549,850	10,948,383	10,596,338	10,120,922	(Note 2)	(Note 2)

Note 1: The annual financial information has been audited by the CPA, and the financial information of first quarter of 2020 has been reviewed by the CPA prior to the publication of the annual report.

Note 2: The 2019 motion of earnings distribution has not yet been resolved by the general meeting of shareholders.

2. A parent Company Only Condensed Balance Sheet

Unit: NT\$ thousand

Item	Year	Financial information for the past 5 years (Note 1)				
		2015	2016	2017	2018	2019
Current Assets		10,321,338	9,687,038	10,148,794	9,366,898	7,927,109
Property, Plant and Equipment		868,729	869,608	890,506	942,204	891,585
Intangible Assets		0	0	0	0	0
Other Assets		3,937,511	3,833,287	3,830,926	3,812,727	4,158,796
Total Assets		15,127,578	14,389,933	14,870,226	14,121,829	12,977,490
Current Liabilities	Before Distribution	2,923,447	2,968,963	3,811,048	3,536,961	1,912,550
	After Distribution	3,340,345	3,202,713	4,051,548	3,774,961	(Note 2)
None Current Liabilities		236,396	237,841	221,337	224,936	258,301
Total Liabilities	Before Distribution	3,159,843	3,206,804	4,032,385	3,761,897	2,170,851
	After Distribution	3,576,741	3,440,554	4,272,885	3,999,897	(Note 2)
Equity Attributable to Parent Company Shareholders		11,967,735	11,183,129	10,837,841	10,359,932	10,806,639
Shares		4,904,684	4,336,000	3,800,000	3,700,000	3,500,000
Capital reserve		528,814	519,530	506,026	492,836	466,463
Retained Earnings	Before Distribution	6,745,831	6,611,617	6,512,624	6,473,080	6,672,834
	After Distribution	6,328,933	6,377,867	6,272,124	6,235,080	(Note 2)
Other Equity		(204,550)	(179,047)	20,523	(44,611)	167,342
Treasury Stock		(7,044)	(104,971)	(1,332)	(261,373)	0
Non-Controlling Interest		0	0	0	0	0
Total Equity	Before Distribution	11,967,735	11,183,129	10,837,841	10,359,932	10,806,639
	After Distribution	11,550,837	10,949,379	10,597,341	10,121,932	(Note 2)

Note 1: The annual financial information above has been audited by the CPA

Note 2: The 2019 motion of earnings distribution has not yet been resolved by the general meeting of shareholders.

3. Comprehensive Income Statements

Unit: NT\$ thousand
Earnings / (Loss) per share unit: NT\$

Item	Year	Financial information for the past 5 years (Note 1)					Financial Information of Year-to-date as at March 31, 2020 (Note 1)
		2015	2016	2017	2018	2019	
Operating income		2,290,940	1,708,188	1,726,834	1,373,818	2,701,777	974,809
Operating margin		1,055,722	526,703	538,798	330,480	661,688	339,754
Net Operating Income		811,666	286,529	304,471	101,195	423,813	277,760
Non-Operating Income and Expenses		208,284	128,053	(106,183)	159,232	128,874	(5,752)
Pre-Tax Income		1,019,950	414,582	198,288	260,427	552,687	272,008
Net Income for Continuing Operation		789,818	327,101	189,233	215,795	538,950	253,665
Loss of Discontinued Operation		0	0	0	0	0	0
Net Income (Loss)		789,818	327,101	189,233	215,795	538,950	253,665
Other Comprehensive Income, Net		(232,660)	25,512	199,685	(33,634)	184,067	(509,609)
Total Comprehensive Income		557,158	352,613	388,918	182,161	723,017	(255,944)
Profit Attributable to the Equity Holders of the Parent Company		789,825	327,110	189,240	215,802	538,957	253,665
Net Profit Attributable to Non Controlling Interests		(7)	(9)	(7)	(7)	(7)	0
Comprehensive Income Attributable to the Equity Holders of the Parent Company		557,165	352,622	388,925	182,168	723,024	(255,944)
Comprehensive Income Attributable to Non Controlling Interests		(7)	(9)	(7)	(7)	(7)	0
Earnings Per Share		1.60	0.71	0.47	0.59	1.54	0.73

Note 1: The annual financial information has been audited by the CPA, and the financial information of first quarter of 2020 has been reviewed by the CPA prior to the publication of the annual report.

4. A Parent Company Only Comprehensive Income Statements

Unit: NT\$ thousand
Earnings / (Loss) per share unit: NT\$

Item \ Year	Financial information for the past 5 years (Note 1)				
	2015	2016	2017	2018	2019
Operating income	2,291,000	1,708,248	1,726,894	1,373,878	2,701,837
Operating margin	1,055,782	526,763	538,858	330,540	661,748
Net Operating Income	814,598	291,957	309,180	103,821	426,917
Non-Operating Income and Expenses	205,031	122,605	(110,911)	156,948	123,093
Pre-Tax Income	1,019,629	414,562	198,269	260,769	550,010
Continuing Operation Net Income	789,825	327,110	189,240	215,802	538,957
Loss of Discontinued Operation	0	0	0	0	0
Net Income (Loss)	789,825	327,110	189,240	215,802	538,957
Other Comprehensive Income, Net	(232,660)	25,512	199,685	(33,634)	184,067
Total Comprehensive Income	557,165	352,622	388,925	182,168	723,024
Profit Attributable to the Equity Holders of the Parent Company	789,825	327,110	189,240	215,802	538,957
Net Profit Attributable to Non Controlling Interests	0	0	0	0	0
Comprehensive Income Attributable to the Equity Holders of the Parent Company	557,165	352,622	388,925	182,168	723,024
Comprehensive Income Attributable to Non Controlling Interests	0	0	0	0	0
Earnings Per Share	1.60	0.71	0.47	0.59	1.54

Note 1: The annual financial information above has been audited by the CPA

(II) The names of appointed certified accountants and their audit opinions in the last 5 years

Year	Name of CPA	Audit Opinions
2015	Isu Su-Qin, Wu Hsin-Liang	An Unqualified Opinion
2016	Zhou Yin-Lai, Wu Hsin-Liang	An Unqualified Opinion
2017	Zhou Yin-Lai, Wu Hsin-Liang	An Unqualified Opinion
2018	Zhou Yin-Lai, Wu Hsin-Liang	An Unqualified Opinion
2019	Zhou Yin-Lai, Wu Hsin-Liang	An Unqualified Opinion

II. Finance analysis for the past 5 fiscal years

(I) The International Financial Reporting Standards has been adopted

1. Consolidated Financial Analysis

Analysis		Year	Financial Analysis for the Past 5 Years (Note 1)					Year-to-date as at March 31, 2020 (Note 1)
		2015	2016	2017	2018	2019		
Financial Structure (%)	Debt to Assets Ratio	20.91	22.30	27.14	26.66	16.75	13.50	
	Long Term Funds to Property, Plant and Equipment Ratio	1,404.26	1,312.77	1,241.33	1,122.88	1,240.47	1,226.16	
Liquidity %	Current Ratio	365.63	339.30	278.04	278.68	446.75	562.81	
	Quick Ratio	169.97	149.57	131.42	114.73	207.18	252.71	
	Times Interest Earned	43.76	32.75	12.26	12.91	29.16	88.97	
Operating Performance	Average Collection Turnover (times)	9.71	7.46	7.82	7.05	17.43	28.95	
	Average Number of Days	37.59	48.92	46.67	51.77	20.94	12.60	
	Inventory Turnover (times)	0.26	0.21	0.22	0.19	0.40	0.58	
	Average Payment Turnover (times)	5.11	5.97	6.66	6.14	14.75	20.13	
	Average Sales Days	1,403.84	1,738.09	1,659.09	1,921.05	912.50	629.31	
	Property, Plant and Equipment Turnover (times)	2.61	1.97	1.96	1.50	2.95	4.41	
	Total Assets Turnover (times)	0.16	0.12	0.12	0.09	0.20	0.31	
Profitability	Return on Total Assets (%)	5.53	2.29	1.39	1.61	4.09	8.15	
	Return on Equity (%)	6.34	2.83	1.72	2.04	5.09	9.52	
	Pre-Tax to Ratio of the Paid-In Capital (%)	20.80	9.56	5.22	7.04	15.79	31.09	
	Net Margin (%)	34.48	19.15	10.96	15.71	19.95	26.02	
	Earnings Per Share (NT\$)	1.60	0.71	0.47	0.59	1.54	0.73	
Cash Flow	Cash Flow Ratio (%)	(36.86)	8.31	11.65	11.98	92.89	30.16	
	Cash Flow Adequacy Ratio (%)	177.61	96.37	133.54	87.83	63.93	-	
	Cash Flow Reinvestment Ratio (%)	(18.09)	(1.31)	1.69	1.53	12.38	-	
Leverage	Operating Leverage	1.24	1.69	1.63	2.82	1.86	1.33	
	Financial Leverage	1.03	1.05	1.06	1.28	1.05	1.01	

Please explain the reason for ratio changes for financial information in the past 2 years. (Analysis may be exempted if the increase or decrease change does not reach 20%)

1. Debt to assets ratio: Current Liabilities: Mainly due to the continuous sales of construction projects of "Bridge Upto Zenith", and "Legend River", and the completion and handover of "55Timeless", resulting in a decrease in short-term loan and short-term notes payable.

2. Current ratio, quick ratio and times interest earned: The decrease of current liabilities is mainly due to the continuous sales of construction projects of "Bridge Upto Zenith", and "Legend River", and the completion and handover of "55Timeless" resulting in a decrease in short-term loan and short-term notes payable compared to the previous period; the increase of current earnings before interest and taxes is mainly due to the continuous sales of construction projects of "Bridge Upto Zenith", and "Legend River", and the completion and handover of "55Timeless", resulting in an increase of net income compared to the previous period.

3. Average collection turnover, average number of days, inventory turnover, average payment turnover, average sales days, property, plant and equipment turnover Ratio and total assets turnover: Mainly due to the continuous sales of construction projects of "Bridge Upto Zenith", and "Legend River", and the completion and handover of "55Timeless", resulting in an increase in operating income and related operating costs.

4. Return on assets, return on equity, pre-tax to ratio of the paid-in capital, profit margin and earnings per share: Mainly due to the continuous sales of construction projects of "Bridge Upto Zenith", and "Legend River", and the completion and handover of "55Timeless", resulting in an increase of pre-tax income and net income compared to the previous period.

5. Cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio: Mainly due to the continuous sales of construction projects of "Bridge Upto Zenith", and "Legend River", and the completion and handover of "55Timeless", resulting in an increase of net cash flows in current operating activities by a large margin.

6. Operating leverage: Mainly due to the continuous sales of construction projects of "Bridge Upto Zenith", and "Legend River", and the completion and handover of "55Timeless", resulting in an increase of operating profit compared to the previous period.

Note 1: The annual financial information has been audited by the CPA, and the financial information of first quarter of 2020 has been reviewed by the CPA prior to the publication of the annual report.

2. Parent Company Only Financial Analysis

Analysis		Year	Financial Analysis for the Past 5 Years (Note 1)			
		2015	2016	2017	2018	2019
Financial Structure	Debt to Assets Ratio	20.89	22.29	27.12	26.64	16.73
	Long Term Funds to Property, Plant and Equipment Ratio (%)	1,404.83	1,313.35	1,241.90	1,123.42	1,241.04
Liquidity %	Current Ratio	353.05	326.28	266.30	264.83	414.48
	Quick Ratio	156.92	136.09	119.39	100.54	174.03
	Times Interest Earned	43.74	32.75	12.26	12.92	28.35
Operating Performance	Average Collection Turnover (times)	9.71	7.46	7.82	7.05	17.43
	Average Number of Days	37.59	48.92	46.67	51.77	20.94
	Inventory Turnover (times)	0.26	0.21	0.22	0.19	0.40
	Average Payment Turnover (times)	5.11	5.97	6.66	6.14	14.75
	Average Sales Days	1,403.84	1,738.09	1,659.09	1,921.05	912.50
	Property, Plant and Equipment Turnover Ratio (times)	2.61	1.97	1.96	1.50	2.95
	Total Assets Turnover (times)	0.16	0.12	0.12	0.09	0.20
Profitability	Return on Total Assets (%)	5.53	2.29	1.39	1.61	4.09
	Return on Equity (%)	6.34	2.83	1.72	2.04	5.09
	Pre-Tax to Ratio of the Paid-In Capital (%)	20.79	9.56	5.22	7.05	15.71
	Net Margin (%)	34.48	19.15	10.96	15.71	19.95
	Earnings Per Share (NT\$)	1.60	0.71	0.47	0.59	1.54
Cash Flow	Cash Flow Ratio (%)	(37.48)	7.95	11.43	11.50	91.79
	Cash Flow Adequacy Ratio (%)	177.44	95.69	132.38	86.09	61.05
	Cash Flow Reinvestment Ratio (%)	(18.19)	(1.40)	1.62	1.38	12.11
Leverage	Operating Leverage	1.23	1.66	1.60	2.75	1.85
	Financial Leverage	1.03	1.05	1.06	1.27	1.05

Please explain the reason for ratio changes for financial information in the past 2 years. (Analysis may be exempted if the increase or decrease change does not reach 20%)

1. Debt to assets ratio: Current Liabilities: Mainly due to the continuous sales of construction projects of "Bridge Upto Zenith", and "Legend River", and the completion and handover of "55Timeless", resulting in a decrease in short-term loan and short-term notes payable.

2. Current ratio, quick ratio and times interest earned: The decrease of current liabilities is mainly due to the continuous sales of construction projects of "Bridge Upto Zenith", and "Legend River", and the completion and handover of "55Timeless" resulting in a decrease in short-term loan and short-term notes payable compared to the previous period; the increase of current earnings before interest and taxes is mainly due to the continuous sales of construction projects of "Bridge Upto Zenith", and "Legend River", and the completion and handover of "55Timeless", resulting in an increase of net income compared to the previous period.

3. Average collection turnover, average number of days, inventory turnover, average payment turnover, average sales days, property, plant and equipment turnover Ratio and total assets turnover: Mainly due to the continuous sales of construction projects of "Bridge Upto Zenith", and "Legend River", and the completion and handover of "55Timeless", resulting in an increase in operating income and related operating costs.

4. Return on assets, return on equity, pre-tax to ratio of the paid-in capital, profit margin and earnings per share: Mainly due to the continuous sales of construction projects of "Bridge Upto Zenith", and "Legend River", and the completion and handover of "55Timeless", resulting in an increase of pre-tax income and net income compared to the previous period.

5. Cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio: Mainly due to the continuous sales of construction projects of "Bridge Upto Zenith", and "Legend River", and the completion and handover of "55Timeless", resulting in an increase of net cash flows in current operating activities by a large margin.

6. Operating leverage: Mainly due to the continuous sales of construction projects of "Bridge Upto Zenith", and "Legend River", and the completion and handover of "55Timeless", resulting in an increase of operating profit compared to the previous period.

Note 1: The annual financial information above has been audited by the CPA

Note 2: The calculation method for the financial analysis is as follows:

1. Capital Structure Analysis

(1) Debt Ratio = Total Liabilities / Total Assets.

(2) Long-term Fund to Fixed Assets Ratio = (Shareholders' Equity + Long-term Liabilities) / Net Fixed Assets.

2. Liquidity Analysis

(1) Current Ratio = Current Assets / Current Liabilities.

(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities.

(3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses.

3. Operating Performance Analysis

(1) Average Collection Turnover (including accounts receivable and notes receivable resulted from business operation) = Net Sales / Average Trade Receivables (including accounts receivable and notes receivable resulted from business operation).

(2) Days Sales Outstanding = 365 / Average Collection Turnover.

(3) Average Inventory Turnover = Cost of Sales / Average Inventory.

(4) Average Payment Turnover (including accounts payables and notes payables resulted from business operation) = Cost of Sales / Average Trade Payables (including accounts payables and notes payables resulted from business operation).

(5) Average Sales Days = 365 / Average Inventory Turnover.

(6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment.

(7) Total Assets Turnover = Net Sales / Average Total Assets.

4. Profitability Analysis

(1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets.

(2) Return on Equity = Net Income / Average Total Equity.

(3) Net Margin = Net Income / Net Sales.

(4) Earnings Per Share = (Net Income - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding. (Note 4)

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities.

(2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend.

(3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Property, Plant and Equipment + Long-term Investments + Other Assets + Working Capital). (Note 5)

6. Leverage:

(1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations (Note 6)

(2) Financial Leverage = Operating Profit / (Operating Profit - Interest Expenses)

Note 3: The calculation of the earnings per share of the preceding paragraph shall pay special attention to the following:

1. Based on the weighted average number of ordinary shares, rather than the number of shares issued at the end of the year.

2. Where there is a cash replenishment or treasury stock trading, the weighted average number of shares shall be calculated during the period of circulation.

3. Where there is a surplus to capital increase or capital surplus to capital increase, the calculation of the earnings per share for the previous year and half year should be adjusted by the proportion of capital increase, rather than the period the capital increase is issued.

4. If the preferred shares are non convertible accumulative shares, its annual dividend (whether or not it is issued) shall be deductible from the net income or increased to net loss after tax. If the preferred shares are non cumulative, then in the case of having a net profit after tax, the preferred dividend should be deducted from the net profit after tax; in the case of net loss after tax, no adjustments are required.

Note 4: The following should be taken more consideration into when analyzing cash flows:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.

2. Capital expenditure refers to the annual cash outflow of capital flows.

3. The increase in inventories shall only be credited when the balance at the end of the period is greater than them balance at the beginning of the period. If the inventory is reduced at the end of the year, then the inventory amount should be accounted at zero.

4. Cash dividends include cash dividends for common stock and special shares.

5. Fixed assets means the total amount of Property, plant and equipment before deducting accumulated depreciation.

Note 5: The issuer shall distinguish between the operating costs and operating expenses being fixed or variables. When involved in the estimation or subjective judgments, one should pay attention to its rationality and consistency.

Note 6: If the Company's shares are no par or not in the denomination of NT\$10, the calculation of the ratio of the paid in capital shall be calculated based on the equity ratio of the balance sheet attributable to the owners of the parent company.

III. Audit Committee's Review Report

The Company's 2019 business report, financial statements (including consolidated and standalone financial statements) and the motion for earnings distribution; among these, the financial statements have been audited by CPAs Zhou Yin-Lai and Wu Xin-Liang of Baker Tilly, and the audit report has been submitted.

The business report, financial statements and the motion for earnings distribution stated above have been reviewed by the Audit Committee and no discrepancy has been found. We have presented you the reports based on the provisions stipulated in Article 14-4 in Securities and Exchange Act and Article 219 in the Company Act.

Please review

Regards,

2020 General Meeting of Shareholders of Formosan Rubber Group Inc.

Formosan Rubber Group Inc.

Convener of Audit Committee: Xiao Sheng-Xian

March 20, 2020

IV. Financial report for the most recent fiscal year

**(English Translation of Consolidated Financial Statements
and Report Originally Issued in Chinese)**

Formosan Rubber Group Inc.
and Subsidiaries
Consolidated Financial Statements
and Independent Auditors' Report
2019 and 2018

Address: 8F, No. 82, Sec. 1, Hankou St., Zhongzheng
District, Taipei City

Tel No.: (02) 2370-0988

The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

REPRESENTATION LETTER

The Companies required to be included in the consolidated financial statements of Formosan Rubber Group Inc. as of and for the year ended December 31, 2019, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Formosan Rubber Group Inc. and Subsidiaries do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Formosan Rubber Group Inc.

By

HSU, ZHEN-TSAI

Chairperson

March 20, 2020

INDEPENDENT AUDITORS' REPORT

NO.00111080ECA

To: Formosan Rubber Group Inc.

Opinions

We have audited the consolidated balance sheet of Formosan Rubber Group Inc. and its subsidiaries as of December 31, 2019 and 2018 and consolidated comprehensive income statement, consolidated statement of changes in equity, consolidated statement of cash flows and notes to consolidated financial statements (including summary of material accounting policies) for the January 1 to December 31, 2019 and 2018.

According to the opinion of this CPA, based on our CPA's audited result, the major aspects of the consolidated financial statements as stated in the above are prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, interpretations as well as interpretation announcements recognized and announced effective by the Financial Supervisory Commission, sufficiently expressing the financial status of Formosan Rubber Group Inc. and its subsidiaries as of December 31, 2019 and December 31, 2018, and the consolidated financial performance and consolidated cash flow of from January 1 to December 31, 2019 and 2018.

Basis of opinion

We have conducted the audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing standards. With our responsibility under such regulations and standards, we will further explain the responsibility of our audit of the financial statements. The personnel ruled with independence in the accounting office of the certified public accountant (CPA) have followed the Norm of Professional Ethics for Certified Public Accountants to stay impartial and independent from Formosan Rubber Group Inc. and its subsidiaries, and carry out other responsibilities required by the Rules. We believe that we have obtained sufficient and pertinent audit evidence, which provides the basis of our audit opinions.

Key audit matters

The key audit item refers to the most crucial element of our professional judgment about the audit conducted for the 2019 consolidated financial statements of Formosan Rubber Group Inc. and its subsidiaries. The item has been reflected in our overall audit of the consolidated financial statements and in the process to form our audit opinions, in which we do not individually express our opinion on the item.

Below is the list of key audit issues on the 2019 consolidated financial statements of Formosan Rubber Group Inc. and its subsidiaries:

Valuation of Net Realizable Value Of Real Estate For Sale and Real Estate Under Construction

Summary of key issues for auditing

As of December 31, 2019, the value of real estate for sale and real estate under construction on the consolidated balance sheet was NT\$ 4,305,695 thousand primarily reflective of the completed properties and land held for sale and the land cost with constructions in progress. These items accounted for approximately 33% of the consolidated total assets. Please refer to Notes 4, 5 and 11 of the consolidated financial statements for detailed information. Formosan Rubber Group Inc. uses the lower of the cost or net realizable value for the valuation of real estate for sale and real estate under construction. As the valuation of real estate for sale and real estate under construction is subject to the effects of the cycle in the real estate market and the changes of the government policy and the determination of net realizable values for real estate for sale and real estate under construction requires major judgment and estimates, it was listed as one of the audit priorities this year.

Audit procedures

The audit procedures were carried out by CPAs as follows:

1. Acquisition of the data concerning the company's assessment of lower of the costs and net realizable value;
2. Random inspection of the ownership documents for the properties held for sale and the land on which construction was in progress, in order to validate the integrity of the assessment;
3. Random inspection of the data concerning the estimated selling price and the sale records of the most recent period, so as to determine the basis and reasonability of the management's estimate of net realizable value.

Impairment of Property Investments

Summary of key issues for auditing

As of December 31, 2019, the value of property investments on the consolidated balance sheet was NT\$2,764,532 thousand accounting for approximately 21% of the consolidated total assets. Please refer to Notes 4, 5 and 16 of the consolidated financial statements for detailed information. Management complies with IAS 36 “Impairment of Assets” by evaluating whether there are any signs indicating the investment properties may be impaired on each balance sheet date. Given the numerous assumptions involved, and the high uncertainty of accounting estimates, it was listed as one of the audit priorities this year.

Audit procedures

The audit procedures were carried out by CPAs as follows:

1. Acquisition of the data concerning the company’s assessment of asset impairments according to cash generating units;
2. Assessment of the reasonability of the management’s identification of impairment signs, assumptions and estimates used, such as the division of cash generating units, forecasting of cash flows, the appropriateness of the discount rate.

Miscellaneous

Formosan Rubber Group Inc. has prepared its individual financial statements for 2019 and 2018, and the auditors have issued an unqualified opinion. Both the statements and the Auditors’ Report are provided for reference.

Responsibility of the management and governance unit for the consolidated financial statements

The responsibility of the management is to prepare the adequately expressed financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations as well as interpretation announcements recognized and announced effective by the Financial Supervisory Commission, and maintain the internal control required by the preparation of the consolidated financial statements, so as to ensure that the consolidated financial statements do not have any material misstatement resulting from corruption or errors.

Unless that the management plan to liquidate Formosan Rubber Group Inc. and its subsidiaries or stop the business or there are no other practical and feasible measures except liquidation or business closure, the responsibility of the management for preparing the financial statements includes assessment of Formosan Rubber Group Inc. and its subsidiaries' competence in continuing business operation, disclosure of relevant items and adoption of the business continuation accounting basis.

The governance unit (including the supervisors) of Formosan Rubber Group Inc. and its subsidiaries is liable to supervise the financial reporting process.

Auditor's responsibilities for the audit of consolidated financial statements

The purpose of our audit of the consolidated financial statements is to obtain reasonable assurance about whether any material misstatement resulting from corruption or errors is existent in the overall consolidated financial statements, and issue the audit report. The reasonable assurance referred to here is a high degree of assurance. Nevertheless, the audit executed in accordance with the generally accepted auditing standards cannot guarantee that the material misstatement existing in the consolidated financial statements can be detected. A misstatement may result from errors or corruption. If the individual amount or compiled amount of a misstatement can be reasonably expected to impact the economic policy made by the user of the consolidated financial statements, it shall be regarded as a material factor.

When conducting the audit according to the generally accepted auditing standards, we used our professional judgment and kept professionally doubtful about dubious things. We also executed the following tasks:

1. Recognize and assess the risk of the material misstatement resulting from corruption or errors; design and take the appropriate coping strategy for the assessed risk; obtain sufficient and pertinent audit evidence as the basis of the audit opinions. Given that corruption may involve conspiracy, falsification, deliberate omission, misstatement or transgression of the internal control, the risk in the failure in detecting the material misstatement resulting from corruption is higher than that resulting from errors.
2. Understand the necessity for obtaining the internal control associated with the audit, so as to design the audit procedure appropriate under the condition at the time. However, the purpose of it is not to express the opinion on the efficacy of Formosan Rubber Group Inc. and its subsidiaries' internal control.

3. Assess the propriety of the accounting policy adopted by the management and the rationality of the accounting estimation and relevant disclosures.
4. Conclude if the business continuation accounting basis adopted by the management is proper, and whether the material doubtful event or circumstance likely incurred from the competence of Formosan Rubber Group Inc. and its subsidiaries' continuing business operation has any material uncertainty according to the acquired audit evidence. If we consider material uncertainty existent in such event or circumstance, we shall remind the user of the consolidated financial statements to pay attention to the relevant disclosures of the consolidated financial statements through our audit report, or modify the audit opinion when such disclosures are not applicable. Our conclusion is made according to the audit evidence acquired until the audit report day. However, the development of future events or circumstances is also likely to bring about Formosan Rubber Group Inc. and its subsidiaries' incompetence to continue its business operation.
5. Assess the overall representation, structure and content of the consolidated financial statements (including the relevant notes) and check if the related transactions and events are adequately represented in the consolidated financial statements.
6. Acquire sufficient and pertinent audit evidence from the financial information of individual entities composed in the Formosan Rubber Group Inc. and its subsidiaries, so as to express opinions on the consolidated financial statements. We are responsible for the guidance, supervision and execution of the Group's audit cases, and form the Formosan Rubber Group Inc. and its subsidiaries audit opinions.

The items communicated between us and the governance unit cover the planned audit scope and time and material audit findings (including the significant defects of internal control recognized in the audit process).

We also provide the governance unit with the fact that the personnel of our office who have been required for audit independence have complied with the independent statement stipulated in the Rules of Professional Ethics for Certified Public Accountants of the Republic of China, and communicated with the governance unit for any relations which are likely considered to impact CPA's independence and other items (including relevant protection measures).

According to the items communicated with the governance unit, we have determined the key item of our audit of Formosan Rubber Group Inc. and its subsidiaries' 2019 consolidated financial statements, in which we have described the item in our audit report. Except for the specific items which are not allowed to be publicly disclosed as prescribed by laws and regulations or under a rare situation, we have decided not to communicate specific matters in our audit report because we have reason to believe that the negative influence of the communication is greater than the positive influence on the public interest.

BAKER TILLY CLOCK & CO.

March 20 , 2020

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit (or review) such consolidated financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

Formosan Rubber Group Inc. and Its Subsidiaries

Consolidated Balance Sheet

Dec. 31, 2019 and 2018

Unit: In Thousands of NTD

Assets Accounting item	Note	Dec. 31, 2019		Dec. 31, 2018	
		Amount	%	Amount	%
Current assets		\$ 8,575,654	66	\$ 9,877,351	70
Cash and cash equivalents	6	956,286	8	812,174	6
Financial assets at fair value through profit or loss-current	7	—	—	16,041	—
Financial assets at fair value through other comprehensive income - current	8	2,715,634	21	2,410,981	17
Notes receivable, net	9	35,082	—	30,895	—
Accounts receivable, net	9	92,861	1	151,188	1
Other receivables		1,044	—	9,525	—
Current tax assets		9,807	—	—	—
Inventories	10	257,247	2	439,322	3
Real estate for sale and real estate under construction	11	4,305,695	33	5,306,792	38
Prepayments		35,682	—	64,834	—
Other financial assets-current	12	165,214	1	634,359	5
Other current assets-other		1,102	—	1,240	—
Non-current assets		4,403,780	34	4,246,739	30
Financial assets at fair value through other comprehensive income - non-current	8	557,828	4	364,551	3
Investments accounted for using equity method	13	77,564	1	60,214	—
Property, plant and equipment	14	891,585	8	942,204	7
Right-of-use assets	15	46,717	—	—	—
Investment property, net	16	2,764,532	21	2,821,479	20
Deferred tax assets	27	34,090	—	23,289	—
Prepayments for equipment		822	—	48	—
Refundable deposits		8,322	—	11,384	—
Other financial assets - non-current	12	20,000	—	20,828	—
Other non-current assets, others		2,320	—	2,742	—
Total assets		\$ 12,979,434	100	\$ 14,124,090	100

(The attached notes constitute a part of the consolidated financial statements.)

Formosan Rubber Group Inc. and Its Subsidiaries

Consolidated Balance Sheet (Continued)

Dec. 31, 2019 and 2018

Unit: In Thousands of NTD

Liabilities & equity Accounting item	Note	Dec. 31, 2019		Dec. 31, 2018	
		Amount	%	Amount	%
Current liabilities		\$ 1,919,580	15	\$ 3,544,274	26
Short-term borrowings	17	860,000	7	2,020,000	15
Short-term notes and bills payable	18	399,548	3	719,643	5
Contract liabilities	11、21	395,698	3	456,955	4
Notes payable		87,820	1	123,610	1
Accounts payable		20,144	—	45,126	—
Other payables	31	133,717	1	153,726	1
Current tax liabilities		—	—	7,359	—
Lease liabilities-current	15	5,281	—	—	—
Other current liabilities		17,372	—	17,855	—
Non-current liabilities		254,232	2	220,894	1
Deferred tax liabilities	27	166,455	2	169,805	1
Non-current lease liabilities	15	41,688	—	—	—
Net defined benefit liability	19	3,688	—	6,728	—
Guarantee deposits received		42,401	—	44,361	—
Total liabilities		2,173,812	17	3,765,168	27
Equity attributable to owners of parent	20	10,806,639	83	10,359,932	73
Share capital		3,500,000	27	3,700,000	26
Capital surplus		466,463	4	492,836	3
Retained earnings		6,672,834	51	6,473,080	46
Legal reserve		1,526,788	12	1,505,207	11
Special reserve		358,637	2	319,584	2
Unappropriated retained earnings		4,787,409	37	4,648,289	33
Other equity interest		167,342	1	(44,611)	—
Exchange differences on translation of foreign financial statements		(7,448)	—	1,392	—
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income		174,790	1	(46,003)	—
Treasury stocks		—	—	(261,373)	(2)
Non-controlling interests	20	(1,017)	—	(1,010)	—
Total equity		10,805,622	83	10,358,922	73
Total liabilities & equity		\$ 12,979,434	100	\$ 14,124,090	100

(The attached notes constitute a part of the consolidated financial statements.)

