

Stock Code: 2107



# **Formosan Rubber Group Inc.**

# **2023 Annual Report**

The information declaration website designated by the FSC: MOPS<http://mops.twse.com.tw/>  
Website of the company's annual report: <http://www.frg.com.tw/>

**Printed on May 21, 2024**

**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.**

**I. Spokesperson or deputy spokesperson information:**

Spokesperson

Name: Huang Hui-Xian

Title: Assistant managerial officer

Telephone: (02)2370-0988

Email: judy8588@ms9.hinet.net

Deputy spokesperson

Name: Zheng Sheng-Yuan

Title: Manager, Management Department and Construction Department

Telephone: (02)2370-0988

Email: shengyuan126@gmail.com

**II. Addresses and Telephones of the Head office, Branches and Plants:**

Head Office

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

Telephone: (02)23700988

FAX: (02)23123313

Taoyuan Plant

Address: No.1, Chaofeng Road, Sanhe Vil, Longtan District, Taoyuan

Telephone: (03)4893456

FAX: (03)4893476

Nankan International Logistics Center:

Address: 2F, No.53, Hou-sheng Rd, Lu-chu Dist., Taoyuan City

Telephone: (03)3216533

FAX: (03)3216433

**III. Share administration agency:**

Taishin Securities Co., Ltd

Address: B1, No. 96, Sec. 1, Jianguo N. Rd., Taipei City

Website: [www.tssco.com.tw](http://www.tssco.com.tw)

Telephone: (02)25048125

**IV. CPAs for the most recent Independent External Auditor's Report:**

Name of the CPAs: Lai Chia-Yu, Lai Yong-Ji

Name of the Accounting Firm: Baker Tilly Clock & Co Clock & Co.

Email: clockcpa@ms35.hinet.net

Address: (Top floor) 14F., No. 111, Sec. 2, Nanjing E. Rd., Taipei City

Telephone: (02)25165255

**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

VI. Company's website: <http://www.frg.com.tw/>

# Table of Contents

<b>One. Letter to Shareholders .....</b>	<b>1</b>
<b>Two. Company Profile .....</b>	<b>13</b>
I. Company Profile .....	14
<b>Three. CORPORATE GOVERNANCE REPORT .....</b>	<b>18</b>
I. Organizational System .....	19
II. Background information of directors, president, Vice Presidents, assistant managerial officers, and the chief of various departments and branches .....	22
III. Remuneration packages for directors (including independent directors), general manager and deputy general managerial officers.....	33
IV. Implementation of Corporate Governance.....	40
(I) Functionality of the Board of Directors .....	40
(II) Evaluation of the Board of Directors .....	43
(III) Operation and key tasks of the Audit Committee.....	45
(IV) Corporate governance execution status and deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" ...	49
(V) Independence evaluation of CPAs.....	56
(VI) The Composition, Duties and Operation of the Remuneration Committee ....	59
(VII) The implementation status of sustainable development premonition and deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies, as well as the reasons; TWSE/TPEX-listed companies shall disclose climate-related information. ....	64
(VIII) 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: .....	74
(IX) If the Company established the corporate governance guidelines and related articles, please disclose the inquiry method .....	79
(X) Other important information that is sufficient to enhance the understanding of the operation of corporate governance.....	79
(XI) Items shall be disclosed in the implementation status of the internal control system.....	86
(XII) If there has been any legal penalties against the company or its internal personnel or any disciplinary penalties by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the results of such penalties could have a material effect on shareholder equity or securities	

prices, the annual report shall disclose the penalty, the main shortcomings and condition of improvement:.....	88
(XIII) Major resolutions at shareholders meetings and Board of Directors meetings in most recent year and as of the publication date of the annual report .....	88
(XIV) Any other documented objections or qualified opinions raised by directors against board resolutions in relation to matters, and their content in most recent year and as of the publication date of the annual report.....	94
(XV) Resignation or discharge of chairperson, president and managerial staff of accounting, finance, internal audit, chief corporate governance officer and research and development in most recent year and as of the printed date of the annual report.....	94
(XVI) Risk Management Policy and Organizational Structure of Formosan Rubber Group Inc.....	94
V. Professional fees of the attesting CPAs.....	96
VI. Change of CPA .....	97
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 .....	98
VIII. Changes in shareholding and shares pledged by directors, managerial officers and shareholders with 10% shareholdings or more in most recent year and as of the publication date of the annual report .....	99
IX. Top 10 shareholders who are related parties, spouses, or within second-degree of kinship to each other.....	100
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.....	102
<b>Four. Funding Status.....</b>	<b>105</b>
I. Capital and Shares: .....	106
II. Corporate Bonds .....	114
III. Preferred Stocks: .....	114
IV. Global Depository Receipts .....	114
V. Employee Stock Options .....	114
VI. New Restricted Employee Shares .....	114
VII. New Shares Issued for Merger or Acquisition (including mergers, acquisitions, and demergers) .....	114
VIII. Progress on Planned Use of Capital .....	114

<b>Five. Operational Highlights .....</b>	<b>115</b>
I. Business Activities.....	116
(I) Scope of Business .....	116
(II) Industry Overview .....	117
(III) Technology and R&D Status and the Progress of Future Plans and Estimated Investment Expenses .....	120
(IV) Long-Term and Short-Term Business Development Plans .....	123
II. Market and Production and Sales Overview .....	125
(I) Market Analysis .....	125
(II) Important Uses and Production Process of Major Products .....	133
(III) Supply Situation for Major Raw Materials .....	133
(IV) The Major Customers that Accounted for more than 10% of the Total Procurement (sales) of Goods in any of the Past 2 Years and the Amount and Proportion of the Goods Sold .....	135
(V) Production Volume and Value in the Last 2 Years .....	137
(VI) Sales Volume in the Last 2 Years .....	137
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 .....	138
IV. Expenditure for Environmental Protection .....	139
V. Labor Relations and Employee Rights .....	139
(I) Various aspects of employee welfare measures, continuing education, job training, retirement system and its implementation .....	139
(II) Labor Disputes.....	142
(III) Education and Training System for Employees and its Implementation .....	142
(IV) Code of Conduct or Ethics for Employees .....	148
(V) Workplace and employees' safety protection measures: .....	149
VI. Information security management .....	151
VII. Important contracts .....	152
<b>Six. An Overview of the Company's Financial Status .....</b>	<b>153</b>
I. Condensed balance sheets and comprehensive income statements for the past 5 fiscal years .....	154
II. Finance analysis for the past 5 fiscal years.....	158
III. Audit committee review report of the most recent annual financial report.....	162
IV. Financial report for the most recent fiscal year.....	163
V. A parent company only financial statement for the most recent fiscal year, certified by a CPA.....	257

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 .....	347
<b>Seven. A Review and Analysis of the Company's Financial Status and Financial Performance, and a Listing of Risks.....</b>	<b>348</b>
I. Financial Status .....	349
II. Financial Performance .....	350
III. Cash Flow.....	350
IV. Financial Impact of Major Capital Expenditures During the Most Recent Fiscal Year.....	351
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 .....	352
VI. Risk Analysis .....	352
VII. Other Important Matters .....	356
<b>Eight. Special Disclosures .....</b>	<b>357</b>
I. Information relating to the Company's affiliates .....	358
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 .....	359
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 .....	359
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 .....	359
V. Other matters that require additional explanation .....	360

# **One. Letter to Shareholders**

## Letter to Shareholders

Dear Shareholders,

In 2023, factors such as high interest rates, high inflation and the underperformance of the post-pandemic Chinese economy led to sluggish global economic demand. This, combined with the expansion of the US-China chip ban, the Russia-Ukraine war and ongoing conflicts in the Middle East, have also had a significant impact on global economic development and social stability. Thanks to the diversified operations, the revenue, margin, and pre-tax incomes of the Company remained stable in 2023. To cope with the relocation of the industrial chain led by the investments of major domestic and foreign companies in Taiwan to build plants and the manufacturers' warehouses have been shifted to Taiwan and Southeast Asian countries. The Company's construction project of logistics warehouse planned in Longtan Smart Park, Taoyuan is expected to be completed this year and bring positive impact to the Company's operating revenue.

Looking ahead to 2024, although the economies of the United States and China face unfavorable factors, other major economies such as Europe are expected to show signs of recovery. The economic performance of emerging markets and developing economies is anticipated to stabilize and grow steadily. Furthermore, with our company's continuous efforts to enhance the diversification of logistics services and improve product performance in 2024, the Company holds a cautiously optimistic view on the business outlook for the year.

Meanwhile, the Company will continue to enforce expanding business scopes as follows: I. Rubber manufacturing: through the investment and upgrade of equipment to improve the functions of products, while continuously developing new products and innovating the new market applications; II. 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; III. Construction and development: flexibly operating various strategies to sell the completed construction project steadily, and suitable individual projects and land with potential profits will be sought out for development actively.

The overall 2023 operating revenue, gross profit, and pre-tax profit declined year-on-year, mainly due to the fact that the Company did not have completed project to be recognized in 2023, and the government policies resulted in a decrease in construction revenue. It is to report the consolidated business results of FRG in 2023 and the summary of the business plan for 2024 to all shareholders as follows:



## One.2023 Consolidated business performances

### I. Performance of business plan implementation

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

Unit: thousand

Item	2023	2022	Increase and decrease amount	Increase and decrease %
Operating income	1,359,718	1,937,243	(577,525)	(29.81) %
Operating margin	420,611	625,209	(204,598)	(32.72) %
Pre-Tax Income	592,200	830,297	(238,097)	(28.68) %

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

Reserved units apartments at “Qiao-Feng” and “Qian-Yue”. 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”

The MRT Circular Line commenced the operation, and the development of the Yangbei Replanning Area, the market has gradually recovered and the selling rate has stabilized.

(IV) “55Timeless” Project in Taipei City

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. Sales of units of large size and higher prices are soaring due to the following factors: preference of high end customers attracted by good construction quality and word of mouth; funds back to Taiwan to get away from Sino-US conflicts are prominent. With the Company’s flexible use of strategies, the apartments continued selling.

(V) “La Bella Vita” Project in Taichung City

The real estate market of the 7th Phase, Taichung City is very active, and thus the selling prices are stabilized. The major selling point of “La Bella Vita” is planned to be the real model house designed for “La Bella Vita” specifically by the architecture Antonio Citterio and renowned cabinet brand, to increase the sales synergy with cross-industry alliance.

(VI) FRG Bridge Upto Zenith Business Plaza

FRG Qiao Feng 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 the infant care center, Bell’s HOUSE. The occupancy rate is 100%. FRG Qiao Feng Business Plaza has become an exquisite business center of Banqiao.

(VII) San Francisco and Hotel Development Project

The subsidiary in the US (FRG US Corp.) was established in 2017Participated in investment construction, with investment in this project accounting for approximately 11.23%. Residential sales were restricted due to the high increase

in US mortgage interest rates, while hotel operations gradually improved, benefiting from sustained brand visibility.

**II. Budget Execution:** No financial projection for year 2024 by FRG is required according to the “Regulations Governing the Publication of Financial Forecasts of Public Companies.”

### III. Analysis of Consolidated financial Income and Expenditure, and Profitability

#### Consolidated financial income and expenditure

Unit: NT\$ thousand

Item \ Year	2023	2022
Net cash inflow (outflow) from operating activities	682,692	(21,411)
Net cash inflow (outflow) from investments	(1,158,593)	(394,776)
Net cash inflow (outflow) from financing activities	(702,078)	187,130

#### Analysis Table of Consolidated Profitability

Item \ Year	2023	2022
Return on Asset (%)	3.85	5.35
Return on Equity (%)	4.28	5.98
Pre-Tax Income to Paid-In Capital (%)	19.51	24.61
Profit Margin (%)	38.16	36.74
EPS after tax	NT\$1.61	NT\$2.09

### IV. Research & Development (R&D)

1. FRG has been investing in R&D and pursuing innovation based on the vision of “Beauty in Creation” committed 72 years ago. What we have achieved in 2023 are:

(1) In 2023, the Company obtained five new "invention" patents in the Republic of China:

[1]	Protective clothing fabric and manufacturing method thereof
[2]	Waterproof and soundproof material and manufacturing method thereof
[3]	Rubber inflatable fabric and manufacturing method thereof
[4]	Rubber film surface printing structure and printing method thereof
[5]	Fuel tank leather manufacturing method

(2) There are eight R.O.C. patent applications pending.

## **Two. Summary of 2024 Business Plan**

### **I. 2024 Business Guideline:**

1. The three management policies for manufacturing industry are: "Innovation," "globalization" and "service."

"Innovation": Make good use of the characteristics of raw materials and appropriately stack and combine existing equipment and process technologies to create new products that meet market requirements and increase corporate profits in real terms.

"International": Actively cultivate international talents and establish a marketing system in major economic regions. Participate in international exhibitions to improve the Company's brand position and expand business.

"Service": Provide high-quality and efficient services to customers through technical teams that work with enthusiasm, actively interact and respond quickly to meet customer needs.

2. The warehouse space rented by the Nankan leasing unit has reached the park's capacity. We will continue to interact closely with customers this year, as well as provide construction services for hardware and software setups, thereby strengthening our relationships with the customers. With the Nankan Logistics Park reaching full capacity, the Company is committed to the Phase I development of Longtan Smart Park in 2024. This phase is planned as a green building warehouse, and we will apply for licenses as Logistics Center Warehouse 3 to serve technology vendors in Nankan and provide quality logistics services for manufacturers. The Company utilize integrated system processes and enhance service models to increase efficiency for customers and create value for manufacturers, thereby driving annual revenue and profit growth.
3. Real estate development and individual projects:
  - (1) The reserved apartments of "Bridge Up to Zenith A+" and "Modesty Home" sold gradually via agents, stabilizing the selling rate at reasonable prices.
  - (2) The development of Xindian "Legend River" is located near the MRT Circular Line and the Yangbei Replanning Area have made the market together, and with the market gradually recovered, the sales have been stable.
  - (3) The "55Timeless" project in Taipei City will catch eye balls of premium customers based on superior architectural quality and technology as well as by unique model house built by well-known international architect. Seeking target customers with flexible operation of sales strategies.
  - (4) For the sales of "La Bella Vita" in Taichung City, the project is featured with the marketing campaign this year, is the real model apartment designed by Antonio Citterio and a renowned cabinet brand.
  - (5) The San Francisco residential and hotel development project has completed in the Q4, 2021. Residential sales were restricted due to the high increase in US mortgage interest rates, while hotel operations gradually improved, benefiting from sustained brand visibility.
  - (6) The reconstruction plan for the unsafe and old building has been completed for the Kaohsiung Ambassador Hotel and is currently undergoing architectural design, environmental impact assessment and urban design review.

## **II. Expected Sales and Their Basis**

1. Years of statistics in Germany suggest that the total global demand for rubber and plastics remain growing slowing; the segments of life-saving, medication, and environment protection are outperforming the remaining ones; FRG is leading in the first two with better technology. Since 2023, major countries' cumulative effects of significant interest rate hikes, underperformance in the post-pandemic Chinese economy and subdued global economic demand have led to a slowdown in manufacturing activities worldwide. Additionally, global geopolitics is moving toward a bloc confrontation, the expansion of the US-China chip ban and conflicts in Ukraine and the Middle East have contributed to uncertainties in global economic development and social stability. Looking ahead to 2024, international forecast institutions anticipate a continued slowdown in the worldwide economy, with expectations of a gradual recovery in global commodity trade. The major economies, such as Europe, are expected to show signs of recovery and stable growth is anticipated in emerging markets and developing economies. Based on the above factors, FRG is targeting to outsell the 8,735 thousand yards of rubber, plastic and synthetic leather (2023) in 2024.
2. Nankan warehouse logistics and property management: established more than two decades ago, the FRGILC has built up a logistic park covering some 1.3 million square meter and 6 buildings for the business of warehouse leasing business and logistic center; the tenants of the Park include electronic distributors, boutique, apparel and e-commerce and most of them are famous brands. In order to meet customers' requirements for building and cargo security, the Company undergoes annual fire safety inspections and diligently maintains the buildings. As a result, more than seventy percent of customers who have been in the park for over five years can maintain an occupancy rate of over ninety percent in the long term. Currently, the Company provides professional hardware and software installation services or construction needs for contract customers. We utilize system integration processes and service models to strengthen customer relationships and enhance efficiency. This year, the Company will expand its logistics leasing business to the Longtan Smart Park, improving operational performance and aiming to become a benchmark in the logistics leasing industry. Income of warehouse leasing and logistic service is expected to go up by 1%-2% in 2024 than 2023.
3. The sales of the remaining reserved apartments: - The available completed

apartments of “55Timeless and “La Bella Vita” are gradually being sold. Pending units of projects World Garden, Modesty Home, Legend River: keep on marketing them.

4. FRG Bridge Up to Zenith Business Plaza: The first and second floors (1,882 Ping combined) were 100% leased; FRG will keep on improving customer service and mall management to build up the image of leading commercial center in Xinban Special Economic Zone.

### **III. Important Production and Sales Policy:**

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

"Innovation:" Make good use of the characteristics of raw materials, and appropriately stack and combine existing equipment and process technologies to create new products that meet market requirements and increase corporate profits in real terms.

"International:" Actively cultivate international talents and establish a marketing system in major economic regions. Participate in international exhibitions to improve the Company's brand position and expand business.

"Service:" Provide high-quality and efficient services to customers through technical teams that work with enthusiasm, actively interact and respond quickly to meet customer needs.

2. To cope with the geopolitics and US-China war of trading and technologies, Taiwan must remove its reliance on China's AI supply chain. Amidst the chip war, some companies are shifting their warehouses in Hong Kong to Taiwan and Southeast Asian countries. For the direction of merchant recruitment of the year along with the trend and due to reaching storage capacity limits at the Nankan Logistics Center, FRG will shift its focus to Longtan Smart Park in Taoyuan. New logistics warehouses will be constructed, obtaining licenses for green buildings and logistics centers. Completion and license acquisition are anticipated in the fourth quarter. These facilities will serve businesses in southern Taoyuan. The Company will establish a comprehensive logistics smart park, increase the proportion of value-added logistics services and boost revenue. In addition, the development of phases two to three of the park will be tailored to cater to different industries, providing exclusive services to meet the needs of incoming businesses. We will continue to collaborate with international clients, constantly

upgrading and optimizing peripheral facilities such as truck identification systems, charging stations and security surveillance equipment. This will effectively enhance the overall development intensity of the park, aiming to become a preferred choice for customers and a representative of high-quality industrial parks.

3. Based on lands in Xinyi District acquired in 2012, FRG is joint venture with CDC for the 55Timeless project in 2016; KPC for the Legend River project in Xindian with KPC in 2012; acquire lands of the La Bella Vita project in Taichung in 2015 and sell its units in 2016; in December 2022, FRG acquired a share of the base land of the Kaohsiung Ambassador Hotel and now it is in progress of architectural design. Efforts invested in land development will improve FRG's earnings and images significantly.

### **Three. 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 applications
- E. By developing compound products and adding new production lines, with 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:**

The leasing service industry in Nankan continues to actively develop new customers. Customers' needs in service have evolved from leasing relationships to providing construction of professional software and hardware to customers, enabling sustainable long-term partnership with customers. In the future, technology will be adopted to manage integration processes and integration services pattern, allowing customers to experience improved efficiency. This year, through the connection between the logistics system and equipment to improve the operation pattern, optimize the work process, and secure the future talents. As the

upstream and downstream manufacturers of semiconductor manufacturers successively locate their factories in Taiwan, FRG Longtan Park will be the next key growth driver of FRG. The construction of warehouses will be completed this year, and it will be applied for a logistics center upon the completion next year, to serve manufacturers around South Taoyuan. This year, the merchant recruitment business will be extended to Longtan Park, to provide customers with more choices of different locations and make FRG the representative of the best professional leasing and logistics integration services.

### **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 are 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. Due to the need of long-term development, other than the existing development projects, the Company will actively look for projects meeting the Company's conditions.