Formosan Rubber Group Inc. and Its Subsidiaries

Consolidated Comprehensive Income Statement

From Jan. 1 to Dec. 31, 2019 and 2018

Unit: In Thousands of NTD

Accounting item	Note	2019		2018	
		Amount	%	Amount	%
Operating revenue	21	\$ 2,701,777	100	\$ 1,373,818	100
Operating costs	22	(2,040,089)	(76)	(1,043,338)	(76)
Gross profit		661,688	24	330,480	24
Operating expenses		(237,875)	(8)	(229,285)	(17)
Selling expenses		(92,754)	(3)	(88,779)	(6)
General and administrative expenses		(133,580)	(5)	(130,767)	(10)
Research and development expenses		(13,097)	—	(13,056)	(1)
Expected credit impairment (loss) gain		1,556	—	3,317	—
Operating profit		423,813	16	101,195	7
Non-operating income and expenses		128,874	5	159,232	12
Other income	23	175,518	7	176,268	13
Other gains and losses	24	(34,290)	(1)	9,492	1
Finance costs	25	(19,630)	(1)	(21,870)	(2)
Shares of (loss) profit of associate		7,276	—	(4,658)	—
Income before income tax		552,687	21	260,427	19
Income tax (expense) profit	27	(13,737)	(1)	(44,632)	(3)
Net income		538,950	20	215,795	16
Other comprehensive income		184,067	6	(33,634)	(3)
Items that will not be reclassified subsequently to profit or loss		177,251	6	(44,031)	(3)
Remeasurements of defined benefit plans	22	2,542	—	(3,690)	—
Unrealized gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income		165,092	6	(44,232)	(3)
Shares of other comprehensive (loss) income of associates		10,074	—	(2,097)	—
Income tax benefit related to items that will not be reclassified subsequently	27	(457)	—	5,988	—
Items that may be reclassified subsequently to profit or loss		6,816	—	10,397	—
Exchange differences arising on translation of foreign operations		(11,050)	—	4,666	—
Unrealized loss on valuation of investments in debt instruments measured at fair value through other comprehensive income		19,570	—	2,662	—
Shares of other comprehensive (loss) income of associates		—	—	—	—
Income tax related to items that may be reclassified subsequently	27	(1,704)	—	3,069	—
Total comprehensive income for the year		\$ 723,017	26	\$ 182,161	13
Net income attributable to:					
Shareholders of the parent		\$ 538,957	20	\$ 215,802	16
Non-controlling interests		(7)	—	(7)	—
Total comprehensive income attributable to:					
Shareholders of the parent		\$ 723,024	26	\$ 182,168	13
Non-controlling interests		(7)	—	(7)	—
Earnings per share (NT dollars)	28				
Basic earnings per share		\$ 1.54		\$ 0.59	
Diluted earnings per share		\$ 1.54		\$ 0.59	

(The attached notes constitute a part of the consolidated financial statements.)

Formosan Rubber Group Inc. and Its Subsidiaries
Consolidated Statement of Changes in Equity
From Jan. 1 to Dec. 31, 2019 and 2018

Unit: In Thousands of NTD

Item	Equity attributable to owners of the parent										Non-controlling interests	Total equity
	Capital	Capital surplus	Retained earnings			Other equity interest			Treasury stocks	Subtotal		
			Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial asset				
Balance of Jan. 1, 2018	\$ 3,800,000	\$ 506,026	\$ 1,486,283	\$ 498,725	\$ 4,527,616	\$ (2,428)	\$ —	\$ 22,951	\$ (1,332)	\$ 10,837,841	\$ (1,003)	\$ 10,836,838
Effects of retrospective application	—	—	—	—	3,620	—	—	19,331	(22,951)	—	—	—
Balance at January 1, 2018 (Adjusted)	3,800,000	506,026	1,486,283	498,725	4,531,236	(2,428)	19,331	—	(1,332)	10,837,841	(1,003)	10,836,838
Legal reserve appropriated	—	—	18,924	—	(18,924)	—	—	—	—	—	—	—
Cash dividend	—	—	—	—	(240,500)	—	—	—	—	(240,500)	—	(240,500)
Reversal of special reserve	—	—	—	(179,141)	179,141	—	—	—	—	—	—	—
Net income in 2018	—	—	—	—	215,802	—	—	—	—	215,802	(7)	215,795
Other comprehensive income for 2018, net of income tax	—	—	—	—	(2,515)	3,820	(34,939)	—	—	(33,634)	—	(33,634)
Total comprehensive income (loss) in 2018	—	—	—	—	213,287	3,820	(34,939)	—	—	182,168	(7)	182,161
Purchase of treasury share	—	—	—	—	—	—	—	—	(419,577)	(419,577)	—	(419,577)
Retirement of treasury share	(100,000)	(13,190)	—	—	(46,346)	—	—	—	159,536	—	—	—
Disposal of financial assets at fair value through other comprehensive income - equity instruments	—	—	—	—	30,395	—	(30,395)	—	—	—	—	—
Balance of Dec. 31, 2018	3,700,000	492,836	1,505,207	319,584	4,648,289	1,392	(46,003)	—	(261,373)	10,359,932	(1,010)	10,358,922
Legal reserve appropriated	—	—	21,581	—	(21,581)	—	—	—	—	—	—	—
Cash dividend	—	—	—	—	(238,000)	—	—	—	—	(238,000)	—	(238,000)
Special reserve appropriated	—	—	—	44,610	(44,610)	—	—	—	—	—	—	—
Reversal of special reserve	—	—	—	(5,557)	5,557	—	—	—	—	—	—	—
Net income in 2019	—	—	—	—	538,957	—	—	—	—	538,957	(7)	538,950
Other comprehensive income for 2019, net of income tax	—	—	—	—	2,034	(8,840)	190,873	—	—	184,067	—	184,067
Total comprehensive income (loss) in 2019	—	—	—	—	540,991	(8,840)	190,873	—	—	723,024	(7)	723,017
Purchase of treasury share	—	—	—	—	—	—	—	—	(38,317)	(38,317)	—	(38,317)
Retirement of treasury share	(200,000)	(26,373)	—	—	(73,317)	—	—	—	299,690	—	—	—
Disposal of financial assets at fair value through other comprehensive income - equity instruments	—	—	—	—	(29,920)	—	29,920	—	—	—	—	—
Balance of Dec. 31, 2019	\$ 3,500,000	\$ 466,463	\$ 1,526,788	\$ 358,637	\$ 4,787,409	\$ (7,448)	\$ 174,790	\$ —	\$ —	\$ 10,806,639	\$ (1,017)	\$ 10,805,622

(The attached notes constitute a part of the consolidated financial statements.)

Formosan Rubber Group Inc. and Its Subsidiaries

Consolidated Statement of Cash Flows

From Jan. 1 to Dec. 31, 2019 and 2018

Unit: In Thousands of NTD

Item	From Jan. 1 to Dec. 31, 2019	From Jan. 1 to Dec. 31, 2018
	Amount	Amount
Cash flows from operating activities:		
Income before income tax	\$ 552,687	\$ 260,427
Adjustments for:		
Depreciation expense	123,648	116,006
Expected credit impairment loss (gain)	(1,556)	(3,317)
Net loss (gain) on financial assets and (liabilities) at fair value through loss (profit)	(1,240)	(44)
Interest expense	19,630	21,870
Interest income	(20,904)	(32,002)
Dividend income	(146,399)	(134,556)
Share of loss (profit) of associates	(7,276)	4,658
Loss (gain) on disposal of property, plant and equipment	(388)	(30)
Loss (gain) on disposal of investment properties	(696)	—
Loss (gain) on disposal of investments	29,998	—
Impairment loss on non-financial assets	1,494	—
Changes in operating assets and liabilities		
Notes receivable	(4,329)	20,441
Accounts receivable	60,025	8,300
Other receivables	9,474	(1,253)
Inventories	182,075	(26,661)
Real estate for sale and real estate under construction	1,001,097	(12,779)
Prepayments	29,152	(172,833)
Other current assets	96	(94)
Notes payable	(35,790)	2,202
Accounts payable	(24,982)	(4,410)
Other payables	(19,539)	41,130
Contract liabilities	(61,257)	219,647
Receipts in advance	(464)	(424)
Other current liabilities	(19)	(429)
Net defined benefit liability	(498)	(1,228)
Cash generated from operations	1,684,039	304,621

Formosan Rubber Group Inc. and Its Subsidiaries
Consolidated Statement of Cash Flows (Continued)

From Jan. 1 to Dec. 31, 2019 and 2018

Unit: In Thousands of NTD

Item	From Jan. 1 to Dec. 31, 2019	From Jan. 1 to Dec. 31, 2018
	Amount	Amount
Interest received	19,910	33,921
Dividends received	146,399	134,556
Interest paid	(20,090)	(22,273)
Income tax paid	(47,173)	(26,055)
Net cash (used in) generated by operating activities	1,783,085	424,770
Cash flows from investing activities:		
Cash paid for acquisition of financial assets at fair value through other comprehensive income	(390,424)	(518,686)
Proceeds from financial assets at fair value through other comprehensive income	34,518	151,304
Return of capital from financial assets at fair value through other comprehensive income	8,000	7,264
Cash paid for financial assets at fair value through profit or loss	—	(6,622)
Proceeds from financial assets at fair value through profit or loss	17,281	6,830
Acquisition of property, plant and equipment	(11,753)	(112,695)
Proceeds from disposal of property, plant and equipment	687	30
(Increase) refundable deposits	3,062	(101)
Proceeds from disposal of investment properties	1,008	—
(Increase) decrease in notes and accounts receivable	828	14,427
(Increase) decrease in other financial assets	469,145	1,234,043
(Increase) decrease in other non-current assets	422	422
(Increase) decrease in prepayments for equipment	(774)	61,199
Net cash (used in) generated by investing activities	132,000	837,415
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(1,160,000)	(632,000)
Increase (decrease) in short-term notes and bills payable	(320,095)	100,156
Increase (decrease) in guarantee deposits received	(1,960)	2,334
Payments of lease liabilities	(6,182)	—
Cash dividends paid	(238,000)	(240,500)
Payments to acquire treasury shares	(38,317)	(419,577)
Net cash (used in) generated by financing activities	(1,764,554)	(1,189,587)
Effect of exchange rate changes on cash and cash equivalents	(6,419)	781
Net Increase (decrease) in cash and cash equivalents	144,112	73,379
Cash and cash equivalents at beginning of year	812,174	738,795
Cash and cash equivalents at end of year	\$ 956,286	\$ 812,174

(The attached notes constitute a part of the consolidated financial statements.)

Formosan Rubber Group Inc. and Its Subsidiaries

Notes to Consolidated Financial Statements

From Jan. 1 to Dec. 31, 2019 and 2018

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. Company profile

Formosan Rubber Group Inc. (hereafter referred to as the “FRG”) was founded in 1963 under the Company Act of the Republic of China. The company produces and markets rubber sheets, plastic sheets, plastic foam sheets and PVC resin sheets, as well as the relevant materials. In order to diversity its operations, FRG started in September 1995 the property development business and the leasing, sale and management operations for its own properties and land. FRG became a listed company on the Taiwan Stock Exchange in March 1992.

The consolidated financial statements consist of FRG and its subsidiaries (collectively the “Company”).

2. Date and procedure approving financial statements

The consolidated financial statements were approved and published by the board of directors on March 20, 2020.

3. Applicability of newly published and amended standards and interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments as endorsed by FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Prepayment features with negative compensation (amendments to IFRS 9)	January 1, 2019
IFRS 16, Leases	January 1, 2019
Plan amendment, curtailment or settlement (amendments to IAS 19)	January 1, 2019
Long-term interests in associates and joint ventures (amendments to IAS 28)	January 1, 2019
IFRIC 23, Uncertainty over income tax treatments	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the Company believes that the initial adoption of the abovementioned standards or interpretations would not have a material impact on its accounting policies.

IFRS 16, Leases

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Company will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessor

The Company will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under the low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis.

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

The Company accounts for those leases which the lease term ends on or before December 31, 2019 as short-term leases.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.09%. The difference between the lease liabilities recognized and future minimum lease payments of non-cancellable operating lease commitments disclosed on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$	56,260
Less: Recognition exemption for short-term leases		(254)
Undiscounted amounts on January 1, 2019	\$	<u>56,006</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$	<u>53,151</u>
Lease liabilities recognized on January 1, 2019	\$	<u>53,151</u>

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	Carrying Amount as of December 31, 2019	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	\$ —	\$ 53,151	\$ 53,151
Lease liabilities	\$ —	\$ 53,151	\$ 53,151

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020

The Company believes that the initial adoption of abovementioned standards or interpretations would not have a material impact on its accounting policies.

(3) The IFRSs issued by IASB but not yet endorsed by FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective Date Issued by IASB
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by IASB
IFRS 17, Insurance Contracts	January 1, 2021

The Company believes that the initial adoption of abovementioned standards or interpretations would not have a material impact on its accounting policies.

4. Summary of significant accounting policies

(1) Compliance statement

This is the Company's first set of consolidated financial statements prepared according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and IFRIC as well as interpretation announcements approved by the FSC.

(2) Preparation bases

Other than the financial assets measured at the fair value and the pension liability recognized with the net value (assets less the present value of the liabilities due to defined benefits), the consolidated financial statements are based on historical costs, usually the fair value paid for the acquisition of assets.

(3) Consolidated bases

The consolidated financial statements include the financials of FRG and the entities (subsidiaries) it controls.

The consolidated comprehensive income statement has incorporated the operating incomes or losses of the acquired or disposed subsidiaries as of the dates of acquisition or disposal. Other comprehensive incomes of the subsidiaries are contributions to the FRG's owner's equity and non-controlling interests. In other words, the non-controlling interests are the loss balance.

The financial reporting of subsidiaries has been appropriately adjusted so that

their accounting policies are consistent with the Company.

All the major transactions, balances, gains and losses between the Company and consolidated entities have been completely eliminated upon consolidation.

In case of any change in the ownership' equity of subsidiaries without causing the Company to use the control over the subsidiaries, such changes are treated as equity transactions. In order to reflect the corresponding change to the Company's shareholders' equity and non-controlling interests, the book values shall be adjusted. The delta between the adjustment in non-controlling interests and the fair value paid or received shall be recognized as part of the Company's owners' equity.

Upon the loss of the control over a subsidiary, the gain or loss from the disposal is the delta between the following: (1) the sum of the fair values charged for the assets and the fair value for the residual investment into the former subsidiary as of the date of control loss; (2) the sum of the book values for the assets (including goodwill), liabilities and non-controlling interests of the former subsidiary as of the date of control loss. All the values recognized for the subsidiary concerned in other comprehensive incomes and the accounting treatment for the disposal of the relevant assets or liabilities must comply with the same basis.

The residual investment in the former subsidiary is based on the fair value on the date of control loss.

A. The detailed information of subsidiaries included in the consolidated financial statements, as follows:

Investing company	Subsidiary	Percentage of shares held by this Company	
		Dec. 31, 2019	Dec. 31, 2018
FRG	Da-Guan Recreation Company (Taiwan)	80%	80%
FRG	Ban Chien Development Co., Ltd. (Taiwan)	100%	100%
FRG	FRG US Corp. (San Francisco)	100%	100%

a. Da-Guan Recreation Company is engaged in the operation of golf driving

ranges and amusement parks and the trading of sports equipment. It has suspended businesses upon the approval from competent authorities.

b. Ban Chien Development Co., Ltd. is engaged in the development of residential and commercial buildings for renting and selling. The construction of such buildings is outsourced.

c. In order to jointly invest in the development project of 950 Market Street in San Francisco, USA with Continental Construction Group, the establishment of FRG US Corp. was approved by the board of directors in 2017, with an investment limit of USD 20,000 thousand. Its main businesses are real estate investment, development and rental and sales of premises.

As of December 31, 2019 and 2018, FRG has remitted Investment fund of NT\$460,142 thousand (USD15,012 thousand) and NT\$221,224 thousand (USD7,270 thousand) respectively.

d. The financial statements of the consolidated subsidiaries are based on their audited financial statements during the same period.

B. Subsidiaries not included in the consolidated financial statements:

The major business site of the Company's subsidiary Kingshale Industrial Limited is in Hong Kong and the Company has held 99.99% of the subsidiary's voting shares and ownership. The subsidiary is an intermediary company entrusted by the Company to transfer its investment in mainland China. For the current period, Kingshale Industrial Limited did not have any material transactions with the Company, and it did not have any material assets and liabilities left at the end of the period either. Hence, it was not included in the consolidated financial statement as an entity.

C. Subsidiaries that have non-controlling interests that are material to the Company: none

(4) Foreign Currency

The individual financial statements for the consolidated entities are prepared and presented in the functional currency for these entities (i.e. the currency used in the economy they operate in). The functional currency and the presentation currency of FRG's consolidated financial statements is NT Dollars. All the financial performances and statuses are converted into the NT dollars for the preparation of the consolidated statements.

Any transactions not in the functional currency shall be converted and recognized according to the exchange rate on the transaction dates in the preparation of the individual financial statements for the consolidated entities. The monetary items in foreign currencies shall be recalculated according to the spot exchange rate on the end-of-the-period date. Any difference resultant from exchange rates shall be recognized as profits or losses during the period. The non-monetary items in foreign currencies measured with the fair value shall be recalculated according to the exchange rate on the date of fair value determination. Any different resultant from exchange rates shall be recognized as profits or losses during the period. However, any difference as a result of changes in the fair value shall be recognized as other comprehensive incomes or losses. The non-monetary items in foreign currencies measured by historical costs shall not be recalculated.

For the purpose of presenting consolidated financial statements, the functional currencies of the group entities are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the

Corporation losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

(5) Standards to classify current and non-current assets and liabilities

The basis for current and non-current assets and liabilities for the real estate development business is based on the operating cycle. All the other items following the principles below:

Current assets are the assets held for trading purposes or expected to be realized or exhausted within one year. Any assets not classified as current are non-current assets. Current liabilities are the liabilities held for trading purposes or expected to be repaid within one year. Any liabilities not classified as current are non-current liabilities.

(6) Cash equivalents

Cash equivalents can be converted into a fixed amount of cash at any time. They are short-term, highly liquid investments with minimum changes in value. Bank overdrafts, a credit facility that can be immediately repaid, are part of the Company's cash management. They are reported under cash and cash equivalents in the statement of cash flows, and as an item in short term loans in current liabilities on the balance sheet.

(7) Inventory and real estate for sale and real estate under construction

Measured with the lower of costs or net realizable value. Inventory cost is calculated with the weighted averaging method. The cost allocation over sold and unsold real estate for sale and real estate under construction is based on either selling prices or floor spaces. However, this cannot be changed for the same project during different years. Net realizable value refers to the balance of estimated selling prices less the estimated costs to complete the construction and the estimated costs to complete the sale.

(8) Investments accounted for under equity method

Investments in associates are reported according to the equity method.

Associates are the companies over which FRG has significant influence.

Associates are not entitles of subsidiaries.

The investment in associates shall be recognized as costs under the equity method. After the asset acquisition, the book value shall change in line with the Company's share of profits and losses, other comprehensive income and profit distributions. Meanwhile, the recognized equity value of the associates also changes in line with any increase or decrease in the Company's shares.

If the Company does not subscribe to the new shares of associates on a pro-rata basis according to existing holdings, and any increase or decrease is incurred to the percentage of the Company's holdings and hence net equity value of the investment, the adjustment shall be reflected with the change in capital surplus and according to the equity method. If the Company has not subscribed or acquired to new shares on a pro-rata basis and seen a reduction in its stake in the associates, the amounts recognized in other comprehensive income and the reclassification as a result of the values for the associates concerned should have the same basis for accounting treatment as if the assets or the liabilities of the associates were directly disposed. Any debit should be made from the capital surplus. However, if the capital surplus is insufficient for debits incurred by investments under the equity method, the debit may be drawn from retained earnings.

The residual investment of the previous associates should be measured with the fair value on the date of loss of significant influence. The delta between the sum of the fair value of the residual investment and the disposal amounts and the book value of the investment on the date of loss of significant control shall be recognized in the income statement during the period. Meanwhile, the values recognized in relation to the associates concerned in other comprehensive income shall have the same accounting basis as if the assets or the liabilities of the associates were directly disposed.

Only the profits and losses resultant from upstream, downstream and lateral

transactions with associates not relevant to the Company's stake in the associates can be recognized in the consolidated financial statements.

(9) Property, plant and equipment

The property, plant and equipment are listed in accordance with cost less depreciation and accumulated impairment. Cost shall include the incremental cost able to be directly attributed to acquisition or asset implementation.

Straight-line method is applied to depreciation, by indicating the amount of an asset within the durable service life offset its cost and less its residual value. All the major components of the non-current assets shall be depreciated on a standalone basis. Depreciation is accrued in accordance with the following durable service years: building, 3-55 years; machinery equipment, 3-26 years; transportation and other equipments, 3-24 years.

Estimated durable service life, residual value and depreciation method shall be reviewed at the end of the reporting period; prospective application shall be made for any impact on estimation change.

The profit or loss incurred during disposition or obsolescence of property, plant and equipment shall be recognized in the income statement with the differential amount between the disposition price and asset book account.

(10) Investment property

Only if investment properties is attempted for earning rental or capital appreciation or both may it be classified as the investment properties. The investment properties shall be measured according to its original cost, including related transaction cost, and related interest capitalization shall be made during the construction period. Cost model shall be applied to follow-up measurement, to be measured by cost less the amounts of accumulated depreciation and accumulated impairment.

In case straight-line method is applied to depreciation and building depreciation accrued by 23-50 years.

Estimated durable service life, residual value and depreciation method shall be

reviewed at the end of the reporting period; prospective application shall be made for any impact on estimation change.

The profit or loss incurred during disposition or obsolescence of property, plant and equipment shall be recognized in the income statement with the differential amount between the disposition price and asset book account.

(11) Lease

2019

A. The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Company. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

B. The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

The lease transaction of the Company is operating lease other than financial leasing; financial leasing refers to a leasing method where lease clauses almost transfer all risks and compensation of the subsidiary ownership to the lessee.

The income of operating lease shall be recognized as income according to straight-line basis during the lease period.

The payment of operating lease shall be recognized as expense according to straight-line basis during the lease period, unless there are other systematic methods which can better represent the time mode of economic efficiency consumption of a lease asset.

(12) Impairment of non-financial assets

The Company shall review the book amounts of tangible assets and intangible financial assets at the end of the reporting period to decide whether there is any impairment with such assets. In case it shows any impairment situation, the estimated recoverable amount of assets shall decide the recognized loss amount. In case there is no way of estimating the recoverable amount of an individual asset, the Company shall estimate the recoverable amount of the cash-generating unit of the said asset. In case it can be amortized according to a reasonable and conforming basis, shared assets shall also be amortized to an individual cash product sector. Otherwise it shall be amortized to the minimal cash-generating unit group according to a reasonable and conforming basis.

The recoverable amount shall be fair value less sales cost and its use value whichever is higher.

In case the recoverable amount of an asset or cash-generating unit is anticipated to be lower than the book amount, the book amount of the said asset or cash-generating unit shall be adjusted and decreased to its recoverable amount; any impairment loss shall be immediately recognized to the current profit and loss.

When any impairment loss reverses in a subsequent period, the book amount of asset or cash-generating unit shall be adjusted and increased to the estimated

recoverable amount after revision, provided the book amount after increase shall be limited to the reasonable book amount under the situation when the said asset or cash-generating unit did not recognize an impairment loss in the past years (except for goodwill). The reversed impairment loss shall be immediately recognized to the current profit and loss.

(13) Employee benefits cost

The short-term employee benefits obligation is measured with the basis without discount, and shall be recognized as expenses when providing the related service. Concerning the anticipated payable amount concerning short-term cash bonus or a bonus sharing plan, if it is a current legal or prescribed obligation to be borne by a company due to the past service provided by employees, and the said obligation can be estimated in a reliable manner, such amount shall be listed as liability.

When an expense belongs to defined contribution plans, during the service period provided by employees, it is required to recognize the pension amount contributable as the current expense.

The cost of defined benefits (including service costs, net interests and re-measurements) shall be calculated according to the projected unit credit method. Service costs and net interests of the defined benefits liabilities shall be recognized as employee benefits expenses when incurred, or when the defined benefit plans is modified, shortened or repaid. The re-measurement shall be recognized as other comprehensive income and the retained earnings. There is not reclassification into profits and losses during subsequent periods.

Net defined benefit liabilities refer to the shortfall appropriation of the defined benefit retirement plan, whereas net defined benefit assets shall not exceed the plan's refunded amount or may reduce the present value of the future appropriation amount.

(14) Financial Instrument

Financial assets and financial liabilities shall be recognized when the Company

becomes a party of the said financial instrument clause.

Upon the original recognition of financial assets and financial liabilities, they shall be measured according to fair values. Upon the original recognition, concerning the acquired or distributed transaction cost directly attributable to financial assets and financial liabilities (except for the financial assets and financial liabilities classified as measurement according to fair value of profit and loss), it shall be increased or decreased from the fair values of the said financial assets or financial liabilities. The transaction costs of financial assets and financial liabilities directly attributable to the ones measured according to fair values through profit and loss shall be immediately recognized as profit and loss.

A. Financial assets

The convention trading of financial assets is recognized and removed by trading day accounting.

a. Type of measurement

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost, and FVTOCI.

A) Financial asset at FVTPL

Financial assets measured at fair value through profit or loss are financial assets mandatorily measured at fair value through profit or loss and financial assets at fair value through profit or loss, designated as upon initial recognition. Financial assets mandatorily measured at fair value through profit or loss include investments in equity instruments that are not designated by the Company to be measured at fair value through other comprehensive income and investments in debt instruments that fail to meet the criteria as to be measured at amortized cost or at fair value through other comprehensive income.

Any gain or loss arising from remeasurement is recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates

any interest earned on the financial asset.

B) Measured at amortized cost

When a company after merger simultaneously meets the following two conditions in its investment in financial assets, the financial assets are classified as the ones carried at cost after amortization:

- a) The financial assets are held under a specific operation mode, in which the purpose of the mode is to hold the financial assets in order to collect contract cash flows.
- b) The cash flow generated on a specific date due to contract clauses is completely for the payment of the principal and the interest accrued from the outstanding principal amount.

Subsequent to initial recognition, financial assets measured at amortized cost are measured at amortized cost, which equals to carrying amount determined by the effective interest method less any impairment loss. Foreign exchange gains and losses are recognized in profit or loss.

Except for the two conditions below, the interest income is calculated by multiplying the effective interest rate by the total book value of the financial assets:

- a) The interest income of the purchased or originated credit-impaired financial assets is calculated by multiplying the credit-adjusted effective interest rate by the cost of amortized financial assets.
- b) The interest income of the financial assets which are not purchased or originated credit-impaired but subsequently become credit-impaired financial assets is calculated by multiplying the effective interest rate by the cost of amortized financial assets.

C) Investment in debt instruments measured at FVTOCI

Debt instruments that meet the following two conditions are classified

as financial assets at fair value through other comprehensive income:

- a) The debt instruments are held within a business model whose objective is to collect the contractual cash flows and to sell the financial assets; and
- b) The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at fair value through other comprehensive income are measured at fair value. Changes in the carrying amount of investments in debt instruments at fair value through other comprehensive income, such as interest revenue calculated using the effective interest method, gain (loss) on foreign exchange and impairment loss or gain on reversal, are recognized in profit or loss. Other changes in the carrying amount of such instruments are recognized in other comprehensive income and will be reclassified to profit or loss when such instruments are disposed of.

D) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments at FVTOCI are recognized in profit or loss when the Company's right to receive the

dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

B. Impairment of financial assets

At the end of each reporting period, a loss allowance for expected credit loss is recognized for financial assets at amortized cost (including accounts receivable) investments in debt instruments at fair value through other comprehensive income, lease payments receivable due, and contract assets based on their expected credit losses on each balance sheet date.

The loss allowance for accounts receivable and lease payments receivable due is measured at an amount equal to lifetime expected credit losses. For financial assets at amortized cost, when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from possible default events of a financial instrument within 12 months after the reporting date. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from all possible default events over the expected life of a financial instrument.

The expected credit loss is calculated according to the average weighted credit loss in which the risk rated ratio of default occurrence is used in calculation. The 12-month expected credit loss represents the credit loss expected to occur to the financial instruments within 12 months after their reporting day due to possible default. The expected credit loss in the duration period refers to the credit loss expected to occur to the financial instruments in the expected duration period due to possible default.

The Company recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying

amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial assets.

(15) Income recognition

After identifying the performance obligations of contracts with the customers, the Company allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are met.

(16) Borrowing costs

The cost of borrowing for the funds directly used to acquire, construct or produce the assets (which will reach the status ready for use or available for sale after a long period of time) can be treated as part of the asset costs, until the completion of almost all the necessary activities to get the assets ready for use or available for sale.

Other than the above, all the borrowing costs shall be recognized in the income statement during the current period.

(17) Income tax

Income tax expenses include income taxes during the period and deferred income taxes, and should be recognized as income taxes in the profit and loss income, except for the income taxes during the period and deferred income taxes recognized as other comprehensive incomes or directly as an equity item.

A. Current tax

The current income tax is based on the taxed income of the said year. Since partial income and expense is taxable item or deductible of other years, or not attributing to taxable or deductible item in accordance with related tax laws, it causes the taxable income to differ from the reported net profit in the consolidated income statement. The related liabilities of the current income tax are calculated by the legislated or substantially legislated tax rate at the end of the reporting period. It is estimated by the income tax of the previous year, serving as the adjustment of the current income tax.

According to the provisions of Income Tax Law, The unallocated earnings of the Company adding 10% profit-seeking enterprise income tax shall be

recognized as the current expense in the allocated earning year resolved in the shareholders' meeting

B. Deferred tax

Deferred income tax is recognized by the temporary differential calculation generated from the taxation basis of book amounts of the recorded assets and liabilities and income through taxation calculation. Deferred income tax liabilities in general are recognized by the temporary differences of all future taxes payable. Deferred income tax assets are recognized by all likely future taxes less the deductible temporary difference in use.

Deferred income tax assets and deferred income tax liabilities may only be mutually offset when concurrently conforming to the following conditions:

(1) a company has legal execution right to mutually offset the current income tax assets and income tax liabilities; and (2) deferred income tax assets and deferred income tax liabilities are levied by the same taxation authority towards the same tax payment major entity, or levied towards different tax payment corporate entities, yet each major entity attempts to, at each future period of the deferred income tax liabilities or assets pay-off or recovery of the major amount, pay off the current income tax liabilities and assets on net-amount basis, or concurrently realize assets and pay off liabilities.

The temporary differences in tax payables related to invested subsidiary company and associates are all recognized as deferred income tax liabilities, provided if the Company can control the time point of temporary difference reverse, and the said temporary differences may very likely not be reversed in the foreseeable future are excluded. The deferred income tax assets generated from the related deductible temporary differences to this kind of investment and equity can only be recognized in the gains very likely with sufficient taxable income used to realize the temporary differences, and be within the scope of reverse within the anticipated future.

The book amounts of deferred income tax assets shall be reviewed at the end of the reporting period, and adjust and decrease the book amounts for all or

partial assets without sufficiently taxable income to serve it to recover. Concerning the ones originally not recognized deferred income tax assets, they shall also be reviewed at the end of the reporting period, and adjust and increase the book amounts for all or partial assets very likely to generate taxable income to serve it to recover.

The deferred income tax assets and liabilities are measured by expected liabilities pay-off or assets in realizing the current tax rate, while the said tax rate shall be based on the legislated or already substantially legislated tax rate at the end of the reporting period. The measurement of deferred income tax liabilities and assets shall reflect the tax consequences of a company generated in expected recovery or pay-off of the book amounts of its assets and liabilities at the end of the reporting period.

(18) Treasury stocks

The recovered issued stock shall be recognized as treasury stocks I accordance with the paid cost upon buy-back. In case the disposition price in disposing treasury stocks is higher than the book value, its difference shall be listed as capital surplus – treasury stocks trade; in case the disposition price in disposing treasury stocks is lower than the book value, its difference shall be offset the capital surplus generated from the trade of the treasury stocks of the same category of treasury stocks; in case of any deficit, it shall be debited to keep the surplus. Weighted average shall be applied to the book value of treasury stocks and be separately calculated in accordance with the recovery reasons.

Upon cancellation of treasury stocks, it shall be debited to keep the capital surplus – stock issue premium and share capital; in case its book value is higher than the total sum of par value and stock issue premium, its difference shall offset the capital surplus generated from the trade of the treasury stocks of the same category of treasury stocks; in case of any deficit, it shall be debited to offset retained earnings; in case the book value of treasury stocks is lower than the total amount of par value and stock issue premium, it shall be credited as the capital surplus generated from the trade of the treasury stocks of the same category of treasury stocks.

5. **Critical Accounting Judgements, And Key Sources Of Estimation And Uncertainty**

The Company upon applying the accounting policy stated in Note 4 provides related judgments, estimations and assumptions for the information acquired from other resources which are based on historical experience and other factors deemed crucial. The actual result may differ from what is estimated.

The Company shall be continuously reviewing estimations and basic assumptions. In case the revision of estimations would influence the current period, then the current recognition shall be revised in accounting estimations. In case the revision of accounting estimations would concurrently influence the current period and future period, then the estimations revision shall be recognized in both the current period and future period.

The following shows the information related to major assumptions made in the future, and other major sources of uncertainty at the end of the financial reporting period; the said assumptions and estimations have risks of causing book amounts of assets and liabilities to incur major adjustments in the following fiscal year.

(1) Evaluation of inventory and real estate for sale and real estate under construction

Since inventory and real estate for sale and real estate under construction shall be priced by cost and net cash realizable value whichever is lower, therefore the Company shall use judgments and estimations to determine the net cash realizable value at the end of the financial reporting period.

Since industry rapidly changes, the inventory and real estate for sale and real estate under construction of the Company at the end of the financial reporting period due to the amounts of normal wear and tear, obsolescence, or without market selling price, offsets its cost to decrease to its net cash realizable value. The evaluation of this inventory and real estate for sale and real estate under construction is mainly based on the product demand in the future specific period as estimation basis; therefore, it may generate major changes.

(2) Impairment evaluation of tangible assets and intangible assets (except for goodwill)

During the asset impairment evaluation process, the Company shall rely on subjective judgments and, with basis on asset use mode and rubber, real estate industry characteristics, determine independent cash flow asset durable years and future likely generated revenues and expenses of specific asset groups; any change in estimations from changes in economic status or corporate policies may likely cause major impairment in the future.

6. Cash and cash equivalents

	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
Cash and petty cash	\$ 579	\$ 572
Cash in bank	376,407	197,220
Cash equivalent		
Commercial paper	279,000	246,342
Time deposits with maturity	300,300	368,040
Total	<u>\$ 956,286</u>	<u>\$ 812,174</u>

7. Financial assets at fair value through profit or loss-current

	<u>Dec. 31, 2018</u>
Current financial assets at fair value through profit or loss, designated as upon initial recognition	
Fund	<u>\$ 16,041</u>

8. Financial assets at fair value through other comprehensive income

	<u>Dec. 31, 2018</u>	<u>Dec. 31, 2018</u>
Equity instruments		
Stock of domestic listed (OTC) companies	\$ 2,475,515	\$ 2,377,533
Stock of emerging companies	7,860	7,860
Stock not classified to listed (OTC) and emerging companies	174,107	182,107
Stock of foreign companies	449,370	222,319
Debt instruments		
Financial bond	—	33,685
Plus (Less): adjustment of financial assets for transaction	166,610	(47,972)
Total	<u>\$ 3,273,462</u>	<u>\$ 2,775,532</u>
Current	<u>\$ 2,715,634</u>	<u>\$ 2,410,981</u>
Non-current	<u>\$ 557,828</u>	<u>\$ 364,551</u>

(1) The Company has signed a loan business trust contract with Chinatrust Commercial Bank, Co., Ltd. on July 1, 2010, by delivering the trust of partial

listed (OTC) companies stocks to Chinatrust Commercial Bank, Co., Ltd. for management, use, while the beneficiary of the trust revenue was the Company, with the contract period ending on July 13, 2019.

- (2) The Company signed a loan business trust contract with MasterLink Securities Corporation on June 5, 2015, delivering the trust of partial listed (OTC) companies stocks to MasterLink Securities Corporation for management, use, while the beneficiary of the trust revenue was the Company, with the contract period ending till an initiative termination of the trustor. Up to December 31, 2019, the share number and book amount of stock delivered for trust are respectively 9,200 thousand shares and NT\$464,710 thousand.

9. Notes and accounts receivable ,net

	Dec. 31, 2019	Dec. 31, 2018
Notes receivable	\$ 35,437	\$ 31,108
Allowance for doubtful accounts	(355)	(213)
Net amount	<u>\$ 35,082</u>	<u>\$ 30,895</u>
	Dec. 31, 2019	Dec. 31, 2018
Accounts receivable	\$ 97,429	\$ 157,454
Allowance for doubtful accounts	(4,568)	(6,266)
Net amount	<u>\$ 92,861</u>	<u>\$ 151,188</u>

- (1) The crediting period of the Company to a customer in principle shall be 30 days after the invoice date, while partial customers are credit time 30 days to 90 days. In addition to the actual credit impairment of individual customers, the Company makes reference to historical experience, considers the financial situation of individual customers and the industry, competitive advantage and prospects, and differentiates customers into different risk groups and incorporates forward-looking information. The expected loss rate of the Company recognizes the allowance loss.

- (2) Aging analysis of accounts receivable of the Company is stated as follows:

Dec. 31, 2019

	Carrying amount of accounts receivable	Expected credit loss rate	Loss allowance for lifetime expected credit losses
Non past due	\$ 120,905	1~2%	\$ 2,006
Past due less than 90 days	9,040	2~5%	204
Past due 91-180 days	83	10~20%	16
Past due 181-365 days	283	50%	142
More than 366 days past due	2,555	100%	2,555
	<u>\$ 132,866</u>		<u>\$ 4,923</u>

Dec. 31, 2018

	Carrying amount of accounts receivable	Expected credit loss rate	Loss allowance for lifetime expected credit losses
Non past due	\$ 168,068	1~2%	\$ 2,759
Past due less than 90 days	16,141	2~5%	390
Past due 91-180 days	578	10~20%	78
Past due 181-365 days	1,046	50%	523
More than 366 days past due	2,729	100%	2,729
	<u>\$ 188,562</u>		<u>\$ 6,479</u>

(3) Movements of the loss allowance of notes and accounts receivable were as follow:

	2019	2018
Balance, beginning of year	\$ 6,479	\$ 5,905
Transferred form Overdue receivables	—	3,891
Expected credit impairment loss (gain)	(1,556)	(3,317)
Balance, end of year	<u>\$ 4,923</u>	<u>\$ 6,479</u>

10. Inventories

	Dec. 31, 2019	Dec. 31, 2018
Raw materials	\$ 114,085	\$ 175,161
Work-in-process	21,345	32,540
Finished goods	121,817	231,621
Total	<u>\$ 257,247</u>	<u>\$ 439,322</u>

(1) The cost of sales related to inventory is as follows:

	2019	2018

Cost of inventories sold	\$	871,139	\$	917,015
Unamortized fixed manufacturing costs		10,617		10,730
Provision for (Reversal of) loss on inventories		40,270		6,291
(Gain) loss on physical inventory		—		1,158
Total	\$	922,026	\$	935,194

11. Real estate for sale and real estate under construction/Contract liabilities

	Real estate for sale and real estate under construction		Contract liabilities	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Bridge Upto Zenith Project at Banqiao – Real estate for sale	\$ 225,599	\$ 285,554	\$ 47,251	\$ —
Modesty HomeProject at Banqiao – Real estate for sale	14,923	14,923	—	—
Legend River Project at Xindian – Real estate for sale	227,243	349,725	—	—
Treasure Garden Project inTaichung City – Real estate for sale	241,545	241,545	—	—
55 TIMELESS Project in Taipei City – Real estate for sale	1,635,694	2,459,854	123,136	296,810
La Bella Vita Project in Taichung City – Real estate under construction	1,960,691	1,955,191	225,311	160,145
	\$ 4,305,695	\$ 5,306,792	\$ 395,698	\$ 456,955

(1) The situation of already providing to serve as loan guarantees from financial industries in detail is shown in Note 32.

(2) The detail of Information on interest capitalization refers to Note 25.

12. Other financial assets

	Dec. 31, 2019	Dec. 31, 2018
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Pledged time deposits	\$ 20,000	\$ 20,000
Pre-sale housing project trust funds	165,214	112,969
Time deposits with maturity over three months	—	521,390
Long-term notes and accounts receivable	—	828
Total	\$ 185,214	\$ 655,187
Current	\$ 165,214	\$ 634,359
Non-current	\$ 20,000	\$ 20,828
Interest rate range %	0.25~1.12	0.25~3.20

The pledged time deposit serves as guaranty for logistics business and it is shown in Note 32.

13. Investments accounted for using equity method

The investment of associates is listed as follows:

Name of Investee	Book value		The percentage of ownership interest and voting right directly held by the Company	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
<u>Unlisted (OTC) companies</u>				
Formosan Construction Corp. (Taiwan)	\$ 38,843	\$ 26,680	26.20	26.20
Fenghe Development Co., Ltd. (Taiwan)	32,009	27,821	39.90	39.90
Rueifu Development Co., Ltd. (Taiwan)	6,712	5,713	48.26	48.26
Total	\$ 77,564	\$ 60,214		

Information about associates that are not individually material was as follows

	2019	2018
The Company's share of:		
Net profit (loss) from continuing operations for the year	\$ 7,276	\$ (4,658)
Other comprehensive income	10,074	(2,097)
Total comprehensive profit (loss)	\$ 17,350	\$ (6,755)

The investment gains and losses and other comprehensive income for the associates under the equity method have been recognized according to their audited financials.

14. Property, plant and equipment

Item	For the Year Ended December 31, 2019				
	Balance,	Additions	Disposals	Reclassification	Balance, End

	Beginning of				of Year
	Year				
<u>Cost</u>					
Land	\$ 444,026	\$ —	\$ —	\$ —	\$ 444,026
Building	696,889	—	—	—	696,889
Machinery equipment	1,045,781	3,001	(81,886)	—	966,896
Transportation equipment	22,317	—	(3,097)	—	19,220
Other equipment	226,097	8,752	(2,543)	—	232,306
Total	2,435,110	11,753	(87,526)	—	2,359,337
<u>Accumulated depreciation & impairment</u>					
Building	446,727	16,827	—	—	463,554
Machinery equipment	875,684	24,662	(81,730)	—	818,616
Transportation equipment	21,004	549	(2,954)	—	18,599
Other equipment	149,491	20,035	(2,543)	—	166,983
Total	1,492,906	\$ 62,073	\$ (87,227)	\$ —	1,467,752
Net	\$ 942,204				\$ 891,585

For the Year Ended December 31, 2018

Item	Balance, Beginning of Year	Additions	Disposals	Reclassification	Balance, End of Year
<u>Cost</u>					
Land	\$ 444,026	\$ —	\$ —	\$ —	\$ 444,026
Building	696,889	—	—	—	696,889
Machinery equipment	959,924	85,857	—	—	1,045,781
Transportation equipment	22,317	—	—	—	22,317
Other equipment	199,521	26,838	(762)	500	226,097
Construction in progress	500	—	—	(500)	—
Total	2,323,177	112,695	(762)	—	2,435,110
<u>Accumulated depreciation & impairment</u>					
Building	429,432	17,295	—	—	446,727
Machinery equipment	851,886	23,798	—	—	875,684
Transportation equipment	20,076	928	—	—	21,004
Other equipment	131,277	18,976	(762)	—	149,491
Total	1,432,671	\$ 60,997	\$ (762)	\$ —	1,492,906
Net	\$ 890,506				\$ 942,204

(1) The book values of land are adjusted with basis on the government published land value of 1975, 1979, 1980 and 1981 as well as current government-declared land value of 1992 and 2000; plant buildings and various equipments are re-evaluated in accordance with the commodity price indices in 1973 and 1980. Besides, the original revaluation increments are adjusted in relation to the tax rates of land value increment in compliance with land tax laws in January 2005.

(2) The situation of pledge & guarantee in detail is shown in Note 32.

15. Lease

(1) Right-of-use assets

For the Year Ended December 31, 2019

	Balance, Beginning of Year	Additions	Disposals	Reclassification	Balance, End of Year
<u>Cost</u>					
Building	\$ 51,552	\$ —	\$ —	\$ —	\$ 51,552
Transportation equipment	1,599	—	—	—	1,599
Total	53,151	—	—	—	53,151
<u>Accumulated depreciation & impairment</u>					
Building	—	5,155	—	—	5,155
Transportation equipment	—	1,279	—	—	1,279
Total	—	\$ 6,434	\$ —	\$ —	\$ 6,434
Net	\$ 53,151				\$ 46,717

(2) Lease liabilities

For the Year Ended December 31, 2019

	Future minimum lease payments	Interest	Present value of minimum lease payments
Less 1 year	\$ 5,762	\$ 481	\$ 5,281
Over 1 years	43,517	1,829	41,688
Total	\$ 49,279	\$ 2,310	\$ 46,969

Range of discount rate for lease liabilities were as 1.09%.

(3) Other lease information

	2019
Expenses relating to short-term leases	\$ 156
Total cash (outflow) for all lease agreements	\$ (6,338)

(4) Please see note 31 for the status of transactions with related parties.

16. Investment property, net

For the Year Ended December 31, 2019

Item	Balance, Beginning of Year	Additions	Disposals	Impairment	Balance, End of Year
<u>Cost</u>					
Land	\$ 1,156,155	\$ —	\$ (312)	\$ —	\$ 1,155,843
Building	2,654,296	—	—	—	2,654,296
Total	3,810,451	—	(312)	—	3,810,139
<u>Accumulated depreciation & impairment</u>					
Land	285,434	—	—	1,494	286,928
Building	703,538	55,141	—	—	758,679
Total	988,972	\$ 55,141	\$ —	\$ 1,494	1,045,607
Net	\$ 2,821,479				\$ 2,764,532
Fair value	\$ 4,131,617				\$ 4,293,558

For the Year Ended December 31, 2018

Item	Balance, Beginning of Year	Additions	Disposals	Impairment	Balance, End of Year
<u>Cost</u>					
Land	\$ 1,156,155	\$ —	\$ —	\$ —	\$ 1,156,155
Building	2,654,296	—	—	—	2,654,296
Total	3,810,451	—	—	—	3,810,451
<u>Accumulated depreciation & impairment</u>					
Land	285,434	—	—	—	285,434
Building	648,529	55,009	—	—	703,538
Total	933,963	\$ 55,009	\$ —	\$ —	988,972
Net	\$ 2,876,488				\$ 2,821,479
Fair value	\$ 4,065,990				\$ 4,131,617

(1) Details of land:

	Dec. 31, 2019		Dec. 31, 2018	
	Ping	Cost	Ping	Cost
Oiashui Section, Longtan	14,381	\$ 34,036	14,381	\$ 34,036
Dahu Section, Miaoli	230,253	473,971	230,387	474,283
Nankan Section, Taoyuan	15,395	267,367	15,395	267,367
Xinban Section, Banqiao	140	311,775	140	311,775
Puli Section, Nantou	4,108	64,000	4,108	64,000
Zhuangjing Section, Xindian	53	4,694	53	4,694
Total		\$ 1,155,843		\$ 1,156,155

(3) The Company leases the real estate held for investment, with the lease period as January 1, 2008 to December 31, 2028. Provisions for the

lessee to adjust the rent based on market rents when exercising the renewal rights. The lessee does not have a preferential purchase right for the real property at the end of the lease term.

A. 2019

The maturity analysis of lease payments receivable under operating leases of investment properties as of was as follows:

	Dec. 31, 2018
Year 1	\$ 163,557
Year 2	102,450
Year 3	53,952
Year 4	46,563
Year 5	23,074
Over 5 years	37,037
Total	<u>\$ 426,633</u>

B. 2018

Business rental amount receivable which cannot be cancelled

	Dec. 31, 2018
Less 1 year	\$ 156,352
1 - 5 years	274,730
Over 5 years	59,059
Total	<u>\$ 490,141</u>

(3) As of December 31, 2019 and December 31, 2018, the book value of the investment properties let out stood at NT\$2,463,083 thousand and NT\$2,518,224 thousand , respectively. The rent incomes during 2019 and 2018 totaled NT\$ 183,400 thousand and NT\$185,929 thousand, respectively.

(4) The fair value of investment properties is based on the transaction prices of adjacent assets, the economic environment and changes in the current

land values published by the Taiwanese government. The assessment is based on market comparators and discounted cash flows. It is Level 3 fair value according to IFRS.

(5) As of December 31, 2019 and 2018, the land at Dahu Section of Miaoli and Puli Section of Nantou accumulated losses of reduction were NT\$286,928 thousand and NT\$285,434 thousand respectively.

(6) Details of the farm land lots registered in others' names due to legal restrictions:

	Dec. 31, 2019	Dec. 31, 2018
Oiashui Section, Longtan	\$ 26,493	\$ 26,493
Dahu Section, Miaoli	94,241	94,553
Nankan Section, Taoyuan	19,219	19,219
Total	<u>\$ 139,953</u>	<u>\$ 140,265</u>

For the security measures of the aforementioned pieces of farm land, the Company has already periodically checked relevant land transcripts and dispatched its personnel to conduct investigation at any time in order to keep abreast of the use of the land. Part of the land has been pledged to the Company. Please see note 31 (2) D for the status of transactions with related parties.

(7) The situation of already providing to serve as loan guarantees from financial industries in detail is shown in Note 32.

17. Short-term borrowings

	Dec. 31, 2019	Dec. 31, 2018
Bank unsecured borrowings	\$ 860,000	\$ 1,620,000
Bank secured borrowings - Hua Nan Bank	—	400,000
Total	<u>\$ 860,000</u>	<u>\$ 2,020,000</u>
Interest rate range %	<u>0.91~1.15</u>	<u>0.91~2.07</u>

(1) Concerning the residential building at Xitun District, Taichung City constructed jointly by the Company and Continental Engineering Corporation, a credit contract was signed with Huanan Commercial Bank on December 9, 2014, by providing the land of Huiguo Section, Taichung City to serve as guarantee, with total credit amount as NT\$950,000thousand and loan period up to February 10, 2020.

(2) The situation of pledge & guarantee in detail is shown in Note 32.

18. Short-term notes and bills payable

Dec. 31, 2019	Dec. 31, 2018
---------------	---------------

Commercial paper payable	\$	400,000	\$	720,000
Less: Unamortized discount		(452)		(357)
Net amount	\$	399,548	\$	719,643
Interest rate range%		0.63~0.94		0.56~0.93

The situation of pledge & guarantee in detail is shown in Note 32.

19. Employee pensions

(1) Defined contribution plans

The employee retirement plan established by the Company in accordance with “Labor Pension Act” belongs to a defined contribution plans. Concerning the above, the Company would contribute 6% of the monthly salaries of employees to the exclusive individual accounts of Labor Insurance Bureau. In accordance with the above related regulations, the pension costs recognized as expenses in the consolidated comprehensive income statement in 2019 and January 1 to December 31, 2018 are respectively NT\$6,399 thousand and NT\$6,585 thousand.

(2) Defined benefit plans

A. The employee retirement plan established by the Company in accordance with “Labor Standard Act” is a defined benefit plans. In accordance with the regulations of the said plan, the employee pensions are calculated by service years and the average wage of six months prior to retirement. For the above, the Company would contribute 2% of the total employee salaries as employee pension fund, to the Supervisory Committee of Workers’ Pension Preparation Fund to be deposited into an exclusive account of Bank of Taiwan. Before the end of year, if it is estimated the balance in the exclusive account is insufficient to pay the estimated labors conforming to retirement conditions in the following year, the Company would contribute the differential amount at once before the end of March in the following year.

The retired pension cost amount in consolidated comprehensive income

statement listed to expense related to defined benefit plan is as follows:

	2019	2018
Service cost	\$ 64	\$ 42
Net interest cost (income)	66	42
List to (profit) loss	\$ 130	\$ 84
Re-measurements		
Plan assets returns (excl. amount that covered in net interest income)	156	216
Actuarial profit (loss)-Change of the demographic assumption	2	7
Actuarial profit (loss)-Change of the financial assumption	(192)	—
Actuarial profit (loss)-Adjustment with experience	2,576	(3,913)
Listed to other comprehensive income	\$ 2,542	\$ (3,690)

The details of the various costs and expenses recognized in profit or loss are as follows:

	2019	2018
Operating costs	\$ 130	\$ 84
Operating expenses	—	—
Total	\$ 130	\$ 84

The amount listed in the consolidated balance sheet for the obligation occurring from the defined benefit plan is as follows

	Dec. 31, 2019	Dec. 31, 2018
Defined benefit obligation present value	\$ 6,206	\$ 10,248
Plan asset fair value	(2,518)	(3,520)
Net defined benefit liability (assets)	\$ 3,688	\$ 6,728

The changed of defined benefit obligation present value of this Company is

as follows:

	2019	2018
Beginning defined benefit obligation	\$ 10,248	\$ 8,144
Service cost current period	64	42
Interest expense	102	81
Benefits paid from plan assets	(1,822)	(1,925)
Re-measurements		
Actuarial (profit) loss- Change of the demographic assumption	(2)	(7)
Actuarial (profit) loss- Change of the financial assumption	192	—
Actuarial (profit) loss- Adjustment with experience	(2,576)	3,913
Ending defined benefit obligation	<u>\$ 6,206</u>	<u>\$ 10,248</u>

The changed of plan asset fair value of this Company is as follows:

	2019	2018
Beginning plan asset fair value	\$ 3,520	\$ 3,878
Interest income	36	39
Re-measurements		
Plan assets returns (excl. amount that covered in net interest income)	156	216
Contribution by employer	628	1,312
Redemption or curtailments payment	(1,822)	(1,925)
Ending plan asset fair value	<u>\$ 2,518</u>	<u>\$ 3,520</u>

The assets of defined benefits held by our company are deposited in financial institutions and invested in equity securities in Taiwan and overseas within the percentages and absolute amounts stipulated by the Bank of Taiwan for the discretionary investment of the funds for specific years. The operation of the funds is under the oversight by the Labor Pension fund Supervisory Committee. The minimum yields on the funds p.a. shall not fall below the two-year time deposit rates offered by local banks. Any insufficiency shall be made up by the national treasury following the approval from competent authorities.

Classification of Fair Values for Planned Assets

	2019	2018
Cash and cash equivalents	\$ 2,518	\$ 3,520

B. The main assumptions of the Company's actuarial valuation are as follows:

	Dec. 31, 2019	Dec. 31, 2018
Discount rate	0.75%	1.00%
Expected increase in future salaries	2.00%	2.00%

The Company is exposed to the following risks due to the pension system stipulated by the Labor Standards Act:

- a. The impact of the book value of the retirement pensions is as follows for any delta of each 0.25 basis points between the discount rate (or the expected increase in future salaries) and management estimates in 2019 and 2018.

	Effect on present value of defined benefit obligation	
Dec. 31, 2019	Actuarial assumption increased 0.25%	Actuarial assumption decreased 0.25%
Discount rate	\$ (192)	\$ 200
Expected increase in future salaries	\$ 197	\$ (190)

	Effect on present value of defined benefit obligation	
Dec. 31, 2018	Actuarial assumption increased 0.25%	Actuarial assumption decreased 0.25%
Discount rate	\$ (280)	\$ 292
Expected increase in future salaries	\$ 288	\$ (278)

Since actuarial assumptions may be mutually related, the possibility of

change in an only one assumption is not high. Therefore, the above sensitivity analysis may be unable to reflect the actual change situation of the current value of defined benefits. Besides, in the above sensitivity analysis, the actuary of current value of defined benefits obligations at the end of the reporting period applies projected unit credit method, measured by the same basis of defined benefits liabilities listed in the consolidated balance sheet.

- b. The Company expects to contribute the amount of NT\$167 thousand to the defined benefit plans within one year after December 31, 2019; the weighted average duration of defined benefits obligations is 12 years.

20. Equity

(1) Share capital - common stock

	Dec. 31, 2019	Dec. 31, 2018
Authorized capital	\$ 6,800,000	\$ 6,800,000
Issued capital	\$ 3,500,000	\$ 3,700,000

The face value of the issued ordinary shares is NT\$10 per share. Each share has one vote and the right to dividends.

Treasury stocks of NT\$200,000 thousand and NT\$100,000 thousand were cancelled from January 1 to December 31, 2019 and 2018, respectively.

(2) Capital surplus

	Dec. 31, 2019	Dec. 31, 2018
Premium on capital	\$ 743	\$ 785
Conversion premium of corporate bonds	460,824	487,155
Gains of disposal of assets	1,238	1,238
Equity net value change of associates by equity method	3,658	3,658
Total	\$ 466,463	\$ 492,836

In accordance with regulations in laws, the capital surplus shall not be used except for covering company losses, but concerning the overage obtained from

issued stock over par value (including issuance of common stock above par value, the premium on capital stock of stock issued for merge, corporate bond conversion premium and treasury stocks transaction, etc.) and capital surplus generated from income of receiving gifts. In the absence of accumulated losses, the Company may issue cash dividends or bonus shares to existing shareholders on a pro rata basis. Per the requirements of the Securities and Exchange Act, the appropriation of capital surplus to share capital is limited to 10% of the paid-in capital.

(3) Retained earnings

A. In accordance with the Company's Articles of Incorporation, any earnings during the year should be used to pay all the due taxes and make up the prior losses before distributions as follows:

- a. Provide 10% legal reserve, but it is not applicable to the case where the legal reserve already attains the total capital amount.
- b. If necessary, in accordance with regulations of laws, allowance or reversal of special reserve shall be provided.
- c. The earnings during the year available for distributions, along with the undistributed earnings from previous years, shall be distributed according to the proposal from the board. The distribution to shareholders shall be no less than 5% of the distributable accumulated earnings and shall be approved by the shareholders' meetings.

The enterprise life cycle of FRG belongs to "maturity period". However, in order to pursue business sustainable development, respond to the future market demands and consider the future capital expenditure budget of the Company as well as maintenance stable dividend allocation, in which cash dividend shall be no lower than 10% of the total amount of shareholders' dividend. But in case of fund requirements concerning any major investment plan, major operation change matters and productivity expansion or other major capital expenditures, etc., the board may propose it to be changed to distribution in stock dividend form in whole, and actions may be taken after a report to and consent from the shareholders' meeting

B. Legal reserve

Per the regulations set forth by the Company Act, the Company shall appropriate 10% of after-tax earnings as the legal reserve, until the amount of legal reserve is equivalent to that of paid-in capital, or use the earnings to reverse prior losses. In the absence of losses, the portion of reserves exceeding 25% of the paid-in capital can be used to issue cash dividends or bonus shares.

C. Special reserve

Official Letter “Securities Issue” No. 1010012865 and No. 1010047490 released by the Financial Supervisory Commission and the IFRS standards provide answers to the questions regarding the appropriation, utilization and reversal of special reserve. If there is any reversal of the reduction of shareholders’ equity, the reserved portion may be used for earnings distributions.

D. FRG’s earnings distributions for 2017 and 2016 were approved by the annual general meetings on June 8, 2018 and June 8, 2017, respectively, as proposed by the board. However, the payout ratio has changed due to the cancelation of 20,000 thousand and 10,000 thousand treasury stocks, respectively. The cash dividend per share for 2018 and 2017 was NT\$0.68 and NT\$0.65 , respectively.

	2018		2017	
	Amount	Dividend per share (TWD)	Amount	Dividend per share (TWD)
Legal reserve	\$ 21,580		\$ 18,924	
Cash dividend	238,000	\$ 0.68	240,500	\$ 0.65
Total	\$ 259,580		\$ 259,424	

E. The status for the board of the Company proposed to approve the 2019 earnings allocation proposal on March 20, 2020 is as follows:

	2019	
	Amount	Dividend per share (TWD)
Legal reserve	\$ 53,896	
Cash dividend	280,000	\$ 0.8
Total	\$ 333,896	

The Company's earnings distribution for 2019 is still pending for the approval from the annual general meeting in 2020.

(4) Other equity interest-

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance on Jan. 1, 2019	\$ 1,392	\$ (46,003)	\$ (44,611)
Exchange differences on translation of foreign financial statements	(8,840)	—	(8,840)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	—	180,799	180,799
Share of loss (profit) of associates accounted for using equity method	—	10,074	10,074
Disposal of financial assets at fair value through other comprehensive income - equity instrument	—	29,920	29,920
Balance on Dec. 31, 2019	\$ (7,448)	\$ 174,790	\$ 167,342

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial asset	Total
Balance on Jan. 1, 2018	\$ (2,428)	\$ —	\$ 22,951	\$ 20,523
Effects of retrospective application	—	19,331	(22,951)	(3,620)
Balance at January 1, 2018 (Adjusted)	(2,428)	19,331	—	16,903
Exchange differences on translation of foreign financial statements	3,820	—	—	3,820
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	—	(32,842)	—	(32,842)
Share of loss (profit) of associates accounted for using equity method	—	(2,097)	—	(2,097)
Disposal of financial assets at fair value through other comprehensive income - equity instrument	—	(30,395)	—	(30,395)
Balance on Dec. 31, 2018	\$ 1,392	\$ (46,003)	\$ —	\$ (44,611)

(5) Treasury stocks

	Number of shares (thousand shares)	Amount
Balance on Jan. 1, 2018	84	\$ 1,332
Acquired in this period	27,464	419,577
Cancellation in this period	(10,000)	(159,536)
Balance of Dec. 31, 2018	17,548	261,373
Acquired in this period	2,452	38,317
Cancellation in this period	(20,000)	(299,690)
Balance of Dec. 31, 2019	—	\$ —

A. FRG in accordance with the regulations of Article 28-2 of Securities Exchange Act, in order to maintain company credit and shareholders' equity, purchased back treasury stocks through resolutions of the board.

B. The quantity percentage of a company in purchase back outstanding shares in accordance with the regulations of Securities Exchange Act shall not exceed 10% of the total number of shares issued by a company, and the total amount of purchase shares shall not exceed the retained earnings adding the premium of issued shares and the amount of realized capital surplus.

C. The treasury stocks held by FRG in accordance with the regulations of Securities Exchange Act shall not be pledged, nor shall it enjoy such rights as dividend allocation and voting right, etc.

(6) Non-controlling interests

	2019	2018
Balance, beginning of year	\$ (1,010)	\$ (1,003)
Net income	(7)	(7)
Balance of Dec. 31	\$ (1,017)	\$ (1,010)

21. Operating revenue

	2019	2018
Net sales revenue	\$ 960,898	\$ 1,114,877
Construction revenue	1,518,732	33,125
Rental and logistics revenue	222,147	225,816
Total	<u>\$ 2,701,777</u>	<u>\$ 1,373,818</u>

The amount of revenue recognized at the beginning from the contractual liabilities for the period from January 1 to December 31, 2019 and 2018 are respectively NT\$296,810 thousand and NT\$11,172 thousand.

22. Operating costs

	2019	2018
Cost of sales	\$ 922,026	\$ 935,194
Cost of construction sales	1,026,264	17,780
Cost of rental and logistics	91,799	90,364
Total	<u>\$ 2,040,089</u>	<u>\$ 1,043,338</u>

23. Other income

	2019	2018
Interest income	\$ 20,904	\$ 32,002
Dividend income	146,399	134,556
Other	8,215	9,710
Total	<u>\$ 175,518</u>	<u>\$ 176,268</u>

24. Other gains and losses

	2019	2018
Loss (gain) on disposal of property, plant and equipment	\$ 388	\$ 30
Loss (gain) on disposal of investment properties	696	—
Loss (gain) on disposal of investments	(29,998)	—
Foreign currency exchange gain (loss)	(2,641)	23,691
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	1,240	44
Miscellaneous expense	(2,481)	(14,273)
Impairment loss	(1,494)	—
Total	<u>\$ (34,290)</u>	<u>\$ 9,492</u>

25. Finance costs

	2019	2018
Interest of bank loan	\$ 23,026	\$ 32,936
Interest of lease liabilities	544	—
Less: capitalized interest	(3,940)	(11,066)
Total	\$ 19,630	\$ 21,870
Interest rate (%) of capitalized interest	2.07	2.07

26. Extra information on the items with the expense characteristics

The employee benefits, depreciation, depletion and amortization expenses incurred in this period are summarized below:

	2019			2018		
	Operating costs	Operating expense	Total	Operating costs	Operating expense	Total
Salary expense	\$ 92,622	\$ 70,273	\$ 162,895	\$ 106,315	\$ 62,391	\$ 168,706
Labor and health insurance expenses	7,048	4,234	11,282	7,354	4,242	11,596
Pension expense	4,440	2,089	6,529	4,503	2,166	6,669
Other Personnel expense	2,649	1,329	3,978	1,746	815	2,561
Personnel expense	<u>\$ 106,759</u>	<u>\$ 77,925</u>	<u>\$ 184,684</u>	<u>\$ 119,918</u>	<u>\$ 69,614</u>	<u>\$ 189,532</u>
Depreciation expense	<u>\$ 102,837</u>	<u>\$ 20,811</u>	<u>\$ 123,648</u>	<u>\$ 101,424</u>	<u>\$ 14,582</u>	<u>\$ 116,006</u>

The compensations to employees and the remunerations to directors and supervisors determined by the board on March 20, 2020 for the year 2019 and on March 15, 2019 for the year 2018 are as follows:

	2019		2018	
	Amount	Estimated proportion	Amount	Estimated proportion
Compensations employees	to \$ 5,613	1%	\$ 2,661	1%
Remunerations directors and supervisors	to 5,613	1%	2,661	1%

FRG shall allocate from annual profits no less than 1% for compensations to employees and no more than 2% for remunerations to directors and supervisors. However, annual profits should be prioritized for the reversal of cumulated losses if any.