## **Four. Effects by External Competitive, Regulatory and Overall Operating Environments**

### **I. Secondary Processing Industries:**

Looking back on 2023, it marked the first year of the world's official emergence from the COVID-19 pandemic. After three years of global public health crisis, there was anticipation for a robust post-pandemic economic recovery. However, economic performance faced challenges due to a series of hawkish interest rate hikes by the Federal Reserve, lingering inflation risks, uncertainties in the economic outlook of the United States and Mainland China, as well as ongoing geopolitical conflicts such as the Russia-Ukraine war and escalating tensions in the Middle East. These crises dampened the expected momentum of recovery. EU's carbon border tariffs and related policies has been launched, making an unstoppable trend to address environmental issues through economic policies. How are the increased costs on the supply side reflected in the consumer market and what are the implications, are also the topic that cannot be ignored. The overall environment



remains filled with numerous uncertainties. Only by continuing to monitoring the global political and economic situation, and making timely adjustments based the stage of the business cycle, it is possible to seize the opportunities when the economy recovers. Therefore, by continuously developing new products, improving quality and strictly controlling costs based on the market orientation, the sustainable development of the Company may be ensured

## **II. Nankan Warehouse Logistics and Rental and Leasing Business:**

Geopolitical pressure is elevating, the United States' control over China continues only is increasing and the trend of "new globalization" has taken shape. Technology manufacturers have launched globalization positioning around the world to expand their global presence accommodate customer needs. Since some heavyweight foreign companies decided to set up logistics centers in Taiwan after evaluation, other companies will inevitably be driven to relocate their warehouses to Taiwan. To seize these opportunities, FRG will continue to construct tailored warehouses and initiate collaboration plans with property-related industries, effectively enhancing the overall development strength of the park and opening up opportunities for diversified cooperation.

## **III. Land Developments**

The Company's construction products are all located in good locations, and the sales targets are mostly loyal customers who hold real estate for a long time. There are not many remaining reserved units, so the sales conditions and prices are very stable. In recent years, both domestic and international inflationary pressures, coupled with significant increases in land prices and construction costs, resulting in the stubborn prices of the domestic real estates. However, it seems the national policy is to suppress the real estate markets with laws and regulation as well as the housing policy, imposing more uncertainty and difficulty on land development project. The Company will continue to insist the strategy of finding land with high potential of value raising and reasonable profits in high-quality urban areas, and make investment cautiously to ensure the Company's profits.

This is my great honor to present the business performances 2023 and summary of plan 2024 to all of you; My greatest thanks to each of our shareholders; we will do our best and continue to contribute better business results in the future.

I wish you

Best wishes and good health to you.

Chairperson: Hsu Zhen-Tsai

President: Hsu Zhen-Ji

## **Two. Company Profile**

## Two. 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, Sanhe Vil, 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 Department 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 Wanex 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	<p>Obtained the ISO9001 quality assurance; FRG International Logistics acquired the license of the 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 interiors 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>Regarding the “Special Project one” land development project at Banqiao: entered joint construction contract with CDC.</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 10,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 &amp; 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 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>

	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.
2019	In 2019, two sets of gas heat medium boilers that met the requirements of the environmental regulations were added in the Taoyuan plant. A spectrophotometric testing machine for color matching was added in the lab in the Taoyuan lab.
2020	The M07 coal-carbon steam boilers were altered to use biomass fuels, to complete the 2020 industrial low-carbon technology application subsidy program of the Industrial Development Bureau, Ministry of Economic Affairs. The "La Bella Vita" project was completed in January 2020. Delivery to customers of pre-sale homes has been completed, and existing home sales has been launched.
2021	Overhaul M06 & M07 steam boilers and M08 thermal kerosene boiler to use biomass fuel; operation licenses acquired. FRG purchase certain part of land of the Ambassador Hotel in Kaohsiung City, and entered a joint development contract with CDC and the Ambassador Hotel Co., Ltd. (AHC)
2022	Rubber sound insulation products, according to the measurement standard CNS15160-8 (2009) and the announcement standard CNS8465-2 (2007), have passed and acquired the test report of sound insulation performance for floor impact. FRG acquired a share of the base land of the Kaohsiung Ambassador Hotel and completed the renovation plan for unsafe and old building. The Company entered a construction contract for new buildings in Longtan Smart Park Zone A with Ying-Cheng Construction Co., Ltd.
2023	"Rubber Coasting 3-D Structured Textile" has obtained ISO 15372 certification from the Bureau Veritas, with the certificate number 68532/A0 BV. "Formosan Rubber Group's Rubber Sound-proof Floor Sound Proofing System" has obtained high-performance green building material (sound proofing) label certification from the Ministry of the Interior, with the label number GBM0103120. The new warehouse at Longtan Smart Park Zone A has begun, and it is expected to be completed by the third quarter of 2024, with the license obtained in the fourth quarter.

# **Three. CORPORATE GOVERNANCE REPORT**

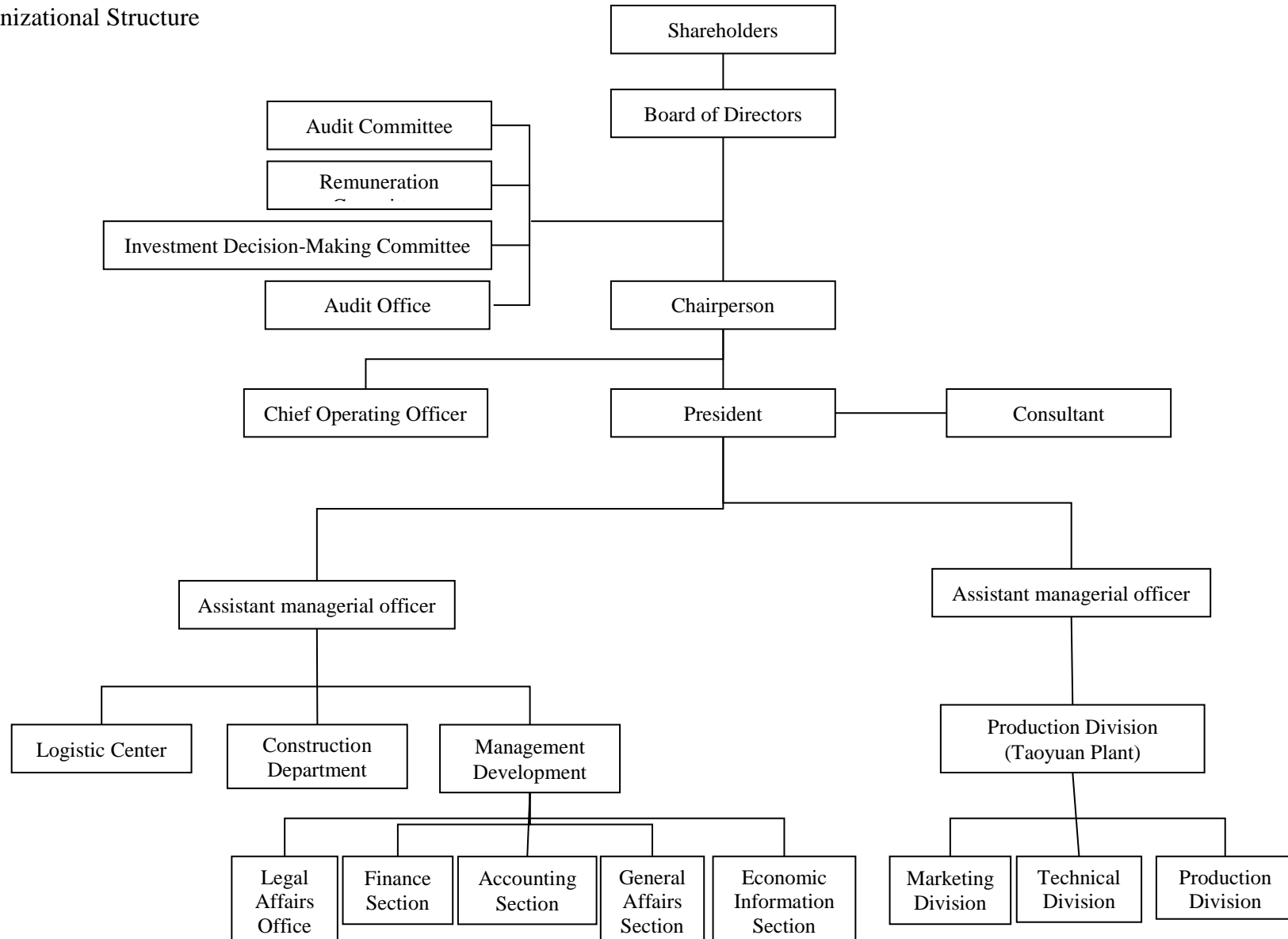
- I. Organizational System
- II. II. Background information of directors, president, Vice Presidents, assistant managerial officers, and the chief of various departments and branches
- III. Remuneration of Directors (Including Independent Directors), Supervisors, Presidents and Vice Presidents
- IV. Implementation of Corporate Governance
- V. Professional fees of the attesting CPAs
- 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, 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



# Three. CORPORATE GOVERNANCE REPORT

## I. Organizational System Chart

### 1. Organizational Structure



## 2. Operation of Main Departments/Divisions:

Department/Division	Operation
Audit Committee	<p>In charge of inspecting the Company's accounting system, financial status, and procedures of financial reports.</p> <p>Review the operational procedures for the material financial and business actions, such as acquisition or disposal of assets, loaning of fund and making endorsement/guarantee.</p> <p>Appraise the internal auditors and their tasks, as well as the internal control. Evaluate, inspect, and monitor the existing or potential risks of the Company.</p> <p>Inspect the legal compliance of the Company.</p> <p>In accordance with Article 32 of the Corporate Governance Best Practice Principles, review transactions that require directors to recuse themselves from exercising voting rights due to a conflict of interest, particularly transactions involving interested parties, asset acquisition or disposal, fund loans, endorsement/guarantee and the establishment of investment companies intended to make investments.</p>
Remuneration Committee	<p>Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors, supervisors and executive officers, and evaluate and prescribe the remunerations of directors, supervisors and executive officers.</p>
Audit Office	<p>Comprehensive management of drafting and implementing annual audit plans</p> <p>Inspection and reviews of the internal control system</p> <p>Inspection of the implementation of Board of Directors' meeting agendas</p> <p>Promotion of cooperate governance</p> <p>Other inspection and reviews designated by the competent authority</p>
Legal Affairs Office	<p>Comprehensive management of contract reviews</p> <p>Handling of litigation cases</p> <p>Planning of legal support</p>
Construction Department	<p>Comprehensive management of the development and constructions of real estates</p> <p>Matters in relation to commission of construction, leases and sales</p>
Logistic Center	<p>Management of logistics and warehouses</p>
Marketing Division	<p>Comprehensive management of sales services</p> <p>Collection of market information</p> <p>Development of domestic and overseas market</p> <p>Customer service and execution of sales plans</p>
Production Division	<p>Comprehensive management of matters in relation to production, quality control, etc.</p>
Technical Division	<p>Comprehensive management of matters in relation to</p>

	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, president, Vice Presidents, assistant managerial officers, and the chief of various departments and branches:

### (I) Information of Directors

Book closure: April 9, 2024

Title (Note 1)	Nationality or Place of Registration	Name	Gender Age (Note 2)	Date Elected	Term of office	Date of first election (Note 3)	Shareholding When elected		Current Shareholding		Shares Currently Being Held by Spouse and Underage Children		Shares Held by Proxy		Major experiences and educations (Note 4)	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 5)
							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 60~70 years old	2022.06.08	3 years	1981.11.05	3,389,588	0.99%	4,690,917	1.55%	3,362,170	1.11%	0	0%	Dropped out of University of San Francisco	Chief Executive Officer of FRG Formosan Rubber Group Inc., Chairperson of Banjian Development Co., Ltd., Chairperson of Hohe Construction Co., Ltd., Chairperson of Shanghai Ruifu Property Development Co., Ltd.	Director and Representative of juristic-person director	Hsu Zhen-Ji Hsu Zhen-Xin	Brother Brother	None
Director and President	Republic of China	Hsu Zhen-Ji	Male 60~70 years old	2022.06.08	3 years	1989.06.12	2,083,781	0.61%	3,130,466	1.03%	0	0%	0	0%	Department of Chemical Engineering, Tamkang University International Business, National Taiwan University	Chairperson of Ruifu Development Co., Ltd. CEO of FRG US CORP.	Chairperson Representative of juristic-person director	Hsu Zhen-Tsai Hsu Zhen-Xin	Brother Brother	None
Director	Republic of China	Quanxinfeng Co., Ltd.	Not applicable	2022.06.08	3 years	2022.06.08	8,942,410	2.61%	8,049,069	2.65%	0	0%	0	0%	None	None	None	None	None	None
Juristic-person representative of director	Republic of China	Representative of Quanxinfeng Co., Ltd. Hsu Zhen-Xin	Male 60~70 years old	2022.06.08	3 years	1989.06.12	0	0.00%	2,529,820	0.83%	0	0%	0	0%	School of Law, Fu Jen Catholic University	Chairperson of Ruifu Investment Co., Ltd., Hallmark Int'l Co., Ltd., Quanxinfeng Co., Ltd. CFO of FRG US CORP.	Chairperson Director and President	Hsu Zhen-Tsai Hsu Zhen-Ji	Brother Brother	None
Director	Republic of China	Ruifu Construction Co., Ltd.	Not applicable	2022.06.08	3 years	2016.06.07	34,070,754	9.95%	30,663,678	10.10%	0	0%	0	0%	None	None	None	None	None	None

Title (Note 1)	Nationality or Place of Registration	Name	Gender Age (Note 2)	Date Elected	Term of office	Date of first election (Note 3)	Shareholding When elected		Current Shareholding		Shares Currently Being Held by Spouse and Underage Children		Shares Held by Proxy		Major experiences and educations (Note 4)	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 5)
							Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relation	
Juristic-person representative of director	Republic of China	Representative of Ruifu Construction Co., Ltd.: Hsu Wei-Zhi	Male 60~70 years old	2022.06.08	3 years	2007.06.15	0	0.00%	4,137	0.00%	58,320	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	Hohe Construction Co., Ltd.	Not applicable	2022.06.08	3 years	2016.06.07	14,632,726	4.27%	15,774,553	5.20%	0	0%	0	0%	None	None	None	None	None	None
Juristic-person representative of director	Republic of China	Representative of Hohe Construction Co., Ltd.: Lin Kun-Rong	Male 70~80 years old	2022.06.08	3 years	2007.06.15	0	0.00%	21,870	0.01%	0	0%	0	0%	Master of Business Administration, NTPU Chairperson of Yingcheng Construction Co., Ltd.	Chairperson of Yingcheng Construction Co., Ltd.	None	None	None	None
Director	Republic of China	Ascend Gear International Inc.	Not applicable	2022.06.08	3 years	2022.06.08	17,415,047	5.09%	15,931,342	5.25%	0	0%	0	0%	None	None	None	None	None	None
Juristic-person representative of director	Republic of China	Representative of Ascend Gear International Inc.: Chu, Lung-Tsung	Male 60~70 years old	2022.06.08	3 years	2022.06.08	0	0.00%	0	0.00%	0	0%	0	0%	EMBA, National Chengchi University President, Wan-Sheng Securities President, Chien-Hung Futures Director,	None	None	None	None	None

Title (Note 1)	Nationality or Place of Registration	Name	Gender Age (Note 2)	Date Elected	Term of office	Date of first election (Note 3)	Shareholding When elected		Current Shareholding		Shares Currently Being Held by Spouse and Underage Children		Shares Held by Proxy		Major experiences and educations (Note 4)	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 5)
							Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relation	
															Taiwan Securities Association					
Independent director	Republic of China	Xiao Sheng-Xian (Date of resignation: July 1, 2023)	Male 60~70 years old	2022.06.08	3 years	2016.06.07	0	0.00%	0	0.00%	Not applicable	0.00%	Not applicable	0.00%	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	Wu Chun-Lai	Male 60~70 years old	2022.06.08	3 years	2019.06.05	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 Executive Director, Active Aging Association Taiwan	None	None	None	None
Independent director	Republic of China	Lorraine Yao	Female 40 - 50 years old	2022.06.08	3 years	2022.06.08	5,000	0.00%	4,500	0.00%	0	0%	0	0%	Bachelor, Chaoyang University of Technology	Partner CPA of ShineWing International	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: List the chronological age expressed in intervals, such as 41~50 or 51~60 years old.

Note 3: Fill in the date elected for the first time (either director or supervisor); give more details in case you have been re-elected one or more times afterwards.

Note 4: Regarding experiences related with current position, e.g. work with the attesting CPA firm or its associates in the said period, note down titles and functions then.

Note 5: Regarding the chairman and the general manager or the person with the equivalent position (the top managerial officer) being the same person, spouse or a blood relative within the first degree of kinship: explain the reasons, rationality, necessity and countermeasures (e.g. add more independent directors and more than half of the directors are not concurrently employees or managerial officers): no such situation.

Table 1: Major shareholders of juristic-person shareholders:

Closing of transfers: April 9, 2024

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%)
Hohe Construction Co., Ltd.	Formosan Rubber Group Inc.(26.2%) Hsu Zhen-Tsai (22.41%) Ruifu Construction Co., Ltd. (18.99%) Ascend Gear International Inc. (10.15%) Kuancheng International Inc. (3.67%) Chengxi Investment Co., Ltd. (3.51%) Hsu Zhen-Ji (3.11%) Hsu Mei-Ling (2.68%)Hsu Mei-Zhi (2.43%) Hsu Zhen-Qun (1.89%)
Quanxinfeng Co., Ltd.	Hsu Zhen-Xin (41%); Li Yue Ling (41%); Hallmark Int'l Co., Ltd. (18%)
Ascend Gear International Inc.	Hsu Zhen-Tsai (64%) Chen Hui-Jin (36%)

Note 1: If the Director 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

Juristic person (Note 1)	Major shareholders of the juristic-person shareholder (Note 2)
Formosan Rubber Group Inc.	Ruifu Construction Co., Ltd. (10.10%), Ascend Gear International Inc. (5.25%), Hohe Construction Co., Ltd.(5.20%),Chengxi Investment Co., Ltd. (4.99%), Hsu Mei-Lun (2.84%), Quanxinfeng Co., Ltd.(2.65%), Ren-Yu Investment Limited(1.81%), Hsu Zhen-Tsai (1.55%), Hsu Zhen-Qun (1.14%), and Chen Hui-Jin (1.11%).
Ruifu Construction Co., Ltd.	Hsu Zhen-Tsai (81.99%) Ascend Gear International Inc. (18%)
Chengxi Investment Co., Ltd.	Hsu Zhen-Ji (99.5%), Yang Xunwen (0.2%), Xu Ruyi (0.15%), Xu Chengxi (0.15%)
Kuancheng International Inc.	Xu Zhengtai (88.257%), Xu Linqingrong (11.728%), Lin Qinghua (0.007%), Lin Cai Suai (0.007%)
Ascend Gear International Inc.	Hsu Zhen-Tsai (64%) Chen Hui-Jin (36%)
Hallmark Int'l Co., Ltd.	Hsu Zhen-Xin (84.12%), Li Yueling (12.53%), Xu Qiwen (1.67%), Xu Xiumin (1.68%)

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 of Directors (II)

### I. Professional qualifications of directors and the independence of independent directors:

April 9, 2024

<div style="display: flex; align-items: center;"> <div style="transform: rotate(-45deg); white-space: nowrap;">Name</div> <div>Conditions</div> </div>	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairperson Hsu Zhen-Tsai	<ul style="list-style-type: none"> <li>Chairman, FRG (now)</li> <li>Chairman of Hohe Construction Co., Ltd., Banjian Development Co., Ltd., and Shanghai Ruifu Business Development Co., Ltd. (in the past)</li> <li>Not under any circumstances set in Article 30 of the Company Act</li> </ul>	Not applicable	0
Director Hsu Zhen-Ji	<ul style="list-style-type: none"> <li>Director and general manager, FRG (now)</li> <li>Ruifu Development Co., Ltd. (in the past)</li> <li>Not under any circumstances set in Article 30 of the Company Act</li> </ul>	Not applicable	0
Representative of Quanaxinfeng Co., Ltd. Hsu Zhen-Xin	<ul style="list-style-type: none"> <li>Juristic-person director, FRG (now)</li> <li>Chairman, Hallmark Int'l Co., Ltd. and Ruifu Investment Co., Ltd. (in the past)</li> <li>Not under any circumstances set in Article 30 of the Company Act</li> </ul>	Not applicable	0
Representative, Ruifu Construction Co., Ltd. Hsu Wei-Zhi	<ul style="list-style-type: none"> <li>Juristic-person director, FRG (now)</li> <li>Architect, Xu Weizhi Architect Associate</li> <li>Adjunct lecturer, Department of Architecture, Tamkang University.</li> <li>Not under any circumstances set in Article 30 of the Company Act</li> </ul>	Not applicable	0
Representative, Hohe Construction Co., Ltd., Lin Kun-Rong	<ul style="list-style-type: none"> <li>Juristic-person director, FRG (now)</li> <li>Chairman, Yingcheng Construction Co., Ltd. (in the past)</li> <li>Not under any circumstances set in Article 30 of the Company Act</li> </ul>	Not applicable	0
Representative of Ascend Gear International Inc. Chu, Lung-Tsung	<ul style="list-style-type: none"> <li>Juristic-person director, FRG (now)</li> <li>Not under any circumstances set in Article 30 of the Company Act</li> </ul>	Not applicable	0