The abovementioned compensations to employees may be paid with cash or shares.

The employees include the employees of subsidiaries which meet the criteria set by the board. However, the remunerations to directors and supervisors shall be paid in cash only.

Any changes to the published consolidated financial statements shall be treated as changes to accounting estimates and adjusted during the following year. There was no difference between the distributed amount of compensations to employees and remunerations to directors and supervisors for 2018 and the recognized amount on the consolidated financial statements for 2018.

The annual general meeting of FRG on June 8, 2018 approved the distributions of bonuses to employees at NT\$2,024 thousand and the remunerations to directors and supervisors at NT\$2,024 thousand for 2017. There was no difference between the distributed amount and the recognized amount on the consolidated financial statements for 2017.

Please refer to the details published on TSE Market Observation Post System for the information regarding the decisions by the board and annual general meetings on compensations to employees and remunerations to directors and supervisors.

27. Income tax

(1) Income tax recognized in profit & loss

The income tax expense listed as profit & loss is composed of as follows:

	2019	2018
	_____	_____
Income tax current period:		
Occurred in current year	\$ 1,240	\$ (15,097)
Additionally imposed undistributed earnings	—	(11,225)
Paid for land value increment tax	(31,289)	(148)
	_____	_____
	(30,049)	(26,470)
Deferred income tax:		
Occurred in current year	16,312	(18,162)
	_____	_____
Income tax expense listed as profit & loss	\$ (13,737)	\$ (44,632)
	_____	_____

The accounting benefit and income tax expense of current period are adjusted

as follows:

	2019	2018
	<hr/>	<hr/>
Income tax calculated according to the regulated tax rate of before-tax net income	\$ 115,753	\$ 55,895
The effect of tax in reconciliation items of income tax:		
When determining taxable income, adjustments should be made to increase (decrease)	(10,736)	(19,400)
Exemption of domestic securities transaction income	303	8,099
Tax-exempt income	(105,294)	(28,785)
Previous years adjustments	(1,266)	(712)
	<hr/>	<hr/>
Income tax expense (gain) current period	\$ (1,240)	\$ 15,097
	<hr/> <hr/>	<hr/> <hr/>

(2) Income tax expense recognized in other comprehensive income

	2019	2018
	<hr/>	<hr/>
Remeasurement of defined benefit plans	\$ (508)	\$ 1,175
Unrealized loss on valuation of investments in equity instruments measured at fair value through other comprehensive income	51	4,813
Exchange differences on translation of foreign financial statements	2,210	(845)
Unrealized loss on valuation of investments in debt instruments measured at fair value through other comprehensive income	(3,914)	3,914
	<hr/>	<hr/>
Income tax related to other comprehensive income	\$ (2,161)	\$ 9,057
	<hr/> <hr/>	<hr/> <hr/>

(3) Deferred tax assets and liabilities

The analysis on deferred income tax assets and liabilities in balance sheet is as follows:

	2019			
	Balance, beginning of year	Recognized in profit (loss)	Recognized in other comprehensive income	Balance, end of year
Net defined benefit liability	\$ 3,653	\$ —	\$ (508)	\$ 3,145
Unrealized loss on valuation of investments in equity instruments measured at fair value through other comprehensive income	216	—	51	267
Exchange differences on translation of foreign financial statements	—	—	1,862	1,862
Unrealized loss on valuation of investments in debt instruments measured at fair value through other comprehensive income	3,914	—	(3,914)	—
Unrealized exchange loss	8,008	(4,006)	—	4,002
Other	4,839	7,860	—	12,699
Tax loss carry forwards	2,659	9,456	—	12,115
Deferred income tax assets	<u>\$ 23,289</u>	<u>\$ 13,310</u>	<u>\$ (2,509)</u>	<u>\$ 34,090</u>
Net defined benefit liability	(3,045)	2,947	—	(98)
Unrealized loss on valuation of investments in equity instruments measured at fair value through profit or loss	(55)	55	—	—
Exchange differences on translation of foreign financial statements	(348)	—	348	—
Land value increment tax	(166,357)	—	—	(166,357)
Deferred income tax (liabilities)	<u>\$ (169,805)</u>	<u>\$ 3,002</u>	<u>\$ 348</u>	<u>\$ (166,455)</u>
	2018			
	Balance, beginning of year	Recognized in profit (loss)	Recognized in other comprehensive income	Balance, end of year
Net defined benefit liability	\$ 2,478	\$ —	\$ 1,175	\$ 3,653
Exchange differences on translation of foreign financial statements	497	—	(497)	—
Unrealized loss on valuation of investments in equity instruments measured at fair value through other comprehensive income	—	—	216	216
Unrealized loss on valuation of investments in debt instruments measured at fair value through other comprehensive income	—	—	3,914	3,914
Unrealized exchange loss	25,086	(17,078)	—	8,008
Other	3,258	1,581	—	4,839
Tax loss carry forwards	2,299	360	—	2,659
Deferred income tax assets	<u>\$ 33,618</u>	<u>\$ (15,137)</u>	<u>\$ 4,808</u>	<u>\$ 23,289</u>
Net defined benefit liability	—	(3,045)	—	(3,045)
Exchange differences on translation of foreign financial statements	—	—	(348)	(348)
Land value increment tax	(166,357)	—	—	(166,357)
Available-for-sale financial assets	(4,672)	75	4,597	—
Unrealized loss on valuation of investments in equity instruments measured at fair value through profit or loss	—	(55)	—	(55)
Unrealized exchange gain	—	—	—	—
Deferred income tax (liabilities)	<u>\$ (171,029)</u>	<u>\$ (3,025)</u>	<u>\$ 4,249</u>	<u>\$ (169,805)</u>

(4) Information on Unused Loss Carryforwards

Loss carryforwards as at December 31, 2019 are as follows:

	Balance of unused loss carryforwards	Final deductible year
Loss carryforwards	\$ 12,115	2029

(5) FRG's income tax settlement application cases approved by the competent authority are approved until 2016. Others have filings up to 2017 reviewed.

28. EPS

(1) Basic earnings per share

	2019	2018
Net income for the period attributable to owners of the Corporation	\$ 538,957	\$ 215,802
Weighted average number of ordinary shares (in thousand shares)	350,000	367,033
Basic EPS (NT dollars)	\$ 1.54	\$ 0.59

(2) Diluted earnings per share

	2019	2018
Net income for the period attributable to owners of the Corporation	\$ 538,957	\$ 215,802
Weighted average number of ordinary shares (in thousand shares)	350,000	367,033
Potentially ordinary stock- Employee bonus (in thousand shares)	336	204
Number of shares of diluted EPS (in thousand shares)	350,336	367,237
Diluted EPS (NT dollars)	\$ 1.54	\$ 0.59

If the Company can choose to distribute stocks or cash as the bonus for the

employees, when calculating the earnings per share, the distribution of shares to the employees should be taken into consideration. In addition, the potential common shares which will dilute the earnings should be added into the weighted average number to calculate the diluted earnings per share. The distributed number of shares is estimated by the closing price of the common shares at the end of the reporting period (the effect of exclude right and exclude dividends is considered). The dilutive effect of the potential shares distributed to the employees will be taken into consideration when calculating the diluted EPS before the resolution concerning the number of shares to be delivered as bonus for employees is made in the shareholder meeting the following year.

29. Capital Management

The enterprise life cycle of the Company belongs to “maturity period”. However, in order to pursue business sustainable development, respond to the future market demands and consider the future capital expenditure budget of the Company as well as maintenance stable dividend allocation, on the whole, the Company applies a prudent risk management policy.

30. Financial instruments

(1) The types of financial instruments

	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ —	\$ 16,041
Financial assets at fair value through other comprehensive income	3,273,462	2,775,532
Amortized cost		
Cash and cash equivalents	956,286	812,174
Trade receivables	128,987	191,608
Other financial assets	185,214	655,187
Refundable deposits	8,322	11,384
Total	<u>\$ 4,552,271</u>	<u>\$ 4,461,926</u>
<u>Financial liabilities</u>		
Amortized cost		
Short-term loans	\$ 860,000	\$ 2,020,000
Short-term bills payable	399,548	719,643
Trade payables	241,681	322,462
Guarantee deposits received	42,401	44,361
Total	<u>\$ 1,543,630</u>	<u>\$ 3,106,466</u>

(2) Fair values of financial instruments

A. Financial instruments not measured with the fair value

The financial assets and financial liabilities not measured by fair values of this company include cash and equivalent cash, accounts receivable, other financial assets, short-term loan, short-term bonds payable and accounts payable. The maturity dates of this kind of financial products are rather short that their book values should belong to a reasonable foundation of estimating fair values. The above financial products shall not include refundable deposits and deposit received either, because their repayment dates are uncertain; therefore, their fair values are evaluated by the book values in balance sheets.

B. Fair value measurement of recognitions in balance sheet

The following table provides related analysis of financial instruments measured by fair values after original recognition, and the observable levels of fair values are divided into the first to the third level.

- a. The first-level fair value measurement refers to an open offer of the same asset or liability from an active market (without being adjusted).
- b. The second-level fair value measurement refers to a derived fair value of an observable input value belong to the said asset or liability either directly (i.e., price) or indirectly (i.e., to be derived from price) in addition to a first-level open offer.
- c. The third-level fair value measurement refers to a derived fair value of an input value of asset or liability not based on observable market data (non-observable input value) as the evaluation technique.

C. Concerning the financial instruments measured by fair values, the basic classification analysis of the Company in accordance with the nature, characteristics and risk as well as fair value level of asset and liability shall be as follows:

- a. The financial asset and liability measured by fair value on repeatable foundation:

	Dec. 31, 2019			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through other comprehensive income</u>				
Stock of Listed (OTC) companies	\$ 2,715,634	\$ —	\$ —	\$ 2,715,634
Stock of emerging companies	—	3,736	—	3,736
Stock not classified to listed (OTC) and emerging companies	—	—	106,055	106,055
Stock of foreign companies	—	—	448,037	448,037
Total	<u>\$ 2,715,634</u>	<u>\$ 3,736</u>	<u>\$ 554,092</u>	<u>\$ 3,273,462</u>

	Dec. 31, 2018			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Fund	\$ 16,041	\$ —	\$ —	\$ 16,041
<u>Financial assets at fair value through other comprehensive income</u>				
Stock of Listed (OTC) companies	2,396,866	—	—	2,396,866
Stock of emerging companies	—	2,627	—	2,627
Stock not classified to listed (OTC) and emerging companies	—	—	140,685	140,685
Stock of foreign companies	—	—	221,239	221,239
Financial bond	14,115	—	—	14,115
Total	<u>\$ 2,410,981</u>	<u>\$ 2,627</u>	<u>\$ 361,924</u>	<u>\$ 2,775,532</u>

- b. The financial asset and liability measured by fair value on non-repeatable foundation: none

- D. The first-level fair value measurement item applies a market offer as the fair value input value, with breakdown as follows:

Item	Market quoted
Stock of Listed (OTC) companies	Close price
fund and Financial bond	The net assets

E. The second-level fair value measurement item applies the observable input values of recent transaction price and offer data of GreTai Securities Market, to serve as the foundation of evaluating fair values.

F. There was no change between Level 1 and Level 2 fair value measurements in 2019 and 2018.

G. Adjustment of financial assets with the third-level fair value measurement:

	2019	2018
Beginning balance	\$ 361,924	\$ 133,818
Transferred from IFRS 9	—	138,048
Purchases	227,052	—
Capital return due to disinvestment	(8,000)	(7,000)
Listed to other comprehensive income of this year	(26,884)	97,058
Ending balance	\$ 554,092	\$ 361,924

H. Level 3 fair value measurement is based on net asset values. The Company takes great caution in the selection of valuation models and valuation parameters for the key, non-observable values. Therefore, the measurement of fair values should be reasonable. The use of different valuation models or valuation parameters may result in different numbers. For example, If the evaluation parameter's share price net multiplier increases, the market liquidity discount decreases, and the weighted average capital cost discount rate decreases, the fair value of the investment will be increased.

(3) Objective of financial risk management

The financial risk management of the Company is to manage currency exchange rate risk, interest rate risk, credit risk and liquidity risk related to operation activities. In order to reduce related financial risks, the Company has devoted to identification, evaluation and avoiding uncertainty of market, to reduce any potential unfavorable impact of market changes on the corporate financial performance.

The important financial activities of the Company are specified by the board and in accordance with related specifications and double checked through an internal control system. During the execution period of financial planning, the Company shall scrupulously observe the related financial operation procedures concerning comprehensive financial risk management and division of authority and responsibility.

(4) Market risk

The Company mainly exposes to such market risks as changes in foreign currency exchange rate and changes in interest rate, etc.

A. Foreign currency exchange rate risk

The foreign currency exchange rate risk of the Company mainly comes from Cash and cash equivalents, accounts receivable, other payables priced by foreign currency exchange, Financial assets at fair value through profit or loss as fund, Financial assets at fair value through other comprehensive income as overseas company stock and financial bond, and foreign currency time deposit with maturity period above three months.

The information concerning foreign currency financial assets and liabilities under material impacts of foreign currency exchange rate fluctuation shall be as follows:

	Dec. 31, 2019			Dec. 31, 2018		
	foreign currency	Exchange rate	Amount	foreign currency	Exchange rate	Amount
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	18,822	30.03	565,217	38,762	30.67	\$1,186,500
HKD	9,647	3.836	37,007	3,041	3.894	11,776
JPY	89,832	0.2751	24,713	150,155	0.2764	41,374
RMB	31,007	4.296	133,204	24,166	4.448	107,304
<u>Non-monetary items</u>						
USD	653	30.03	19,600	2,735	30.67	83,896
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	296	30.13	8,908	229	30.77	7,047
HKD	14	3.896	56	847	3.954	3,351
RMB	207	4.346	901	40	4.498	182

The sensitivity analysis concerning foreign currency exchange rate risk is calculated mainly for the monetary items of foreign currency at the end of the financial reporting period. When the appreciation/ depreciation of NT Dollar vs. foreign currency reaches 1%, the pre-tax profit and loss of the Company from January 1 to December 31, 2019 and 2018 would separately increase/decrease by NT\$7,503 thousand and NT\$13,364thousand, respectively.

Due to a large variety and volumes of foreign currency transactions, the Company discloses the exchange gains/losses for the summary of monetary items. The recognized foreign currency gain/loss (realized and unrealized) was NT\$2,641thousand for 2019 and NT\$23,691thousand for 2018.

B. Interest rate risk

The interest rate risk refers to the risk in fair values of non-derivative financial instruments cause by changes of market interest rate. The interest rate risk of the Company mainly comes from short-term loans and short-term bonds payable.

Concerning the sensitivity analysis of interest rate risk, it is calculated on basis of the fixed interest rate loan at the end of the financial reporting period, and it is assumed to be held for one year. In case the interest rate rises/drops 1%, the pre-tax profit and loss of the Company from January 1 to December 31, 2019 and 2018 would separately decrease/ increase by NT\$12,595 thousand and NT\$27,396thousand, respectively.

C. Other price risks

The price risk of equity instruments of the Company mainly comes from the investment classified as Financial assets at fair value through other comprehensive income; and all major equity instrument investments may only be conducted after the approval of the board of the Company.

Concerning the sensitivity analysis of equity instrument price risks, it is calculated on basis of the changes in fair values at the end of the financial reporting period. In case the price equity instruments rises/drops 1%, the profit and loss of the Company from January 1 to December 31, 2019 and 2018 would separately increase/decrease by NT\$32,735 thousand and NT\$27,614thousand, respectively.

(5) Credit risk management

The credit risk management refers to the opposing party of trade violates contract obligations and causes risks of financial loss to the Company. The credit risk of the Company comes mainly from the accounts receivable generated from operation activities, and bank deposits generated from investment activities and other financial instruments. Operation related credit risks and financial credit risks are under separate management.

A. Operation related credit risks

In order to maintain the quality of accounts receivable, the Company already establishes the procedures of operation related credit risks. The risk evaluation of an individual customer considers such numerous factors with potential impacts on customer payment abilities as the financial status of the said customer, internal credit ratings of the Company, historical trade record and current economic status, etc. The Company would also in due time uses certain credit enhancement tools, such as sales revenue received in advance and credit insurance, etc., to reduce credit risks of specific customers.

Up to December 31, 2019 and December 31, 2018, the accounts receivable balances of the top 10 major customers account for the accounts receivable balances of the Company respectively as 72% and 74%; the risk concentration risks of the rest accounts receivable are relatively not major.

B. Financial credit risk

The credit risks of bank deposit and other financial instruments are measured and supervised by the Finance Department of the Company. Since the trade parties of the Company are all domestic banks with commendable credit, there is no suspicion of major contract performance; therefore, there is no major credit risk.

(6) Liquidity risk management

The object of liquidity risk management of the Company is to maintain cash and equivalent cash required for operation, securities with high liquidity, and sufficient bank financing quota, etc., to ensure the Company to possess sufficient financial flexibility, operation fund sufficient to cope up with the financial liabilities with agreed repayment periods.

A. The liquidity of non-derivative financial assets and liabilities

	Dec. 31, 2019				
	Less than 1 year	2~3 years	4~5 years	Over 5 years	Total
<u>Non-derivative financial liabilities</u>					
Short-term borrowing	\$ 860,000	\$ —	\$ —	\$ —	\$ 860,000
Short-term notes and bills payable	399,548	—	—	—	399,548
Trade payables	241,681	—	—	—	241,681
Lease liabilities	5,762	10,879	10,879	21,759	49,279
Guarantee deposits received	15,488	17,525	4,661	4,727	42,401
Total	\$ 1,522,479	\$ 28,404	\$ 15,540	\$ 26,486	\$ 1,592,909

	Dec. 31, 2018				
	Less than 1 year	2~3 years	4~5 years	Over 5 years	Total
<u>Non-derivative financial liabilities</u>					
Short-term borrowing	\$ 1,620,000	\$ 400,000	\$ —	\$ —	\$ 2,020,000
Short-term notes and bills payable	719,643	—	—	—	719,643
Trade payables	322,462	—	—	—	322,462
Guarantee deposits received	17,009	17,265	5,360	4,727	44,361
Total	\$ 2,679,114	\$ 417,265	\$ 5,360	\$ 4,727	\$ 3,106,466

B. Loan commitments

	Dec. 31, 2019	Dec. 31, 2018
Unsecured bank overdraft limit		
-Amount used	\$ —	\$ —
-Amount unused	90,000	90,000
	\$ 90,000	\$ 90,000
Unsecured bank loan limit		
-Amount used	\$ 1,090,000	\$ 2,170,000
-Amount unused	1,850,000	560,000
	\$ 2,940,000	\$ 2,730,000
Secured bank loan limit		
-Amount used	\$ 170,000	\$ 570,000
-Amount unused	—	140,000
	\$ 170,000	\$ 710,000

31. Related party transaction

(1) Name and relationship with related parties

Name of related parties	Relationship with the Company
Formosan Construction Corp. (Taiwan)	Investee company accounted for using the equity method
Eurogear Corporation	The Company's institutional director.
Chen Hsi Investment CO, LTD	The president is the spouse of the general manager of the Company
Hung He Development CO, LTD	The president is the spouse (1st degree of kinship) of the Company's president
HSU, ZHEN-TSAI	President of the Company
HSU, ZHEN-JI	The general manager of the Company

(2) Major transaction with related parties

A. Operating revenue -Rental

	2019	2018
Other	\$ 1,126	\$ 1,126
	Dec. 31, 2019	Dec. 31, 2018
Guarantee deposits received	\$ 274	\$ 274

The related enterprise leases the office to the Company, and the lease content is determined by the agreement between the two parties, and the rent is collected monthly.

B. Lease agreement

Lease agreement signed by the Company with Formosan Construction Corp. (Taiwan), Eurogear Corporation, Chen Hsi Investment CO, LTD., Ltd. and Hung He Development CO, LTD in December 2018., with the lease period as of January 1, 2018 to December 31, 2028. The lease agreement is based on the Consumer Price Index (CPI) in the sixth, and it adjusts the rent according to the accumulated average CPI increase in the previous year. The Company does not have a preferential purchase right for the real property at the end of the lease term. The rent is the monthly payment.

	Dec. 31, 2019	
	Right-of-use assets	lease liabilities
Formosan Construction Corp. (Taiwan)	\$ 9,212	\$ 9,262
Eurogear Corporation	8,834	8,881
Chen Hsi Investment CO, LTD	18,756	18,857
Hung He Development CO, LTD	9,595	9,647
Total	\$ 46,397	\$ 46,647

	Dec. 31, 2019	Dec. 31, 2018
Refundable deposits	\$ 1,167	\$ 1,167

	2019	2018
Interest expense	\$ 534	\$ —
Depreciation expense	\$ 5,155	\$ —
Rental expense	\$ —	\$ 5,440

C. Other payables

	Dec. 31, 2019	Dec. 31, 2018
Other	\$ 6,288	\$ 6,255

D. As of December 31, 2019 and December 31, 2018, the ownership of book amount are respectively NT\$94,241 thousand and NT\$94,553 thousand for the farmland at Dahu Section, which are held under the name of the major management of FRG. Its ownership certificate is under custody of FRG, and its pledge is set to FRG for security purpose.

(3) Reward to major management

The remuneration information to board directors and other major management members shall be as follows:

	2019	2018
Short-term benefits	\$ 50,961	\$ 48,899
Retirement benefit	610	666
Total	\$ 51,571	\$ 49,565

32. Pledged assets

The following assets are already provided to serve for guarantee of financial industry loans, material purchase and international logistics business, with the book amounts as follows:

	Dec. 31, 2019	Dec. 31, 2018
Construction project —Real estate under construction	\$ 1,960,691	\$ 1,955,191
Other financial assets	20,000	20,000
Property, plant and equipment	287,640	287,640
Investment property - house and land	192,872	200,219
Total	\$ 2,461,203	\$ 2,463,050

33. Material contingent liabilities and unrecognized contract promise: None

34. Important disaster loss: None

35. Important subsequent events

FRG in order to maintain company credit and shareholders' equity, bought back 20,000 thousand shares of FRG from open market through resolutions of the board on March 20, 2020, with the scheduled buy-back period as March 23, 2020 to May 22, 2020, and the buy-back price range as \$13 to \$18; besides, if the stock price dropped below the lower limit of buy-back price range as \$13, shares could be still be bought back.

36. Additional disclosed items

(1) Information regarding the material transaction items

A. The status of lending capital to others: None

B. The status of endorsement and guarantee for others:

No. (note 1)	Company name of the endorsement/guarantee provider	Recipient of the endorsement/guarantee		Endorsement/guarantee quota for a individual enterprise (note 3)	Max. balance of the endorsement/guarantee this period	Ending balance of the endorsement/guarantee	Actual drawing amount	The endorsement / guarantee amount guaranteed by properties	Percentage of accumulated endorsement / guarantee amount in net value of the latest financial statements	Max. limit of the endorsement / guarantee (note 3)	Endorsement/guarantee from parent company to subsidiary	Endorsement / guarantee from subsidiary to parent company	Endorsement/guarantee to Mainland China
		Company name	Relation										
0	The Company	950 Property LLC	Note 2	\$ 1,620,996	\$ 825,378 (USD26,054)	\$ 784,995 (USD26,054)	\$ 63,424 (USD2,105)	—	7.26%	\$ 3,241,992	—	—	—

Note 1: The explanation for the number column is as follows:

(1) Put “0” for the company.

(2) Put the serial No. starting from 1 for the investees by company category.

Note 2: The relationships between endorsement/ guarantee provider and recipient: A company that is endorsed by each of the contributing shareholders in accordance with their shareholding ratio because of the joint investment relationship.

Note 3: According to the Operating procedures of endorsement and guarantee for others, FRG’s endorsement/ guarantee total amount should be no more than 30% of this company’s net value, and its endorsement/ guarantee amount to an individual enterprise should be no more than 15% of FRG’s net value.

Note 4 : US\$1 = NT\$30.13

C. The status of securities held at the end of the period

Name of this Company	Type and name of securities	Relation with securities issuer	Item listed on book	The end of the period				Remarks
				Share / unit numbers	Book value	Ratio of share holding %	Fair value	
The Company	SinoPac Financial Holdings Company Limited - Stock		Financial assets at fair value through other comprehensive income - current	35,969,700	467,606	0.32	\$ 467,606	
	Nan Ya Plastics Corporation - Stock		"	3,847,900	280,127	0.05	280,127	Note
	Formosa Chemicals & Fibre Corporation - Stock		"	4,599,170	402,427	0.08	402,427	Note
	Far Eastern New Century Corporation - Stock		"	4,101,761	122,438	0.08	122,438	
	Far Eastern Group - Stock		"	5,266,447	137,191	0.37	137,191	Note
	Far East Tone Telecommunications Co., Ltd. - Stock		"	2,007,000	144,705	0.06	144,705	Note
	Formosa Plastics Corporation - Stock		"	583,000	58,183	0.01	58,183	
	Huaku Development Co., Ltd. - Stock		"	1,280,000	118,528	0.46	118,528	
	E. SUN Financial Holding Co., Ltd. - Stock		"	1,510,076	42,131	0.01	42,131	
	ASUSTeK Computer Inc. - Stock		"	200,000	46,300	0.03	46,300	
	WPG Holdings - Stock		"	283,600	11,089	0.02	11,089	
	TSEC Corporation - Stock		"	5,984,888	45,485	1.58	45,485	
	Formosa Petrochemical Corp - Stock		"	1,678,000	163,605	0.02	163,605	
	Shine More Technology Materials Corporation., Ltd. - Stock		"	1,158,250	4,228	1.52	4,228	
	Fubon Securities Co., Ltd.		"	690,000	6,493	0.28	6,493	
	Continental Holdings Corp. (CHC) - Stock		"	2,205,000	29,326	0.27	29,326	

Name of this Company	Type and name of securities	Relation with securities issuer	Item listed on book	The end of the period				Remarks
				Share / unit numbers	Book value	Ratio of share holding %	Fair value	
The Company	Pegatron Corporation- Stock	Chairman of Formosan Rubber Group Inc. (Ningpo) is the brother to Chairman of Formosan Rubber Group Inc.	Financial assets at fair value through other comprehensive income - current	635,000	43,434	0.02	\$ 43,434	
	Brightek Optoelectronic Co., Ltd.- Stock		Financial assets at fair value through other comprehensive income - non-current	267,241	3,736	0.44	3,736	
	Eslite Corporation- Stock		"	1,604,379	16,792	1.65	16,792	
	Yu Chi Venture Investment Co., Ltd.- Stock		"	2,700,000	29,106	10.00	29,106	
	Formosan Chemical Industrial Co.- Stock		"	22,516	14,030	2.25	14,030	
	Formosan Glass & Chemical Industrial Co.- Stock		"	10,000	4,712	5.13	4,712	
	Tai Yang Co., Ltd. - Stock		"	111,395	7,415	1.24	7,415	
	Formosan Rubber Group Inc. (Ningpo)- Stock		"	—	19,600	12.86	19,600	
Tashee Golf & Country Club - preferred stock	"	"	1	14,400	—	14,400		
Ban Chien Development Co., Ltd.	SinoPac Financial Holdings Company Limited - Stock		Financial assets at fair value through other comprehensive income - current	42,062,322	546,810	0.37	546,810	
	CHONG HONG CONSTRUCTION CO., LTD. - Stock		"	560,000	45,528	0.19	45,528	
FRG US Corp.	TRIMOSA HOLDINGS LLC- Equity		Financial assets at fair value through other comprehensive income - non-current	—	448,037	14.67	448,037	

Note: The situation of being provided to financial loan business trust in detail is shown as in Note 8.

- D. The same securities in which the accumulated amount of buying or selling reached NT\$300 million or was more than 20% of the paid-up capital: None
- E. The amount acquiring real estate which reached NT\$300 million or was over 20% of the paid-up capital: None
- F. The amount disposing property which reached NT\$300 million or was over 20% of the paid-up capital: None
- G. The amount of purchases or sales from or to related parties which reached NT\$100 million or was over 20% of the paid-up capital: None
- H. The amount of related party receivables which reached NT\$100 million or was more than 20% of the paid-up capital: None
- I. Information regarding transactions of derivative financial products: None
- J. Business relations, important transaction current conditions between the parent company and its subsidiaries: None

(2) Related information to re-investment businesses

Investing company	Investee	Area	Business items	Original investment amount		Holding at the end of the period			Investee's profit (loss) of current period	Investment profit (loss) recognized current period	Remarks
				End of period for current period	End for last year	Share	Ratio (%)	Book value			
The Company	Ban Chien Development Co., Ltd.	Taiwan	Consign a contractor to build residential and commercial building for lease and sale	\$ 560,000	\$ 560,000	56,000,000	100.00	\$ 647,674	\$ 26,002	\$ 26,002	Subsidiary
	Da-Guan Recreation Company	Taiwan	Trading on golf driving range, playground, sports equipment	63,007	63,007	4,800,000	80.00	(4,069)	(33)	(26)	Subsidiary
	KINGSHALE INDUSTRIAL LIMITED	HongKong	Investment	34	34	9,999	99.99	—	—	—	Subsidiary
	FRG US Corp.	U.S.A.	Real estate investment, development and rental and sales of premises.	460,142	221,224	7,506,000	100.00	448,196	(739)	(739)	Subsidiary
	Formosan Construction Corp. (Taiwan)	Taiwan	Consign a contractor to build commercial building and public housing for lease and sale	75,979	75,979	7,597,927	26.20	38,843	5,723	2,028	
	Fenghe Development Co., Ltd.	Taiwan	Consign a contractor to build residential and commercial building for lease and sale	59,850	59,850	3,990,000	39.90	32,009	10,496	4,188	
	Rueifu Development Co., Ltd.	Taiwan	International trade, investment consultancy, office building for lease and building/land brokerage.	483	483	48,260	48.26	6,712	2,195	1,060	

(3) Information of the investment in China: None

37. Department information

(1) Operating department

- A. The operation departments required to be reported include Rubber, Construction and Warehousing Departments; Rubber Department engages in manufacture & sale of such products as rubber sheets, plastic sheets, plastic foam sheets and PVC resin sheets, etc.; Construction Department engages in constructing residential & commercial buildings for lease & sale; Warehousing Department engages in management of logistics storage.
- B. The department profit and loss refer to the profit earned by each department, excluding director/supervisor remuneration and investment profit & loss recognized by equity method. These measurement amounts shall be provided to the major operation decision makers, to be used to distribute resources to departments and evaluate their performance. Besides, there is no major discrepancy between the accounting policies used by Operation Department and the summary description of important accounting policies described in Note 4.