Independent director Xiao Sheng-Xian (Note 3)	<ul style="list-style-type: none"> <li>• Independent director, FRG (now)</li> <li>• Partner, Jianhe United Accounting Firm</li> <li>• Senior consultant, Myriad Attorneys at Law</li> <li>• Mediation committee member of the Civil Division, Taipei District Court and mediation committee member of the Civil Division, Shilin District Court.</li> <li>• Independent director, Apex Science &amp; Engineering Corp.</li> <li>• Not under any circumstances set in Article 30 of the Company Act</li> </ul>	<p>Independence compliance</p> <p>1. Not a spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship of a managerial officer under sub-paragraph 1 or any of the persons listed in sub-paragraphs 2 and 3, Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.”</p> <p>2. The company's shares are not held by the individual, his or her spouse, or a relative within the second degree of kinship (or in the name of another).</p> <p>3. Not serving as a director, supervisor or employee of a company with a specific relationship to this company.</p> <p>4. The individual did not receive compensation for providing commercial, legal, financial, and accounting services to the company or its affiliated companies in the last two years.</p>	1
Independent director Wu Chun-Lai	<ul style="list-style-type: none"> <li>• Independent director, FRG (now)</li> <li>• General Counsel, Jet-Go Consulting Group.</li> <li>• Executive Director, Active Aging Association Taiwan (now)</li> <li>• Manager and spokesman of the chairman's office, Farglory Group (in the past).</li> <li>• He used to be the Executive Vice President of Heding Technology (in the past).</li> <li>• Deputy General Manager, Hung Kuo Real Estate Development Corp. (in the past).</li> <li>• Chair Professor, National Academy of Civil Service (in the past).</li> <li>• Not under any circumstances set in Article 30 of the Company Act</li> </ul>	<p>Independence compliance</p> <p>1. Not a spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship of a managerial officer under sub-paragraph 1 or any of the persons listed in sub-paragraphs 2 and 3, Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.”</p> <p>2. The company's shares are not held by the individual, his or her spouse, or a relative within the second degree of kinship (or in the name of another).</p> <p>3. Not serving as a director, supervisor or employee of a company with a specific relationship to this company.</p> <p>4. The individual did not receive compensation for providing commercial, legal, financial, and accounting services to the company or its affiliated companies in the last two years.</p>	0

Independent director Lorraine Yao	<ul style="list-style-type: none"> <li>• Independent director, FRG (now)</li> <li>• Partner CPA of ShineWing International</li> <li>• Former Audit Manager of KPMG Taiwan</li> <li>• Not under any circumstances set in Article 30 of the Company Act</li> </ul>	<p>Independence compliance</p> <p>1. Not a spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship of a managerial officer under sub-paragraph 1 or any of the persons listed in sub-paragraphs 2 and 3, Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.”</p> <p>2. The individual only holds 4,500 shares and the company’s shares are not held by his/her spouse or a relative within the second degree (or in the name of another).</p> <p>3. Not serving as a director, supervisor or employee of a company with a specific relationship to this company.</p> <p>4. ShineWing Taiwan, the accounting firm to which the aforementioned individuals belong, has received no more than NT\$500,000 in cumulative remuneration in the last two years.</p>	0
--------------------------------------	--	--	---

## II. Diversity and independence of the board of directors

### (I) Diversity of the board of directors

1. In accordance with Paragraph 4, Article 20 of Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies, in order to achieve the ideal corporate governance objectives, the board of directors' overall competencies should include the following:
  - (1) Operational judgement competency
  - (2) Accounting and financial analysis competency
  - (3) Business management competency
  - (4) Risk management competency
  - (5) Industrial knowledge
  - (6) International market perspective
  - (7) Leadership competency
  - (8) Decision-making competency
2. In order to ensure the board of directors achieve the aforementioned objective of strengthening effectiveness, the company has established the policy of diversifying the board of directors. In accordance with Paragraph 3, Article 20 of the Corporate Governance Best-Practice Principles for TWSE/TPEX- Listed Companies, the board makeup should take into account diversification. In addition to the ratio of board members concurrently serving as managerial officers not exceeding one third of the total number of director seats,
  - (1) Basic conditions and values: gender, age, nationality and culture.
  - (2) Professional knowledge and skills: professional background (including law, accounting, industry, finance, marketing or technology), professional skills and industry experience.
3. The Board of Directors has eight directors (including two independent directors with one of them being female); with their professional areas covering financial

accounting, law, public relations, chemical engineering). Two of the board members concurrently serve as employees; one of the two independent directors has served for about 3.5 years, one has served for 1 year and one has served for nearly one year. All directors are of Taiwan nationality. The diversity goal stipulated in the Corporate Governance Best Practice Principles is met. The implementation is as follows:

Name of director	Age	Gender	Professional background	Abilities possessed									
				Operation and management capabilities	Business judgment capabilities	Finance and accounting analysis capabilities	Crisis management capabilities	Industry knowledge	Industry experience			International market perspective	Leadership and decision-making capabilities
Hsu Zhen-Tsai	60 - 69 years old	Male	Management, construction, building	✓	✓	✓	✓	✓	✓	✓	※	✓	✓
Hsu Zhen-Ji	60 - 69 years old	Male	Management and chemical engineering	✓	✓	✓	✓	✓	✓	※	※	✓	✓
Hsu Zhen-Xin	60 - 69 years old	Male	Management and law	✓	✓	✓	✓	✓	✓	✓	※	✓	✓
Hsu Wei-Zhi	60 - 69 years old	Male	Construction and design	✓	✓	✓	✓	✓	※	✓	※	✓	✓
Lin Kun-Rong	70 - 75 years old	Male	Management, construction, building	✓	✓	✓	✓	✓	※	✓	※	✓	✓
Chu, Lung-Tsung	60 - 69 years old	Male	Finance	✓	✓	✓	✓	✓	※	※	✓	✓	✓
Xiao Sheng-Xian	60 - 69 years old	Male	Accounting, law	✓	✓	✓	✓	✓	※	※	✓	✓	✓
Wu Chun-Lai	60 - 69 years old	Male	Public relation, construction, building	✓	✓	✓	✓	✓	※	✓	※	✓	✓
Lorraine Yao	40 - 50 years old	Female	Finance, accounting	✓	✓	✓	✓	✓	※	※	✓	✓	✓

※ Refers to experiences in other industries

#### 4. The company's diverse management objectives

The board of directors should demonstrate industry experience in at least one of the company's main business items (such as rubber, plastic, construction, financial investment and logistics). In particular, there are more than two directors with experience in more than two of the company's business items.

#### 5. The implementation status of the company's diverse management: All the company's board of directors has met the management objectives.

(II) Independence of the board of directors: note number and proportion of independent directors, independence of the board, circumstances set in Article 26-3, paragraph 3 and 4 of the Securities and Exchange Act (detailing spouse or a blood relative within the second degree of kinship among directors, and supervisors) °

1. The company's board of directors at present is made up of three independent directors and six directors. The ratio of independent directors is 33%.
2. The matters specified in Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act do not apply to company directors or independent directors.
3. The following circumstances described do not apply to the independent directors two years prior to their term in office.

- (1) An employee of the company or any of its affiliates.
- (2) A director or supervisor of the company or any of its affiliates.
- (3) A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children or held by the person under others' names, in an aggregate of 1% or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
- (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under sub-paragraph 1 or any of the persons in the preceding two sub-paragraphs.
- (5) A director, supervisor or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.
- (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor or employee of that other company.
- (7) If the chairperson, general manager or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor (inspector), or employee of that other company or institution.
- (8) A director (governor), supervisor (inspector), managerial officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
- (9) A professional individual who or an owner, partner, director (governor), supervisor (inspector) or managerial officer and spouse 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. provided, this restriction does not apply to a member of the 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.

Note 1: Professional qualifications and experience: note professional qualifications and experience of individual directors and supervisors; those being member of the audit committee and have accounting or financial expertise, note their accounting or financial background and work experience; note there is no circumstances set in Article 30 of the Company Act in existence.

Note 2: Independent directors shall note their compliance with independence, including but not limited to: circumstance of he/she and his/her spouse, or relatives within the second degree of kinship being directors, supervisors or employees of FRG or its affiliated companies; shares and portion of shares hold by he/she and his/her spouse, or relatives (or in name of others); being directors, supervisors, or employees of companies having specific relationship with FRG (see Article 3, paragraph 1, subparagraph 5 ~ 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies Establishment of Independent Directors and Matters to be Complied with in Public Offering Companies); the amount of remuneration received for providing business, legal, financial, accounting and other services to FRG or its affiliates in the last two years.

Note 3: Mr. Xiao Sheng-Xian resigned from his position as independent director on June 30, 2023, effective July 1 the same year.

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

Book closure: April 9, 2024

Title	Nationality	Name	Gender	Date Elected	Shareholding		Shares Held by Spouse and Underage Children		Shares Held by Proxy		Main Career (Academic) Achievements	Current Concurrent Positions in Other Companies	Managerial Officers Who are Spouses or Within Second-Degree of Kinship to Each Other			Remarks (Note 1)
					Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relation	
President	Republic of China	Hsu Zhen-Ji	Male	2022.06.08	3,130,466	1.03%	0	0%	0	0%	Department of Chemical Engineering, Tamkang University International Business, National Taiwan University President of Formosan Rubber Group Inc.	Chairperson of Ruifu Development Co., Ltd. CEO of FRG US CORP.	Director and Special Assistant	Hsu Zhen-Xin	Brother	None
Director and Special Assistant	Republic of China	Hsu Zhen-Xin	Male	2014.07.04	2,529,820	0.83%	0	0%	0	0%	School of Law, Fu Jen Catholic University Chairperson of Hallmark Int'l Co., Ltd. Chairperson of Quanxinfeng Co., Ltd.	Chairperson of Ruifu Investment Co., Ltd., Hallmark Int'l Co., Ltd., Quanxinfeng Co., Ltd. CFO of FRG US CORP.	President	Hsu Zhen-Ji	Brother	None
Assistant managerial officer	Republic of China	Hsiao Zheng-Zhong	Male	1998.01.01	9,376	0.00%	0	0%	0	0%	Lunghwa University of Science and Technology Manager of Production Development of Formosan Rubber Group Inc.	Supervisor of Banjian Development Co., Ltd.	None	None	None	None
Assistant managerial officer	Republic of China	Huang Hui Xian	Female	2010.03.01	1,458	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
Supervisor of Management and Construction Department	Republic of China	Cheng Sheng Yuan	Male	2022.07.01	0	0.00%	0	0%	0	0%	Master, Institute of Political Science, National Chengchi University Assistant Vice President, Construction Department; Formosan Rubber Group	Chief financial officer and secretary of FRG US CORP., Supervisor of Department of Management, Banjian Development Co.,	None	None	None	None

												Ltd., and Ruifu Development Co., Ltd.				
Chief financial officer	Republic of China	Bao Shi-Rong	Male	2022.07.01	0	0.00%	0	0%	0	0%	Department of Accounting, National Taipei University Assistant Vice President of Finance, Formosan Rubber Group	Chief financial officer and chief accounting officer of Banjian Development Co., Ltd. and Ruifu Development Co., Ltd.	None	None	None	None
Head of Accounting and Head of Corporate Governance	Republic of China	Shi Ming-De	Male	2010.02.01	298	0.00%	0	0	0	0%	National Taipei University Chief of KPMG Taiwan	Chief accounting officer of FRG US CORP.	None	None	None	None
Internal Audit Officer	Republic of China	Ou, Chia-Bao	Male	2021.01.01	3,130,466	1.03%	0	0%	0	0%	Aletheia University Deputy Manager, Taipei Branch, Citibank	Ban Chien Development Co., Ltd. Internal Audit Officer	None	None	None	None

Note 1: Regarding the general manager or the person with the equivalent position (the top managerial officer) being the same person, spouse or a blood relative within the first degree of kinship: explain the reasons, rationality, necessity and countermeasures (e.g. add more independent directors and more than half of the directors are not concurrently employees or managerial officers): no such situation.

### III. Remuneration packages for directors (including independent directors), general manager and deputy general managerial officers.

(1-1) Remuneration of directors (including independent directors) (name and payment method of individual directors) Unit: NT\$

Title	Name	Remuneration to Directors								The sum of items A, B, C and D and percentage to the net income after tax (Note 10)		Remuneration as Company employee								The sum of items A, B, C, D, E, F and G and percentage to the net income after tax (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)	Cash amount	Stock amount	Cash amount	Stock amount	The Company	All companies included in the financial reports (Note 7)	
Chairperson	Hsu Zhen-Tsai	11,631,900	11,631,900	0	0	1,543,144	1,543,144	96,000	96,000	13,271,044 2.56%	13,271,044 2.56%	0	0	0	0	0	0	0	0	13,271,044 2.56%	13,271,044 2.56%	0
Director and President	Hsu Zhen-Ji	675,000	675,000	0	0	925,887	925,887	96,000	96,000	1,696,887 0.33%	1,696,887 0.33%	6,654,128	6,654,128	0	0	300,000	0	300,000	0	8,651,015 1.67%	8,651,015 1.67%	0
Director and Special Assistant	Quan Xin-Feng Limited	0	0	0	0	925,887	925,887	0	0	925,887 0.18%	925,887 0.18%	0	0	0	0	0	0	0	0	925,887 0.18%	925,887 0.18%	0
	Juristic-person representative: Hsu Zhen-Xin	675,000	675,000	0	0	0	0	96,000	96,000	771,000 0.15%	771,000 0.15%	6,543,841	6,543,841	0	0	300,000	0	300,000	0	7,614,841 1.47%	7,614,841 1.47%	0
Director	Ruifu Construction Co., Ltd.	0	0	0	0	617,257	617,257	0	0	617,257 0.12%	617,257 0.12%	0	0	0	0	0	0	0	0	617,257 0.12%	617,257 0.12%	0
	Juristic-person representative: Hsu Wei-Zhi	675,000	675,000	0	0	0	0	96,000	96,000	771,000 0.15%	771,000 0.15%	0	0	0	0	0	0	0	0	771,000 0.15%	771,000 0.15%	0

Title	Name	Remuneration to Directors								The sum of items A, B, C and D and percentage to the net income after tax (Note 10)		Remuneration as Company employee								The sum of items A, B, C, D, E, F and G and percentage to the net income after tax (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)	Cash amount	Stock amount	Cash amount	Stock amount	The Company	All companies included in the financial reports (Note 7)	
Director	Hohe Construction Co., Ltd.	0	0	0	0	617,257	617,257	0	0	617,257 0.12%	617,257 0.12%	0	0	0	0	0	0	0	0	617,257 0.12%	617,257 0.12%	0
	Juristic-person representative: Lin Kun-Rong	675,000	675,000	0	0	0	0	96,000	96,000	771,000 0.15%	771,000 0.15%	0	0	0	0	0	0	0	0	771,000 0.15%	771,000 0.15%	0
Director	Ascend Gear International Inc. Limited	0	0	0	0	617,257	617,257	0	0	617,257 0.12%	617,257 0.12%	0	0	0	0	0	0	0	0	617,257 0.12%	617,257 0.12%	0
	Juristic-person representative:Chu, Lung-Tsung	675,000	675,000	0	0	0	0	96,000	96,000	771,000 0.15%	771,000 0.15%	0	0	0	0	0	0	0	0	771,000 0.15%	771,000 0.15%	0
Independent director	Xiao Sheng-Xian (Note 2)	195,000	195,000	0	0	150,358	150,358	36,000	36,000	381,358 0.07%	381,358 0.07%	0	0	0	0	0	0	0	0	381,358 0.07%	381,358 0.07%	0
Independent director	Wu Chun-Lai	675,000	675,000	0	0	308,629	308,629	96,000	96,000	1,079,629 0.21%	1,079,629 0.21%	0	0	0	0	0	0	0	0	1,079,629 0.21%	1,079,629 0.21%	0
Independent director	Lorraine Yao	675,000	675,000	0	0	308,629	308,629	96,000	96,000	1,079,629 0.21%	1,079,629 0.21%	0	0	0	0	0	0	0	0	1,079,629 0.21%	1,079,629 0.21%	0

1. Note the policy, system, standard and structure of remuneration to independent directors; note association between remuneration and responsibilities, risks, time spent, and other factors: the Board of Directors is authorized to determine the remuneration of directors and independent directors on the basis of their participation and contribution value to the operation of the company and norms accepted by industries in Taiwan and foreign countries.

2. Remuneration to services rendered by directors for companies contained in the financial statements in the most recent year (e.g. non-employee consultant of the parent company, companies contained in the financial statements, and investees) other than those disclosed in the said table: None

Note 1: (1) Salary of the chairman's driver: NT\$699,876; security guards: NT\$609,544. (2) Salary of the general manager's driver: NT\$747,139.

Note 2: Mr. Xiao Sheng-Xian resigned on July 1, 2023.



Title	Name	Remuneration to Directors								The sum of items A, B, C and D and percentage to the net income after tax (Note 10)		Remuneration as Company employee								The sum of items A, B, C, D, E, F and G and percentage to the net income after tax (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)		The Company	All companies included in the financial reports (Note 7)	
																Cash amount	Stock amount	Cash amount	Stock amount			

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, Chu Lung-Tsung, Xiao Sheng-Xien	5 Hsu Zhen-Xin, Hsu Wei-Zhi, Lin Kun-Rong, Chu Lung-Tsung, Xiao Sheng-Xien	4 Hsu Wei-Zhi, Lin Kun-Rong, Chu, Lung-Tsung, Xiao Sheng-Xien	4 Hsu Wei-Zhi, Lin Kun-Rong, Chu, Lung-Tsung, Xiao Sheng-Xien
NT\$1,000,000 (inclusive) - NT\$2,000,000 (exclusive)	3 Hsu Zhen-Ji, Wu Chun-Lai, Lorraine Yao	3 Hsu Zhen-Ji, Wu Chun-Lai, Lorraine Yao	2 Wu Chun-Lai, Lorraine Yao	2 Wu Chun-Lai, Lorraine Yao
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 supervisors: NA as FRG has audit committee instead.

(3-1) Remuneration of General Manager and Deputy General Managers (name and payment method of individual directors) Unit: NT\$

	Name	Salary (A) (Note 2)		Pension (B)		Bonuses, special allowances, etc. (C) (Note 3)		Employee remuneration (D) (Note 4)				The sum of items A, B, C and D and percentage to the net income after tax (%) (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	3,007,200	3,007,200	0	0	3,646,928	3,646,928	300,000	0	300,000	0	6,954,128 1.34%	6,954,128 1.34%	0
Director and Special Assistant	Hsu Zhen-Xin	3,007,200	3,007,200	0	0	3,536,641	3,536,641	300,000	0	300,000	0	6,843,841 1.32%	6,843,841 1.32%	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)	2 Hsu Zhen-Ji, Hsu Zhen-Xin	2 Hsu Zhen-Ji, Hsu Zhen-Xin
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)		
Above NT\$100,000,000		
Total	2	2

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

(I) Names of managerial officers who received employee remuneration

December 31, 2023

	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\$1,640,000	NT\$1,640,000	0.32%
	Director and Special Assistant	Hsu Zhen- Xin				
	Assistant managerial officer	Hsiao Zheng- Zhong				
	Assistant managerial officer	Huang Hui Xian				
	Supervisor of Management and Construction Department	Cheng Sheng Yuan				
	Chief financial officer	Bao Shi- Rong				
	Head of Accounting and Head of Corporate Governance	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 managerial officer 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.