(2) Departments income and operating result

		2019					
		Rubber	Construction	Warehousing	Other	Adjustment and write-off	Total
Revenue from external customers		\$ 962,331	\$ 1,518,732	\$ 207,068	\$ 13,646	\$ —	\$ 2,701,777
Revenue from inter-departments		\$ —	\$ —	\$ 60	\$ —	\$ (60)	\$ —
Profit (loss) of departments		\$ (73,388)	\$ 492,468	\$ 92,058	\$ 41,655	\$ —	\$ 552,793
Unclassified profit (loss)							(128,980)
Non-operating income and expenses							128,874
Profit before income tax							\$ 552,687
Income tax (expense)profit							\$ (13,737)

2018

	Rubber	Construction	Warehousing	Other	Adjustment and write-off	Total
Revenue from external customers	\$ 1,107,260	\$ 33,125	\$ 214,510	\$ 18,923	\$ —	\$ 1,373,818
Revenue from inter-departments	\$ —	\$ —	\$ 60	\$ —	\$ (60)	\$ —
Profit (loss) of departments	\$ 91,347	\$ 15,345	\$ 100,085	\$ 21,868	\$ —	\$ 228,645
Unclassified profit (loss)						(127,450)
Non-operating income and expenses						159,232
Profit before income tax						\$ 260,427
Income tax (expense) profit						\$ (44,632)

(3) Regional information:

Region	Revenue from external customers		Non-current assets	
	2019	2018	2019	2018
Asia	\$ 2,426,088	\$ 991,281	\$ 3,783,540	\$ 3,823,945
Europe	196,929	266,438	—	—
United States-Canada	78,433	115,691	—	—
Other region	327	408	—	—
Total	\$ 2,701,777	\$ 1,373,818	\$ 3,783,540	\$ 3,823,945

The above non-current assets shall not include financial products and deferred income tax assets

(4) Products information

Products	2019	2018
Rubber	\$ 960,898	\$ 1,114,877
Real property	1,518,732	33,125
Other	222,147	225,816
Total	\$ 2,701,777	\$ 1,373,818

(5) Important customer information: The customers whose net incomes accounting for more than 10% of the income in the Rubber Department of 2019 and 2018 are as follows:

Rubber Enterprise Dept.					
2019			2018		
Customer	Amount	Proportion to operating income	Customer	Amount	Proportion to operating income
Customer C	83,289	9%	Customer C	\$ 142,118	13%
Customer F	112,937	12%	Customer F	124,750	11%

**V.A parent company only financial statement for the most recent fiscal year,
certified by a CPA**

**(English Translation of Parent Company Only Financial Statements
and Report Originally Issued in Chinese)**

**Formosan Rubber Group Inc.
Parent Company Only Financial Statements
and Independent Auditors' Report
2019 and 2018**

**Address: 8F, No. 82, Sec. 1, Hankou St., Zhongzheng
District, Taipei City**

Tel No.: (02) 2370-0988

The auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and parent company only financial statements, the Chinese version shall prevail.

INDEPENDENT AUDITORS' REPORT

NO.00111080EA

To: Formosan Rubber Group Inc.

Opinions

We have audited the accompanying parent company only balance sheet of Formosan Rubber Group Inc. as of December 31, 2019 and 2018 and the parent company only comprehensive income statement, statement of changes in equity, statement of cash flows and notes to the parent company only financial statements (including summary of material accounting policies) for the January 1 to December 31, 2019 and 2018.

According to the opinion of this CPA, based on our CPA's audited result, the major aspects of the accompanying parent company only financial statements as stated in the above are prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, interpretations as well as interpretation announcements recognized and announced effective by the Financial Supervisory Commission, sufficiently expressing the financial status of Formosan Rubber Group Inc. as of December 31, 2019 and December 31, 2018, and its parent company only financial performance and its parent company only cash flow of from January 1 to December 31, 2019 and 2018.

Basis of opinion

We have conducted the audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing standards. With our responsibility under such regulations and standards, we will further explain the responsibility of our audit of the financial statements. The personnel ruled with independence in the accounting office of the certified public accountant (CPA) have followed the Norm of Professional Ethics for Certified Public Accountants to stay impartial and independent from Formosan Rubber Group Inc., and carry out other responsibilities required by the Rules. We believe that we have obtained sufficient and pertinent audit evidence, which provides the basis of our audit opinions.

Key audit matters

The key audit item refers to the most crucial element of our professional judgment about the audit conducted for the 2019 the parent company only financial statements of Formosan Rubber Group Inc. The item has been reflected in our overall audit of the parent company only financial statements and in the process to form our audit opinions, in which we do not individually express our opinion on the item.

Below is the list of key audit issues on the 2019 the parent company only financial statements of Formosan Rubber Group Inc.:

Valuation of Net Realizable Value of Real Estate For Sale and Real Estate Under Construction

Summary of key issues for auditing

As of December 31, 2019, the value of real estate for sale and real estate under construction on the parent company only balance sheet was NT\$ 4,305,695 thousand primarily reflective of the completed properties and land held for sale and the land cost with constructions in progress. These items accounted for approximately 33% of the parent company only total assets. Please refer to Notes 4, 5 and 11 of the parent company only financial statements for detailed information. Formosan Rubber Group Inc. uses the lower of the cost or net realizable value for the valuation of real estate for sale and real estate under construction. As the valuation of real estate for sale and real estate under construction is subject to the effects of the cycle in the real estate market and the changes of the government policy and the determination of net realizable values for real estate for sale and real estate under construction requires major judgment and estimates, it was listed as one of the audit priorities this year.

Audit procedures

The audit procedures were carried out by CPAs as follows:

1. Acquisition of the data concerning the company's assessment of lower of the costs and net realizable value;
2. Random inspection of the ownership documents for the properties held for sale and the land on which construction was in progress, in order to validate the integrity of the assessment;
3. Random inspection of the data concerning the estimated selling price and the sale records of the most recent period, so as to determine the basis and reasonability of the management's estimate of net realizable value.

Impairment of Property Investments

Summary of key issues for auditing

As of December 31, 2019, the value of property investments on the parent company only balance sheet was NT\$2,763,300 thousand accounting for approximately 21% of the parent company only total assets. Please refer to Notes 4, 5 and 16 of the parent company only financial statements for detailed information. Management complies with IAS 36 “Impairment of Assets” by evaluating whether there are any signs indicating the investment properties may be impaired on each balance sheet date. Given the numerous assumptions involved, and the high uncertainty of accounting estimates, it was listed as one of the audit priorities this year.

Audit procedures

The audit procedures were carried out by CPAs as follows:

1. Acquisition of the data concerning the company’s assessment of asset impairments according to cash generating units;
2. Assessment of the reasonability of the management’s identification of impairment signs, assumptions and estimates used, such as the division of cash generating units, forecasting of cash flows, the appropriateness of the discount rate.

Responsibility of the management and governance unit for the parent company only financial statements

The responsibility of the management is to prepare the adequately expressed financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations as well as interpretation announcements recognized and announced effective by the Financial Supervisory Commission, and maintain the internal control required by the preparation of the parent company only financial statements, so as to ensure that the parent company only financial statements do not have any material misstatement resulting from corruption or errors.

Unless that the management plan to liquidate Formosan Rubber Group Inc. or

stop the business or there are no other practical and feasible measures except liquidation or business closure, the responsibility of the management for preparing the financial statements includes assessment of Formosan Rubber Group Inc.' competence in continuing business operation, disclosure of relevant items and adoption of the business continuation accounting basis.

The governance unit (including the supervisors) of Formosan Rubber Group Inc. is liable to supervise the financial reporting process.

Auditor's responsibilities for the audit of the parent company only financial statements

The purpose of our audit of the parent company only financial statements is to obtain reasonable assurance about whether any material misstatement resulting from corruption or errors is existent in the overall the parent company only financial statements, and issue the audit report. The reasonable assurance referred to here is a high degree of assurance. Nevertheless, the audit executed in accordance with the generally accepted auditing standards cannot guarantee that the material misstatement existing in the parent company only financial statements can be detected. A misstatement may result from errors or corruption. If the individual amount or compiled amount of a misstatement can be reasonably expected to impact the economic policy made by the user of the parent company only financial statements, it shall be regarded as a material factor.

When conducting the audit according to the generally accepted auditing standards, we used our professional judgment and kept professionally doubtful about dubious things. We also executed the following tasks:

1. Recognize and assess the risk of the material misstatement resulting from corruption or errors; design and take the appropriate coping strategy for the assessed risk; obtain sufficient and pertinent audit evidence as the basis of the audit opinions. Given that corruption may involve conspiracy, falsification, deliberate omission, misstatement or transgression of the internal control, the risk in the failure in detecting the material misstatement resulting from corruption is higher than that resulting from errors.
2. Understand the necessity for obtaining the internal control associated with the audit, so as to design the audit procedure appropriate under the condition at the time. However, the purpose of it is not to express the opinion on the efficacy of Formosan Rubber Group Inc.' internal control.
3. Assess the propriety of the accounting policy adopted by the management and the

rationality of the accounting estimation and relevant disclosures.

4. Conclude if the business continuation accounting basis adopted by the management is proper, and whether the material doubtful event or circumstance likely incurred from the competence of Formosan Rubber Group Inc.' continuing business operation has any material uncertainty according to the acquired audit evidence. If we consider material uncertainty existent in such event or circumstance, we shall remind the user of the parent company only financial statements to pay attention to the relevant disclosures of the parent company only financial statements through our audit report, or modify the audit opinion when such disclosures are not applicable. Our conclusion is made according to the audit evidence acquired until the audit report day. However, the development of future events or circumstances is also likely to bring about Formosan Rubber Group Inc.' incompetence to continue its business operation.
5. Assess the overall representation, structure and content of the parent company only financial statements (including the relevant notes) and check if the related transactions and events are adequately represented in the parent company only financial statements.
6. Acquire sufficient and pertinent audit evidence from the financial information of individual entities composed in the Formosan Rubber Group Inc., so as to express opinions on the parent company only financial statements. We are responsible for the guidance, supervision and execution of the Group's audit cases, and form the Formosan Rubber Group Inc. audit opinions.

The items communicated between us and the governance unit cover the planned audit scope and time and material audit findings (including the significant defects of internal control recognized in the audit process).

We also provide the governance unit with the fact that the personnel of our office who have been required for audit independence have complied with the parent company only statement stipulated in the Rules of Professional Ethics for Certified Public Accountants of the Republic of China, and communicated with the governance unit for any relations which are likely considered to impact CPA's independence and other items (including relevant protection measures).

According to the items communicated with the governance unit, we have

determined the key item of our audit of Formosan Rubber Group Inc.' 2019 the parent company only financial statements, in which we have described the item in our audit report. Except for the specific items which are not allowed to be publicly disclosed as prescribed by laws and regulations or under a rare situation, we have decided not to communicate specific matters in our audit report because we have reason to believe that the negative influence of the communication is greater than the positive influence on the public interest.

BAKER TILLY CLOCK & CO.

March 20 , 2020

Notes to Readers

The accompanying parent company only financial statements are intended only to present the parent company only financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit (or review) such parent company only financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and parent company only financial statements, the Chinese version shall prevail.

Formosan Rubber Group Inc.
Parent Company Only Balance Sheet
Dec. 31, 2019 and 2018

Unit: In Thousands of NTD

Assets	Note	Dec. 31, 2019		Dec. 31, 2018	
Accounting item		Amount	%	Amount	%
Current assets		\$ 7,927,109	61	\$ 9,366,898	66
Cash and cash equivalents	6	900,150	7	735,031	5
Financial assets at fair value through profit or loss-current	7	—	—	16,041	—
Financial assets at fair value through other comprehensive income - current	8	2,123,296	17	1,977,739	14
Notes receivable, net	9	35,082	—	30,895	—
Accounts receivable, net	9	92,861	1	151,188	1
Other receivables		1,044	—	9,512	—
Current tax assets		9,751	—	—	—
Inventories	10	257,247	2	439,322	3
Real estate for sale and real estate under construction	11	4,305,695	33	5,306,792	38
Prepayments		35,667	—	64,821	—
Other financial assets-current	12	165,214	1	634,359	5
Other current assets-other		1,102	—	1,198	—
Non-current assets		5,050,381	39	4,754,931	34
Financial assets at fair value through other comprehensive income - non-current	8	109,791	1	143,312	1
Investments accounted for using equity method	13	1,173,434	9	793,536	6
Property, plant and equipment	14	891,585	7	942,204	7
Right-of-use assets	15	46,717	1	—	—
Investment property, net	16	2,763,300	21	2,820,247	20
Deferred tax assets	27	34,090	—	20,630	—
Prepayments for equipment		822	—	48	—
Refundable deposits		8,322	—	11,384	—
Other financial assets - non-current	12	20,000	—	20,828	—
Other non-current assets, others		2,320	—	2,742	—
Total assets		\$ 12,977,490	100	\$ 14,121,829	100

(The attached notes constitute a part of the parent company only financial statements.)

Formosan Rubber Group Inc.
Parent Company Only Balance Sheet (Continued)

Dec. 31, 2019 and 2018

Unit: In Thousands of NTD

Liabilities & equity	Note	Dec. 31, 2019		Dec. 31, 2018	
Accounting item		Amount	%	Amount	%
Current liabilities		\$ 1,912,550	15	\$ 3,536,961	25
Short-term borrowings	17	860,000	7	2,020,000	14
Short-term notes and bills payable	18	399,548	3	719,643	5
Contract liabilities	11、21	395,698	3	456,955	3
Notes payable		87,820	1	123,610	1
Accounts payable		20,144	—	45,126	1
Other payables	31	126,725	1	146,463	1
Current tax liabilities		—	—	7,359	—
Lease liabilities-current	15	5,281	—	—	—
Other current liabilities		17,334	—	17,805	—
Non-current liabilities		258,301	2	224,936	2
Deferred tax liabilities	27	166,455	1	169,805	1
Non-current lease liabilities	15	41,688	—	—	—
Net defined benefit liability	19	3,688	—	6,728	—
Guarantee deposits received		42,401	1	44,361	1
Credit balance of investments accounted for using equity method	13	4,069	—	4,042	—
Total liabilities		2,170,851	17	3,761,897	27
Share capital	20	3,500,000	27	3,700,000	26
Capital surplus	20	466,463	4	492,836	3
Retained earnings	20	6,672,834	51	6,473,080	46
Legal reserve		1,526,788	12	1,505,207	11
Special reserve		358,637	2	319,584	2
Unappropriated retained earnings		4,787,409	37	4,648,289	33
Other equity interest	20	167,342	1	(44,611)	—
Exchange differences on translation of foreign financial statements		(7,448)	—	1,392	—
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income		174,790	1	(46,003)	—
Treasury stocks	20	—	—	(261,373)	(2)
Total equity		10,806,639	83	10,359,932	73
Total liabilities & equity		\$ 12,977,490	100	\$ 14,121,829	100

(The attached notes constitute a part of the parent company only financial statements.)

Formosan Rubber Group Inc.

Parent Company Only Comprehensive Income Statement

From Jan. 1 to Dec. 31, 2019 and 2018

Unit: In Thousands of NTD

Accounting item	Note	2019		2018	
		Amount	%	Amount	%
Operating revenue	21	\$ 2,701,837	100	\$ 1,373,878	100
Operating costs	22	(2,040,089)	(76)	(1,043,338)	(76)
Gross profit		661,748	24	330,540	24
Operating expenses		(234,831)	(8)	(226,719)	(16)
Selling expenses		(92,754)	(3)	(88,779)	(6)
General and administrative expenses		(130,536)	(5)	(128,201)	(9)
Research and development expenses		(13,097)	—	(13,056)	(1)
Expected credit impairment (loss) gain		1,556	—	3,317	—
Operating profit		426,917	16	103,821	8
Non-operating income and expenses		123,093	4	156,948	11
Other income	23	144,500	5	155,402	11
Other gains and losses	24	(34,290)	(1)	9,492	1
Finance costs	25	(19,630)	(1)	(21,870)	(2)
Shares of profit (loss) of subsidiaries and associates		32,513	1	13,924	1
Income before income tax		550,010	20	260,769	19
Income tax (expense) profit	27	(11,053)	—	(44,967)	(3)
Net income		538,957	20	215,802	16
Other comprehensive income		184,067	7	(33,634)	(3)
Items that will not be reclassified subsequently to profit or loss		177,251	7	(44,031)	(3)
Remeasurements of defined benefit plans	19	2,542	—	(3,690)	—
Unrealized gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income		55,676	2	(77,627)	(5)
Shares of other comprehensive (loss) income of subsidiaries and associates		119,490	5	31,298	2
Income tax benefit related to items that will not be reclassified subsequently	27	(457)	—	5,988	—
Items that may be reclassified subsequently to profit or loss		6,816	—	10,397	—
Exchange differences arising on translation of foreign operations		(11,050)	—	4,666	—
Unrealized gains (losses) on available-for-sale financial assets		—	—	—	—
Unrealized loss on valuation of investments in debt instruments measured at fair value through other comprehensive income		19,570	—	2,662	—
Shares of other comprehensive (loss) income of subsidiaries and associates		—	—	—	—
Income tax related to items that may be reclassified subsequently	27	(1,704)	—	3,069	—
Total comprehensive income for the year		\$ 723,024	27	\$ 182,168	13
Earnings per share (NT dollars)	28				
Basic earnings per share		\$ 1.54		\$ 0.59	
Diluted earnings per share		\$ 1.54		\$ 0.59	

(The attached notes constitute a part of the parent company only financial statements.)

Formosan Rubber Group Inc.

Parent Company Only Statement of Changes in Equity

From Jan. 1 to Dec. 31, 2019 and 2018

Unit: In Thousands of NTD

Item	Capital	Capital surplus	Retained earnings			Other equity interest			Treasury stocks	Total equity
			Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial asset		
Balance of Jan. 1, 2018	\$ 3,800,000	\$ 506,026	\$ 1,486,283	\$ 498,725	\$ 4,527,616	\$ (2,428)	\$ —	\$ 22,951	\$ (1,332)	\$ 10,837,841
Effects of retrospective application	—	—	—	—	3,620	—	19,331	(22,951)	—	—
Balance at January 1, 2018 (Adjusted)	3,800,000	506,026	1,486,283	498,725	4,531,236	(2,428)	19,331	—	(1,332)	10,837,841
Legal reserve appropriated	—	—	18,924	—	(18,924)	—	—	—	—	—
Cash dividend	—	—	—	—	(240,500)	—	—	—	—	(240,500)
Reversal of special reserve	—	—	—	(179,141)	179,141	—	—	—	—	—
Net income in 2018	—	—	—	—	215,802	—	—	—	—	215,802
Other comprehensive income for 2018, net of income tax	—	—	—	—	(2,515)	3,820	(34,939)	—	—	(33,634)
Total comprehensive income (loss) in 2018	—	—	—	—	213,287	3,820	(34,939)	—	—	182,168
Purchase of treasury share	—	—	—	—	—	—	—	—	(419,577)	(419,577)
Retirement of treasury share	(100,000)	(13,190)	—	—	(46,346)	—	—	—	159,536	—
Disposal of financial assets at fair value through other comprehensive income - equity instruments	—	—	—	—	30,395	—	(30,395)	—	—	—
Balance of Dec. 31, 2018	3,700,000	492,836	1,505,207	319,584	4,648,289	1,392	(46,003)	—	(261,373)	10,359,932
Legal reserve appropriated	—	—	21,581	—	(21,581)	—	—	—	—	—
Cash dividend	—	—	—	—	(238,000)	—	—	—	—	(238,000)
Special reserve appropriated	—	—	—	44,610	(44,610)	—	—	—	—	—
Reversal of special reserve	—	—	—	(5,557)	5,557	—	—	—	—	—
Net income in 2019	—	—	—	—	538,957	—	—	—	—	538,957
Other comprehensive income for 2019, net of income tax	—	—	—	—	2,034	(8,840)	190,873	—	—	184,067
Total comprehensive income (loss) in 2019	—	—	—	—	540,991	(8,840)	190,873	—	—	723,024
Purchase of treasury share	—	—	—	—	—	—	—	—	(38,317)	(38,317)
Retirement of treasury share	(200,000)	(26,373)	—	—	(73,317)	—	—	—	299,690	—
Disposal of financial assets at fair value through other comprehensive income - equity instruments	—	—	—	—	(29,920)	—	29,920	—	—	—
Balance of Dec. 31, 2019	\$ 3,500,000	\$ 466,463	\$ 1,526,788	\$ 358,637	\$ 4,787,409	\$ (7,448)	\$ 174,790	\$ —	\$ —	\$ 10,806,639

(The attached notes constitute a part of the parent company only financial statements.)

Formosan Rubber Group Inc.

Parent Company Only Statement of Cash Flows

From Jan. 1 to Dec. 31, 2019 and 2018

Unit: In Thousands of NTD

Item	From Jan. 1 to Dec. 31, 2019	From Jan. 1 to Dec. 31, 2018
	Amount	Amount
Cash flows from operating activities:		
Income before income tax	\$ 550,010	\$ 260,769
Adjustments for:		
Depreciation expense	123,648	116,006
Expected credit impairment loss (gain)	(1,556)	(3,317)
Net loss (gain) on financial assets and (liabilities) at fair value through loss (profit)	(1,240)	(44)
Interest expense	19,630	21,870
Interest income	(20,596)	(31,756)
Dividend income	(115,727)	(113,936)
Share of loss (profit) of subsidiaries and associates	(32,513)	(13,924)
Loss (gain) on disposal of property, plant and equipment	(388)	(30)
Loss (gain) on disposal of investment properties	(696)	—
Loss (gain) on disposal of investments	29,998	—
Impairment loss on non-financial assets	1,494	—
Changes in operating assets and liabilities		
Notes receivable	(4,329)	20,441
Accounts receivable	60,025	8,300
Other receivables	9,474	(1,253)
Inventories	182,075	(26,661)
Real estate for sale and real estate under construction	1,001,097	(12,779)
Prepayments	29,154	(172,833)
Other current assets	96	(94)
Notes payable	(35,790)	2,202
Accounts payable	(24,982)	(4,410)
Other payables	(19,279)	41,148
Contract liabilities	(61,257)	219,647
Receipts in advance	(464)	(424)
Other current liabilities	(8)	(426)
Net defined benefit liability	(498)	(1,228)
Cash generated from operations	1,687,378	307,268

Formosan Rubber Group Inc.

Parent Company Only Statement of Cash Flows (Continued)

From Jan. 1 to Dec. 31, 2019 and 2018

Unit: In Thousands of NTD

Item	From Jan. 1 to Dec. 31, 2019	From Jan. 1 to Dec. 31, 2018
	Amount	Amount
Interest received	19,590	33,674
Dividends received	115,727	113,936
Interest paid	(20,090)	(22,273)
Income tax paid	(47,133)	(26,019)
Net cash (used in) generated by operating activities	1,755,472	406,586
Cash flows from investing activities:		
Cash paid for acquisition of financial assets at fair value through other comprehensive income	(109,305)	(423,278)
Proceeds from financial assets at fair value through other comprehensive income	34,518	151,304
Return of capital from financial assets at fair value through other comprehensive income	8,000	7,264
Cash paid for financial assets at fair value through profit or loss	—	(6,622)
Proceeds from financial assets at fair value through profit or loss	17,281	6,830
Acquisition of investments accounted for using equity method	(238,918)	(84,514)
Acquisition of property, plant and equipment	(11,753)	(112,695)
Proceeds from disposal of property, plant and equipment	687	30
(Increase) refundable deposits	3,062	(101)
(Increase) decrease in notes and accounts receivable	828	14,427
Proceeds from disposal of investment properties	1,008	—
(Increase) decrease in other financial assets	469,145	1,234,043
(Increase) decrease in other non-current assets	422	422
(Increase) decrease in prepayments for equipment	(774)	61,199
Net cash (used in) generated by investing activities	174,201	848,309
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(1,160,000)	(632,000)
Increase (decrease) in short-term notes and bills payable	(320,095)	100,156
Increase (decrease) in guarantee deposits received	(1,960)	2,334
Payments of lease liabilities	(6,182)	—
Cash dividends paid	(238,000)	(240,500)
Payments to acquire treasury shares	(38,317)	(419,577)
Net cash (used in) generated by financing activities	(1,764,554)	(1,189,587)
Net Increase (decrease) in cash and cash equivalents	165,119	65,308
Cash and cash equivalents at beginning of year	735,031	669,723
Cash and cash equivalents at end of year	\$ 900,150	\$ 735,031

(The attached notes constitute a part of the parent company only financial statements.)

Formosan Rubber Group Inc.

Notes to Parent Company Only Financial Statements

From Jan. 1 to Dec. 31, 2019 and 2018

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. Company profile

Formosan Rubber Group Inc. (hereafter referred to as the “Company”) was founded in 1963 under the Company Act of the Republic of China. The company produces and markets rubber sheets, plastic sheets, plastic foam sheets and PVC resin sheets, as well as the relevant materials. In order to diversity its operations, the Company started in September 1995 the property development business and the leasing, sale and management operations for its own properties and land. the Company became a listed company on the Taiwan Stock Exchange in March 1992.

The parent company only financial statements has the New Taiwan dollars as the Company’s functional currency.

2. Date and procedure approving financial statements

The parent company only financial statements were approved and published by the board of directors on March 20, 2020.

3. Applicability of newly published and amended standards and interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments as endorsed by FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Prepayment features with negative compensation (amendments to IFRS 9)	January 1, 2019
IFRS16, Leases	January 1, 2019
Plan amendment, curtailment or settlement (amendments to IAS 19)	January 1, 2019
Long-term interests in associates and joint ventures (amendments to IAS 28)	January 1, 2019
IFRIC 23, Uncertainty over income tax treatments	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the Company believes that the initial adoption of the abovementioned standards or interpretations would not have a material impact on its accounting policies.

IFRS 16, Leases

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Company will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessor

The Company will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the parent company only balance sheets except for those whose payments under the low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the parent company only statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the parent company only statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis.

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

The Company accounts for those leases which the lease term ends on or before December 31, 2019 as short-term leases.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.09%. The difference between the lease liabilities recognized and future minimum lease payments of non-cancellable operating lease commitments disclosed on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$	56,260
Less: Recognition exemption for short-term leases		(254)
Undiscounted amounts on January 1, 2019	<u>\$</u>	<u>56,006</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$</u>	<u>53,151</u>
Lease liabilities recognized on January 1, 2019	<u>\$</u>	<u>53,151</u>

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	Carrying Amount as of December 31, 2019	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	<u>\$</u> —	<u>\$</u> 53,151	<u>\$</u> 53,151
Lease liabilities	<u>\$</u> —	<u>\$</u> 53,151	<u>\$</u> 53,151

- (2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020

The Company believes that the initial adoption of abovementioned standards or interpretations would not have a material impact on its accounting policies.

(3) The IFRSs issued by IASB but not yet endorsed by FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective Date Issued by IASB
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by IASB
IFRS 17, Insurance Contracts	January 1, 2021

The Company believes that the initial adoption of abovementioned standards or interpretations would not have a material impact on its accounting policies.

4. Summary of significant accounting policies

(1) Compliance statement

This is the Company's first set of parent company only financial statements prepared according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and IFRIC as well as interpretation announcements approved by the FSC.

(2) Preparation bases

Other than the financial assets measured at the fair value and the pension liability recognized with the net value (assets less the present value of the liabilities due to defined benefits), the parent company only financial statements are based on historical costs, usually the fair value paid for the acquisition of assets.

The subsidiaries, associates are incorporated in the parent company only financial statements under the equity method. To make net profit for the year, other comprehensive income and equity in the parent company only financial statements equal to those attributed to owners of the Company on parent company only financial statements, the effect of the differences between basis of parent company only and basis of consolidation are adjusted in the investments accounted for using equity method, the related share of the profit or loss, the related share of other comprehensive income of subsidiaries and associates and related equity.

(3) Foreign Currency

The individual financial statements for the parent company only entities are prepared and presented in the functional currency for these entities (i.e. the currency used in the economy they operate in). The functional currency and the presentation currency of the Company's Parent company only financial statements is NT Dollars. All the financial performances and statuses are converted into the NT dollars for the preparation of the parent company only financial statements.

Any transactions not in the functional currency shall be converted and recognized according to the exchange rate on the transaction dates in the preparation of the individual financial statements for the parent company only entities. The monetary items in foreign currencies shall be recalculated according to the spot exchange rate on the end-of-the-period date. Any difference resultant from exchange rates shall be recognized as profits or losses during the period. The non-monetary items in foreign currencies measured with the fair value shall be recalculated according to the exchange rate on the date of fair value determination. Any different resultant from exchange rates shall be recognized as profits or losses during the period. However, any difference as a result of changes in the fair value shall be recognized as other comprehensive incomes or losses. The non-monetary items in foreign currencies measured by historical costs shall not be recalculated.

For the purpose of presenting parent company only financial statements, the functional currencies of the group entities are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Corporation losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

(4) Standards to classify current and non-current assets and liabilities

The basis for current and non-current assets and liabilities for the real estate development business is based on the operating cycle. All the other items following the principles below:

Current assets are the assets held for trading purposes or expected to be realized or exhausted within one year. Any assets not classified as current are non-current assets. Current liabilities are the liabilities held for trading purposes or expected to be repaid within one year. Any liabilities not classified as current are non-current liabilities.

(5) Cash equivalents

Cash equivalents can be converted into a fixed amount of cash at any time. They are short-term, highly liquid investments with minimum changes in value. Bank overdrafts, a credit facility that can be immediately repaid, are part of the Company's cash management. They are reported under cash and cash equivalents in the statement of cash flows, and as an item in short term loans in current liabilities on the balance sheet.

(6) Inventory and real estate for sale and real estate under construction

Measured with the lower of costs or net realizable value. Inventory cost is calculated with the weighted averaging method. The cost allocation over sold and unsold real estate for sale and real estate under construction is based on either selling prices or floor spaces. However, this cannot be changed for the same project during different years. Net realizable value refers to the balance of estimated selling prices less the estimated costs to complete the construction and the estimated costs to complete the sale.

(7) Investments accounted for under equity method

Investments accounted for using the equity method is investments in subsidiaries and associates.

A. A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

The acquisition cost exceeding the amount of the share of the fair value of the subsidiary's recognizable assets and liabilities received by the Company on its acquisition day is listed as goodwill. Such goodwill includes the investment's book value which cannot be amortized. The amount exceeding the share of the fair value of the subsidiary's recognizable assets and liabilities received by the Company on its acquisition day is listed as the current income.

When losing the control of its subsidiary, the Company measures its residual investment in the aforesaid subsidiary according to the fair value at the day that the Company loses its control of the subsidiary. The difference between the residual investment's fair value as well as any disposal amount and the investment book value at the day that the Company loses its control is listed as the current profit or loss. In addition, the accounting treatment of all the amounts related to the subsidiary in question and recognized in the comprehensive income is same as the basis required to be complied with in the Company's direct handling of related assets or liabilities.

When the Company transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Company's parent company only financial statements only to the extent of interests in the subsidiaries that are not owned by the Company.

B. Investments in associates are reported.

Associates are the companies over which the Company has significant influence. Associates are not entitled of subsidiaries.

The investment in associates shall be recognized as costs under the equity method. After the asset acquisition, the book value shall change in line with the Company's share of profits and losses, other comprehensive income and profit distributions. Meanwhile, the recognized equity value of the associates also changes in line with any increase or decrease in the Company's shares.

If the Company does not subscribe to the new shares of associates on a pro-rata basis according to existing holdings, and any increase or decrease is incurred to the percentage of the Company's holdings and hence net equity value of the investment, the adjustment shall be reflected with the change in capital surplus and according to the equity method. If the Company has not subscribed or acquired to new shares on a pro-rata basis and seen a reduction in its stake in the associates, the amounts recognized in other comprehensive income and the reclassification as a result of the values for the associates concerned should have the same basis for accounting treatment as if the assets or the liabilities of the associates were directly disposed. Any debit should be made from the capital surplus. However, if the capital surplus is insufficient for debits incurred by investments under the equity method, the debit may be drawn from retained earnings.

The residual investment of the previous associates should be measured with the fair value on the date of loss of significant influence. The delta between the sum of the fair value of the residual investment and the disposal amounts and the book value of the investment on the date of loss of significant control shall be recognized in the income statement during the period. Meanwhile, the values recognized in relation to the associates concerned in other comprehensive income shall have the same accounting basis as if the assets or the liabilities of the associates were directly disposed.

Only the profits and losses resultant from upstream, downstream and lateral transactions with associates not relevant to the Company's stake in the associates can be recognized in the parent company only financial statements.

(8) Property, plant and equipment

The property, plant and equipment are listed in accordance with cost less depreciation and accumulated impairment. Cost shall include the incremental cost able to be directly attributed to acquisition or asset implementation.

Straight-line method is applied to depreciation, by indicating the amount of an asset within the durable service life offset its cost and less its residual value. All the major components of the non-current assets shall be depreciated on a standalone basis. Depreciation is accrued in accordance with the following durable service years: building, 3-55 years; machinery equipment, 3-26 years; transportation and other equipments, 3-24 years.

Estimated durable service life, residual value and depreciation method shall be reviewed at the end of the reporting period; prospective application shall be made for any impact on estimation change.

The profit or loss incurred during disposition or obsolescence of property, plant and equipment shall be recognized in the income statement with the differential amount between the disposition price and asset book account.

(9) Investment property

Only if investment properties is attempted for earning rental or capital appreciation or both may it be classified as the investment properties. The investment properties shall be measured according to its original cost, including related transaction cost, and related interest capitalization shall be made during the construction period. Cost model shall be applied to follow-up measurement, to be measured by cost less the amounts of accumulated depreciation and accumulated impairment.

In case straight-line method is applied to depreciation and building depreciation accrued by 23-50 years.

Estimated durable service life, residual value and depreciation method shall be

reviewed at the end of the reporting period; prospective application shall be made for any impact on estimation change.

The profit or loss incurred during disposition or obsolescence of property, plant and equipment shall be recognized in the income statement with the differential amount between the disposition price and asset book account.

(10) Lease

2019

A. The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Company. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

B. The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the parent company only balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the parent company only balance sheets.

2018

The lease transaction of the Company is operating lease other than financial leasing; financial leasing refers to a leasing method where lease clauses almost transfer all risks and compensation of the subsidiary ownership to the lessee.

The income of operating lease shall be recognized as income according to straight-line basis during the lease period.

The payment of operating lease shall be recognized as expense according to straight-line basis during the lease period, unless there are other systematic methods which can better represent the time mode of economic efficiency consumption of a lease asset.

(11) Impairment of non-financial assets

The Company shall review the book amounts of tangible assets and intangible financial assets at the end of the reporting period to decide whether there is any impairment with such assets. In case it shows any impairment situation, the estimated recoverable amount of assets shall decide the recognized loss amount. In case there is no way of estimating the recoverable amount of an individual asset, the Company shall estimate the recoverable amount of the cash-generating unit of the said asset. In case it can be amortized according to a reasonable and conforming basis, shared assets shall also be amortized to an individual cash product sector. Otherwise it shall be amortized to the minimal cash-generating unit group according to a reasonable and conforming basis.

The recoverable amount shall be fair value less sales cost and its use value whichever is higher.

In case the recoverable amount of an asset or cash-generating unit is anticipated to be lower than the book amount, the book amount of the said asset or cash-generating unit shall be adjusted and decreased to its recoverable amount; any impairment loss shall be immediately recognized to the current profit and loss.

When any impairment loss reverses in a subsequent period, the book amount of asset or cash-generating unit shall be adjusted and increased to the estimated

recoverable amount after revision, provided the book amount after increase shall be limited to the reasonable book amount under the situation when the said asset or cash-generating unit did not recognize an impairment loss in the past years (except for goodwill). The reversed impairment loss shall be immediately recognized to the current profit and loss.

(12) Employee benefits cost

The short-term employee benefits obligation is measured with the basis without discount, and shall be recognized as expenses when providing the related service. Concerning the anticipated payable amount concerning short-term cash bonus or a bonus sharing plan, if it is a current legal or prescribed obligation to be borne by a company due to the past service provided by employees, and the said obligation can be estimated in a reliable manner, such amount shall be listed as liability.

When an expense belongs to defined contribution plans, during the service period provided by employees, it is required to recognize the pension amount contributable as the current expense.

The cost of defined benefits (including service costs, net interests and re-measurements) shall be calculated according to the projected unit credit method. Service costs and net interests of the defined benefits liabilities shall be recognized as employee benefits expenses when incurred, or when the defined benefit plans is modified, shortened or repaid. The re-measurement shall be recognized as other comprehensive income and the retained earnings. There is not reclassification into profits and losses during subsequent periods.

Net defined benefit liabilities refer to the shortfall appropriation of the defined benefit retirement plan, whereas net defined benefit assets shall not exceed the plan's refunded amount or may reduce the present value of the future appropriation amount.

(13) Financial Instrument

Financial assets and financial liabilities shall be recognized when the Company

becomes a party of the said financial instrument clause.

Upon the original recognition of financial assets and financial liabilities, they shall be measured according to fair values. Upon the original recognition, concerning the acquired or distributed transaction cost directly attributable to financial assets and financial liabilities (except for the financial assets and financial liabilities classified as measurement according to fair value of profit and loss), it shall be increased or decreased from the fair values of the said financial assets or financial liabilities. The transaction costs of financial assets and financial liabilities directly attributable to the ones measured according to fair values through profit and loss shall be immediately recognized as profit and loss.

A. Financial assets

The convention trading of financial assets is recognized and removed by trading day accounting.

a. Type of measurement

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost, and FVTOCI.

B) Financial asset at FVTPL

Financial assets measured at fair value through profit or loss are financial assets mandatorily measured at fair value through profit or loss and financial assets at fair value through profit or loss, designated as upon initial recognition. Financial assets mandatorily measured at fair value through profit or loss include investments in equity instruments that are not designated by the Company to be measured at fair value through other comprehensive income and investments in debt instruments that fail to meet the criteria as to be measured at amortized cost or at fair value through other comprehensive income.

Any gain or loss arising from remeasurement is recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates

any interest earned on the financial asset.

B) Measured at amortized cost

When a company after merger simultaneously meets the following two conditions in its investment in financial assets, the financial assets are classified as the ones carried at cost after amortization:

- a) The financial assets are held under a specific operation mode, in which the purpose of the mode is to hold the financial assets in order to collect contract cash flows.
- b) The cash flow generated on a specific date due to contract clauses is completely for the payment of the principal and the interest accrued from the outstanding principal amount.

Subsequent to initial recognition, financial assets measured at amortized cost are measured at amortized cost, which equals to carrying amount determined by the effective interest method less any impairment loss. Foreign exchange gains and losses are recognized in profit or loss.

Except for the two conditions below, the interest income is calculated by multiplying the effective interest rate by the total book value of the financial assets:

- a) The interest income of the purchased or originated credit-impaired financial assets is calculated by multiplying the credit-adjusted effective interest rate by the cost of amortized financial assets.
- b) The interest income of the financial assets which are not purchased or originated credit-impaired but subsequently become credit-impaired financial assets is calculated by multiplying the effective interest rate by the cost of amortized financial assets.

C) Investment in debt instruments measured at FVTOCI

Debt instruments that meet the following two conditions are classified

as financial assets at fair value through other comprehensive income:

- a) The debt instruments are held within a business model whose objective is to collect the contractual cash flows and to sell the financial assets; and
- b) The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at fair value through other comprehensive income are measured at fair value. Changes in the carrying amount of investments in debt instruments at fair value through other comprehensive income, such as interest revenue calculated using the effective interest method, gain (loss) on foreign exchange and impairment loss or gain on reversal, are recognized in profit or loss. Other changes in the carrying amount of such instruments are recognized in other comprehensive income and will be reclassified to profit or loss when such instruments are disposed of.

D) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to

designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments at FVTOCI are recognized in profit or loss when the Company's right to receive the

dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

B. Impairment of financial assets

At the end of each reporting period, a loss allowance for expected credit loss is recognized for financial assets at amortized cost (including accounts receivable) investments in debt instruments at fair value through other comprehensive income, lease payments receivable due, and contract assets based on their expected credit losses on each balance sheet date.

The loss allowance for accounts receivable and lease payments receivable due is measured at an amount equal to lifetime expected credit losses. For financial assets at amortized cost, when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from possible default events of a financial instrument within 12 months after the reporting date. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from all possible default events over the expected life of a financial instrument.

The expected credit loss is calculated according to the average weighted credit loss in which the risk rated ratio of default occurrence is used in calculation. The 12-month expected credit loss represents the credit loss expected to occur to the financial instruments within 12 months after their reporting day due to possible default. The expected credit loss in the duration period refers to the credit loss expected to occur to the financial instruments in the expected duration period due to possible default.

The Company recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying

amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial assets.

(14) Income recognition

After identifying the performance obligations of contracts with the customers, the Company allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are met.

(15) Borrowing costs

The cost of borrowing for the funds directly used to acquire, construct or produce the assets (which will reach the status ready for use or available for sale after a long period of time) can be treated as part of the asset costs, until the completion of almost all the necessary activities to get the assets ready for use or available for sale.

Other than the above, all the borrowing costs shall be recognized in the income statement during the current period.

(16) Income tax

Income tax expenses include income taxes during the period and deferred income taxes, and should be recognized as income taxes in the profit and loss income, except for the income taxes during the period and deferred income taxes recognized as other comprehensive incomes or directly as an equity item.

A. Current tax

The current income tax is based on the taxed income of the said year. Since partial income and expense is taxable item or deductible of other years, or not attributing to taxable or deductible item in accordance with related tax laws, it causes the taxable income to differ from the reported net profit in the parent company only income statement. The related liabilities of the current income tax are calculated by the legislated or substantially legislated tax rate at the end of the reporting period. It is estimated by the income tax of the previous year, serving as the adjustment of the current income tax.

According to the provisions of Income Tax Law, The unallocated earnings of the Company adding 10% profit-seeking enterprise income tax shall be

recognized as the current expense in the allocated earning year resolved in the shareholders' meeting

B. Deferred tax

Deferred income tax is recognized by the temporary differential calculation generated from the taxation basis of book amounts of the recorded assets and liabilities and income through taxation calculation. Deferred income tax liabilities in general are recognized by the temporary differences of all future taxes payable. Deferred income tax assets are recognized by all likely future taxes less the deductible temporary difference in use.

Deferred income tax assets and deferred income tax liabilities may only be mutually offset when concurrently conforming to the following conditions: (1) a company has legal execution right to mutually offset the current income tax assets and income tax liabilities; and (2) deferred income tax assets and deferred income tax liabilities are levied by the same taxation authority towards the same tax payment major entity, or levied towards different tax payment corporate entities, yet each major entity attempts to, at each future period of the deferred income tax liabilities or assets pay-off or recovery of the major amount, pay off the current income tax liabilities and assets on net-amount basis, or concurrently realize assets and pay off liabilities.

The temporary differences in tax payables related to invested subsidiary company and associates are all recognized as deferred income tax liabilities, provided if the Company can control the time point of temporary difference reverse, and the said temporary differences may very likely not be reversed in the foreseeable future are excluded. The deferred income tax assets generated from the related deductible temporary differences to this kind of investment and equity can only be recognized in the gains very likely with sufficient taxable income used to realize the temporary differences, and be within the scope of reverse within the anticipated future.

The book amounts of deferred income tax assets shall be reviewed at the end of the reporting period, and adjust and decrease the book amounts for all or

partial assets without sufficiently taxable income to serve it to recover. Concerning the ones originally not recognized deferred income tax assets, they shall also be reviewed at the end of the reporting period, and adjust and increase the book amounts for all or partial assets very likely to generate taxable income to serve it to recover.

The deferred income tax assets and liabilities are measured by expected liabilities pay-off or assets in realizing the current tax rate, while the said tax rate shall be based on the legislated or already substantially legislated tax rate at the end of the reporting period. The measurement of deferred income tax liabilities and assets shall reflect the tax consequences of a company generated in expected recovery or pay-off of the book amounts of its assets and liabilities at the end of the reporting period.

(17) Treasury stocks

The recovered issued stock shall be recognized as treasury stocks in accordance with the paid cost upon buy-back. In case the disposition price in disposing treasury stocks is higher than the book value, its difference shall be listed as capital surplus – treasury stocks trade; in case the disposition price in disposing treasury stocks is lower than the book value, its difference shall be offset the capital surplus generated from the trade of the treasury stocks of the same category of treasury stocks; in case of any deficit, it shall be debited to keep the surplus. Weighted average shall be applied to the book value of treasury stocks and be separately calculated in accordance with the recovery reasons.

Upon cancellation of treasury stocks, it shall be debited to keep the capital surplus – stock issue premium and share capital; in case its book value is higher than the total sum of par value and stock issue premium, its difference shall offset the capital surplus generated from the trade of the treasury stocks of the same category of treasury stocks; in case of any deficit, it shall be debited to offset retained earnings; in case the book value of treasury stocks is lower than the total amount of par value and stock issue premium, it shall be credited as the capital surplus generated from the trade of the treasury stocks of the same category of treasury stocks.

5. **Critical Accounting Judgements, And Key Sources Of Estimation And Uncertainty**

The Company upon applying the accounting policy stated in Note 4 provides related judgments, estimations and assumptions for the information acquired from other resources which are based on historical experience and other factors deemed crucial. The actual result may differ from what is estimated.

The Company shall be continuously reviewing estimations and basic assumptions. In case the revision of estimations would influence the current period, then the current recognition shall be revised in accounting estimations. In case the revision of accounting estimations would concurrently influence the current period and future period, then the estimations revision shall be recognized in both the current period and future period.

The following shows the information related to major assumptions made in the future, and other major sources of uncertainty at the end of the financial reporting period; the said assumptions and estimations have risks of causing book amounts of assets and liabilities to incur major adjustments in the following fiscal year.

(1) Evaluation of inventory and real estate for sale and real estate under construction

Since inventory and real estate for sale and real estate under construction shall be priced by cost and net cash realizable value whichever is lower, therefore the Company shall use judgments and estimations to determine the net cash realizable value at the end of the financial reporting period.

Since industry rapidly changes, the inventory and real estate for sale and real estate under construction of the Company at the end of the financial reporting period due to the amounts of normal wear and tear, obsolescence, or without market selling price, offsets its cost to decrease to its net cash realizable value. The evaluation of this inventory and real estate for sale and real estate under construction is mainly based on the product demand in the future specific period as estimation basis; therefore, it may generate major changes.

(2) Impairment evaluation of tangible assets and intangible assets (except for goodwill)

During the asset impairment evaluation process, the Company shall rely on subjective judgments and, with basis on asset use mode and rubber, real estate industry characteristics, determine parent company only cash flow asset durable years and future likely generated revenues and expenses of specific asset groups; any change in estimations from changes in economic status or corporate policies may likely cause major impairment in the future.

6. Cash and cash equivalents

	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
Cash and petty cash	\$ 579	\$ 572
Cash in bank	375,265	196,248
Cash equivalent		
Commercial paper	224,006	170,171
Time deposits with maturity	300,300	368,040
Total	<u>\$ 900,150</u>	<u>\$ 735,031</u>

7. Financial assets at fair value through profit or loss-current

	<u>Dec. 31, 2018</u>
Current financial assets at fair value through profit or loss, designated as upon initial recognition	
Fund	<u>\$ 16,041</u>

8. Financial assets at fair value through other comprehensive income

	<u>Dec. 31, 2018</u>	<u>Dec. 31, 2018</u>
Equity instruments		
Stock of domestic listed (OTC) companies	\$ 2,004,030	\$ 1,955,475
Stock of emerging companies	7,860	7,860
Stock not classified to listed (OTC) and emerging companies	174,107	182,107
Debt instruments		
Financial bond	—	33,685
Plus (Less): adjustment of financial assets for transaction	47,090	(58,076)
Total	<u>\$ 2,233,087</u>	<u>\$ 2,121,051</u>
Current	<u>\$ 2,123,296</u>	<u>\$ 1,977,739</u>
Non-current	<u>\$ 109,791</u>	<u>\$ 143,312</u>

(1) The Company has signed a loan business trust contract with Chinatrust Commercial Bank, Co., Ltd. on July 1, 2010, by delivering the trust of partial

listed (OTC) companies stocks to Chinatrust Commercial Bank, Co., Ltd. for management, use, while the beneficiary of the trust revenue was the Company, with the contract period ending on July 13, 2019.

- (2) The Company signed a loan business trust contract with MasterLink Securities Corporation on June 5, 2015, delivering the trust of partial listed (OTC) companies stocks to MasterLink Securities Corporation for management, use, while the beneficiary of the trust revenue was the Company, with the contract period ending till an initiative termination of the trustor. Up to December 31, 2019, the share number and book amount of stock delivered for trust are respectively 9,200 thousand shares and NT\$464,710 thousand.

9. Notes and accounts receivable ,net

	Dec. 31, 2019	Dec. 31, 2018
Notes receivable	\$ 35,437	\$ 31,108
Allowance for doubtful accounts	(355)	(213)
Net amount	<u>\$ 35,082</u>	<u>\$ 30,895</u>
	Dec. 31, 2019	Dec. 31, 2018
Accounts receivable	\$ 97,429	\$ 157,454
Allowance for doubtful accounts	(4,568)	(6,266)
Net amount	<u>\$ 92,861</u>	<u>\$ 151,188</u>

- (1) The crediting period of the Company to a customer in principle shall be 30 days after the invoice date, while partial customers are credit time 30 days to 90 days. In addition to the actual credit impairment of individual customers, the Company makes reference to historical experience, considers the financial situation of individual customers and the industry, competitive advantage and prospects, and differentiates customers into different risk groups and incorporates forward-looking information. The expected loss rate of the Company recognizes the allowance loss.

- (2) Aging analysis of accounts receivable of the Company is stated as follows:

Dec. 31, 2019

	Carrying amount of accounts receivable	Expected credit loss rate	Loss allowance for lifetime expected credit losses
Non past due	\$ 120,905	1~2%	\$ 2,006
Past due less than 90 days	9,040	2~5%	204
Past due 91-180 days	83	10~20%	16
Past due 181-365 days	283	50%	142
More than 366 days past due	2,555	100%	2,555
	<u>\$ 132,866</u>		<u>\$ 4,923</u>

Dec. 31, 2018

	Carrying amount of accounts receivable	Expected credit loss rate	Loss allowance for lifetime expected credit losses
Non past due	\$ 168,068	1~2%	\$ 2,759
Past due less than 90 days	16,141	2~5%	390
Past due 91-180 days	578	10~20%	78
Past due 181-365 days	1,046	50%	523
More than 366 days past due	2,729	100%	2,729
	<u>\$ 188,562</u>		<u>\$ 6,479</u>

(3) Movements of the loss allowance of notes and accounts receivable were as follow:

	2019	2018
Balance, beginning of year	\$ 6,479	\$ 5,905
Transferred form Overdue receivables	—	3,891
Expected credit impairment loss (gain)	(1,556)	(3,317)
Balance, end of year	<u>\$ 4,923</u>	<u>\$ 6,479</u>

10. Inventories

	Dec. 31, 2019	Dec. 31, 2018
Raw materials	\$ 114,085	\$ 175,161
Work-in-process	21,345	32,540
Finished goods	121,817	231,621
Total	<u>\$ 257,247</u>	<u>\$ 439,322</u>

(1) The cost of sales related to inventory is as follows:

	2019	2018
Cost of inventories sold	\$ 871,139	\$ 917,015
Unamortized fixed manufacturing costs	10,617	10,730
Provision for (Reversal of) loss on inventories	40,270	6,291
(Gain) loss on physical inventory	—	1,158
Total	\$ 922,026	\$ 935,194

11. Real estate for sale and real estate under construction/Contract liabilities

	Real estate for sale and real estate under construction		Contract liabilities	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Bridge Upto Zenith Project at Banqiao – Real estate for sale	\$ 225,599	\$ 285,554	\$ 47,251	\$ —
Modesty HomeProject at Banqiao – Real estate for sale	14,923	14,923	—	—
Legend River Project at Xindian – Real estate for sale	227,243	349,725	—	—
Treasure Garden Project in Taichung City – Real estate for sale	241,545	241,545	—	—
55 TIMELESS Project in Taipei City – Real estate for sale	1,635,694	2,459,854	123,136	296,810
La Bella Vita Project in Taichung City – Real estate under construction	1,960,691	1,955,191	225,311	160,145
	\$ 4,305,695	\$ 5,306,792	\$ 395,698	\$ 456,955

(1) The situation of already providing to serve as loan guarantees from financial industries in detail is shown in Note 32.

(2) The detail of Information on interest capitalization refers to Note 25.

12. Other financial assets

	Dec. 31, 2019	Dec. 31, 2018
Pledged time deposits	\$ 20,000	\$ 20,000
Pre-sale housing project trust funds	165,214	112,969
Time deposits with maturity over three months	—	521,390
Long-term notes and accounts receivable	—	828
Total	\$ 185,214	\$ 655,187
Current	\$ 165,214	\$ 634,359
Non-current	\$ 20,000	\$ 20,828
Interest rate range %	0.25~1.12	0.25~3.20

The pledged time deposit serves as guaranty for logistics business and it is shown in Note 32.

13. Investments accounted for using equity method

	Dec. 31, 2019	Dec. 31, 2018
Investments in subsidiaries	\$ 1,095,870	\$ 733,322
Investments in associates	77,564	60,214
Total	\$ 1,173,434	\$ 793,536

(1) The investment of subsidiaries is listed as follows:

Name of Investee	Book value		The percentage of ownership interest and voting right directly held by the Company	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
<u>Unlisted (OTC) companies</u>				
Ban Chien Development Co., Ltd. (Taiwan)	\$ 647,674	\$ 512,002	100.00	100.00
Da-Guan Recreation Company (Taiwan)	(4,069)	(4,042)	80.00	80.00
FRG US Corp. (San Francisco)	448,196	221,320	100.00	100.00
KINGSHALE INDUSTRIAL LIMITED (Hong Kong)	—	—	99.99	99.99
Subtotal	1,091,801	729,280		
Add :Credit balance of investments accounted for using equity method transfer to other liabilities	4,069	4,042		
Total	\$ 1,095,870	\$ 733,322		

The Company invests in the development project of 950 Market Street in San

Francisco, USA with Continental Construction Group, the establishment of FRG US Corp. was approved by the board of directors in 2017, with an investment limit of USD 20,000 thousand. Its main businesses are real estate investment, development and rental and sales of premises.

As of December 31, 2019 and 2018, FRG has remitted Investment fund of NT\$460,142 thousand (USD15,012 thousand) and NT\$221,224 thousand (USD7,270 thousand) respectively.

(2) The investment of associates is listed as follows:

Name of Investee	Book value		The percentage of ownership interest and voting right directly held by the Company	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
<u>Unlisted (OTC) companies</u>				
Formosan Construction Corp. (Taiwan)	\$ 38,843	\$ 26,680	26.20	26.20
Fenghe Development Co., Ltd. (Taiwan)	32,009	27,821	39.90	39.90
Rueifu Development Co., Ltd. (Taiwan)	6,712	5,713	48.26	48.26
Total	<u>\$ 77,564</u>	<u>\$ 60,214</u>		

(3) Information about associates that are not individually material was as follows

	2019	2018
The Company's share of:		
Net profit (loss) from continuing operations for the year	\$ 7,276	\$ (4,658)
Other comprehensive income	10,074	(2,097)
Total comprehensive profit (loss)	<u>\$ 17,350</u>	<u>\$ (6,755)</u>

(4) The investment gains and losses and other comprehensive income for the subsidiaries and associates under the equity method have been recognized according to their audited financials.

14. Property, plant and equipment

For the Year Ended December 31, 2019					
Item	Balance, Beginning of Year	Additions	Disposals	Reclassification	Balance, End of Year
<u>Cost</u>					
Land	\$ 444,026	\$ —	\$ —	\$ —	\$ 444,026
Building	696,889	—	—	—	696,889
Machinery equipment	1,045,781	3,001	(81,886)	—	966,896
Transportation equipment	22,317	—	(3,097)	—	19,220
Other equipment	226,097	8,752	(2,543)	—	232,306
Total	2,435,110	11,753	(87,526)	—	2,359,337
<u>Accumulated depreciation & impairment</u>					
Building	446,727	16,827	—	—	463,554
Machinery equipment	875,684	24,662	(81,730)	—	818,616
Transportation equipment	21,004	549	(2,954)	—	18,599
Other equipment	149,491	20,035	(2,543)	—	166,983
Total	1,492,906	\$ 62,073	\$ (87,227)	\$ —	1,467,752
Net	\$ 942,204				\$ 891,585

For the Year Ended December 31, 2018					
Item	Balance, Beginning of Year	Additions	Disposals	Reclassification	Balance, End of Year
<u>Cost</u>					
Land	\$ 444,026	\$ —	\$ —	\$ —	\$ 444,026
Building	696,889	—	—	—	696,889
Machinery equipment	959,924	85,857	—	—	1,045,781
Transportation equipment	22,317	—	—	—	22,317
Other equipment	199,521	26,838	(762)	500	226,097
Construction in progress	500	—	—	(500)	—
Total	2,323,177	112,695	(762)	—	2,435,110
<u>Accumulated depreciation & impairment</u>					
Building	429,432	17,295	—	—	446,727
Machinery equipment	851,886	23,798	—	—	875,684
Transportation equipment	20,076	928	—	—	21,004
Other equipment	131,277	18,976	(762)	—	149,491
Total	1,432,671	\$ 60,997	\$ (762)	\$ —	1,492,906
Net	\$ 890,506				\$ 942,204

(1) The book values of land are adjusted with basis on the government published land value of 1975, 1979, 1980 and 1981 as well as current government-declared land value of 1992 and 2000; plant buildings and various equipments are re-evaluated in accordance with the commodity price indices in 1973 and 1980. Besides, the original revaluation increments are adjusted in relation to the tax rates of land value increment in compliance with land tax laws in January 2005.

(2) The situation of pledge & guarantee in detail is shown in Note 32.

15. Lease

(1) Right-of-use assets

	For the Year Ended December 31, 2019				
	Balance, Beginning of Year	Additions	Disposals	Reclassification	Balance, End of Year
<u>Cost</u>					
Building	\$ 51,552	\$ —	\$ —	\$ —	\$ 51,552
Transportation equipment	1,599	—	—	—	1,599
Total	53,151	—	—	—	53,151
<u>Accumulated depreciation & impairment</u>					
Building	—	5,155	—	—	5,155
Transportation equipment	—	1,279	—	—	1,279
Total	—	\$ 6,434	\$ —	\$ —	\$ 6,434
Net	\$ 53,151				\$ 46,717

(2) Lease liabilities

	For the Year Ended December 31, 2019		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less 1 year	\$ 5,762	\$ 481	\$ 5,281
Over 1 years	43,517	1,829	41,688
Total	\$ 49,279	\$ 2,310	\$ 46,969

Range of discount rate for lease liabilities were as 1.09%.

(3) Other lease information

	2019
Expenses relating to short-term leases	\$ 156
Total cash (outflow) for all lease agreements	\$ (6,338)

(4) Please see note 31 for the status of transactions with related parties.

16. Investment property, net

For the Year Ended December 31, 2019					
Item	Balance, Beginning of Year	Additions	Disposals	Impairment	Balance, End of Year
<u>Cost</u>					
Land	\$ 1,092,155	\$ —	\$ (312)	\$ —	\$ 1,091,843
Building	2,654,296	—	—	—	2,654,296
Total	3,746,451	—	(312)	—	3,746,139
<u>Accumulated depreciation & impairment</u>					
Land	222,666	—	—	1,494	224,160
Building	703,538	55,141	—	—	758,679
Total	926,204	\$ 55,141	\$ —	\$ 1,494	982,839
Net	\$ 2,820,247				\$ 2,763,300
Fair value	\$ 4,130,385				\$ 4,292,326

For the Year Ended December 31, 2018					
Item	Balance, Beginning of Year	Additions	Disposals	Impairment	Balance, End of Year
<u>Cost</u>					
Land	\$ 1,092,155	\$ —	\$ —	\$ —	\$ 1,092,155
Building	2,654,296	—	—	—	2,654,296
Total	3,746,451	—	—	—	3,746,451
<u>Accumulated depreciation & impairment</u>					
Land	222,666	—	—	—	222,666
Building	648,529	55,009	—	—	703,538
Total	871,195	\$ 55,009	\$ —	\$ —	926,204
Net	\$ 2,875,256				\$ 2,820,247
Fair value	\$ 4,064,758				\$ 4,130,385

(1) Details of land:

	Dec. 31, 2019		Dec. 31, 2018	
	Ping	Cost	Ping	Cost
Oiashui Section, Longtan	14,381	\$ 34,036	14,381	\$ 34,036
Dahu Section, Miaoli	230,253	473,971	230,387	474,283
Nankan Section, Taoyuan	15,395	267,367	15,395	267,367
Xinban Section, Banqiao	140	311,775	140	311,775
Zhuangjing Section, Xindian	53	4,694	53	4,694
Total		\$ 1,091,843		\$ 1,092,155

(3) The Company leases the real estate held for investment, with the lease

period as January 1, 2008 to December 31, 2028. Provisions for the lessee to adjust the rent based on market rents when exercising the renewal rights. The lessee does not have a preferential purchase right for the real property at the end of the lease term.

A. 2019

The maturity analysis of lease payments receivable under operating leases of investment properties as of was as follows:

	Dec. 31, 2018
Year 1	\$ 163,617
Year 2	102,510
Year 3	54,012
Year 4	46,623
Year 5	23,134
Over 5 years	37,277
Total	<u>\$ 427,173</u>

B. 2018

Business rental amount receivable which cannot be cancelled

	Dec. 31, 2018
Less 1 year	\$ 156,352
1 - 5 years	274,730
Over 5 years	59,059
Total	<u>\$ 490,141</u>

(3) As of December 31, 2019 and December 31, 2018, the book value of the investment properties let out stood at NT\$2,463,083 thousand and NT\$2,518,224 thousand , respectively. The rent incomes during 2019 and 2018 totaled NT\$ 183,400 thousand and NT\$185,929 thousand, respectively.

(4) The fair value of investment properties is based on the transaction prices of adjacent assets, the economic environment and changes in the current land values published by the Taiwanese government. The assessment is based on market comparators and discounted cash flows. It is Level 3 fair value according to IFRS.

(5) As of December 31, 2019 and 2018, the land at Dahu Section of Miaoli

accumulated losses of reduction were NT\$224,160 thousand and NT\$222,666 thousand respectively.

(6) Details of the farm land lots registered in others' names due to legal restrictions:

	Dec. 31, 2019	Dec. 31, 2018
Oiashui Section, Longtan	\$ 26,493	\$ 26,493
Dahu Section, Miaoli	94,241	94,553
Nankan Section, Taoyuan	19,219	19,219
Total	\$ 139,953	\$ 140,265

For the security measures of the aforementioned pieces of farm land, the Company has already periodically checked relevant land transcripts and dispatched its personnel to conduct investigation at any time in order to keep abreast of the use of the land. Part of the land has been pledged to the Company. Please see note 31 (2) C for the status of transactions with related parties.

(7) The situation of already providing to serve as loan guarantees from financial industries in detail is shown in Note 32.

17. Short-term borrowings

	Dec. 31, 2019	Dec. 31, 2018
Bank unsecured borrowings	\$ 860,000	\$ 1,620,000
Bank secured borrowings - Hua Nan Bank	—	400,000
Total	\$ 860,000	\$ 2,020,000
Interest rate range %	0.91~1.15	0.91~2.07

(1) Concerning the residential building at Xitun District, Taichung City constructed jointly by the Company and Continental Engineering Corporation, a credit contract was signed with Huanan Commercial Bank on December 9, 2014, by providing the land of Huiguo Section, Taichung City to serve as guarantee, with total credit amount as NT\$950,000thousand and loan period up to February 10, 2020.

(2) The situation of pledge & guarantee in detail is shown in Note 32.

18. Short-term notes and bills payable

	Dec. 31, 2019	Dec. 31, 2018
Commercial paper payable	\$ 400,000	\$ 720,000
Less: Unamortized discount	(452)	(357)
Net amount	\$ 399,548	\$ 719,643
Interest rate range%	0.63~0.94	0.56~0.93

The situation of pledge & guarantee in detail is shown in Note 32.

19. Employee pensions

(1) Defined contribution plans

The employee retirement plan established by the Company in accordance with “Labor Pension Act” belongs to a defined contribution plans. Concerning the above, the Company would contribute 6% of the monthly salaries of employees to the exclusive individual accounts of Labor Insurance Bureau. In accordance with the above related regulations, the pension costs recognized as expenses in the parent company only comprehensive income statement in 2019 and January 1 to December 31, 2018 are respectively NT\$6,364 thousand and NT\$6,551 thousand.

(2) Defined benefit plans

A. The employee retirement plan established by the Company in accordance with “Labor Standard Act” is a defined benefit plans. In accordance with the regulations of the said plan, the employee pensions are calculated by service years and the average wage of six months prior to retirement. For the above, the Company would contribute 2% of the total employee salaries as employee pension fund, to the Supervisory Committee of Workers’ Pension Preparation Fund to be deposited into an exclusive account of Bank of Taiwan. Before the end of year, if it is estimated the balance in the exclusive account is insufficient to pay the estimated labors conforming to retirement conditions in the following year, the Company would contribute the differential amount at once before the end of March in the following year.