(II) Compare and explain share of remuneration to directors, supervisors, general managerial officers and deputy general managerial officers by the company and all companies in the consolidated financial statements in last two years versus net income after tax indicated in parent company only financial statements; and explain the remuneration policy, criteria and portfolio, procedures for determining remuneration, and correlation with operating performance and future risks.

Name	Percentage of total remuneration to net income after tax in 2023		Percentage of total remuneration to net income after tax in 2022	
	The Company	All companies in consolidated reports	The Company	All companies in consolidated reports
Director	7.18%	7.18%	5.72%	5.77%
President and Vice Presidents	2.66%	2.66%	2.02%	2.02%

- (1) The Board of Directors is authorized to determine the fixed remuneration of directors on the basis of their participation and contribution value to the operation of the company and norms accepted by industries in Taiwan and foreign countries.
- (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. The state of the company's implementation of corporate governance:

##### (I) Functionality of the Board of Directors

The Board of Directors held nine meetings (A) in the period from March 15, 2023 to March 12, 2024; see below for their attendance:

Title	Name (Note 1)	Actual Attendance B	Proxy Attendance	Percentage of actual (proxy) attendance (%) [B/A] (Note 1)	Remarks
Chairperson	Hsu Zhen-Tsai	9	0	100%	
Director	Hsu Zhen-Ji	9	0	100%	
Director	Quanxinfeng Co., Ltd. Representative: Hsu Zhen-Xin	9	0	100%	
Director	Ruifu Construction Co., Ltd. Representative: Hsu Zhen-Ji	9	0	100%	
Director	Hohe Construction Co., Ltd. Representative: Lin Kun-Rong	9	0	100%	
Director	Ascend Gear International Inc. Representative: Chu, Lung-Tsung	9	0	100%	
Independent director	Xiao Sheng-Xian (Resigned on July 1, 2023)	2	0	66.67%	Mr. Xiao Sheng-Xian was supposed to attend three times this year, but he only showed up twice, as he resigned on July 1, 2023.
Independent director	Wu Chun-Lai	9	0	100%	
Independent director	Lorraine Yao	9	0	100%	

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. The 8th board meeting by the 21st Board of Directors on March 15, 2023: Proposal to decrease the capital in cash.  
Content: To improve the shareholders' equity and earnings per share, it was proposed to decrease capital in cash. The capital decrease ratio was 10%, and shareholders would be refunded with NT\$1 per share. After the proposal was approved by the shareholders' meeting and submitted to the competent authority for approval, the chairman was authorized to determine the base date of capital decrease and other related matters. The motion was passed without objections after the chair consulted with all attending directors and the independent directors expressed no other opinions.
2. The 8th board meeting by the 21st Board of Directors on March 15, 2023: Professional fees of the attesting CPAs.  
Content: The Company's current appointed CPAs of Baker Tilly Clock & Co. The renewed appointment contract with Baker Tilly Clock & Co; the case has been discussed and approved by the Audit Committee on March 15. The motion was passed without objections after the chair consulted with all attending directors and the independent directors expressed no other opinions.
3. The 8th board meeting by the 21st Board of Directors on March 15, 2023: Proposal to adjust the endorsements/guarantees for the investment project of 950 Market Street, San Francisco.  
Content: Due to the high borrowing interest rate in the U.S., to reduce the burden and improve the financial structure, the shareholders repaid the existing house mortgage loan of USD 118 million in cash to 950 Project. Therefore, the amount of the borrowing that the Company had to make an endorsement/guarantee for the whole project so far was USD109 million. The motion was passed without objections after the chair consulted with all attending directors and the independent directors expressed no other opinions.
4. The 9th board meeting by the 21st Board of Directors on May 9, 2023: Proposal to the Company's sustainable report preparation and the establishment of the operating procedures.  
Content: In accordance with Article 5 of the "Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies," a listed company shall establish the operational procedure for preparation and validation of the sustainability report, and include this procedure in its internal control system. The motion was passed without objections after the chair consulted with all attending directors and the independent directors expressed no other opinions.
5. The 9th board meeting by the 21st Board of Directors on May 9, 2023: Proposal to update the Company's internal system.  
Content: The Company's existing internal control system has been in place for years, and it is partially non-compliant with the laws and regulations, as well as its current operating status, so it has been updated. The motion was passed without objections after the chair consulted with all attending directors and the independent directors expressed no other opinions.
6. The 14th board meeting by the 21st Board of Directors on December 22, 2023: Proposal to adjust the endorsements/guarantees for the investment project of 950 Market Street, San Francisco.  
Content: In order to optimize the cash flow in the investment project of 950 (hereinafter 950P) working fund in the amount of US\$15 million, and due to the bank's request to repay US\$7 million in advance to reduce the 950 Hotel Property LLC (hereinafter 950H) and 950 Retail Property LLC (hereinafter 950R) borrowing amounts, an application totaling US\$22 million was added for 950P. Based on the investment ratio, the company provided approximately 11.23% loan guarantee. The motion was passed without objections after the chair consulted with all attending directors and the independent directors expressed no other opinions.
7. The 14th board meeting by the 21st Board of Directors on December 22, 2023: Proposal to update the delegation of authorization.  
Content: The Company updates the "Delegation of Authorization Table" based on its current operating needs and in accordance with the "Regulations Governing the Establishment of Internal Control Systems by Public Companies." The motion was passed without objections after the chair consulted with all attending directors and the independent directors expressed no other opinions.
8. The 14th board meeting by the 21st Board of Directors on December 22, 2023: Proposal to amend some provisions of the "Procedures for the Acquisition or Disposal of Assets."  
Content: The Company amended Paragraph 2 of Article 5, Paragraph 1 of Article 8 and Paragraph 2 of Article 8. The motion was passed without objections after the chair consulted with all attending directors and the independent directors expressed no other opinions.
9. The 14th board meeting by the 21st Board of Directors on December 22, 2023: Proposal to amend the internal control system.

	<p>Content: The Company amended some of the provisions of the current sales, collection cycle and investment cycle. The motion was passed without objections after the chair consulted with all attending directors and the independent directors expressed no other opinions.</p> <p>10. The 14th board meeting by the 21st Board of Directors on December 22, 2023: Proposal of the Company's managerial officers concurrently serving as managerial officers in its affiliates.</p> <p>Content: Implement the Company's compliant management in accordance with the "Operational Regulations Governing Financial Business Among Related Parties." The Company consents to non-compete restrictions on the seven managerial officers listed below: General Manager Hsu Zhen-Ji, special assistant to Chairman Hsu Zhen-Xin, Assistant Manager Xiao Zhen-Zhong, Chief Auditor Ou Chia-Bao, and Associate Manager Shi Ming-De all serve as managerial officers. The motion was passed without objections after the chair consulted with all attending directors and the independent directors expressed no other opinions.</p> <p>11. The 16th board meeting by the 21st Board of Directors on March 12, 2024: Professional fees of the attesting CPAs.</p> <p>Content: The Company's current appointed CPAs of Baker Tilly Clock &amp; Co. The renewed appointment contract with Baker Tilly Clock &amp; Co; the case has been discussed and approved by the Audit Committee on March 12. The motion was passed without objections after the chair consulted with all attending directors and the independent directors expressed no other opinions.</p> <p>12. The 16th board meeting by the 21st Board of Directors on March 12, 2024: Proposal to adjust the ratio of endorsements/guarantees for the investment project of 950 Market Street, San Francisco.</p> <p>Content: As the Mid-Market Center, LLC and Monkey Affairs, LLC are no longer able to repay CTBC Bank loans, the Continental Development Corporation made an independent investment on 3/1 and signed the first supplementary agreement to dilute its equity. As a result, the Company's provision for a loan guarantee of approximately 11.23% based on the investment ratio was adjusted to 11.24%. The motion was passed without objections after the chair consulted with all attending directors and the independent directors expressed no other opinions.</p> <p>(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</p> <p>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:</p> <p>1. The 14th board meeting by the 21st Board of Directors on December 22, 2023: Proposal of performance bonus for stock investment project</p> <p>Content: To encourage the Company's investment team to work together to achieve annual objectives and maximize capital gains, a portion of profits are allocated as a team bonus. Four directors, including Hsu Zhen-Tsai, Hsu Zhen-Ji, Hsu Zhen-Xin, and Chu Lung-Tsung recused themselves from the discussion and voting due to a conflict of interest; however, all other directors approved the proposal.</p> <p>III. For the disclosures of the cycles and periods, scopes, methods, and descriptions of the appraisal of the Board of Directors, please refer to (II) Evaluation of the Board of Directors</p> <p>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: The Company's Board of Directors had nine board meetings in the current year. Important agendas are announced on the MOPS, making information public.</p>
--	---

Note 1: If a director is a juristic person, please disclose the name of the juristic person shareholder and their representative.

Note 2: (1) If a 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 each director's term and the number of meetings actually attended by that director.

(2) If there is a re-election of a 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 Board of Directors' meetings held during active duty and the number of actual (proxy) attendance.



## (II) Evaluation of the Board of Directors

17) Evaluation of the Board of Directors

Evaluation cycles	Evaluation periods	Evaluation scope	Evaluation method	Evaluation content																																													
Internal performance evaluation: implemented once per year.	From January 1, 2023 to December 31, 2023	Including the performance evaluation of overall and individual board members and functional committees.	The internal self-evaluation is adopted.	Evaluation is described as the following: 1. Board of Directors' Performance Self-Assessment: <table><tr><th>Self-assessment 5 Major Aspect</th><th>Questions</th><th>Score</th></tr><tr><td>A. Participation in the operation of the company;</td><td>12 questions</td><td>26.1</td></tr><tr><td>B. Improvement of the quality of the board of directors' decision making;</td><td>12 questions</td><td>26.1</td></tr><tr><td>C. Composition and structure of the board of directors;</td><td>7 questions</td><td>14.9</td></tr><tr><td>D. Election and continuing education of the directors; and</td><td>7 questions</td><td>14.4</td></tr><tr><td>E. Internal control.</td><td>7 questions</td><td>14.8</td></tr><tr><td>Total</td><td>45 questions</td><td>96.3</td></tr></table> <p>The KPI of the Board of Directors comes in five dimensions covering 45 items; scoring at 96.3 shows that the Board of Directors is functioning well and met the requirements of corporate governance.</p> 2. Board Member's Performance Self-Assessment: <table><tr><th>Self-Assessment 6 Major Aspect</th><th>Questions</th><th>Score</th></tr><tr><td>A. Alignment of the goals and mission of the company;</td><td>3 questions</td><td>12.8</td></tr><tr><td>B. Awareness of the duties of a director;</td><td>3 questions</td><td>12.7</td></tr><tr><td>C. Participation in the operation of the company;</td><td>8 questions</td><td>33.2</td></tr><tr><td>D. Management of internal relationship and communication;</td><td>3 questions</td><td>13.0</td></tr><tr><td>E. The director's professionalism and continuing education</td><td>3 questions</td><td>12.8</td></tr><tr><td>F. Internal control.</td><td>3 questions</td><td>12.8</td></tr><tr><td>Total</td><td>23 questions</td><td>97.3</td></tr></table> <p>The KPIs of board member come in six dimensions covering 23 indicators; scoring at 97.3 shows that directors are performing with efficiency and effect and is contributing to FRG.</p> 3. Self performance evaluation by the functional committees: (1) Self performance evaluation of the Remuneration Committee	Self-assessment 5 Major Aspect	Questions	Score	A. Participation in the operation of the company;	12 questions	26.1	B. Improvement of the quality of the board of directors' decision making;	12 questions	26.1	C. Composition and structure of the board of directors;	7 questions	14.9	D. Election and continuing education of the directors; and	7 questions	14.4	E. Internal control.	7 questions	14.8	Total	45 questions	96.3	Self-Assessment 6 Major Aspect	Questions	Score	A. Alignment of the goals and mission of the company;	3 questions	12.8	B. Awareness of the duties of a director;	3 questions	12.7	C. Participation in the operation of the company;	8 questions	33.2	D. Management of internal relationship and communication;	3 questions	13.0	E. The director's professionalism and continuing education	3 questions	12.8	F. Internal control.	3 questions	12.8	Total	23 questions	97.3
				Self-assessment 5 Major Aspect	Questions	Score																																											
A. Participation in the operation of the company;	12 questions	26.1																																															
B. Improvement of the quality of the board of directors' decision making;	12 questions	26.1																																															
C. Composition and structure of the board of directors;	7 questions	14.9																																															
D. Election and continuing education of the directors; and	7 questions	14.4																																															
E. Internal control.	7 questions	14.8																																															
Total	45 questions	96.3																																															
Self-Assessment 6 Major Aspect	Questions	Score																																															
A. Alignment of the goals and mission of the company;	3 questions	12.8																																															
B. Awareness of the duties of a director;	3 questions	12.7																																															
C. Participation in the operation of the company;	8 questions	33.2																																															
D. Management of internal relationship and communication;	3 questions	13.0																																															
E. The director's professionalism and continuing education	3 questions	12.8																																															
F. Internal control.	3 questions	12.8																																															
Total	23 questions	97.3																																															

				<table><tr><td>Self-assessment 5 Major Aspect</td><td>Questions</td><td>Score</td></tr><tr><td>A. Participation in the operation of the company;</td><td>4 questions</td><td>18.9</td></tr><tr><td>B. Awareness of the duties of the Remuneration Committee</td><td>5 questions</td><td>23.7</td></tr><tr><td>C. Improvement of quality of decisions made by the Remuneration Committee</td><td>6 questions</td><td>28.4</td></tr><tr><td>D. Makeup of the Remuneration Committee and election of its members</td><td>3 questions</td><td>14.2</td></tr><tr><td>E. Internal control.</td><td>1 question</td><td>4.8</td></tr><tr><td>Total</td><td>19 questions</td><td>90.0</td></tr></table> <p>The KPIs of the Remuneration Committee come in five dimensions covering 19 indicators; scoring at 90.0,showing that the directors had positive evaluations to the efficiency and effects of each indicator’s operation.</p>	Self-assessment 5 Major Aspect	Questions	Score	A. Participation in the operation of the company;	4 questions	18.9	B. Awareness of the duties of the Remuneration Committee	5 questions	23.7	C. Improvement of quality of decisions made by the Remuneration Committee	6 questions	28.4	D. Makeup of the Remuneration Committee and election of its members	3 questions	14.2	E. Internal control.	1 question	4.8	Total	19 questions	90.0
Self-assessment 5 Major Aspect	Questions	Score																							
A. Participation in the operation of the company;	4 questions	18.9																							
B. Awareness of the duties of the Remuneration Committee	5 questions	23.7																							
C. Improvement of quality of decisions made by the Remuneration Committee	6 questions	28.4																							
D. Makeup of the Remuneration Committee and election of its members	3 questions	14.2																							
E. Internal control.	1 question	4.8																							
Total	19 questions	90.0																							
Evaluation cycles	Evaluation periods	Evaluation scope	Evaluation method	Evaluation content																					
Internal performance evaluation: implemented once per year.	From January 1, 2023 to December 31, 2023	Including the performance evaluation of overall and individual board members and functional committees.	The internal self-evaluation is adopted.	<p>(2) Self performance evaluation by the Audit Committee</p> <table><tr><td>Self-assessment 5 Major Aspect</td><td>Questions</td><td>Score</td></tr><tr><td>A. Participation in the operation of the company;</td><td>4 questions</td><td>15.7</td></tr><tr><td>B. Awareness of the duties of the Audit Committee</td><td>6 questions</td><td>23.5</td></tr><tr><td>C. Improvement of quality of decisions made by the Audit Committee</td><td>7 questions</td><td>30.1</td></tr><tr><td>D. Makeup of the Audit Committee and election of its members</td><td>3 questions</td><td>12.6</td></tr><tr><td>E. Internal control.</td><td>3 questions</td><td>12.0</td></tr><tr><td>Total</td><td>23 questions</td><td>93.9</td></tr></table> <p>The Audit Committee performance indicators come in five dimensions covering 23 indicators; scoring at 93.9 shows that directors are performing with efficiency and effect and is contributing to FRG.</p>	Self-assessment 5 Major Aspect	Questions	Score	A. Participation in the operation of the company;	4 questions	15.7	B. Awareness of the duties of the Audit Committee	6 questions	23.5	C. Improvement of quality of decisions made by the Audit Committee	7 questions	30.1	D. Makeup of the Audit Committee and election of its members	3 questions	12.6	E. Internal control.	3 questions	12.0	Total	23 questions	93.9
Self-assessment 5 Major Aspect	Questions	Score																							
A. Participation in the operation of the company;	4 questions	15.7																							
B. Awareness of the duties of the Audit Committee	6 questions	23.5																							
C. Improvement of quality of decisions made by the Audit Committee	7 questions	30.1																							
D. Makeup of the Audit Committee and election of its members	3 questions	12.6																							
E. Internal control.	3 questions	12.0																							
Total	23 questions	93.9																							

### (III) Operation and key tasks of the Audit Committee

Deliberation of the Audit Committee mainly include:

1. Fair presentation of the financial statements.
2. Assessment of the effectiveness of the internal control system.
3. Transactions involving material asset or derivatives trading.
4. Material monetary loans, endorsements, or provision of guarantees.
5. The offering, issuance, or private placement of any equity-type securities.
6. Compliance with the related laws and regulations.
7. Matters bearing on the personal interest of a director or supervisor.
8. Control of the existing or potential risks.
9. Appointment (dismissal) of CPAs and their independence and performance.
10. The hiring, dismissal or remuneration of an attesting certified public accountant.
11. The appointment or dismissal of a financial, accounting, or internal auditing officer.

Reviewing financial report.

The board of directors has prepared the business report, financial statements and profit distribution proposals of year 2023; the financial statements have been audited by Baker Tilly Clock and Co.; the latter issued audit report as well. The aforesaid business report, financial statements and the motion for earnings distribution have been reviewed by the Audit Committee and deemed no inconsistency.

The Audit Committee held seven meetings (A) in the period from 2023.01.01 to 2024.03.12; see below for attendance of independent directors:

Title	Name	Actual attendance (B)	Proxy Attendance	Actual attendance (%) (B/A) (Note)	Remarks
Independent director a	Xiao Sheng- Xian	2	0	66.67%	Note 4: Mr. Xiao Sheng-Xian resigned on July 1, 2023. The expected attendances during the office this year were three.
Independent director b	Lorraine Yao	7	0	100%	
Independent director c	Wu Chun-Lai	7	0	100%	

Other information required:

I. Operation of the Year :

Operation of the Year					
Meeting date of the Audit Committee	Motion content and follow-up	Objection, reservation, or material recommendations by independent directors	The matters referred to in Article 14-5 of the Securities and Exchange Act	Resolution(s) not passed by the Audit Committee but receiving the consent of two thirds of the Board of Directors	Responses to recommendation by the audit committee
The 2nd term 6th Meeting 2023.03.15	1. Annual business report and financial statements 2022.	None	v		Passed as proposed without objection from directors present at the meeting
	2.Proposal of the 2022 cash dividends paid from earning distribution.				
	3. 2022 Earnings distribution proposal.				
	4. Proposal of cash capital decrease.				
	5. Proposal of appointment and service fees of CPAs.				
	6. 2022 internal control system statement.				
	7. Changes to endorsements/guarantees for the investment project of 950 Market Street, San Francisco				
	Resolution by the audit committee on March 15, 2023: passed without objection from all members of the Audit Committee.				
The 2nd term 7th Meeting 2023.05.09	1. Consolidated financial report of Q1 2023.	None	v		Passed as proposed without objection from directors present at the meeting
	2. Proposal to update the Company’s internal control system.				
	Resolution by the audit committee on May 9, 2023: passed without objection from all members of the Audit Committee.				
The 2nd term 8th Meeting 2023.06.09	1. Sell the construction project premises and parking spaces in Taipei City to related persons. (withdrawn)	None	v		Withdrawn as proposed without objection from directors present at the meeting.
	Resolution by the audit committee on June 9, 2023: passed without objection from all members of the Audit Committee.				
The 2nd term 9th Meeting 2023.08.08	1. Consolidated financial report of Q2 2023.	None	v		Passed as proposed without objection from directors present at the meeting
	2. Proposal of the Company’s establishment of the “Ethical Corporate Management Best Practice Principles.”				
	3. Proposal of the establishment of the Company’s “Code of Ethical Conduct.”				
	Resolution by the audit committee on August 8, 2023: passed without objection from all members of the Audit Committee.				
The 2nd term 10th	1. Consolidated financial report of Q3 2023.	None	v		Passed as proposed without objection from
	2. Proposal of independence and competence assessment for attesting CPA.				
	3. Motion of that Baker Tilly Clock and Co intended to adjust the CPAs.				

Meeting 2023.11.07	4. Proposal of “Operating Procedures for Ethical Corporate Management and Code of Conduct.”				directors present at the meeting
Resolution by the audit committee on November 7, 2023: passed without objection from all members of the Audit Committee.					
The 2nd term 11th Meeting 2023.12.22	1. Proposal of 2024 audit plan.	None	v		Passed as proposed without objection from directors present at the meeting
	2. Changes to endorsements/guarantees for the investment project of 950 Market Street, San Francisco				
	3. Proposal to update the delegation of authorization.				
	4. Proposal to amend the Procedures for Asset Acquisition and Disposal				
	5. Proposal to amend the internal control system.				
	6. Proposal of the Company’s managerial officers concurrently serving as managerial officers in its affiliates.				
Resolution by the audit committee on December 22, 2023: passed without objection from all members of the Audit Committee.					
The 2nd term 12th meeting 2024.03.12	1. Annual business report and financial statements 2023.	None	v		Passed as proposed without objection from directors present at the meeting
	2. Proposal of the 2023 cash dividends paid from earning distribution.				
	3. Proposal of the Company’s 2023 Earnings Distribution Table.				
	4. Professional fees of the attesting CPAs.				
	5. 2023 internal control system statement.				
	6. Changes to the ratio of endorsements/guarantees for the investment project of 950 Market Street, San Francisco.				
Resolution by the audit committee on March 12, 2024: passed without objection from all members of the Audit Committee.					

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: none.

III. Communication between the independent directors and internal auditing officers and CPAs (including the material matters related to the company’s finance and business, approaches and results):  
(1) Policy report of the communication between independent directors and internal auditing officers

Date	Communicated matter	Communication result
2023/03/15	Report of the results of audit in February, 2023. Recommendations of independent directors as below: The Construction Department has been requested to provide the real-estate appraisal report of subsidiary FRG US Corp.	The audit office has improved the contents of the audit report as recommended by independent directors. Relevant departments have been requested to provide relevant information as soon as possible.
2023/05/09	Report on the results of the audit's implementation in March 2023. Recommendations by independent directors: None.	The audit office has completed the audit plan successfully.
112/06/09	Report on the results of the audit's implementation in May 2023. Recommendations by independent directors: None.	The audit office has completed the audit plan successfully.
2023/08/08	Report on the results of the audit's implementation in July 2023. Recommendations by independent directors: None. The recommendations of the audit supervisors are as follows: The Continental Development Corporation has been asked	The audit office has improved the contents of the audit report as recommended by independent directors. Relevant departments have been requested to provide relevant information as soon as possible.

	to provide a table of estimated cash flow for the investment project of 950 in order to monitor its cash flow status.		
2023/11/07	Report on the results of the audit's implementation in October 2023. Recommendations of independent directors: none	The audit office has completed the audit plan successfully.	
2023/12/22	Report on the results of the audit's implementation in November 2023. Recommendations by independent directors: None.	The audit office has completed the audit plan successfully.	
(2) Policy report of the communication between independent directors, the CPAs and internal auditing officers			
Date	Communicated matter	Communication result	
112/09/01	See below for two-way communication on corporate governance matters: 1. Description of the Audit Committee's interpretation of audit quality indicators (AQI) & CPA. 2. Focus of recent regulatory updates. 3. Implementation of the internal control system 4. Blueprint of Sustainability Disclosure Standards (Financial Supervisory Commission R.O.C. (Taiwan) 2023.08.17 5. Notes for the same type of stock investment in the same company, listed in different measurement types.	1. Management Department has been requested to handle such by complying with the requirements of the competent authority. 2. Management Department has been requested to handle such by complying with the requirements of the competent authority. 3. Management Department has been requested to handle such by complying with the requirements of the competent authority. 4. Management Department has been requested to handle such by complying with the requirements of the competent authority. 5. Management Department has been requested to handle such by complying with the requirements of the competent authority.	

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.

(IV) 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 TWSE/TPEX- Listed Companies," the Company also reviews its own and the important subsidiaries’ internal and external changes to thoroughly enforce risk control and firewall mechanism.	(III) There are no deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies".
(IV) Will the Company set up internal norms to	✓		(IV) In compliance with the Company’s “Procedures for	(IV) There are no deviations

Evaluation Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
prohibit insiders from utilizing the undisclosed information to trade securities?			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.	from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies".
III. The Composition of the Board of Directors and Their Duties				
(I) Does the board of directors formulate policies and specific management objectives for diversification and implement them accordingly?	✓		(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.	(I) There are no deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies".
(II) Apart from the Remuneration Committee and Audit Committee, has the company assembled other functional committees at its own discretion?	✓		(II) The company has set up remuneration committee, audit committee and employee welfare committee; establishment of other functional committees will be determined in accordance with the Company Act at the discretion of FRG or its actual needs.	(II) There are no deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies".
(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?	✓		(III) The company established the Regulations Governing the Board Performance Evaluation and its evaluation methods in the 8th meeting of Board of directors, 20th Term on March 20, 2020. The external board performance evaluation shall be executed by an external professional independent institution or an external team of scholars and experts once every three years. The outcomes of the performance evaluation is submitted to the meeting of Board of directors in the first quarter of the next year. In	(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) Is an external auditor's independence assessed on a regular basis?	✓		<p>addition, it periodically review the performance review and remuneration policy, system, standards, and structure for directors, supervisors and executive officers, and the recommendations are submitted to the meeting of Board of directors for discussion.</p> <p>(IV) The management department of the company will assess the independence of the attesting CPA annually and report the results to the Audit Committee on November 7, 2023 and the Board of Directors on November 7, 2023. Mr. Lai Chia-Yu and Lai Yung-Ji, CPA of Baker Tilly Clock &amp; Co., met FRG's independence criteria as assessed by the management department of FRG; they are qualified to serve as attesting CPA of the company. See P56-P58 (V) of annual report for shareholders' meeting for details of "independence assessment of the attesting CPA."</p>	(IV) There are no deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies".
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 Board of Directors on May 11, 2021 company has passed the resolution to appoint Mr. Shi Mingde, Assistant Manager, as the director of corporate governance to protect the rights and interests of shareholders and strengthen the functions of the board of directors. Mr. Shi Mingde has more than three years of experience as an accounting supervisor in a TWSE listed company. The main responsibilities of the director of corporate governance are: take care of matters related to the board of directors and shareholders' meeting according to law, prepare minutes of the board of directors and shareholders' meeting, assist directors in their appointment and continuous education, provide directors with the information they need to execute their business, and assist directors to comply with laws and regulations.</p>	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	
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".
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 well as its		✓	(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	(III) There are no deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed

Evaluation Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
operating status for each month before the specified deadline.			publicly announced and reported the financial report within two months after the end of the fiscal year. The Company announces and reports the financial statements of the first, second, and third quarter and monthly operations before deadlines as statutorily scheduled.	Companies".
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>(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>

Evaluation Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
			<p>(V) Rights of stakeholders: The Company maintains positive communication channels with 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: The Company's directors have participated in further training courses as required by the law. In the future, the Company will arrange suitable further training courses for directors 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.</p>	<p>(V) There are no deviations from "Corporate 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 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	
IX. Please note progress of improvements made and propose remedial measures against those pending for improvements based on the corporate governance assessment report (2023) issued by the Corporate Governance Center of the TWSE:				
1. Has the company established full-time (part-time) sustainable development units in accordance with the principle of materiality? Does the company conduct risk assessments on environmental, social and corporate governance issues related to company operations and formulate relevant risk management policies or strategies? In addition, does the board of directors supervise sustainable development promotions and disclose them on the company’s website and annual report? The company has established full-time (part-time) sustainable development units. In accordance with the principle of materiality, it has conducted risk assessments on environmental, social and corporate governance issues related to company operations and has formulated relevant risk management policies or strategies. Furthermore, the board of directors has supervised the sustainable development promotions, which have been disclosed on the company’s website and annual report.				
2. Has the Company established full-time (part-time) corporate integrity operation units responsible for supervising and implementing integrity management policies and prevention plan? Have the established units' operational and implementation statuses been explained on the company's website and annual report and have they been reported to the board of directors at least once a year? The Company has established full-time (part-time) corporate integrity operation units responsible for supervising and implementing integrity management policies and prevention plan. The established units' operational and implementation statuses have been explained on the company's website and annual report, and they have been reported to the board of directors at least once a year.				

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

## (V) Independence evaluation of CPAs

## (1) Audit Quality Indicator (AQIs) Assessment:

Item number	Evaluation Item				Evaluation opinions	
1.	Do CPAs and their affiliated accounting firms have the necessary professionalism and management skills to carry out audits?				CPAs have more than 20 years of auditing-related experience; thus, they have adequate auditing knowledge.	
	Sub-item indicators		Level of the case	Level of the accounting firm		
	(1-1-1) Inspection experience of CPAs (chief CPA)		6 years	16.6 years		
	(1-1-1) Inspection experience of CPAs (counter-signing CPA)		30 years	16.6 years		
	(1-1-2) Engagement quality control review (EQCR) accounting inspection experience		6 years	14.9 years		
	(1-1-3) Inspection experience of inspectors above managerial level (excluding CPAs)		7 years	18.9 years		
	Sub-item indicators		Level of the accounting firm			
	(1-2-1) Training hours for CPAs		48.8 hours			
	(1-2-2) Training hours for inspectors above managerial level (excluding CPAs).		48.6 hours			
	(1-3-1) Turnover rate of inspectors above managerial level (excluding CPAs)		0%			
	(1-4-1) Ratio of professionals in support of inspections by the Department		4.4%			
	(1-4-2) Number of hours spent by professionals in cases involving TWSE/TPEX listed companies		0.1%			
2.	Are CPAs overburdened with work, and is the inspection team has appropriate involvement in various inspection stages?				The ratio of publicly offered companies with chief CPAs and counter-signing CPAs and the ratio of CPAs who can put in working hours are considered reasonable.	
	Dimensi ons	Sub-item indicators	Level of the case	Level of the accounting firm		
	(2-1-1)	The number of publicly offered companies with CPAs serving as the chief CPA.	7 companies	3.8 companies		
		The number publicly offered companies with CPAs serving as the chief CPA.	3 companies	3.8 companies		
	(2-1-2)	Ratio of CPAs who can put in working hours-chief CPAs	51.65%	34.7%		
		Ratio of CPAs who can put in working hours-counter-signing CPAs	35.1%	34.7%		
	Ratio of inspection hours	Level of the case inspected in 2021				
		CPA	Managerial officer	Inspector		Total
	Planning stage	6%	7%	28%		41%
	Implementation stage	5%	8%	46%		59%
	Total	11%	15%	74%		100%
	Ratio of inspection hours	Level of the accounting firm inspected in 2021				
		CPA	Managerial officer	Inspector		Total
	Planning stage	3.2%	5.2%	25.9%		34.3%
Implementation stage	4.9%	9.3%	51.5%	65.7%		
Total	8.1%	14.5%	77.4%	100%		
3.	Do engagement quality control review (EQCR) CPAs put in sufficient hours to implement auditing case reviews and if accounting firms have sufficient quality control manpower to support their inspection teams?				The ratio of review hours among EQCR CPA accountants is	

	Sub-item indicators	Level of the case	Level of the accounting firm		higher when compared to the level of the accounting firm. Furthermore, the ratio of quality control personnel supporting the Audit Department is reasonable and sufficient to maintain the Company's audit quality.
	(2-3-1) Ratio of EQCR CPAs' review hours	2%	0.82%		
	Sub-item indicators		Level of the accounting firm		
	(2-4-1) Equivalent number of full-time quality control personnel		10		
	(2-4-2) Ratio of quality control personnel supporting the Auditing Department.		8.8%		
4.	If accounting firms and their affiliated businesses collect excessive non-audit service fees and if accounting firms provide financial reports and auditing services to the Company for an inordinately long period of time.				Although accounting firms have provided audit services to the Company for 29 years, CPAs have not provided audit services for more than seven years and non-audit fees do not account for more than 40%; thus, when CPAs and their affiliated accounting firms perform audit work, they can maintain independence and express their opinions fairly.
	Sub-item indicators		2021	2020	
	(3-1) Ratio of audit cases of non-audit service fees		32.13%	28.71%	
	Sub-item indicators		2021		
	(3-2) Cumulative number of years of audit cases certifying annual financial reports at accounting firms		29 years		

(2) Independence and competence evaluation:

(2) Independence and competence evaluation.

Item number	Evaluation Item	Evaluation result	
		Yes/compliant	No/non-compliant
Independent evaluation			
1.	CPAs, their families (including spouses, persons living with CPAs, and minor children) and the Company have no direct or significant indirect financial interests.	✓	
2.	The accountant is not currently serving as a director, managerial officer or in a position that has a significant impact on audit cases and has not done so in the previous two years.	✓	
3.	The CPA is not a spouse, direct blood relative, direct relative by marriage, relative within the second degree or collateral relative by blood of the Company's directors, managerial officers, or personnel whose positions have a significant impact on audit cases.	✓	
4.	CPAs, their accounting firms and affiliated enterprises do not provide non-audit services that could jeopardize the Company's independence.	✓	
5.	There are no circumstances in which CPAs have provided audit services to the Company for seven consecutive years. (Note 3)	✓	
6.	In the previous year, the individual did not hold the position of director, managerial officer or other position with a significant impact on audit cases at the company.	✓	
7.	Do CPAs maintain an impartial and objective stance when implementing professional services to ensure that professional judgment is not influenced by bias, conflict of interest or vital interest.	✓	

Competence evaluation			
8.	Do CPAs and their affiliated accounting firms have the necessary professionalism and management skills to carry out audits?	✓	
9.	Do CPAs and their affiliated accounting firms possess adequate audit quality control competence?	✓	
10.	If CPAs have not received disciplinary action from the CPA Disciplinary Committee within the last two years.	✓	
11.	If CPAs timely complete the review or inspection of the Company's quarterly financial reports?	✓	

Note 1: When the above evaluation result is "no/not met," the situation should be described in detail to serve as a basis for determining the impact on independence and competence, as well as whether or not a CPA replacement is required.

Note 2: In accordance with Article 68 of the Standard for Quality Control No. 1 and Article 29 of the Corporate Governance Best-Practice Principles, 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 (usually not exceeding 7 years). Before 7 years of providing services to the same client is due, the CPAs must be changed from time to time.

Note 3: The rotation periods (7 years) for the Company's attesting CPAs is as below:

Non-audit services	Amount
1. Review the annual shareholders' meeting handbook and the annual report	NT\$30,000
2. The consolidated financial report and parent company only financial report 2021 (English version)	NT\$160,000
3. Report on the 2021 taxation attestation	NT\$300,000

- (3) Following an initial evaluation, the Company's CPA independence and competence evaluation standards were met.

#### (VI) Composition, responsibilities and operation of the Remuneration Committee:

- 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.
  - Establish and regularly review policies, system, standards and structures for performance evaluation and remuneration for directors and managerial officers.
  - Regularly assess and set up the 2salary remuneration for directors and managerial officers.
- The Company has appointed Wu Chun-Lai, Hsiao Sheng-Hsien, and Lorraine Yao as members of the Company's 5th Remuneration Committee on the first meeting of the 21st Board of Directors' meeting (June 14, 2022). It was proposed that the term of appointment should be June 14, 2022 to June 7, 2025, same as this board.
3. The 5th Remuneration Committee held five meetings between June 14, 2022 and March 15, 2023 to assist the Board of Directors in implementing and evaluating the company's overall remuneration policies, as well as making recommendations to the Board of Directors.



## Information on Remuneration Committee members

April 9, 2024

Title (Note 1)	Conditions Name	Professional qualifications and experience (Note 2)	Independence (Note 3)	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Member of the Remuneration Committee
Convener	Wu Chun-Lai	<ul style="list-style-type: none"> <li>• Independent director, FRG (now)</li> <li>• General Counsel, Jet-Go Consulting Group.</li> <li>• Executive Director, Active Aging Association Taiwan (now)</li> <li>• Manager and spokesman of the chairman's office, Farglory Group (in the past).</li> <li>• He used to be the Executive Vice President of Heding Technology (in the past).</li> <li>• Deputy General Manager, Hung Kuo Real Estate Development Corp. (in the past).</li> <li>• Chair Professor, National Academy of Civil Service (in the past).</li> <li>• Not under any circumstances set in Article 30 of the Company Act</li> </ul>	<p>Independence compliance</p> <ol style="list-style-type: none"> <li>1. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under sub-paragraph 1 or any of the persons in subparagraphs 2 and 3, Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.”</li> <li>2. In no circumstances he/she, his/her spouse or blood relatives (or in the name of others) hold shares of FRG.</li> <li>3. In no circumstances he/she is serving as a director, supervisor or employee of a company having specific relationship with FRG.</li> <li>4. In no circumstances he/she is compensated by FRG or its affiliated companies for business, legal, financial, accounting and other services rendered in the last two years.</li> </ol>	0

Member	Xiao Sheng-Xian (Resigned on July 1, 2023)	<ul style="list-style-type: none"> <li>Independent director, FRG (now)</li> <li>Partner, Jianhe United Accounting Firm</li> <li>Senior consultant, Myriad Attorneys at Law</li> <li>Mediation committee member of the Civil Division, Taipei District Court and mediation committee member of the Civil Division, Shilin District Court.</li> <li>Independent director, Apex Science &amp; Engineering Corp.</li> <li>Not under any circumstances set in Article 30 of the Company Act</li> </ul>	<p>Independence compliance</p> <ol style="list-style-type: none"> <li>Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under sub-paragraph 1 or any of the persons in subparagraphs 2 and 3, Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.”</li> <li>In no circumstances he/she, his/her spouse or blood relatives (or in the name of others) hold shares of FRG.</li> <li>In no circumstances he/she is serving as a director, supervisor or employee of a company having specific relationship with FRG.</li> <li>In no circumstances he/she is compensated by FRG or its affiliated companies for business, legal, financial, accounting and other services rendered in the last two years.</li> </ol>	1
Member	Lorraine Yao	<ul style="list-style-type: none"> <li>Independent director, FRG (now)</li> <li>Partner CPA of ShineWing International</li> <li>Former Audit Manager of KPMG Taiwan</li> <li>Not under any circumstances set in Article 30 of the Company Act</li> </ul>	<p>Independence compliance</p> <ol style="list-style-type: none"> <li>Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under sub-paragraph 1 or any of the persons in subparagraphs 2 and 3, Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.”</li> <li>The independent director only holds 4,500 shares, and his/her spouse or blood relatives (or in the name of others) hold shares of FRG.</li> <li>In no circumstances he/she is serving as a director, supervisor or employee of a company having specific relationship with FRG.</li> <li>ShineWing International, the accounting firm the independent director belongs to, had received no more than NT\$500,000 as the accumulated compensation in the most recent two years.</li> </ol>	0

Note 1: Please profile members of the remuneration committee including relevant working years, professional qualifications and experience and independence in the form; regarding those being independent directors, add remark “please refer to page OO of directors and supervisors Information form (1). Regarding the “Role” cell: fill in “independent director” or other data (for conveners, remark them accordingly).

Note 2: Professional qualifications and experience: note these data of individual compensation committee members.

Note 3: Compliance with independence: note remuneration committee members’ compliance with independence including but not limited to: circumstance of he/she and his/her spouse, or relatives within the second degree of kinship being directors, supervisors or employees of FRG or its affiliated companies; shares and portion of shares hold by he/she and his/her spouse, or relatives (or in name of others); being directors, supervisors, or employees of companies having

specific relationship with FRG (see Article 6, paragraph 1, subparagraph 5 ~ 8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); the amount of remuneration received for providing business, legal, financial, accounting and other services to FRG or its affiliates in the last two years.