The retired pension cost amount in parent company only comprehensive income statement listed to expense related to defined benefit plan is as follows:

	2019	2018
Service cost	\$ 64	\$ 42
Net interest cost (income)	66	42
List to (profit) loss	\$ 130	\$ 84
Re-measurements		
Plan assets returns (excl. amount that covered in net interest income)	156	216
Actuarial profit (loss)-Change of the demographic assumption	2	7
Actuarial profit (loss)-Change of the financial assumption	(192)	—
Actuarial profit (loss)-Adjustment with experience	2,576	(3,913)
Listed to other comprehensive income	\$ 2,542	\$ (3,690)

The details of the various costs and expenses recognized in profit or loss are as follows:

	2019	2018
Operating costs	\$ 130	\$ 84
Operating expenses	—	—
Total	\$ 130	\$ 84

The amount listed in the parent company only balance sheet for the obligation occurring from the defined benefit plan is as follows

	Dec. 31, 2019	Dec. 31, 2018
Defined benefit obligation present value	\$ 6,206	\$ 10,248
Plan asset fair value	(2,518)	(3,520)
Net defined benefit liability (assets)	\$ 3,688	\$ 6,728

The changed of defined benefit obligation present value of this Company is as follows:

	2019	2018
Beginning defined benefit obligation	\$ 10,248	\$ 8,144
Service cost current period	64	42
Interest expense	102	81
Benefits paid from plan assets	(1,822)	(1,925)
Re-measurements		
Actuarial (profit) loss- Change of the demographic assumption	(2)	(7)
Actuarial (profit) loss- Change of the financial assumption	192	—
Actuarial (profit) loss- Adjustment with experience	(2,576)	3,913
Ending defined benefit obligation	<u>\$ 6,206</u>	<u>\$ 10,248</u>

The changed of plan asset fair value of this Company is as follows:

	2019	2018
Beginning plan asset fair value	\$ 3,520	\$ 3,878
Interest income	36	39
Re-measurements		
Plan assets returns (excl. amount that covered in net interest income)	156	216
Contribution by employer	628	1,312
Redemption or curtailments payment	(1,822)	(1,925)
Ending plan asset fair value	<u>\$ 2,518</u>	<u>\$ 3,520</u>

The assets of defined benefits held by our company are deposited in financial institutions and invested in equity securities in Taiwan and overseas within the percentages and absolute amounts stipulated by the Bank of Taiwan for the discretionary investment of the funds for specific years. The operation of the funds is under the oversight by the Labor Pension fund Supervisory Committee. The minimum yields on the funds p.a. shall not fall below the two-year time deposit rates offered by local banks. Any insufficiency shall be made up by the national treasury following the approval from competent authorities.

Classification of Fair Values for Planned Assets

	2019	2018
Cash and cash equivalents	\$ 2,518	\$ 3,520

B. The main assumptions of the Company's actuarial valuation are as follows:

	Dec. 31, 2019	Dec. 31, 2018
Discount rate	0.75%	1.00%
Expected increase in future salaries	2.00%	2.00%

The Company is exposed to the following risks due to the pension system stipulated by the Labor Standards Act:

a. The impact of the book value of the retirement pensions is as follows for any delta of each 0.25 basis points between the discount rate (or the expected increase in future salaries) and management estimates in 2019 and 2018.

Dec. 31, 2019	Effect on present value of defined benefit obligation	
	Actuarial assumption increased 0.25%	Actuarial assumption decreased 0.25%
Discount rate	\$ (192)	\$ 200
Expected increase in future salaries	\$ 197	\$ (190)

Dec. 31, 2018	Effect on present value of defined benefit obligation	
	Actuarial assumption increased 0.25%	Actuarial assumption decreased 0.25%
Discount rate	\$ (280)	\$ 292
Expected increase in future salaries	\$ 288	\$ (278)

Since actuarial assumptions may be mutually related, the possibility of change in an only one assumption is not high. Therefore, the above sensitivity analysis may be unable to reflect the actual change situation of the current value of defined benefits. Besides, in the above sensitivity analysis, the actuary of current value of defined benefits obligations at the end of the reporting period applies projected unit credit method, measured by the same basis of defined benefits liabilities listed in the parent company only balance sheet.

- b. The Company expects to contribute the amount of NT\$167 thousand to the defined benefit plans within one year after December 31, 2019; the weighted average duration of defined benefits obligations is 12 years.

20. Equity

(1) Share capital - common stock

	Dec. 31, 2019	Dec. 31, 2018
Authorized capital	\$ 6,800,000	\$ 6,800,000
Issued capital	\$ 3,500,000	\$ 3,700,000

The face value of the issued ordinary shares is NT\$10 per share. Each share has one vote and the right to dividends.

Treasury stocks of NT\$200,000 thousand and NT\$100,000 thousand were cancelled from January 1 to December 31, 2019 and 2018, respectively.

(2) Capital surplus

	Dec. 31, 2019	Dec. 31, 2018
Premium on capital	\$ 743	\$ 785
Conversion premium of corporate bonds	460,824	487,155
Gains of disposal of assets	1,238	1,238
Equity net value change of associates by equity method	3,658	3,658
Total	\$ 466,463	\$ 492,836

In accordance with regulations in laws, the capital surplus shall not be used except for covering company losses, but concerning the overage obtained from issued stock over par value (including issuance of common stock above par value, the premium on capital stock of stock issued for merge, corporate bond conversion premium and treasury stocks transaction, etc.) and capital surplus generated from income of receiving gifts. In the absence of accumulated losses, the Company may issue cash dividends or bonus shares to existing shareholders on a pro rata basis. Per the requirements of the Securities and Exchange Act, the appropriation of capital surplus to share capital is limited to 10% of the paid-in capital.

(3) Retained earnings

A. In accordance with the Company's Articles of Incorporation, any earnings during the year should be used to pay all the due taxes and make up the prior losses before distributions as follows:

- a. Provide 10% legal reserve, but it is not applicable to the case where the legal reserve already attains the total capital amount.
- b. If necessary, in accordance with regulations of laws, allowance or reversal of special reserve shall be provided.
- c. The earnings during the year available for distributions, along with the undistributed earnings from previous years, shall be distributed according to the proposal from the board. The distribution to shareholders shall be no less than 5% of the distributable accumulated earnings and shall be approved by the shareholders' meetings.

The enterprise life cycle of the Company belongs to "maturity period". However, in order to pursue business sustainable development, respond to the future market demands and consider the future capital expenditure budget of the Company as well as maintenance stable dividend allocation, in which cash dividend shall be no lower than 10% of the total amount of shareholders' dividend. But in case of fund requirements concerning any major investment plan, major operation change matters and productivity expansion or other major capital expenditures, etc., the board may propose it to be changed to distribution in stock dividend form in whole, and actions may be taken after a report to and consent from the shareholders' meeting

B. Legal reserve

Per the regulations set forth by the Company Act, the Company shall appropriate 10% of after-tax earnings as the legal reserve, until the amount of legal reserve is equivalent to that of paid-in capital, or use the earnings to reverse prior losses. In the absence of losses, the portion of reserves exceeding 25% of the paid-in capital can be used to issue cash dividends or bonus shares.

C. Special reserve

Official Letter “Securities Issue” No. 1010012865 and No. 1010047490 released by the Financial Supervisory Commission and the IFRS standards provide answers to the questions regarding the appropriation, utilization and reversal of special reserve. If there is any reversal of the reduction of shareholders’ equity, the reserved portion may be used for earnings distributions.

D. The Company’s earnings distributions for 2017 and 2016 were approved by the annual general meetings on June 8, 2018 and June 8, 2017, respectively, as proposed by the board. However, the payout ratio has changed due to the cancelation of 20,000 thousand and 10,000 thousand treasury stocks, respectively. The cash dividend per share for 2018 and 2017 was NT\$0.68 and NT\$0.65, respectively.

	2018		2017	
	Amount	Dividend per share (TWD)	Amount	Dividend per share (TWD)
Legal reserve	\$ 21,580		\$ 18,924	
Cash dividend	238,000	\$ 0.68	240,500	\$ 0.65
Total	<u>\$ 259,580</u>		<u>\$ 259,424</u>	

E. The status for the board of the Company proposed to approve the 2019 earnings allocation proposal on March 20, 2020 is as follows:

	2019	
	Amount	Dividend per share (TWD)
Legal reserve	\$ 53,896	
Cash dividend	280,000	\$ 0.8
Total	<u>\$ 333,896</u>	

The Company's earnings distribution for 2019 is still pending for the approval from the annual general meeting in 2020.

(4) Other equity interest-

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance on Jan. 1, 2019	\$ 1,392	\$ (46,003)	\$ (44,611)
Exchange differences on translation of foreign financial statements	(8,840)	—	(8,840)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	—	71,383	71,383
Share of loss (profit) of associates accounted for using equity method	—	119,490	119,490
Disposal of financial assets at fair value through other comprehensive income - equity instrument	—	29,920	29,920
Balance on Dec. 31, 2019	<u>\$ (7,448)</u>	<u>\$ 174,790</u>	<u>\$ 167,342</u>

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial asset	Total
Balance on Jan. 1, 2018	\$ (2,428)	\$ —	\$ 22,951	\$ 20,523
Effects of retrospective application	—	19,331	(22,951)	(3,620)
Balance at January 1, 2018 (Adjusted)	(2,428)	19,331	—	16,903
Exchange differences on translation of foreign financial statements	3,820	—	—	3,820
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	—	(66,237)	—	(66,237)
Share of loss (profit) of associates accounted for using equity method	—	31,298	—	31,298
Disposal of financial assets at fair value through other comprehensive income - equity instrument	—	(30,395)	—	(30,395)
Balance on Dec. 31, 2018	<u>\$ 1,392</u>	<u>\$ (46,003)</u>	<u>\$ —</u>	<u>\$ (44,611)</u>

(5) Treasury stocks

	Number of shares (thousand shares)	Amount
Balance on Jan. 1, 2018	84	\$ 1,332
Acquired in this period	27,464	419,577
Cancellation in this period	(10,000)	(159,536)
Balance of Dec. 31, 2018	17,548	261,373
Acquired in this period	2,452	38,317
Cancellation in this period	(20,000)	(299,690)
Balance of Dec. 31, 2019	—	\$ —

A. The Company in accordance with the regulations of Article 28-2 of Securities Exchange Act, in order to maintain company credit and shareholders' equity, purchased back treasury stocks through resolutions of the board.

B. The quantity percentage of a company in purchase back outstanding shares in accordance with the regulations of Securities Exchange Act shall not exceed 10% of the total number of shares issued by a company, and the total amount of purchase shares shall not exceed the retained earnings adding the premium of issued shares and the amount of realized capital surplus.

C. The treasury stocks held by The Company in accordance with the regulations of Securities Exchange Act shall not be pledged, nor shall it enjoy such rights as dividend allocation and voting right, etc.

21. Operating revenue

	2019	2018
Net sales revenue	\$ 960,898	\$ 1,114,877
Construction revenue	1,518,732	33,125
Rental and logistics revenue	222,207	225,876
Total	\$ 2,701,837	\$ 1,373,878

The amount of revenue recognized at the beginning from the contractual liabilities for the period from January 1 to December 31, 2019 and 2018 are respectively NT\$296,810 thousand and NT\$11,172 thousand.

22. Operating costs

	2019	2018
Cost of sales	\$ 922,026	\$ 935,194
Cost of construction sales	1,026,264	17,780
Cost of rental and logistics	91,799	90,364
Total	\$ 2,040,089	\$ 1,043,338

23. Other income

	2019	2018
Interest income	\$ 20,596	\$ 31,756
Dividend income	115,727	113,936
Other	8,177	9,710
Total	\$ 144,500	\$ 155,402

24. Other gains and losses

	2019	2018
Loss (gain) on disposal of property, plant and equipment	\$ 388	\$ 30
Loss (gain) on disposal of investment properties	696	—
Loss (gain) on disposal of investments	(29,998)	—
Foreign currency exchange gain (loss)	(2,641)	23,691
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	1,240	44
Miscellaneous expense	(2,481)	(14,273)
Impairment loss	(1,494)	—
Total	\$ (34,290)	\$ 9,492

25. Finance costs

	2019	2018
Interest of bank loan	\$ 23,026	\$ 32,936
Interest of lease liabilities	544	—
Less: capitalized interest	(3,940)	(11,066)
Total	\$ 19,630	\$ 21,870
Interest rate (%) of capitalized interest	2.07	2.07

26. Extra information on the items with the expense characteristics

The employee benefits, depreciation, depletion and amortization expenses incurred in this period are summarized below:

	2019			2018		
	Operating costs	Operating expense	Total	Operating costs	Operating expense	Total
Salary expense	\$ 92,622	\$ 46,080	\$ 138,702	\$ 106,315	\$ 41,869	\$ 148,184
Labor and health insurance expenses	7,048	4,179	11,227	7,354	4,184	11,538
Pension expense	4,440	2,054	6,494	4,503	2,132	6,635
Board compensation	—	22,610	22,610	—	18,969	18,969
Other Personnel expense	2,649	1,255	3,904	1,746	790	2,536
Personnel expense	\$ 106,759	\$ 76,178	\$ 182,937	\$ 119,918	\$ 67,944	\$ 187,862
Depreciation expense	\$ 102,837	\$ 20,811	\$ 123,648	\$ 101,424	\$ 14,582	\$ 116,006

(A) As of December 31, 2019 and 2018, the Company had 202 and 216 employees, respectively. There were 7 non-employee directors and 5 non-employee directors, respectively.

(B) The Company's average employee benefit expense and the Company's average salary expense for the year ended December 31, 2019 and 2018 were NT\$822 thousand, NT\$711 thousand, NT\$800 thousand and NT\$702 thousand, respectively. The Company's average salary expense adjustment for the year ended December 31, 2019 increased by 1%.

The compensations to employees and the remunerations to directors and supervisors determined by the board on March 20, 2020 for the year 2019 and on March 15, 2019 for the year 2018 are as follows:

		2019		2018	
		Amount	Estimated proportion	Amount	Estimated proportion
Compensations to employees	to \$	5,613	1%	\$ 2,661	1%
Remunerations to directors and supervisors	to	5,613	1%	2,661	1%

The Company shall allocate from annual profits no less than 1% for compensations to employees and no more than 2% for remunerations to directors and supervisors. However, annual profits should be prioritized for the reversal of cumulated losses if any.

The abovementioned compensations to employees may be paid with cash or shares. The employees include the employees of subsidiaries which meet the criteria set by the board. However, the remunerations to directors and supervisors shall be paid in cash only.

Any changes to the published parent company only financial statements shall be treated as changes to accounting estimates and adjusted during the following year. There was no difference between the distributed amount of compensations to employees and remunerations to directors and supervisors for 2018 and the recognized amount on the parent company only financial statements for 2018.

The annual general meeting of the Company on June 8, 2018 approved the distributions of bonuses to employees at NT\$2,024 thousand and the remunerations to directors and supervisors at NT\$2,024 thousand for 2017. There was no difference between the distributed amount and the recognized amount on the parent company only financial statements for 2017.

Please refer to the details published on TSE Market Observation Post System for the information regarding the decisions by the board and annual general meetings on compensations to employees and remunerations to directors and supervisors.

27. Income tax

(1) Income tax recognized in profit & loss

The income tax expense listed as profit & loss is composed of as follows:

	2019	2018
	<hr/>	<hr/>
Income tax current period:		
Occurred in current year	\$ 1,265	\$ (15,072)
Additionally imposed undistributed earnings	—	(11,225)
Paid for land value increment tax	(31,289)	(148)
	<hr/>	<hr/>
	(30,024)	(26,445)
Deferred income tax:		
Occurred in current year	18,971	(18,522)
	<hr/>	<hr/>
Income tax expense listed as profit & loss	\$ (11,053)	\$ (44,967)
	<hr/>	<hr/>

The accounting benefit and income tax expense of current period are adjusted as follows:

	2019	2018
	<hr/>	<hr/>
Income tax calculated according to the regulated tax rate of before-tax net income	\$ 110,002	\$ 52,154
The effect of tax in reconciliation items of income tax:		
When determining taxable income, adjustments should be made to increase (decrease)	(10,679)	(19,363)
Exemption of domestic securities transaction income	303	8,099
Tax-exempt income	(99,625)	(25,106)
Previous years adjustments	(1,266)	(712)
	<hr/>	<hr/>
Income tax expense (gain) current period	\$ (1,265)	\$ 15,072
	<hr/>	<hr/>

(2) Income tax expense recognized in other comprehensive income

	2019	2018
Remeasurement of defined benefit plans	\$ (508)	\$ 1,175
Unrealized loss on valuation of investments in equity instruments measured at fair value through other comprehensive income	51	4,813
Exchange differences on translation of foreign financial statements	2,210	(845)
Unrealized loss on valuation of investments in debt instruments measured at fair value through other comprehensive income	(3,914)	3,914
Income tax related to other comprehensive income	\$ (2,161)	\$ 9,057

(3) Deferred tax assets and liabilities

The analysis on deferred income tax assets and liabilities in balance sheet is as follows:

	2019			
	Balance, beginning of year	Recognized in profit (loss)	Recognized in other comprehensive income	Balance, end of year
Net defined benefit liability	\$ 3,653	\$ —	\$ (508)	\$ 3,145
Unrealized loss on valuation of investments in equity instruments measured at fair value through other comprehensive income	216	—	51	267
Exchange differences on translation of foreign financial statements	—	—	1,862	1,862
Unrealized loss on valuation of investments in debt instruments measured at fair value through other comprehensive income	3,914	—	(3,914)	—
Unrealized exchange loss	8,008	(4,006)	—	4,002
Other	4,839	7,860	—	12,699
Tax loss carry forwards	—	12,115	—	12,115
Deferred income tax assets	\$ 20,630	\$ 15,969	\$ (2,509)	\$ 34,090
Net defined benefit liability	(3,045)	2,947	—	(98)
Unrealized loss on valuation of investments in equity instruments measured at fair value through profit or loss	(55)	55	—	—
Exchange differences on translation of foreign financial statements	(348)	—	348	—
Land value increment tax	(166,357)	—	—	(166,357)
Deferred income tax (liabilities)	\$ (169,805)	\$ 3,002	\$ 348	\$ (166,455)

	2018			
	Balance, beginning of year	Recognized in profit (loss)	Recognized in other comprehensive income	Balance, end of year
Net defined benefit liability	\$ 2,478	\$ —	\$ 1,175	\$ 3,653
Unrealized loss on valuation of investments in equity instruments measured at fair value through other comprehensive income	—	—	216	216
Exchange differences on translation of foreign financial statements	497	—	(497)	—
Unrealized loss on valuation of investments in debt instruments measured at fair value through other comprehensive income	—	—	3,914	3,914
Unrealized exchange loss	25,086	(17,078)	—	8,008
Other	3,258	1,581	—	4,839
Deferred income tax assets	<u>\$ 31,319</u>	<u>\$ (15,497)</u>	<u>\$ 4,808</u>	<u>\$ 20,630</u>
Net defined benefit liability	—	(3,045)	—	(3,045)
Unrealized loss on valuation of investments in equity instruments measured at fair value through profit or loss	—	(55)	—	(55)
Exchange differences on translation of foreign financial statements	—	—	(348)	(348)
Land value increment tax	(166,357)	—	—	(166,357)
Available-for-sale financial assets	(4,672)	75	4,597	—
Deferred income tax (liabilities)	<u>\$ (171,029)</u>	<u>\$ (3,025)</u>	<u>\$ 4,249</u>	<u>\$ (169,805)</u>

(4) Information on Unused Loss Carryforwards

Loss carryforwards as at December 31, 2019 are as follows:

	Balance of unused loss carryforwards	Final deductible year
Loss carryforwards	<u>\$ 12,115</u>	2029

(5) The Company's income tax settlement application cases approved by the competent authority are approved until 2016.

28. EPS

(1) Basic earnings per share

	2019	2018
Net income for the period attributable to owners of the Corporation	<u>\$ 538,957</u>	<u>\$ 215,802</u>
Weighted average number of ordinary shares (in thousand shares)	<u>350,000</u>	<u>367,033</u>
Basic EPS (NT dollars)	<u>\$ 1.54</u>	<u>\$ 0.59</u>

(2) Diluted earnings per share

	2019	2018
Net income for the period attributable to owners of the Corporation	\$ 538,957	\$ 215,802
Weighted average number of ordinary shares (in thousand shares)	350,000	367,033
Potentially ordinary stock- Employee bonus (in thousand shares)	336	204
Number of shares of diluted EPS (in thousand shares)	350,336	367,237
Diluted EPS (NT dollars)	\$ 1.54	\$ 0.59

If the Company can choose to distribute stocks or cash as the bonus for the employees, when calculating the earnings per share, the distribution of shares to the employees should be taken into consideration. In addition, the potential common shares which will dilute the earnings should be added into the weighted average number to calculate the diluted earnings per share. The distributed number of shares is estimated by the closing price of the common shares at the end of the reporting period (the effect of exclude right and exclude dividends is considered). The dilutive effect of the potential shares distributed to the employees will be taken into consideration when calculating the diluted EPS before the resolution concerning the number of shares to be delivered as bonus for employees is made in the shareholder meeting the following year.

29. Capital Management

The enterprise life cycle of the Company belongs to “maturity period”. However, in order to pursue business sustainable development, respond to the future market demands and consider the future capital expenditure budget of the Company as well as maintenance stable dividend allocation, on the whole, the Company applies a prudent risk management policy.

30. Financial instruments

(1) The types of financial instruments

	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ —	\$ 16,041
Financial assets at fair value through other comprehensive income	2,233,087	2,121,051
Amortized cost		
Cash and cash equivalents	900,150	735,031
Trade receivables	128,987	191,595
Other financial assets	185,214	655,187
Refundable deposits	8,322	11,384
Total	<u>\$ 3,455,760</u>	<u>\$ 3,730,289</u>
<u>Financial liabilities</u>		
Amortized cost		
Short-term loans	\$ 860,000	\$ 2,020,000
Short-term bills payable	399,548	719,643
Trade payables	234,689	315,199
Guarantee deposits received	42,401	44,361
Total	<u>\$ 1,536,638</u>	<u>\$ 3,099,203</u>

(2) Fair values of financial instruments

A. Financial instruments not measured with the fair value

The financial assets and financial liabilities not measured by fair values of this company include cash and equivalent cash, accounts receivable, other financial assets, short-term loan, short-term bonds payable and accounts payable. The maturity dates of this kind of financial products are rather short that their book values should belong to a reasonable foundation of estimating fair values. The above financial products shall not include refundable deposits and deposit received either, because their repayment dates are uncertain; therefore, their fair values are evaluated by the book values in balance sheets.

B. Fair value measurement of recognitions in balance sheet

The following table provides related analysis of financial instruments measured by fair values after original recognition, and the observable levels of fair values are divided into the first to the third level.

- a. The first-level fair value measurement refers to an open offer of the same asset or liability from an active market (without being adjusted).
- b. The second-level fair value measurement refers to a derived fair value of an observable input value belong to the said asset or liability either directly (i.e., price) or indirectly (i.e., to be derived from price) in addition to a first-level open offer.
- c. The third-level fair value measurement refers to a derived fair value of an input value of asset or liability not based on observable market data (non-observable input value) as the evaluation technique.

C. Concerning the financial instruments measured by fair values, the basic classification analysis of the Company in accordance with the nature, characteristics and risk as well as fair value level of asset and liability shall be as follows:

- a. The financial asset and liability measured by fair value on repeatable foundation:

	Dec. 31, 2019			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through other comprehensive income</u>				
Stock of Listed (OTC) companies	\$ 2,123,296	\$ —	\$ —	\$ 2,123,296
Stock of emerging companies	—	3,736	—	3,736
Stock not classified to listed (OTC) and emerging companies	—	—	106,055	106,055
Total	<u>\$ 2,123,296</u>	<u>\$ 3,736</u>	<u>\$ 106,055</u>	<u>\$ 2,233,087</u>

	Dec. 31, 2018			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Fund	\$ 16,041	\$ —	\$ —	\$ 16,041
<u>Financial assets at fair value through other comprehensive income</u>				
Stock of Listed (OTC) companies	1,963,624	—	—	1,963,624
Stock of emerging companies	—	2,627	—	2,627
Stock not classified to listed (OTC) and emerging companies	—	—	140,685	140,685
Financial bond	14,115	—	—	14,115
Total	\$ 1,977,739	\$ 2,627	\$ 140,685	\$ 2,121,051

b. The financial asset and liability measured by fair value on non-repeatable foundation: none

D. The first-level fair value measurement item applies a market offer as the fair value input value, with breakdown as follows:

Item	Market quoted
Stock of Listed (OTC) companies	Close price
fund and Financial bond	The net assets

E. The second-level fair value measurement item applies the observable input values of recent transaction price and offer data of GreTai Securities Market, to serve as the foundation of evaluating fair values.

F. There was no change between Level 1 and Level 2 fair value measurements in 2019 and 2018.

G. Adjustment of financial assets with the third-level fair value measurement:

	2019	2018
Beginning balance	\$ 140,685	\$ 133,818
Transferred from IFRS 9	—	138,048
Capital return due to disinvestment	(8,000)	(7,000)
Listed to other comprehensive income of this year	(26,630)	(124,181)
Ending balance	\$ 106,055	\$ 140,685

H. Level 3 fair value measurement is based on net asset values. The Company takes great caution in the selection of valuation models and valuation parameters for the key, non-observable values. Therefore, the measurement of fair values should be reasonable. The use of different valuation models or valuation parameters may result in different numbers. For example, If the evaluation parameter's share price net multiplier increases, the market liquidity discount decreases, and the weighted average capital cost discount rate decreases, the fair value of the investment will be increased.

(3) Objective of financial risk management

The financial risk management of the Company is to manage currency exchange rate risk, interest rate risk, credit risk and liquidity risk related to operation activities. In order to reduce related financial risks, the Company has devoted to identification, evaluation and avoiding uncertainty of market, to reduce any potential unfavorable impact of market changes on the corporate financial performance.

The important financial activities of the Company are specified by the board and in accordance with related specifications and double checked through an internal control system. During the execution period of financial planning, the Company shall scrupulously observe the related financial operation procedures concerning comprehensive financial risk management and division of authority and responsibility.

(4) Market risk

The Company mainly exposes to such market risks as changes in foreign currency exchange rate and changes in interest rate, etc.

A. Foreign currency exchange rate risk

The foreign currency exchange rate risk of the Company mainly comes from Cash and cash equivalents, accounts receivable, other payables priced by foreign currency exchange, Financial assets at fair value through profit or loss as fund, Financial assets at fair value through other comprehensive income as overseas company stock and financial bond, and foreign currency time deposit with maturity period above three months.

The information concerning foreign currency financial assets and liabilities under material impacts of foreign currency exchange rate fluctuation shall be as follows:

	Dec. 31, 2019			Dec. 31, 2018		
	foreign currency	Exchange rate	Amount	foreign currency	Exchange rate	Amount
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	18,822	30.03	565,217	38,762	30.67	\$1,186,500
HKD	9,647	3.836	37,007	3,041	3.894	11,776
JPY	89,832	0.2751	24,713	150,155	0.2764	41,374
RMB	31,007	4.296	133,204	24,166	4.448	107,304
<u>Non-monetary items</u>						
USD	653	30.03	19,600	2,735	30.67	83,896
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	296	30.13	8,908	229	30.77	7,047
HKD	14	3.896	56	847	3.954	3,351
RMB	207	4.346	901	40	4.498	182

The sensitivity analysis concerning foreign currency exchange rate risk is calculated mainly for the monetary items of foreign currency at the end of the financial reporting period. When the appreciation/ depreciation of NT Dollar vs. foreign currency reaches 1%, the pre-tax profit and loss of the Company from January 1 to December 31, 2019 and 2018 would separately increase/decrease by NT\$7,503 thousand and NT\$13,364thousand, respectively.

Due to a large variety and volumes of foreign currency transactions, the Company discloses the exchange gains/losses for the summary of monetary items. The recognized foreign currency gain/loss (realized and unrealized) was NT\$2,641thousand for 2019 and NT\$23,691thousand for 2018.

B. Interest rate risk

The interest rate risk refers to the risk in fair values of non-derivative financial instruments cause by changes of market interest rate. The interest rate risk of the Company mainly comes from short-term loans and short-term bonds payable.

Concerning the sensitivity analysis of interest rate risk, it is calculated on basis of the fixed interest rate loan at the end of the financial reporting period, and it is assumed to be held for one year. In case the interest rate rises/drops 1%, the pre-tax profit and loss of the Company from January 1 to December 31, 2019 and 2018 would separately decrease/ increase by NT\$12,595 thousand and NT\$27,396thousand, respectively.

C. Other price risks

The price risk of equity instruments of the Company mainly comes from the investment classified as Financial assets at fair value through other comprehensive income; and all major equity instrument investments may only be conducted after the approval of the board of the Company.

Concerning the sensitivity analysis of equity instrument price risks, it is calculated on basis of the changes in fair values at the end of the financial reporting period. In case the price equity instruments rises/drops 1%, the profit and loss of the Company from January 1 to December 31, 2019 and 2018 would separately increase/decrease by NT\$22,331 thousand and NT\$21,069thousand, respectively.

(5) Credit risk management

The credit risk management refers to the opposing party of trade violates contract obligations and causes risks of financial loss to the Company. The credit risk of the Company comes mainly from the accounts receivable generated from operation activities, and bank deposits generated from investment activities and other financial instruments. Operation related credit risks and financial credit risks are under separate management.

A. Operation related credit risks

In order to maintain the quality of accounts receivable, the Company already establishes the procedures of operation related credit risks. The risk evaluation of an individual customer considers such numerous factors with potential impacts on customer payment abilities as the financial status of the said customer, internal credit ratings of the Company, historical trade record and current economic status, etc. The Company would also in due time uses certain credit enhancement tools, such as sales revenue received in advance and credit insurance, etc., to reduce credit risks of specific customers.

Up to December 31, 2019 and December 31, 2018, the accounts receivable balances of the top 10 major customers account for the accounts receivable balances of the Company respectively as 72% and 74%; the risk concentration risks of the rest accounts receivable are relatively not major.

B. Financial credit risk

The credit risks of bank deposit and other financial instruments are measured and supervised by the Finance Department of the Company. Since the trade parties of the Company are all domestic banks with commendable credit, there is no suspicion of major contract performance; therefore, there is no major credit risk.

(6) Liquidity risk management

The object of liquidity risk management of the Company is to maintain cash and equivalent cash required for operation, securities with high liquidity, and sufficient bank financing quota, etc., to ensure the Company to possess sufficient financial flexibility, operation fund sufficient to cope up with the financial liabilities with agreed repayment periods.

A. The liquidity of non-derivative financial assets and liabilities

	Dec. 31, 2019				
	Less than 1 year	2~3 years	4~5 years	Over 5 years	Total
<u>Non-derivative financial liabilities</u>					
Short-term borrowing	\$ 860,000	\$ —	\$ —	\$ —	\$ 860,000
Short-term notes and bills payable	399,548	—	—	—	399,548
Trade payables	234,689	—	—	—	234,689
Lease liabilities	5,762	10,879	10,879	21,759	49,279
Guarantee deposits received	15,488	17,525	4,661	4,727	42,401
Total	\$ 1,515,487	\$ 28,404	\$ 15,540	\$ 26,486	\$ 1,585,917

	Dec. 31, 2018				
	Less than 1 year	2~3 years	4~5 years	Over 5 years	Total
<u>Non-derivative financial liabilities</u>					
Short-term borrowing	\$ 1,620,000	\$ 400,000	\$ —	\$ —	\$ 2,020,000
Short-term notes and bills payable	719,643	—	—	—	719,643
Trade payables	315,199	—	—	—	315,199
Guarantee deposits received	17,009	17,265	5,360	4,727	44,361
Total	\$ 2,671,851	\$ 417,265	\$ 5,360	\$ 4,727	\$ 3,099,203

B. Loan commitments

	Dec. 31, 2019	Dec. 31, 2018
Unsecured bank overdraft limit		
-Amount used	\$ —	\$ —
-Amount unused	90,000	90,000
	\$ 90,000	\$ 90,000
Unsecured bank loan limit		
-Amount used	\$ 1,090,000	\$ 2,170,000
-Amount unused	1,850,000	560,000
	\$ 2,940,000	\$ 2,730,000
Secured bank loan limit		
-Amount used	\$ 170,000	\$ 570,000
-Amount unused	—	140,000
	\$ 170,000	\$ 710,000

31. Related party transaction

(1) Name and relation ship with related parties

Name of related parties	Relationship with the Company
Ban Chien Development Co., Ltd.	The Company's subsidiaries.
Formosan Construction Corp. (Taiwan)	Investee company accounted for using the equity method
Eurogear Corporation	The Company's institutional director.
Chen Hsi Investment CO, LTD	The president is the spouse of the general manager of the Company
Hung He Development CO, LTD	The president is the spouse (1st degree of kinship) of the Company's president
HSU, ZHEN-TSAI	President of the Company

(2) Major transaction with related parties

A. Operating revenue -Rental

	2019	2018
Other	\$ 1,186	\$ 1,186
	Dec. 31, 2019	Dec. 31, 2018
Guarantee deposits received	\$ 274	\$ 274

The related enterprise leases the office to the Company, and the lease content is determined by the agreement between the two parties, and the rent is collected monthly.