## 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, 2022 to June 7, 2025. The Remuneration Committee convened six meetings (A) from January 1, 2023 to March 12, 2024; qualifications and attendance of members are:

Title	Name	Actual attendance (B)	Proxy Attendance	Actual attendance (%) (B/A) (Note)	Remarks
Convener	Wu Chun-Lai	6	0	100%	None
Member	Xiao Sheng-Xian	2	0	66.7%	Resigned on July 1, 2023 The expected attendances during the office this year were three, and the actual attendances were two.
Member	Lorraine Yao	6	0	100%	
Member	Lin Ying-Ji	2	0	100%	Newly appointed on September 22, 2023. The expected attendances during the office this year were two and the actual attendances were two.

Other information required:

- I. If the board of directors defy or amend the recommendations by the remuneration committee, note down date of the meeting, term of the board, the content of the proposal, the resolution of the board of directors, and measures taken by FRG against the recommendations made; (if the package approved by the board is better than that of the remuneration committee, give variations' value and reasons): none, see page 63 for details.
- II. If with respect to any resolution of the remuneration committee, any member has a dissenting or qualified opinion that is on record or stated in a written statement, the opinion shall be stated in the meeting minutes, including meeting date, term of the committee, the content of the proposal, the measures taken by FRG for the said members and their recommendation: none, see page 63 for details.

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	Objections, reservations or material recommendations	Resolution result	The Company's handling of the Remuneration Committee's opinions
The 4th meeting of the 5th Remuneration Committee (February 17, 2023)	Motion of performance, reward and punishment for each department and project in 2022.	None.	Approved by all attending members as proposed without dissent, and submitted to the Board for resolution.	Approved by all attending directors as proposed without dissent.
The 5th meeting of the 5th Remuneration Committee (March 15, 2023)	1. Proposal for remuneration of directors and remuneration distribution of employees (2022). 2. Dragon boat festival bonus (2023) of FRG and Banjian subsidiary.	None.	Approved by all attending members as proposed without dissent, and submitted to the Board for resolution.	Approved by all attending directors as proposed without dissent.
The 5th meeting of the 6th Remuneration Committee (May 9, 2023)	1. Proposal to appoint consultants of the Company's subsidiary Banjian Development Co., Ltd. 2. 2022 The performance project retention fund distribution case of the Production Division and Logistic Center	None.	Approved by all attending members as proposed without dissent, and submitted to the Board for resolution.	Approved by all attending directors as proposed without dissent.
The 5th meeting of the 7th Remuneration Committee (August 8, 2023)	1. The semi-annual settlement of the performance reward and punishment case of the Production Division and Logistics Center.	None.	Approved by all attending members as proposed without dissent, and submitted to the Board for resolution.	Approved by all attending directors as proposed without dissent.
The 5th meeting of the 8th Remuneration Committee (December 22, 2023)	1. Proposal for year-end bonus (2023). 2. Proposal for year-end bonus (2023) of the subsidiary, Banjian. 3. Proposal for remuneration of associate vice-president, manager, vice-manager and assistant managerial officer level (2024).	None.	Approved by all attending members as proposed without dissent, and submitted to the Board for resolution.	Approved by all attending directors as proposed without dissent.
The 5th meeting of the 9th Remuneration Committee (March 12, 2024)	1. Proposal for remuneration of directors and remuneration distribution of employees (2023). 2. Dragon boat festival bonus (2023) of FRG and Banjian subsidiary.	None.	Approved by all attending members as proposed without dissent, and submitted to the Board for resolution.	Approved by all attending directors as proposed without dissent.

- If the board of directors defy or amend the recommendations by the remuneration committee, note down date of the meeting, term of the board, the content of the proposal, the resolution of the board of directors, and measures taken by FRG against the recommendations made; (if the package approved by the board is better than that of the remuneration committee, give variations' value and reasons): None.
- If with respect to any resolution of the remuneration committee, any member has a dissenting or qualified opinion that is on record or stated in a written statement, the opinion shall be stated in the meeting minutes, including meeting date, term of the committee, the content of the proposal, the measures taken by FRG for the said members and their recommendation: none.
- Information and operation of the members of the nomination committee: FRG has no nomination committee as of now, FRG is expected to set up one in coming years.

(VII) Progress in practicing sustainable development; status of and causes to deviations from Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies:

Item	Progress (Note 1)			status of and causes to deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
I. Does the company establish a governance structure to promote sustainable development, and set up a dedicated (or acting) unit to promote sustainable development, authorize the senior management to act accordingly, and status of supervision by the board of directors?	✓		<p>The Company has established the "Sustainable Development Team" in 2023 to take charge of promoting the annual goals for all ESG aspects, tracking and reviewing the implementation results of various aspects of ESG, and greenhouse gas inventory. The chairman serves as the convener of the team, the president serves as the deputy convener, and the associate vice president and advisors serve as members. The team selects one secretary general and one secretary to take charge of the communications and coordination of the team's duties, and the compilation and provision of the information related to the team's duties. The tasks include the operation governance team, sustainable manufacturing team, and social care team.</p> <ol style="list-style-type: none"> <li>1. Operation governance team: assisting in the improvement and implementation of the internal control system of the Company, and integrating relevant departments to formulate various corporate governance-related regulations and systems, while establishing a high-quality team and learning-type organization to improve business performance.</li> <li>2. Sustainable manufacturing team: promoting product innovation, research and development technologies, managing the Company's tasks of environmental protection, waste, safety and health, energy-saving, water-saving and greenhouse gas, while enhancing sustainable competitiveness.</li> <li>3. Social care team: in charge of maintaining labor-management relations, planning various remuneration and benefits for employees, and providing a diverse and competitive incentive system to attract and develop outstanding talents. It also promotes communication with external communities and society, and works with the Formosan Rubber Charity</li> </ol>	Conformed to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

Item	Progress (Note 1)			status of and causes to deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>Foundation to promote social welfare activities and charity donations.</p> <p>The “Sustainable Development Team” reports to the Board on ESG implementation and development direction recommendations, to ensure that the Company's daily operations incorporate the concept of sustainable management at least once a year.</p> <p>At least once a year, the company's board of directors hears the operating team's report (including ESG reports).</p> <p>The management level must propose company strategies to the board; the board must assess the likelihood of these strategies' success and regularly inspect the implementation of strategies.</p> <p>When necessary, it will prompt the management team to make adjustments.</p>	
II. Does the company conduct risk assessments on environmental, social and corporate governance issues related to company operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies? (Note 2)	✓		<ol style="list-style-type: none"> <li>1. The Company shall conduct a detailed assessment and classification of environmental, social and corporate governance issues related to its operations for effective management and control based on the principle of materiality and establish relevant policies, strategies or operating procedures, while disclosing such in the sustainability report in accordance with the corporate governance 3.0-sustainable roadmap, GRI, and TCFD related regulations.</li> <li>2. The Company's “Sustainable Development Team” will carry out an analysis based on the principle of materiality in the sustainability report, as well as communicate with interested parties. Furthermore, the ESG majority issues are evaluated by inspecting domestic and foreign research reports, literature and integrating department and subsidiary evaluation data. This enables the establishment of effective risk identification, measurement, evaluation, supervision and control procedures, as well as the implementation of specific action plans to mitigate the effects of related risks.</li> </ol>	Conformed to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

Item	Progress (Note 1)			status of and causes to deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies		
	Yes	No	Summary			
			3. Based on the identified risks after an evaluation, the following risk management policies or strategies are as follows:			
			Major issues	Risk assessment items		Description of policies or strategies
			Corporate governance	Social, economic, and legal compliance		1. Establish governance organizations and implement internal control mechanisms to ensure all the personnel in the Company and operations are in compliance with related laws and regulations. 2. The products researched and developed by the Company have applied for patents to protect the Company's rights.
			Strengthen board functionality.	1. Plan relevant training topics for the board and provide it with the most recent regulations, system development and policies every year. 2. Acquire liability insurance for the board to shield them against lawsuits or claims for reimbursement.		
			Communication with interested parties.	1. Every year, the Company analyzes important issues that are important and concerning to them in order to prevent interested parties and the Company from taking opposing positions, resulting in misunderstandings and operating or lawsuit risks. 2. Set up multiple communication channels and actively communicate to reduce opposition and misunderstandings. Establish an investor mailbox that will be tended to by a spokesperson who will also be responsible for answering questions.		



Item	Progress (Note 1)			status of and causes to deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
III. Environmental Issues				
(I) Does the company have an appropriate environmental management system established in accordance with its industrial characteristics?	✓		(I) FRG is implementing the environmental management system (ISO14001) to perfect the system and enhance safety, health and environmental management.	Conformed to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
(II) Does the company committed to improve energy efficiency and employ recycled materials with low impact on the environment?	✓		(II) FRG has been striving to improve the efficiency of resources consumed including: no paper provided and requirement to prepare personal cup by employees; requirement for employees to bring their own environmentally friendly utensils; use envelopes and Kraft paper bags repeatedly for document delivery. The boilers in plants uses LPG & wooden grains as fuels; commitment to garbage classification and recycling renewable resources, and contribute to environment protection, energy conservation and carbon reduction.	
(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 related to climate issues?	✓		(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.	
(IV) Has the Company tallied the greenhouse gas emissions, water consumption and total weight of waste over the past two years and formulated policies on greenhouse gas reduction, water consumption reduction or other waste management?	✓		(IV) The Company is conducting an internal inventory of greenhouse gases, and will set a goal to reduce greenhouse gas emissions after the external verification is completed; the Company strengthens the promotion for the concept of water-saving, and the plant production lines will use recycled water to reduce water consumption; the energy-saving and carbon reduction are actively promoted, to achieve the waste reduction target; the use of paper is reduced by digitalization; the office temperature control is set with energy-saving light bulbs to achieve the purpose of energy saving and carbon reduction.	

Item	Progress (Note 1)			status of and causes to deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
IV. Social Issues				
(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?	✓		(I) The United Nations Global Covenant, the United Nations Universal Declaration of Human Rights and the International Labor Organization Declaration on Fundamental Principles and Rights at Work are just a few examples of international human rights conventions that the company supports and abides by. It also respects employee rights and interests in the workplace and works to end forms of discrimination, forced labor and other human rights violations. To safeguard the fundamental rights and interests of employees, all applicable labor laws, employee appointment and dismissal procedures and compensation are compliant with the company's employee appointment management regulations.	(I) Conformed to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
(II) Has the company established and implemented reasonable measures for employee benefits (including: remuneration, holidays and other benefits) and appropriately reflect the business performance or achievements in the employee remuneration?	✓		(II) The Company outlines a number of welfare measures for its employees. In addition to receiving meal subsidies during working hours, all employees are also eligible for group insurance, labor insurance, national health insurance, wedding and childcare allowances, birthday and festival gift cards and grants and scholarships for children's education. An Employee Welfare Committee has also been created. To ensure the retirement rights of the employees opted the old pension system, the Company contributes 2% of the total salary as a retirement fund every month, and deposits such in a dedicate account in the name of the Labor Retirement Reserve Supervisory Committee in the Trust Department of Bank of Taiwan; 6% is contributed for the employees under the new system as the labor pension to their personal account in the Labor Insurance Bureau. The Company calculates and pays wages, working hours, leaves, pensions, labor and national health insurance, occupational disaster compensation to employees pursuant to labor laws and regulations. According to the Company's Articles of Incorporation, the Company distributes no less	(II) Conformed to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

Item	Progress (Note 1)			status of and causes to deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(III) Does the company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?	✓		<p>than 1% of profit before tax as remuneration to employees. For relevant measures, please refer to the Company's website.</p> <p>The Company's remuneration policy is based on personal abilities, contribution to the Company, and performance, which are positively correlated with business performance.</p> <p>(III) Employee health examinations, on-site health services, disaster prevention drills and labor safety and health education and training are all scheduled on a regular basis to help employees develop their ability to respond to emergencies and self-manage their health and safety. The Company has also established an emergency response operation process to deal with emergencies that arise as a result of operating activities, ensuring that employees work in a safe and healthy environment.</p>	(III) Conformed to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
(IV) Does the company establish effective training programs for employee's career development?	✓		(IV) The Company periodically sends staff members to technical personnel training and on-the-job training, among other training programs, in order to integrate internal and external resources, strengthen career capabilities and enhance performance and quality.	(IV) Conformed to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
(V) Does the company comply with relevant laws and international standards regarding customer health and safety with respect to its product and service, customer privacy, marketing and labeling; formulate relevant policies and complaint procedures for consumer or customer rights protection?	✓		(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) Conformed to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
(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?		✓	(VI) The Company has not created pertinent policies, but domestic and overseas suppliers have mostly had a long-term business relationship with the Company, and all products are compliant with laws and regulations.	(VI) Formulation of applicable policies will be discussed.

Item	Progress (Note 1)			status of and causes to deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
V. Has the Company referred to the internationally accepted reporting standards or guidelines to prepare reports, such as ESG reports that discloses the Company's non-financial information? Have the reports mentioned previously obtained the assurance of third party verification?	✓		The Company already provided a complete report before September 30, 2023. The current sustainable report is the first sustainable report prepared; and the verification unit has limited capacity for verification, so the verification cannot be scheduled. Currently, the assurance report and guarantee opinion from the third-party verification unit is not obtained	The sustainability report will be provided on September 30, 2023. The verification unit has limited capacity for verification, so the verification cannot be scheduled. Because the third-party verification is not a mandatory requirement, verification commission is not currently considered.
VI. If the company has its own sustainable development code in accordance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please note their implementation and differences between the two: The company's sustainable development best practice principles and related regulations were approved in 2023, which are in line with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.				
VII. Other important information helpful to understand the implementation of sustainable development: List of donations by FRG for community participation, social contribution, social service, social welfare at an amount over NT\$600,000 in 2023: 1. Donation made to the academic research funding of molecular cardiology and cell medicine at Taipei Medical University Hospital NT\$600,000				

Note 1: Regarding implementation progress checked by “Y”: please note important policies, strategies, measures adopted and their implementation situation; if “No”, please note reasons and status in the “deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” section along with program to execute relevant policies, strategies and measures in the future. However, regarding promotion items 1 and 2, the TWSE/TPEX listed companies shall describe the governance and supervision framework of sustainable development, including but not limited to management guidelines, strategy and goal establishment, and review measures. The Company's risk management policies or strategies for environmental, social and corporate governance issues related to operations, and its assessment status shall be specified as well.

Note 2: The principle of materiality refers to environmental, social and corporate governance issues with significant impact on the company's investors and other stakeholders.

Note 3: See cases of best practices displayed on the website of Corporate Governance Center by TWSE for disclosure methods.

(VII-I) TWSE/TPEX-listed companies shall disclose information related to climate:

1. Climate-related information implementation

Item	Progress
1.State the board's supervision and governance over climate-related risks and opportunities.	The board is the most senior level of the company's risk management, and environmental risks are included in the scope of the company's risk management policy.The management should oversee and govern climate-related risks in accordance with the Company's risk management policy.In addition, greenhouse gas inventory and verification should be completed as scheduled. Progress must be reported to the board on a regular basis in accordance with regulations.
2. Describe how identified climate risks and opportunities impact businesses' business, strategies, and finances (short-term, medium-term, and long-term).	The company's climate-related risks and opportunities have been published in the sustainability report and official website.
3. Describe the effects of extreme climate events and transformation activities on finance.	The company's financial impact, adaptation and response behaviors to extreme climate events have been published in the sustainability report and official website.
4.Describe how climate risk identification, assessment, and measurement procedures are integrated into the overall risk management system.	The company's overall risk management policy includes environmental risks, which are treated the same as other risks and reported to the board on a regular basis in accordance with regulations.
5. If a situation analysis is used to evaluate resilience to climate change risk, describe the situations used, parameters, hypotheses, analysis factors, and the expected effects on finance.	The company currently does not utilize situation analysis to evaluate resilience to climate change risks.
6. If there are transformation plans in place to manage climate-related risks, explain the plan's content as well as the indicators and goals used in identifying and managing physical and transformation risks.	The Company's transformation plan to manage climate-related risks is still under evaluation and formulation.
7.If internal carbon pricing is used as a planning tool, specify the pricing basis.	Will wait for the government to announce the <u>carbon price standards</u> before making plans.
8. If climate-related objectives are established, explain activities covered, as will the scope of greenhouse emissions, schedule planning, annual progress, and other information. If carbon offsets or renewable energy certifications (RECs) are used to achieve related goals, please specify the	The company's climate-related objectives are still being evaluated and formulated.

carbon offset cost and quantity, as well as the quantity of renewable energy certifications.	
9. Greenhouse gas inventory, validation status, reduction goals, strategies, and specific action plans (completed separately for 1-1 and 1-2).	Please refer to 1-1 and 1-2

## 1-1 The Company's Greenhouse Gas Inventory and Validation Status in the Most Recent Two Years

### 1-1-1 Greenhouse Gas Inventory Information

Describe the greenhouse gas emissions in the most recent two years (metric tons of CO<sub>2</sub>e), density (metric tons of CO<sub>2</sub>e/NT\$ thousand), and scope of information coverage.

The company began taking inventory in 2022.

The greenhouse gas inventory mechanism was established in accordance with the Greenhouse Gas Protocol released by the World Business Council Sustainable Development (WBCSD) and World Resources Institute (WRI)/ISO14064-1 Greenhouse Gas Inventory Standards released by the International Organization for Standardization (ISO). Since 2022, the Company's greenhouse gas emissions have been regularly inventoried in order to gain a comprehensive understanding of greenhouse gas use and emission status, as well as to validate the effectiveness of reduction actions. Furthermore, the greenhouse gas inventory data for the two most recent years is based on the management control method, which summarizes the Company's greenhouse gas emissions and appears in the consolidated financial statements:

Scope	2022	2023
Scope 1 (Category 1) Direct greenhouse gas emissions	890.847	604.818
Scope 2 (Category 2) Indirect greenhouse gas emissions	7,743.72	3,141.33
Total greenhouse gas emissions (unit: metric tons of CO <sub>2</sub> e)	8,634.57	3,746.15
Turnover (Unit: NT\$ thousand)	1,937,243	1,359,718
Intensity of greenhouse gas emissions (unit: metric tons of CO <sub>2</sub> e/NT\$ thousand)	0.004457	0.002755

Note:

1. The source of the conversion coefficient is the Environmental Protection Administration's greenhouse gas emission coefficient management table (6.0.4 version).
2. The operational control method is used to define organizational boundaries.
3. The estimated values from the IPCC's fifth assessment report are used to calculate the global warming potential of various greenhouse gases.
4. The carbon emission coefficient of electricity in 2021 was 0.509 kg CO<sub>2</sub>e/kWh; in 2022, it is 0.495 kg CO<sub>2</sub>e/kWh. The emission coefficient in 2023 has yet to be released; therefore, the 2022 emission coefficient was used in the calculation.
5. Greenhouse gas intensity = total greenhouse gas emissions ÷ turnover

6. Because 2022 was the first year that carbon foot verification (CFV) was implemented, it served as the baseline year for greenhouse gas emissions, which were 8,634.565 metric tons of CO<sub>2</sub>e.

#### 1-2Greenhosue Gas Reduction Goals, Strategies, and Specific Action Plans

Describe the baseline year of greenhouse gas reduction, its data, reduction goals, strategies, and the achievement status of the specific action plans and reduction goals.

Beginning in 2022, Formosan Rubber Group has been conducting greenhouse gas inventory in accordance with the ISO 14064-1 greenhouse gas inventory standard, including Scope 1 (Category 1) and Scope 2 (Category 2) greenhouse gas emissions inventory, with 2022 serving as the baseline year. The Formosan Rubber Group intends to obtain the ISO 14064-1:2018 Greenhouse Gas Inventory Declaration in accordance with regulations. In 2023, the Formosan Rubber Group's greenhouse gas Scope 1 emissions were 604.818 metric tons of CO<sub>2</sub>e, while its Scope 2 emissions were 3,141.333 metric tons of CO<sub>2</sub>e, totaling 3,746.151 metric tons of CO<sub>2</sub>e. Total greenhouse gas emissions decreased by 4,888.414 metric tons of CO<sub>2</sub>e from 2022.

(VIII) Status of performing honest business operations and the status of and causes to deviations from Honest Business Operations 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	
I. Ethical Management Policies and Action Plans				
(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?	✓		(I) The Company's board passed the ethical management operating procedure and code of conduct on November 7, 2023. Its rules and external documents clearly specify ethical corporate management policies, as well as the Board of Directors' and senior management's commitment to rigorous and thorough implementation of such policies and methods.	(I) It has met the requirements stipulated in the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
(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 Principles for TWSE/TPEX Listed Companies"?	✓		(II) The company has established a risk assessment mechanism against unethical behavior, analyzed and assessed business activities within their business scope on a regular basis that are at a higher risk of being involved in unethical behavior and established prevention programs that at least cover the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies."	(II) It has met the requirements stipulated in the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
(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?			(III) On November 7, 2023, the company's board approved reporting and disciplinary guidelines for unethical behavior and ethical management, which were implemented accordingly. The preceding plans were also periodically reviewed and revised.	(III) 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	
II. Implementation of Ethical Management				
(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?	✓		(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.	(I) It has met the requirements stipulated in the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
(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 once a year)?	✓		(II) 1.The Company’s Department of Management promotes the Company’s “ethical management unit”.The unit is responsible for the planning, promotion, and implementation of relevant matters. In addition, it shall report 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 once a year). The most recent update to the board on the implementation status was on January 31, 2024. 2.The Company's 2023 implementation status in meeting the requirements of its ethical management policy: A.The Company approved the “Ethical Management Policy”, “Ethical Corporate Management Best Practice Principles”, “Operating Procedures for Ethical Management”, “Code of Conduct”, and “Guidelines for Reporting and Penalties for	(II) It has met the requirements stipulated in the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
(III) Does the company have any policy that prevents conflict of interest, and channels that facilitate the reporting of conflicting interests?	✓			(III) 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	
(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 behaviors, or entrust an account to carry out the review?	✓		Violation of Ethical Behaviors and Ethical Management” for 2023, which were announced on the website. The Company is carrying out the implementation as provisioned. In 2023, no reports of violations of ethical behavior or ethical management were received. B. The Company’s Ethical Commitment Letter were signed by 181 people.	(IV) It has met the requirements stipulated in the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
(V) Does the company organize internal or external training on a regular basis to maintain business integrity?	✓		(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, 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 discussions 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. (IV) All units shall comply with the Company Act,	(V) 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	
			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. (V) Regular promotion is carried out, so that employees understand the Company's policy and consequences to a violation.	
<b>III. Whistleblowing system</b> (I) Has the Company formulated a specific whistleblowing and reward system, established a convenient whistleblowing method, and assigned appropriate personnel to handle the party accused?  (II) Has the Company formulated standard operating procedures for investigation of reported cases, the follow-up measures to be taken after the investigation is completed, and a confidentiality mechanism?  (III) Has the company taken appropriate measures to protect the whistle-blower from suffering any consequences of reporting an incident?		✓   ✓  ✓	(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. (II) Although the Company has not formulated relevant operational procedures and confidentiality mechanism, the Company handles reports with confidentiality.  (III) The Company protects the identity of the whistleblower.	(I) Formulation of specific reporting and incentive systems will be discussed.  (II) Formulation of relevant operational procedures and confidentiality mechanism will be discussed.  (III) 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>IV. Strengthening of Information Disclosure</p> <p>Does the company have the contents of ethical corporate management and its implementation disclosed on the website and MOPS?</p>	✓		<p>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: <a href="http://www.frg.com.tw">www.frg.com.tw</a>.</p>	<p>It has met the requirements stipulated in the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.</p>
<p>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:</p> <p>The Company's Ethical Corporate Management Best Practice Principles and relevant rules were approved in 2023. It has met the requirements stipulated in the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.</p>				
<p>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)</p> <p>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.</p>				

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

(IX) If the company has established corporate governance principles and related regulations, their search method (<http://www.frg.com.tw/m/st-cg16.html>) should be made public.

(X) Disclose other important information helpful in enhancing the understanding of the operation of corporate governance together:

1. See Item (16) of Section III of “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 (Note 1)
			From	To				
President	Hsu Zhen-Ji	2022/06/14	2023/11/14	2023/11/14	Taiwan Corporate Governance Association	New money-laundering modes and regulatory trends	3	Yes
			2023/12/01	2023/12/01		The era of enhanced monitoring and control over personal information.	3	
Audit Officer	Ou, Chia-Bao	2021/01/01	2023/05/25	2023/05/25	Securities and Futures Institute	The legal compliance practice of board operations.	6	Yes
			2023/09/12	2023/09/12		Practice of investment in circular auditing	6	
Chief accounting officer	Shi Ming-De	2010/02/01	2023/04/20	2023/04/21	Accounting Research and Development Foundation	Accounting supervisor advance training courses	12	Yes
Chief corporate governance officer	Shi Ming-De	2021/06/30	2023/04/27	2023/04/27	TWSE	Promotion conferences for sustainable development action plans of TWSE/TPEX listed companies	3	Yes
			2023/06/02	2023/06/02	Securities and Futures Institute	2023 Insider Trading Prevention Promotion Conference	3	
			2023/06/02	2023/06/02	The Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	2023 Taishin Net Zero Power Summit Forum	3	
			2023/07/04	2023/07/04	TWSE	2023 Cathay Sustainable Finance and Climate Change Summit Forum	6	

(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	2022/06/08	2023/11/15	2023/11/15	Securities and Futures Institute	2030/2050 Green Industrial Revolution	6	Yes
			2023/12/12	2023/12/12		Group taxation concepts, practices and tools		
Director and President	Hsu Zhen-Ji	2022/06/08	2023/11/14	2023/11/14	Taiwan Corporate Governance Association	New money-laundering modes and regulatory trends	6	Yes
			2023/12/01	2023/12/01		The era of enhanced monitoring and control over personal information.		
Representative of juristic-person director	Hsu Zhen-Xin	2022/06/08	2023/07/12	2023/07/12	Greater China Financial and Economic Development Association Taiwan Listed Companies Association	AI thinking and digital transformation	9	Yes
			2023/09/13	2023/09/13		Domestic and foreign economics, industrial trends and coping strategies of enterprises		
			2023/10/11	2023/10/11		Enterprise talent competition: Discussion of employee incentive strategies and key issues.		
Representative of juristic-person director	Hsu Wei-Zhi	2022/06/08	2023/09/07	2023/09/07	Securities and Futures Institute	Technology Development and Business Opportunities of Electric Vehicles and Smart Vehicles	6	Yes
			2023/10/19	2023/10/19		ChatGPT technology development and business opportunities arising from its applications		
Representative of juristic-person director	Lin Kun-Rong	2022/06/08	2023/05/30	2023/05/30	Taiwan Corporate Governance Association	New enterprise risks: climate change	6	Yes
			2023/09/19	2023/09/19		Carbon credit for enterprises, carbon asset management, and responses under global carbon trade mechanisms		
Representative of juristic-person director	Chu, Lung-Tsung	2022/06/08	2023/06/30	2023/06/30	Taiwan Corporate Governance Association	Future global risks and opportunities for sustainable transformation	6	Yes
			2023/07/21	2023/07/21		How start-up companies engage in equity planning and organizational structure design		
Independent director	Xiao Sheng-Xian (Resigned on July 1, 2023)	2022/06/08	2023/04/21	2023/04/21	Taiwan Corporate Governance Association	How did the 2023 board develop ESG sustainable governance strategies?	6	Yes
			2023/05/30	2023/05/30		New enterprise risks: climate change		
Independent director	Wu Chun-Lai	2022/06/08	2023/10/26	2023/10/26	ESG Sustainable Thinking Academy	【Certification Forum】 New Trend of Sustainability: The new era of leader risks and information security under digital governance	6	Yes
			2023/12/26	2023/12/26		Online board and shareholders in practice in the era of digitalization		
Independent director	Lorraine Yao	2022/06/08	2023/12/19	2023/12/19	Taiwan Corporate Governance Association	Analysis of the practice of criminal liability in illegal securities cases.	15	Yes
			2023/09/06	2023/09/06	Certified Public Accountant	A preliminary discussion of the impact of action plans for		

					Associations, R.O.C.	sustainable development and valuation institution management guidelines on the accounting industry.		
			2023/10/23	2023/10/23		The most recent anti-money laundering trends and businesses		
			2023/11/09	2023/11/09		Investment-level sustainable report		
			2023/12/29	2023/12/29		Introduction to Climate Change Response Act		

(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.**

###### **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 handles and discloses internal material information pursuant to relevant laws, orders, and regulations of the Taiwan Stock Exchange, as well as the operational procedures, or after further evaluation of the materiality, any decision or event affecting the Company's finances, business, shareholders' equity or securities prices materially, the material information shall be released as soon as possible within the timeframe required laws.

###### **Article 3 (Scope of application)**

These Procedures shall apply to all directors, 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. Responsible for handling internal material information processing operations and operations of evaluation, review, approval, and release related to the operational procedures. Electronical approval is only permitted for emergencies, non-business hours, or natural disasters of force majeure, otherwise, the "approval of material information release" shall be documented in writing and reported to the president for approval of action. If the evaluation or approval is done electronically, such shall be archived in



written documents afterwards. The previous evaluation records, approval documents and related materials shall be retained for at least five years.

- 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, 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, managerial officer, or employee with knowledge of material inside information of this Corporation may divulge the information to others.

No director, 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, 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 (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, managerial officers, and employees with respect to these Procedures and related laws and regulations.

The Company shall also provide educational campaigns to new directors, 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

The Operational Procedures were amended on March 15, 2023.

(XI) The progress of the internal control system implementation of shall disclose the following matters:

1. Internal Control Statement:

Formosan Rubber Group Inc.  
Internal Control Statement

Date: March 12, 2024

The following is hereby declared based on the self-assessment results in 2023 in accordance with FRG's internal control system:

- I. FRG confirms that the establishment, implementation and maintenance of the internal control system is the responsibility of the company's board of directors and managerial officers, and the company has established such a system. It is aimed to reasonably ensure the achievement of effectiveness and efficiency of operations (including profit, performance, and asset security), reporting reliability, timeliness, transparency, and compliance with relevant norms and regulations.
- II. The internal control system has its inherent limitations. Regardless its perfectness, what is can do is nothing more than meeting the said goals in acceptable level, let alone its effectiveness will go in line with changing environment and circumstances. The internal control system of FRG comes with built-in self-monitoring; that is, any deficiencies once identified, immediate steps will be exercised to remedy them.
- III. FRG determines effectiveness of its internal control system's design and execution according to criteria set by the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Regulations"). Criteria of internal control system set by the Regulations are management control process specific and come in five dimensions: 1. Control environment, 2. Risk assessment, 3. Control operations, 4. Information and communication, and 5. Supervision of operations. Each element further encompasses several sub-elements. Please refer to "the Regulations" for details.
- IV. FRG employs these criteria to assess effectiveness of design and performances of internal control system.
- V. Based on the aforementioned assessment results, it is deemed that the Company's internal control system on December 31, 2023 (including the supervision and management of subsidiaries), including an understanding of the level of operational effectiveness and efficiency and objective achievement level. The report's reliability, timeliness, transparency, and compliance with relevant regulations, as well as related internal control systems, are deemed effective in terms of design and implementation. Furthermore, they ensure the reasonable achievement of the aforementioned objectives.
- VI. This statement will be part of the company's annual report and prospectus, and will be made public. In case of any false, concealment or other illegal circumstances in the said public information, FRG may subject to legal liabilities under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.

- VII. The board of directors of FRG approved this statement on March 12, 2024. None of the eight directors present raised any objections, and all agreed with the content of this statement, which is hereby declared.

Formosan Rubber Group Inc.

Chairman: Hsu Zhen-Tsai (Signature)

General Manager: Hsu Zhen-Ji (Signature)

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

(XII) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: none.

(XIII) Important resolutions of the shareholders' meeting and the board of directors from the beginning of last to 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 9, 2023** 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"> <li>Proposal to recognize the Company's 2022 business report and financial statements.</li> <li>Proposal to recognize the Company's 2022 earning distribution.</li> <li>The proposal of cash capital decrease was approved.</li> <li>Ratify the proposal to amend some of the provisions of the company's "Operational Procedures for Acquisition or Disposal of Assets".</li> </ol>	<ol style="list-style-type: none"> <li>The proposal was passed as proposed by the shareholders present at the meeting.</li> <li>The motion was passed without objections after the chair consulted with all attending directors.</li> <li>The proposal was passed as proposed by the shareholders present at the meeting. Listing of new shares on September 18th, 2023, and cash reduction and return of money paid on shares on September 18, 2023.</li> <li>The proposal was passed as proposed by the shareholders present at the meeting.</li> </ol>

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

Date of important resolutions	Important discussions	Resolution
The 7th meeting of the 21st board of directors (February 17, 2023)	<ol style="list-style-type: none"> <li>Motion of credit limit with corresponding banks.</li> <li>Proposal of authorization for the Company's 2023 investment limit of overseas financial assets.</li> <li>Motion of performance, reward and punishment for each department and project in 2022 (presented by each unit)</li> </ol>	<ol style="list-style-type: none"> <li>The motion has been approved by all attending directors without any dissenting opinion.</li> <li>After deliberated by the Investment Decision-Making Committee, the proposal was passed as proposed without objection from directors present at the meeting.</li> <li>After deliberated by the Remuneration Committee, the proposal was passed as proposed without objection from directors present at the meeting.</li> </ol>
The 8th meeting of the 21st board of directors (March 15, 2023)	<ol style="list-style-type: none"> <li>Annual business report and financial statements 2022.</li> <li>Remuneration of directors and remuneration distribution of employees (2022).</li> <li>Proposal of the 2022 cash dividends paid from earning distribution.</li> </ol>	<ol style="list-style-type: none"> <li>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.</li> <li>After deliberated by the Remuneration Committee, the proposal was passed as proposed without objection from directors present at the meeting, and reported to the shareholders' meeting.</li> <li>After reviewed by the Audit Committee, the proposal was passed as proposed without objection from directors present at the meeting, and</li> </ol>

Date of important resolutions	Important discussions	Resolution
	<p>4. Proposal of the Company's 2022 Earnings Distribution</p> <p>5. The proposal for return of paid-in capital in cash for capital reduction.</p> <p>6. Matters related to convening the regular shareholders' meeting 2023.</p> <p>7. Dragon boat festival bonus (2023) of FRG and Banjian subsidiary.</p> <p>8. Motion of appointed CPAs' fees.</p> <p>9. 2022 internal control system statement.</p> <p>10.Changes to endorsements/guarantees for the investment project of 950 Market Street, San Francisco</p> <p>11.Revise some provisions of the "Code of Practice on Corporate Governance".</p> <p>12.Motion of amendments of part of the Company's "Procedures for Handling Material Inside Information."</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>reported to the regular 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. After reviewed by the Audit Committee, the proposal was passed as proposed without objection from directors present at the meeting, and submitted to the regular shareholders' meeting for discussion.</p> <p>6. The motion has been approved by all attending directors without any dissenting opinion.</p> <p>7. After deliberated by the Remuneration Committee, the proposal was passed as proposed without objection from directors present at the meeting.</p> <p>8. After the motion has been delivered to the Audit Committee for review, it was approved by all attending directors without any dissenting opinion.</p> <p>9. After the motion has been delivered to the Audit Committee for review, it was approved by all attending directors without any dissenting opinion.</p> <p>10.After the motion has been delivered to the Audit Committee for review, it was approved by all attending directors without any dissenting opinion.</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> <p>13.The motion has been approved by all attending directors without any dissenting opinion.</p>
The 9th meeting of the 21st board of directors (May 9, 2023)	<p>1. Consolidated financial report of Q1 2023.</p> <p>2. Proposal to re-appoint consultants of the Company's subsidiary Banjian Development Co., Ltd.</p> <p>3. Proposal of bank credit limit for the construction of Smart Park A Area Warehouse in Longtan.</p>	<p>1. After the motion has been delivered to the Audit Committee for review, it was approved by all attending directors without any dissenting opinion.</p> <p>2. After deliberated by the Remuneration Committee, the proposal was passed as proposed without objection from directors present at the meeting.</p> <p>3. The motion has been approved by all attending directors without any dissenting opinion.</p>

Date of important resolutions	Important discussions	Resolution
	<p>4. Proposal of the establishment of operating procedures for the Company's sustainability report preparation and verification.</p> <p>5. Proposal to update the Company's internal control system.</p> <p>6. 2022 The performance project retention fund distribution case of the Production Division and Logistic Center.</p>	<p>4. The motion has been approved by all attending directors without any dissenting opinion.</p> <p>5. After the motion has been delivered to the Audit Committee for review, it was approved by all attending directors without any dissenting opinion.</p> <p>6. After deliberated by the Remuneration Committee, the proposal was passed as proposed without objection from directors present at the meeting.</p>
The 10th meeting of the 21st board of directors (June 9, 2023)	<p>1. Proposal of disposal fee for Land No. 698 designated for agriculture and animal husbandry at the Taoyuan Plant.</p> <p>2. Proposal of the Company's investment in Mercuries F&amp;B Co., Ltd.</p> <p>3. The Company's disposal of the construction project premises and parking spaces in Taipei City (withdrawn).</p>	<p>1. The motion has been approved by all attending directors without any dissenting opinion.</p> <p>2. The motion has been approved by all attending directors without any dissenting opinion.</p> <p>3. The motion has been withdrawn by all attending directors without any dissenting opinion.</p>
The 11th meeting of the 21st board of directors (August 8, 2023)	<p>1. Consolidated financial report of Q2 2023.</p> <p>2. The semi-annual settlement of the performance reward and punishment case of the Production Division and the Logistic Center.</p> <p>3. Proposal to subscribe the cash capital increase of Material-KY</p> <p>4. Proposal of the establishment of the Company's Ethical Corporate Management Best Practice Principles.</p> <p>5. Proposal of the establishment of the Company's Code of Ethical Conduct.</p> <p>6. Proposal of the Company's Sustainable Development Best Practice Principles."</p>	<p>1. After the motion has been delivered to the Audit Committee for review, it was approved by all attending directors without any dissenting opinion.</p> <p>2. After deliberated by the Remuneration Committee, the proposal was passed as proposed without objection from directors present at the meeting.</p> <p>3. The motion has been approved by all attending directors without any dissenting opinion.</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.</p> <p>5. After the motion has been delivered to the Audit Committee for review, it was 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>
The 12th meeting of the 21st board of directors (September 22, 2023)	<p>1. Proposal to the Company's appointment of the fifth Remuneration Committee members.</p> <p>2. Proposal to change land designated for agricultural</p>	<p>1. The motion has been approved by all attending directors without any dissenting opinion.</p> <p>2. The motion has been approved by</p>



Date of important resolutions	Important discussions	Resolution
	and animal husbandry On Land No. 964, Qiashui Section, Longtan District to Type D land designated for construction.	all attending directors without any dissenting opinion.
The 13th meeting of the 21st board of directors (November 7, 2023)	<ol style="list-style-type: none"> <li>1. Consolidated financial report of Q3 2023.</li> <li>2. Proposal of independence and competence assessment for attesting CPA.</li> <li>3. Motion of that Baker Tilly Clock &amp; Co intended to adjust the CPAs.</li> <li>4. Added proposal of investment limit for the 2023 domestic TWSE/TPEx listed shares to the Company.</li> <li>5. Proposal of information security dedicated unit and information security dedicated supervisor appointment.</li> <li>6. Proposal of “Operating Procedures for Ethical Corporate Management and Code of Conduct.”</li> <li>7. Proposal of reporting and punishment guidelines for violations of ethical conduct and integrity management.</li> <li>8. Proposal of Operating regulations governing financial businesses among the related parties of the Company.</li> </ol>	<ol style="list-style-type: none"> <li>1. After the motion has been delivered to the Audit Committee for review, it was approved by all attending directors without any dissenting opinion.</li> <li>2. After the motion has been delivered to the Audit Committee for review, it was approved by all attending directors without any dissenting opinion.</li> <li>3. After the motion has been delivered to the Audit Committee for review, it was approved by all attending directors without any dissenting opinion.</li> <li>4. The motion has been approved by all attending directors without any dissenting opinion.</li> <li>5. The motion has been approved by all attending directors without any dissenting opinion.</li> <li>6. After the motion has been delivered to the Audit Committee for review, it was approved by all attending directors without any dissenting opinion.</li> <li>7. The motion has been approved by all attending directors without any dissenting opinion.</li> <li>8. The motion has been approved by all attending directors without any dissenting opinion.</li> </ol>
The 14th meeting of the 21st board of directors (December 22, 2023)	<ol style="list-style-type: none"> <li>1. Proposal of 2024 Company Operation Plan</li> <li>2. Proposal for year-end bonus (2023) of FRG and the subsidiary, Banjian.</li> <li>3. Proposal for remuneration of associate vice-president, manager, vice manager and assistant managerial officer level (2024).</li> <li>4. Proposal of Performance Bonus for the Management Debarment in the first half of 2023.</li> </ol>	<ol style="list-style-type: none"> <li>1. The motion has been approved by all attending directors without any dissenting opinion.</li> <li>2. After deliberated by the Remuneration Committee, the proposal was passed as proposed without objection from directors present at the meeting.</li> <li>3. After deliberated by the Remuneration Committee, the proposal was passed as proposed without objection from directors present at the meeting.</li> <li>4. After deliberated by the Remuneration Committee, the proposal was passed as proposed</li> </ol>