B. Lease agreement

Lease agreement signed by the Company with Formosan Construction Corp. (Taiwan), Eurogear Corporation, Chen Hsi Investment CO, LTD., Ltd. and Hung He Development CO, LTD in December 2018., with the lease period as of January 1, 2018 to December 31, 2028. The lease agreement is based on the Consumer Price Index (CPI) in the sixth, and it adjusts the rent according to the accumulated average CPI increase in the previous year. The Company does not have a preferential purchase right for the real property at the end of the lease term. The rent is the monthly payment.

	Dec. 31, 2019	
	Right-of-use assets	lease liabilities
Formosan Construction Corp. (Taiwan)	\$ 9,212	\$ 9,262
Eurogear Corporation	8,834	8,881
Chen Hsi Investment CO, LTD	18,756	18,857
Hung He Development CO, LTD	9,595	9,647
Total	\$ 46,397	\$ 46,647

	Dec. 31, 2019	Dec. 31, 2018
Refundable deposits	\$ 1,167	\$ 1,167

	2019	2018
Interest expense	\$ 534	\$ —
Depreciation expense	\$ 5,155	\$ —
Rental expense	\$ —	\$ 5,440

C.As of December 31, 2019 and December 31, 2018, the ownership of book amount are respectively NT\$94,241 thousand and NT\$94,553 thousand for the farmland at Dahu Section, which are held under the name of the major management of the Company. Its ownership certificate is under custody of the Company, and its pledge is set to the Company for security purpose.

(3) Reward to major management

The remuneration information to board directors and other major management members shall be as follows:

	2019	2018
Short-term benefits	\$ 50,479	\$ 48,441
Retirement benefit	610	666
Total	\$ 51,089	\$ 49,107

32. Pledged assets

The following assets are already provided to serve for guarantee of financial industry loans, material purchase and international logistics business, with the book amounts as follows:

	Dec. 31, 2019	Dec. 31, 2018
Construction project —Real estate under construction	\$ 1,960,691	\$ 1,955,191
Other financial assets	20,000	20,000
Property, plant and equipment	287,640	287,640
Investment property - house and land	192,872	200,219
Total	\$ 2,461,203	\$ 2,463,050

33. Material contingent liabilities and unrecognized contract promise: None

34. Important disaster loss: None

35. Important subsequent events

The Company in order to maintain company credit and shareholders' equity, bought back 20,000thousand shares of the Company from open market through resolutions of the board on March 20, 2020, with the scheduled buy-back period as March 23, 2020 to May 22, 2020, and the buy-back price range as \$13 to \$18; besides, if the stock price dropped below the lower limit of buy-back price range as \$13, shares could be still be bought back.

36. Additional disclosed items

(1) Information regarding the material transaction items

A. The status of lending capital to others: None

B. The status of endorsement and guarantee for others:

No. (note 1)	Company name of the endorsement / guarantee provider	Recipient of the endorsement/ guarantee		Endorsement / guarantee quota for individual enterprise (note 3)	Max. balance of the endorsement/ guarantee this period	Ending balance of the endorsement/ guarantee	Actual drawing amount	The endorsement / guarantee amount guaranteed by properties	Percentage of accumulated endorsement / guarantee amount in net value of the latest financial statements	Max. limit of the endorsement / guarantee (note 3)	Endorsement / guarantee from parent company to subsidiary	Endorsement / guarantee from subsidiary to parent company	Endorsement / guarantee to Mainland China
		Company name	Relation										
0	The Company	950 Property LLC	Note 2	\$ 1,620,996	\$ 825,378 (USD26,054)	\$ 784,995 (USD26,054)	\$ 63,424 (USD2,105)	—	7.26%	\$ 3,241,992	—	—	—

Note 1: The explanation for the number column is as follows:

(1) Put “0” for the company.

(2) Put the serial No. starting from 1 for the investees by company category.

Note 2: The relationships between endorsement/ guarantee provider and recipient: A company that is endorsed by each of the contributing shareholders in accordance with their shareholding ratio because of the joint investment relationship.

Note 3: According to the Operating procedures of endorsement and guarantee for others, the Company’s endorsement/ guarantee total amount should be no more than 30% of this company’s net value, and its endorsement/ guarantee amount to an individual enterprise should be no more than 15% of the Company’s net value.

Note 4 : US\$1 = NT\$30.13

C. The status of securities held at the end of the period

Name of this Company	Type and name of securities	Relation with securities issuer	Item listed on book	The end of the period				Remarks
				Share / unit numbers	Book value	Ratio of share holding %	Fair value	
The Company	SinoPac Financial Holdings Company Limited - Stock		Financial assets at fair value through other comprehensive income - current	35,969,700	467,606	0.32	\$ 467,606	
	Nan Ya Plastics Corporation - Stock		"	3,847,900	280,127	0.05	280,127	Note
	Formosa Chemicals & Fibre Corporation - Stock		"	4,599,170	402,427	0.08	402,427	Note
	Far Eastern New Century Corporation - Stock		"	4,101,761	122,438	0.08	122,438	
	Far Eastern Group - Stock		"	5,266,447	137,191	0.37	137,191	Note
	Far East Tone Telecommunications Co., Ltd. - Stock		"	2,007,000	144,705	0.06	144,705	Note
	Formosa Plastics Corporation - Stock		"	583,000	58,183	0.01	58,183	
	Huaku Development Co., Ltd. - Stock		"	1,280,000	118,528	0.46	118,528	
	E. SUN Financial Holding Co., Ltd. - Stock		"	1,510,076	42,131	0.01	42,131	
	ASUSTeK Computer Inc. - Stock		"	200,000	46,300	0.03	46,300	
	WPG Holdings - Stock		"	283,600	11,089	0.02	11,089	
	TSEC Corporation - Stock		"	5,984,888	45,485	1.58	45,485	
	Formosa Petrochemical Corp - Stock		"	1,678,000	163,605	0.02	163,605	
	Shine More Technology Materials Corporation., Ltd. - Stock		"	1,158,250	4,228	1.52	4,228	
	Fubon Securities Co., Ltd.		"	690,000	6,493	0.28	6,493	
	Continental Holdings Corp. (CHC) - Stock		"	2,205,000	29,326	0.27	29,326	

Name of this Company	Type and name of securities	Relation with securities issuer	Item listed on book	The end of the period				Remarks
				Share / unit numbers	Book value	Ratio of share holding %	Fair value	
The Company	Pegatron Corporation- Stock		Financial assets at fair value through other comprehensive income - current	635,000	43,434	0.02	\$ 43,434	
	Brightek Optoelectronic Co., Ltd.- Stock		Financial assets at fair value through other comprehensive income - non-current	267,241	3,736	0.44	3,736	
	Eslite Corporation- Stock		"	1,604,379	16,792	1.65	16,792	
	Yu Chi Venture Investment Co., Ltd.- Stock		"	2,700,000	29,106	10.00	29,106	
	Formosan Chemical Industrial Co.- Stock		"	22,516	14,030	2.25	14,030	
	Formosan Glass & Chemical Industrial Co.- Stock		"	10,000	4,712	5.13	4,712	
	Tai Yang Co., Ltd. - Stock		"	111,395	7,415	1.24	7,415	
	Formosan Rubber Group Inc. (Ningpo)- Stock	Chairman of Formosan Rubber Group Inc. (Ningpo) is the brother to Chairman of Formosan Rubber Group Inc.	"	—	19,600	12.86	19,600	
Tashee Golf & Country Club - preferred stock		"	1	14,400	—	14,400		
Ban Chien Development Co., Ltd.	SinoPac Financial Holdings Company Limited - Stock		Financial assets at fair value through other comprehensive income - current	42,062,322	546,810	0.37	546,810	
	CHONG HONG CONSTRUCTION CO., LTD. - Stock		"	560,000	45,528	0.19	45,528	
FRG US Corp.	TRIMOSA HOLDINGS LLC- Equity		Financial assets at fair value through other comprehensive income - non-current	—	448,037	14.67	448,037	

Note: The situation of being provided to financial loan business trust in detail is shown as in Note 8.

- D. The same securities in which the accumulated amount of buying or selling reached NT\$300 million or was more than 20% of the paid-up capital: None
- E. The amount acquiring real estate which reached NT\$300 million or was over 20% of the paid-up capital: None
- F. The amount disposing property which reached NT\$300 million or was over 20% of the paid-up capital: None
- G. The amount of purchases or sales from or to related parties which reached NT\$100 million or was over 20% of the paid-up capital:
None
- H. The amount of related party receivables which reached NT\$100 million or was more than 20% of the paid-up capital: None
- I. Information regarding transactions of derivative financial products: None
- J. Business relations, important transaction current conditions between the parent company and its subsidiaries: None

(2) Related information to re-investment businesses

Investing company	Investee	Area	Business items	Original investment amount		Holding at the end of the period			Investee's profit (loss) of current period	Investment profit (loss) recognized current period	Remarks
				End of period for current period	End for last year	Share	Ratio (%)	Book value			
The Company	Ban Chien Development Co., Ltd.	Taiwan	Consign a contractor to build residential and commercial building for lease and sale	\$ 560,000	\$ 560,000	56,000,000	100.00	\$ 647,674	\$ 26,002	\$ 26,002	Subsidiary
	Da-Guan Recreation Company	Taiwan	Trading on golf driving range, playground, sports equipment	63,007	63,007	4,800,000	80.00	(4,069)	(33)	(26)	Subsidiary
	KINGSHALE INDUSTRIAL LIMITED	Hong Kong	Investment	34	34	9,999	99.99	—	—	—	Subsidiary
	FRG US Corp.	U.S.A.	Real estate investment, development and rental and sales of premises.	460,142	221,224	7,506,000	100.00	448,196	(739)	(739)	Subsidiary
	Formosan Construction Corp. (Taiwan)	Taiwan	Consign a contractor to build commercial building and public housing for lease and sale	75,979	75,979	7,597,927	26.20	38,843	5,723	2,028	
	Fenghe Development Co., Ltd.	Taiwan	Consign a contractor to build residential and commercial building for lease and sale	59,850	59,850	3,990,000	39.90	32,009	10,496	4,188	
	Rueifu Development Co., Ltd.	Taiwan	International trade, investment consultancy, office building for lease and building/land brokerage.	483	483	48,260	48.26	6,712	2,195	1,060	

(3) Information of the investment in China: None

37. Department information

The Company has provided the operating segments disclosure in the consolidated financial statements.

VI. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation: None.

VII. A Review and Analysis of the Company's Financial Status and Financial Performance, and a Listing of Risks

- I. Financial Status
- II. Financial Performance
- III. Cash Flow
- IV. Material Capital Expenditures in the Latest Year and Impact on Business Performance
- V. Investment policy for the most recent fiscal year, the main reasons for the profits or losses, improvement plans, and investment plans for the coming year
- VI. Risk Analysis
- VII. Other Important Matters

VII. A Review and Analysis of the Company's Financial Status and Financial Performance, and a Listing of Risks

I. Financial Status Analysis:

Unit: NT\$ thousand

Item \ Year	2018	2019	Difference	
			Amount	%
Current Assets	9,877,351	8,575,654	(1,301,697)	-13.18%
Property, Plant and Equipment	942,204	891,585	(50,619)	-5.37%
Other Assets	3,304,535	3,512,195	207,660	6.28%
Total Assets	14,124,090	12,979,434	(1,144,656)	-8.10%
Current Liabilities	3,544,274	1,919,580	(1,624,694)	-45.84%
None Current Liabilities	220,894	254,232	33,338	15.09%
Total Liabilities	3,765,168	2,173,812	(1,591,356)	-42.27%
Shares	3,700,000	3,500,000	(200,000)	-5.41%
Capital reserve	492,836	466,463	(26,373)	-5.35%
Retained Earnings	6,473,080	6,672,834	199,754	3.09%
Other Equity	(44,611)	167,342	211,953	-475.11%
Treasury Stock	(261,373)	0	261,373	-100.00%
Non-Controlling Interest	(1,010)	(1,017)	(7)	0.69%
Total Equity	10,358,922	10,805,622	446,700	4.31%

(I) Analysis of Changes:

1. Current Liabilities: Mainly due to the continuous sales of construction project of “Bridge Upto Zenith”, and “Legend River”, and the completion and handover of “55Timeless” resulting in a decrease in short-term loan by NT\$1,160,000 thousand and short-term notes payable by NT\$320,095 thousand.
2. Other equity: Mainly due to the increase of unrealized gains or losses on financial assets, other equity at FVTOCI.
3. Treasury Stock: Mainly due to the maintenance of the Company’s credit and the right and interest of our shareholders, the Company enforced the 22nd and 23 repurchases of shares and treasury stock purchased was cancelled on February 15, 2019.

(II) Future response plans:

The changes in total liability in the past 2 years are mainly due to the continuous sales of construction project of “Bridge Upto Zenith”, and the completion and handover of “55Timeless” resulting in a decrease in short-term loan and short-term notes payable. With the cash flows from the continuous selling of “various constructions and the completion and handover of “La Bella Vita” in 2020. The funds generated from the construction projects will be used and invested effectively and the bank loans and liabilities will be paid off to strengthen the financial structure in order to protect the rights and interests of shareholders.

II. Financial statements:

(I) Comparison Analysis of Operation Results:

Unit: NT\$ thousand

Item \ Year	2018	2019	Increase (decrease) Amount	Change %
Operating income	1,373,818	2,701,777	1,327,959	96.66%
Operation Cost	1,043,338	2,040,089	996,751	95.53%
Operating margin	330,480	661,688	331,208	100.22%
Operating Expenses	229,285	237,875	8,590	3.75%
Operating Profit	101,195	423,813	322,618	318.81%
Non-Operating Income and Expenses	159,232	128,874	(30,358)	-19.07%
Pre-Tax Income	260,427	552,687	292,260	112.22%
Income Tax Expense	44,632	13,737	(30,895)	-69.22%
Net Income for Continuing Operation	215,795	538,950	323,155	149.75%

Analysis of Increase and Decrease Changes:

1. The increase in operating income, operating cost, operating margin and operating profit is mainly due to continuous handover of the apartments of the “World Garden - Bridge Upto Zenith”, and “Legend River”, and “Legend River” and the completion and handover of the “55Timeless” recognized as income.

- (II) The possible impact and response plans regarding the expected sales volume and their basis:

The Company focuses on the adjustment of production structure and manufacturing process, allowing the Company’s existing production system meet the needs of the market; the Company is also dedicated to the control of the production quality while improving the efficiency of operation and decreasing production impairment, so that the efficiency of reducing production cost can be achieved and the impact of the price rise of global raw materials can be eliminated. We also constantly invest in developments of new products and technologies, expand international marketing channel bases and diversify the market and products to increase the added value of the products. With the diversified management of construction business and warehouse business, we hope that the operation of the Company will continue to grow.

III. Cash Flow:

(I) Analysis of cash liquidity in recent years:

Unit: NT\$ thousand

Opening cash balance ①	Net cash flow from operating activities for the entire year ②	Net cash flow for the entire year ③	Cash remaining ①+②+③	Remedies for cash deficits	
				Investment plans	Financial plans
812,174	1,783,085	(1,638,973)	956,286	-	-

1. Analysis of changes in cash flows this year:

- (1) Operating activities: Mainly due to the continuous sales of construction project of “Bridge Upto Zenith”, and “Legend River” and the completion and handover of “55Timeless”, resulting in net cash flows from operating activities.
- (2) Investment activities: Mainly due to the acquisition of financial assets and disposal of other financial assets at FVTOCI.
- (3) Financing activities: Mainly due to the continuous sales of construction project of “Bridge Upto Zenith”, and “Legend River” and the completion and handover of “55Timeless” and the repayment of short-term loans, short-term notes payable and distribution of cash dividends.

2. Expected remedies for cash deficits and liquidity analysis: Not applicable.

(II) Analysis of liquidity for the past 2 years:

Item	Year	December 31, 2018	December 31, 2019	Increase (decrease) Ratio
Cash Flow Ratio		11.98	92.89	675.38%
Cash Flow Adequacy Ratio		87.83	63.93	-27.21%
Cash Flow Reinvestment Ratio		1.53	12.38	709.15%

Analysis of Increase and Decrease Changes:

Cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio:

Net cash flows of operating activities increased by a large margin in this period mainly due to the continuous sales of construction project of “Bridge Upto Zenith”, and “Legend River” and the completion and handover of “55Timeless”.

(III) Cash liquidity analysis for the coming year

Unit: NT\$ thousand

Opening cash balance①	Expected net cash flow from operating activities for the entire year ②	Expected net cash flow for the entire year ③	Expected cash remaining ①+②+③	Expected remedies for cash deficits	
				Investment plans	Financial plans
956,286	2,228,897	(1,490,000)	1,695,183	-	-

1. Analysis of changes in cash flows in 2020:

(1) Operating activities: Mainly due to the expected sales and construction projects of residential apartments and land received in the account.

(2) Investment and financing activities: Mainly due to the purchase of financial assets and distribution of cash dividends for shareholders in 2019 and repayment for the bank loans.

2. Expected remedies for cash deficits and liquidity analysis: Not applicable.

IV. Material Capital Expenditures in the Latest Year and Impact on Business Performance: None.

V. Investment policy for the most recent fiscal year, the main reasons for the profits or losses, improvement plans, and investment plans for the coming year:

Description Item	Amount	Policy	Main reason for profit or loss	Improvement plan	Other future investment plans
FRG US CORP.	Investment Cost NTD\$460,142 thousand	Real estate investment, development and rental	Loss of NT\$739 thousand this period	None	None

VI. Risk Analysis:

(I) The impact of interest rate, exchange rate changes, and inflation on the Company's profit and loss and future corresponding measures:

1. Interest rate:

- (a) The life cycle of the Company is currently classified as the “mature period”. With the fierce competition in the industry and land developments, we aim to reach the goal of staying stable, sustainable management and continuing to maintain a low debt ratio. In 2019, the financial expenses totaled approximately NT\$19,630 thousand, a decrease compared to 2018.
- (b) In the future, we will continue to uphold the aim of business management of staying stable and sustainable management as well as maintaining a low debt ratio. However, in terms of interest trends, we will constantly keep a close eye and collect market information for reference.

2. Exchange rate:

- (a) The Company's export ratio for 2019 accounted for approximately 71% of its sales income and the income was mainly based on USD/HKD; the Company's raw material imports were also paid in USD.
- (b) The Company's gain or loss in exchange rates in the past 2 years: In 2018, the exchange rate loss totaled NT\$23,691 thousand; in 2019, the exchange rate loss totaled NT\$2,641 thousand.
- (c) In the future, we will continue to observe closely on the trends of exchange rates and collect domestic and overseas market information. Use timely foreign exchange and other hedging tools to focus on exchange rate in order to reduce the impact of exchange rate changes on the Company.

3. Inflation

The weakening crude oil prices, unstable situation of the financial market, and the continuous decline in the USD exchange rate against major currencies are crucial matters for the price fluctuations of raw materials in the world. The Company's main raw materials for rubber and plastic manufacturing (including PVC, DOP, natural rubber, raw fabrics, etc.) have also been affected by the price fluctuation and exchange rate. As a means to handle the manufacturing costs considering the market competitiveness, the selling price of the Company's products will be adjusted accordingly in order to ease the impact of cost fluctuation for raw materials. In the future, we will persist on observing the price changes of raw materials and make adjustments to operation strategy any time in a bid to cope with the pressure of rising costs, ensuring a reasonable profit.

(II) Main reasons and future corresponding measures of policies for engaging in highly risky and highly leveraged investments, lending funds to others, endorsements and guarantees and derivatives transactions:

(1) Engagement in highly risky and highly leveraged investments:

The Company focuses on relevant investments on rubber and plastic manufacturing, construction and warehouses; therefore, is not involved in highly risky and highly leveraged investments.

- (2) “Lending funds to others,” “endorsements/guarantees,” and “derivatives transaction”:
 - (a) As required by relevant measures, the Company has established the “Operational Procedures for Lending Funds to Others” and “Handling Procedures of Enforcements/Guarantees” and a dedicated unit is in charge of the risk and control assessment. At the same time, the Company’s audit office conducts an assessment on a monthly basis and compiles a report in accordance with the “Regulations Governing Establishment of Internal Control Systems by Public Companies” issued by the Securities and Future Bureau.
 - (b) Procedures regarding derivatives transaction have been stipulated in the Company’s “Regulations Governing the Acquisition and Disposal of Assets”, and the Company’s audit office conducts an assessment on a monthly basis and compiles a report.
 - (c) The Company’s “lending funds to others” in 2019 totaled NT\$0; there were no derivatives transactions; the balance of “endorsements and guarantees” totaled NT\$784,995 thousand.
- (III) The future R&D plans and estimated R&D investment expenses:
Please refer to Chapter 5, Section 1 (3) “The process of the future R&D plans and estimated R&D investment expenses for Formosan Rubber Group Inc.”
- (IV) Impact on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response: None.
- (V) Impact on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response: None.
- (VI) Impact on the company's crisis management of changes in the company's corporate image, and corresponding measures to be taken in response: None.
- (VII) Expected benefits and possible risks associated with any merger and acquisitions, and corresponding measures being or to be taken: None.
- (VIII) Expected benefits and possible risks associated with any plant expansion, and corresponding measures being or to be taken: None.
- (IX) Risks associated with any consolidation of sales or purchasing operations, and corresponding measures being or to be taken: None.
- (X) Impact upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed

hands, and corresponding measures being or to be taken: None.

(XI) Impact upon and risk to company associated with any change in governance personnel or top management, and corresponding measures being or to be taken: None.

(XII) Litigious and non litigious matters; the directors, supervisors, general managers and substantial principals of the Company, the majority shareholders and affiliated companies with a shareholding ratio of more than 10% have been determined or are included in the lawsuit; non litigation or administrative litigation results may have a significant effect on the Company's shareholders' equity or securities price as of the publication of the annual report: None

I. The confirmation of the invalidity on the case of Formosan Glass Co., Ltd. resolved by the 2014 special shareholders' meeting:

After the case was returned to the Supreme Court for retrial, the Taiwan High Court ordered a retrial. The High Court adopted the Supreme Court's opinion according to Article 177 of the Company Act, and ruled the request of the Company as groundless reason on September 18, 2019. Considering that Formosan Glass Co., Ltd. has had a by-election of directors and supervisors, and there was no substantial benefit in continuing litigation, the appeal was therefore dropped. The case was confirmed on October 28, 2019.

II. The case of Zhuang Feng-Long and Zhuang Guo-Tang's house demolition:

1. The Company purchased the land at No. 964, Qiaoshui Section in Longtan Taoyuan in 1987 for NT\$4,999,900 with an area of 2,057 pings (6800 square meters). Due to the land being agricultural land, it was not able to be transferred to the Company, so it was temporarily registered under Zhuang Guo-Tang. However, an area of 65 pings (215 square meters) at No. 963 was missed at the time of purchase which was still possessed by Zhuang Feng-Long and Zhuang Guo-Tang. The location is at the front of the Taoyuan plant shipping terminal. In February 2018, Zhuang Guo-Tang and other people appealed to the court to demolish the house for the land on No. 693 and is currently on trial at the Taoyuan District Court Zhongli Court.
2. Since the case started in May 2018 till now, there have been 6 mediations and 5 court hearings. With the judge's persuasion for a settlement, the Company is intending to purchase the land from Zhuang Feng-Long and Zhuang Guo-Tang. Relevant transaction terms and conditions are being coordinated.

(XIII) Other important risks and corresponding measures:

Information security and risk control:

The Company has always been dedicated to enforcing information security and personal information protection control, and has established clear and strict internal control system to ensure that the information assets which belong to the Company are not illegally accessed or exposed, the information is not inappropriately altered or destroyed at any stage and that

the user who is legally authorized can access the required information in a timely manner.

In order to strengthen information security management, aside from the strict information security requirements of network structure, the Company carries out continuous improvement or increase corresponding preventive measures on the constant changing internal or external potential and possible threats as corresponding measures.

The Company has a comprehensive backup mechanism for operation system and files and carries out regular necessary data, software backup and backup operations, to ensure that even if when an accident in relation to any information security occurs, normal operation can resume quickly maintaining the availability and completion of information and the system.

Through annual review and assessment its network safety regulations and procedures, the applicability and effectiveness can be ensured, although the Company cannot guarantee that it will be spared by new risks and attacks in the constant changing network security threats. In 2019 and as of the end of the publication date of the annual report, the Company has not had any cyber attacks or incidents that posed significant adverse impact on the Company's business and operations.

VII. Other Important Matters:

The evaluation basis and basis of the presentation method of assets and liabilities evaluation items:

1. Allowance for bad debts:

The main reason for the Company's allowance for bad debts is the evaluation on the possibility of the return of accounts receivable and overdue receivables. Based on the factors of the aging analysis and credit rating and economic condition in terms of customers' accounts receivable and overdue receivables, the Company regularly evaluates the possibility of the return of collectables and overdue receivables. The Company's basis for accounts receivable aging ratio is as following:

Days past due	accounts receivable ratio	
	Domestic sales	Overseas sales
0 days	2%	2%
1-90 days	5%	2%
91-180 days	20%	10%
181-365 days	50%	50%
Above 365 days	100%	100%
	Notes receivable ratio	
0-365 days	1%	

2. Allowance to reduce inventory to market

Inventories include raw materials, finished products and work-in-progress. These are evaluated based on the lower of cost and market price (net realizable value); excess materials are provided for offsetting price loss. When the comparative cost is lower than the market price (net realizable value), it is based on individual items except for inventories of the same category. The cost of inventory is calculated using the monthly weighted average method.

Market price basis: raw materials refer to replacement costs, and finished products and work-in-progress are net realizable values.

VIII. Special Disclosures

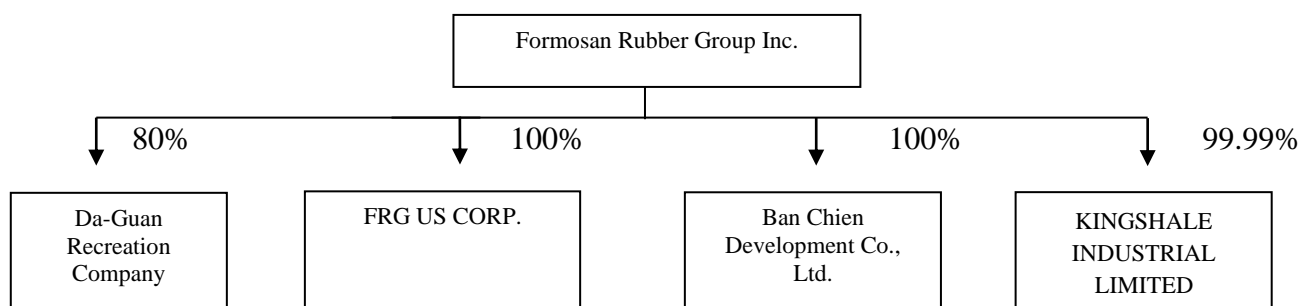
- I. Information relating to the Company's affiliates
- II. Transaction about the company's private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of the publication of the annual report
- III. Holding or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report
- IV. If any of the situations listed in Article 36, paragraph 3 subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report
- V. Other matters that require additional explanation

VIII. Special Disclosures

I. Information relating to the Company's affiliates:

(I) Consolidated Business Reports of Affiliated Enterprises:

1. Organizational table of affiliates:



2. Basic information of affiliates:

Unit: NT\$ thousand

Company Name	Date of Establishment	Address	Paid-In Capital	Main business or Production
Da-Guan Recreation Company	April 3, 1990	2F, No. 102 Chong'an Street, Sanchong District, New Taipei City	60,000	Golf practice range, amusement parks Buying and selling of sports equipment
Ban Chien Development Co., Ltd.	November 7, 2003	7th Floor, No. 82, Section 1, Hankou Street, Taipei	560,000	1. Department stores, retails, wholesales, warehouses 2. Development of leases and sales of residential or business buildings 3. Building management consultant 4. Residential and cleaning management services 5. Agency Services
FRG US CORP.	October 20, 2017	10750 Johnson Ave, Cupertino, California 95014	460,142	Real estate investment, development and rental
KINGSHALE INDUSTRIAL LIMITED	February 14, 1989	14/F., Kam Fung Commercial Building, Nos.2-4 Tin Lok Lane, Wanchai, Hong Kong.	34	General investment

3. Shareholders presumed to have control and subordinate relationship with the same information: None

4. The overall relationship between business enterprises covered by the industry:

The businesses of the Company and its affiliates include: manufacturing and sales of rubber and synthetic leather, edge synthetic leather, sports and entertainment, special chemical products, warehouse and logistics, and construction.

5. Information on directors, supervisors and presidents of affiliates:

Unit: NT\$ thousand; share; %

Company Name	Title	Name of Representative	Shares Owned	
			Shares	Shareholding Ratio
Da-Guan Recreation Company	Chairperson/President	Formosan Rubber Group Inc.	4,800,000	80%
	Director	Representative: Hsu Zhen- Qun Formosan Rubber Group Inc.	4,800,000	80%
	Supervisor	Representative: Hsu Zhen-Tsai, Hsu Mei-Zhi Hsu Zhen-Xin	2,000	0.03%
Ban Chien Development Co., Ltd.	Chairperson/President	Formosan Rubber Group Inc.	56,000,000	100%
	Director	Representative: Hsu Zhen-Tsai Formosan Rubber Group Inc.	56,000,000	100%
	Supervisor	Representative: Hsu Zhen-Qun, Hsu Mei-Lun, TangKun-Cheng Formosan Rubber Group Inc.	56,000,000	100%
FRG US CORP.	Director	Formosan Rubber Group Inc.	7,506,000	100%
	Director	Representative: Hsu Zhen-Ji Formosan Rubber Group Inc.	7,506,000	100%
KINGSHALE INDUSTRIAL LIMITED	Director	Formosan Rubber Group Inc. Representative: Hsu Zhen-Tsai, Hsu Zhen-Ji, Hsu Zhen-Qun	9,999	99.99%

6. Operational overview of affiliates:

Unit: NT\$ thousand

Company Name	Capital	Total Assets	Total Liabilities	Net income	Operating income	Operating Profit (loss)	Current Profit and Loss (after tax)	EPS (NT\$) (after tax)
Da-Guan Recreation Company	60,000	1,232	6,318	(5,086)	0	(33)	(33)	(0.01)
Ban Chien Development Co., Ltd.	560,000	648,384	709	647,675	0	(2,357)	26,003	0.46
FRG US CORP.	460,142	448,199	3	448,196	0	(714)	(739)	(0.10)
KINGSHALE INDUSTRIAL LIMITED	34	0	0	0	0	0	0	0.00

(II) Consolidated Financial Statements of Affiliated Enterprises: Please refer to Consolidated Financial Statements of the Parent and Subsidiaries for the most Recent Year Audited by the CPA” in the “V. An Overview of the Company’s Financial Status”.

(III) Consolidated Business Reports of Affiliated Enterprises: None.

II. Transaction about the company’s private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

III. Holding or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

IV. If any of the situations listed in Article 36, paragraph subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

V. Other matters that require additional explanation: None.

Formosan Rubber Group Inc.

Chairperson: Hsu Zhen-Tsai