Date of important resolutions	Important discussions	Resolution
	<p>5. Proposal of Performance Bonus for Stock Investment Project in 2023.</p> <p>6. Proposal of 2024 audit plan.</p> <p>7. Proposal for the Company's incoming managerial officers.</p> <p>8. Appointment of consultants.</p> <p>9. Changes to endorsements/guarantees for the investment project of 950 Market Street, San Francisco</p> <p>10. Proposal of the Company's 2024 credit limit with corresponding banks.</p> <p>11. Proposal of the 2024 limit of investment in domestic TWSE/TPEX listed shares.</p> <p>12. Proposal of authorization for the Company's 2024 investment limit of overseas financial assets.</p> <p>13. Proposal for the establishment of the Company's cyber security policy.</p> <p>14. Proposal for risk management policy and procedures.</p> <p>15. Proposal to update the delegation of authorization.</p> <p>16. Proposal to amend the Procedures for Asset Acquisition and Disposal</p> <p>17. Proposal of the Company's internal control system.</p>	<p>without objection from directors present at the meeting.</p> <p>5. The motion has been approved by all attending directors without any dissenting opinion.</p> <p>6. After the motion has been delivered to the Audit Committee for review, it was approved by all attending directors without any dissenting opinion.</p> <p>7. After deliberated by the Remuneration Committee, the proposal was passed as proposed without objection from directors present at the meeting.</p> <p>8. After deliberated by the Remuneration Committee, the proposal was passed as proposed without objection from directors present at the meeting.</p> <p>9. After the motion has been delivered to the Audit Committee for review, it was 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 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> <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. After the motion has been delivered to the Audit Committee for review, it was approved by all attending directors without any dissenting opinion.</p> <p>16. After the motion has been delivered to the Audit Committee for review, it was approved by all attending directors without any dissenting opinion.</p> <p>17. After the motion has been delivered to the Audit Committee for review,</p>

Date of important resolutions	Important discussions	Resolution
	18. Proposal of the Company's managerial officers concurrently serving as managerial officers in its affiliates.	it was approved by all attending directors without any dissenting opinion. 18. After the motion has been delivered to the Audit Committee for review, it was approved by all attending directors without any dissenting opinion.
The 15th meeting of the 21st board of directors (January 30, 2024)	1. Proposal to amend the management regulations for "Fund Utilization and Investment and Trading of Domestic Shares." 2. Proposal of project plan discussions for respective departments and projects in 2024.	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.
The 16th meeting of the 21st board of directors (March 12, 2024)	1. Annual business report and financial statements 2023.  2. Remuneration of directors and remuneration distribution of employees (2023).  3. Proposal of the 2023 cash dividends paid from earnings distribution.  4. Proposal of the Company's 2023 Earnings Distribution Table.  5. Matters related to convening the regular shareholders' meeting 2024.  6. Election of a by-election of an independent director.  7. Proposal for nominating independent director candidates.  8. Proposal of the Company's investment in Henghai Construction and Land Development in Toufen, Miaoli. 9. Dragon boat festival bonus (2024) of FRG and Banjian subsidiary.  10. Motion of performance, reward and punishment	1. 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. 2. After deliberated by the Remuneration Committee, the proposal was passed as proposed without objection from directors present at the meeting, and reported to the shareholders' meeting. 3. After reviewed by the Audit Committee, the proposal was passed as proposed without objection from directors present at the meeting, and reported to the regular shareholders' meeting. 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. 5. The motion has been approved by all attending directors without any dissenting opinion. 6. The proposal was passed as proposed without objection from directors present at the meeting; submit to the shareholders' meeting for election. 7. The proposal was passed as proposed without objection from directors present at the meeting; submit to the shareholders' meeting for election. 8. The motion has been withdrawn by all attending directors without any dissenting opinion. 9. After deliberated by the Remuneration Committee, the proposal was passed as proposed without objection from directors present at the meeting. 10. After deliberated by the

Date of important resolutions	Important discussions	Resolution
	for each department and project in 2023.	Remuneration Committee, the proposal was passed as proposed without objection from directors present at the meeting.
	11.Motion of appointed CPAs' fees.	11.After the motion has been delivered to the Audit Committee for review, it was approved by all attending directors without any dissenting opinion.
	12.2023 internal control system statement.	12.After the motion has been delivered to the Audit Committee for review, it was approved by all attending directors without any dissenting opinion.
	13.Proposal to change endorsements/guarantees for the investment project of 950 Market Street, San Francisco	13.After the motion has been delivered to the Audit Committee for review, it was approved by all attending directors without any dissenting opinion.
	14.Proposal to amend part of the provisions of the Company's "Rules of Procedure for Board of Directors' Meetings."	14.The motion has been approved by all attending directors without any dissenting opinion.

(XIV) Outline of different opinions (in writing or on record) by directors on major resolutions passed by the Board of Directors from the beginning of last year to the publication date of the annual report: None.

(XV) List of chairperson, general manager, accounting supervisor, financial supervisor, internal audit supervisor, corporate governance supervisor, and R&D supervisors who resigned or were dismissed between the beginning of last year and the publication date of the annual report: None.

(XVI) Risk Management Policy and Organizational Structure of FRG:

(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 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→audit office→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→audit office→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 plan, 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 on the professional fees of the attesting CPAs (external auditors):**

Unit: NT\$1,000

Name of the Accounting Firm	Name of the CPAs	Audit period	Audit Fee	Non-Audit Fee	Total	Remarks
Baker Tilly Clock & Co. Clock & Co.	Zhou Yin-Lai	2023.01.01~2023.09.30	1,500	600	2,100	Adjustments made to the internal organization of the accounting firm
	Lai Chia-Yu	2023.10.01~2023.12.31				
	Lai Yongji	2023.01.01~2023.12.31				

- (1) In 2023, the Baker Tilly Clock and Co. provided non-audit service items. In terms of the nature and amount, it is determined after an assessment that they will not affect the independence of the attesting CPA, and the related non-audit services are as following:

Non-audit services	Amount
1. Taxation attestation:	NT\$400,000
2. Review of the annual shareholders' meeting handbook and shareholders' annual report	NT\$30,000
3. The consolidated financial report and parent company only financial report 2023 (English version)	NT\$160,000
4. Declaration of "information on the salary information of full-time employees not taking on supervisory duties" Checking of operations	NT\$10,000

- (2) Replace CPA firm with auditing fees of the year after replacement lower than that of the year before:

None.

- (3) Audit fees down more than 10% from the year before: None

## VI. Change of CPA

### (I) Regarding the former CPAs

Date of change	Passed by the board of directors on November 7, 2023		
Reason and explanation of replacement	Due to the internal organization adjustment and needs of work deployment of the accounting firm, the original CPAs certified the Company’s financial statements, Zhou Yin-Lai and Lai Yung-Chi, were replace by Lai Chia-Yu and Lai, Yung-Chi from Q3, 2023.		
Specifying whether it was the CPAs that voluntarily ended the engagement or declined further engagement, or the company that terminated or discontinued the engagement.	Party	CPA	The Company
	Situation	Not applicable	
	Voluntarily ended the engagement		
	Declined (discontinue) further engagement		
Any audit report expressing other than an unqualified opinion during the 2 most recent years, furnish the opinion and reason	Not applicable		
Disagreement with the issuer	Yes		Accounting principles or practices
			Financial report disclosure
			Auditing scope or procedure
			Others
	None	V	
	Description	Not applicable	
Additional Disclosures (Circumstances to be disclosed as specified in Subparagraph 1-4 to 1-7, Paragraph 6, Article 10 of the Regulations)	None		

### (II) Regarding the successor CPAs

Name of the Accounting Firm	Baker Tilly Clock & Co Clock & Co.
Name of the CPAs	Lai Chia-Yu and Lai Yung-Chi
Date of Appointment	Passed by the board of directors on November 7, 2023
Prior to the formal engagement, any consultancy regarding the accounting treatment of or application of accounting principles to a specified transaction, or the type of audit opinion that might be rendered on the financial report	Not applicable
Written comments on items with opposing viewpoints from the succeeding CPA and the former CPA.	Not applicable

(III) The reply of the former CPAs regarding the Subparagraph 1 and 2-3, Paragraph 6, Article 10 of the Regulations: not applicable.

**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, 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 and managers and major Shareholders**

Title	Name	2023		As of April 9, 2024.	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairperson	Hsu Zhen-Tsai	(521,213)	0	0	0
Director	Hsu Zhen-Ji	(347,830)	0	0	0
Director	Ruifu Construction Co., Ltd.	(3,407,076)	(1,394,093)	0	0
Director representative	Hsu Wei-Zhi	(460)	0	0	0
Director	Hohe Construction Co., Ltd.	267,827	(584,011)	160,000	0
Director representative	Lin Kun-Rong	(2,430)	0	0	0
Director	Quanxinfeng Co., Ltd.	(894,341)	(2,025,003)	0	0
Director representative	Hsu Zhen-Xin	(281,092)	0	0	0
Director	Ascend Gear International Inc.	(1,675,705)	(636,601)	120,000	0
Director representative	Chu, Lung-Tsung	0	0	0	0
Independent director	Xiao Sheng-Xian (date of dismissal: 2023/07/01)	0	0	Not applicable	Not applicable
Independent director	Wu Chun-Lai	0	0	0	0
Independent director	Lorraine Yao	(500)	0	0	0
President	Hsu Zhen-Ji	(347,830)	0	0	0
Assistant managerial officer	Huang Hui Xian	(162)	0	0	0
Assistant managerial officer	Hsiao Zheng-Zhong	(1,042)	0	0	0
Head of Management and Construction Department	Cheng Sheng Yuan	0	0	0	0
Chief financial officer	Bao Shi-Rong	(600)	0	0	0
Chief accounting officer	Shi Ming-De	0	0	0	0
Others	Hsu Zhen-Tsai	(521,213)	0	0	0
Major Shareholders	Ruifu Construction Co., Ltd.	(3,407,076)	(1,394,093)	0	0

(II) Information on the equity transfer's counterpart being a related party: NA.

(III) Information on the equity pledge's counterpart being a concerned party: NA.

**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.	30,663,678	10.10%	0	0%	0	0%	None	Not applicable	None
	Representative: Hsu Wei-Zhi	4,137	0.00%	58,320	0.02%	0	0%			
2	Ascend Gear International Inc.	15,931,342	5.25%	0	0%	0	0%	Chengxi/Quanxinfeng Co., Ltd. Hsu Mei-Lun Hsu Zhen-Tsai Xu Zhengqun	Are relatives by marriage of representatives of institutional shareholders. Relatives by marriage Are spouses of representatives of institutional shareholders. Relatives by marriage	None
	Representative: Chen Hui-Jin	3,362,170	1.11%	4,690,917	1.55%	0	0%			
3	Hohe Construction Co., Ltd.	15,774,553	5.20%	0	0%	0	0%	None	Not applicable	None
	Representative: Lin Kun-Rong	21,870	0.01%	0	0%	0	0%			
4	Chengxi Investment Co., Ltd.	15,146,990	4.99%	0	0%	0	0%	Ascend Gear International Inc./Quanxinfeng Co., Ltd. Hsu Mei-Lun Hsu Zhen-Tsai Xu Zhengqun Chen Hui-Jin	Are relatives by marriage of representatives of institutional shareholders. Relatives by marriage Relatives by marriage Relatives by marriage Relatives by marriage	None
	Representative: Yang Xun-wen	0	0%	0	0%	0	0%			
5	Hsu Mei-Lun	8,637,048	2.84%	0	0%	0	0%	Ascend Gear International Inc./Chengxi/Quanxinfeng Co., Ltd. Hsu Zhen-Tsai Xu Zhengqun Chen Hui-Jin	Are relatives by marriage or relatives within second-degree of kinship of representative of institutional shareholders. Relatives within second-degree of kinship Relatives within second-degree of kinship Relatives by marriage	None
6	Quanxinfeng Co.,	8,049,069	2.65%	0	0%	0	0%	Ascend Gear	Are relatives by marriage of	None

	Ltd.							International Inc./Chengxi Hsu Mei-Lun Hsu Zhen-Tsai Xu Zhengqun Chen Hui-Jin	representatives of institutional shareholders. Relatives within second-degree of kinship Relatives within second-degree of kinship Relatives within second-degree of kinship Relatives by marriage	
	Representative: Hsu Zhen-Xin	2,529,820	0.83%	0	0%	0	0%			
7	Ren-Yu Investment Limited	5,490,000	1.81%	0	0%	0	0%	None	Not applicable	None
8	Hsu Zhen-Tsai	4,690,917	1.55%	3,362,170	1.11%	0	0%	Ascend Gear International Inc./Chengxi/Quanxinfeng Co., Ltd. Hsu Mei-Lun Xu Zhengqun Chen Hui-Jin	Are the spouses/relatives by marriage/relatives within second-degree of kinship of institutional shareholders. Relatives within second-degree of kinship Relatives within second-degree of kinship Spouse	None
9	Xu Zhengqun	3,458,394	1.14%	0	0%	0	0%	Ascend Gear International Inc./Chengxi/Quanxinfeng Co., Ltd. Hsu Mei-Lun Hsu Zhen-Tsai Chen Hui-Jin	Are relatives by marriage or relatives within second-degree of kinship of representative of institutional shareholders. Relatives within second-degree of kinship Relatives within second-degree of kinship Relatives by marriage	
10	Chen Hui-Jin	3,362,170	1.11%	4,690,917	1.55%	0	0%	Chengxi/Quanxinfeng Co., Ltd. Hsu Mei-Lun Hsu Zhen-Tsai Xu Zhengqun	Are relatives by marriage of institutional shareholders. Relatives by marriage Spouse Relatives by marriage	

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: shares; %; December 31, 2023

Reinvestment business (Note 1)	The Company's investments		Investments by the Directors, supervisors, managerial officers, and companies directly or indirectly controlled by the Company		Comprehensive investments	
	Shares/units	Proportion of Shareholding (%)	Shares/units	Proportion of Shareholding (%)	Shares/units	Proportion of Shareholding (%)
Banjian Development Co., Ltd.	56,000,000	100.00	—	—	56,000,000	100.00
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
Hohe Construction Co., Ltd.	7,597,927	26.20	16,334,355	56.32	23,932,282	82.52
FRG US CORP.	15,401,000	100.00	—	—	15,401,000	100.00
TRIMOSA HOLDINGS LLC (Note 2)	27,958,532 (USD)	14.67	13,979,266 (USD)	7.34	41,937,798 (USD)	22.01
KINGSHALE INDUSTRIAL LIMITED	9,999	99.99	—	—	9,999	99.99
Formosan Chemical Ind. Corp.	22,516	2.25	—	—	22,516	2.25
Formosan Glass & Chemical Industrial Co.	2,510	5.02	—	—	2,510	5.02
Taiyang Co., Ltd.	111,395	1.24	—	—	111,395	1.24
Brightek Optoelectronic Co., Ltd.	267,241	0.39	—	—	267,241	0.39
Huaku Development Co., Ltd.	3,552,000	1.28	—	—	3,552,000	1.28
Sinopac Financial Holdings Company Limited.	37,097,366	0.30	43,424,515	0.35	80,521,881	0.65
Formosa Chemicals & Fibre Corporation	2,502,170	0.04	—	—	2,502,170	0.04
ShineMore Technology Materials Co., Ltd.	579,125	1.22	—	—	579,125	1.22
Formosa Plastics Corp.	1,658,000	0.03	—	—	1,658,000	0.03
Nan Ya Plastics Corporation	3,847,900	0.05	—	—	3,847,900	0.05
Grand Fortune Securities Co., Ltd.	1,105,830	0.28	—	—	1,105,830	0.28
Yuji Venture Capital Co., Ltd.	750,000	10.00	—	—	750,000	10.00
The Eslite Corporation	895,300	1.65	—	—	895,300	1.65
Far EasTone Telecommunications Co., Ltd.	2,210,000	0.07	—	—	2,210,000	0.07

Reinvestment business (Note 1)	The Company's investments		Investments by the Directors, supervisors, managerial officers, and companies directly or indirectly controlled by the Company		Comprehensive investments	
	Shares/units	Proportion of Shareholding (%)	Shares/units	Proportion of Shareholding (%)	Shares/units	Proportion of Shareholding (%)
Far Eastern Department Stores Ltd.	5,656,447	0.40	—	—	5,656,447	0.40
Taiwan Semiconductor Manufacturing Co., Ltd.	295,000	—	—	—	295,000	—
Far Eastern New Century Tashee Recreation Co., Ltd. - Preferred stock	4,101,761 1	0.08 —	— —	— —	4,101,761 1	0.08 —
ASUSTeK Computer Inc.	233,000	0.03	—	—	233,000	0.03
WPG Holding Co Ltd.	1,916,600	0.11	—	—	1,916,600	0.11
Farglory Construction Co., Ltd.	4,044,000	0.52	380,000	0.05	4,424,000	0.57
Class B preference share, Shin Kong Financial Holding Co., Ltd	666,000	0.22	—	—	666,000	0.22
Citigroup Inc.	1,000	—	—	—	1,000	—
Continental Holdings Ltd.	4,669,000	0.57	—	—	4,669,000	0.57
Formosa Petrochemical Corp.	1,678,000	0.02	—	—	1,678,000	0.02
Pegatron Corporation	1,347,000	0.05	—	—	1,347,000	0.05
Chong Hong Construction Co., Ltd.	2,593,000	0.89	904,000	0.31	3,497,000	1.20
E.SUN Financial Holding Co., Ltd.	150,134	—	—	—	150,134	—
Allianz Global Investors Preferred Securities and Income Fund	997,009	—	—	—	997,009	—
NN(L) Investment Grade Corporate Bond Fund	202	—	—	—	202	—
Ford Motor Company	1,000	—	—	—	1,000	—
Delhi International Airport Limited	480,000	—	—	—	480,000	—
Taiwan Cement Corp.	1,363,911	0.02	791,954	0.01	2,155,865	0.03
China Steel Corporation.	1,640,000	0.01	—	—	1,640,000	0.01
Quanta Computer Inc.	1,005,000	0.03	—	—	1,005,000	0.03
Shin Kong Financial Holdings Co., Ltd.	1,400,000	0.01	—	—	1,400,000	0.01
Qisda Corporation	—	—	210,000	—	210,000	—
0056 High Dividend	—	—	740,000	—	740,000	—

Reinvestment business (Note 1)	The Company's investments		Investments by the Directors, supervisors, managerial officers, and companies directly or indirectly controlled by the Company		Comprehensive investments	
	Shares/units	Proportion of Shareholding (%)	Shares/units	Proportion of Shareholding (%)	Shares/units	Proportion of Shareholding (%)
Yuanta Financial Holding Co., Ltd.	—	—	217,453	—	217,453	—
KGI Taiwan Premium Selection High Dividend 30 ETF	230,000	—	—	—	230,000	—
United Taiwan High Dividend Recovery 30 ETF	230,000	—	—	—	230,000	—
Capital Tip Customized Taiwan Select High Dividend ETF	400,000	—	—	—	400,000	—
JSL CONSTRUCTION & DEVELOPMENT CO., LTD.	147,048	0.04	—	—	147,048	0.04
EVERGREEN MARINE CORP. (TAIWAN) LTD.	443,000	0.02	—	—	443,000	0.02
NICHIDENBO CORPORATION	346,000	0.16	—	—	346,000	0.16
LEO SYSTEMS, INC.	279,000	0.31	—	—	279,000	0.31
NAN YA PRINTED CIRCUIT BOARD CORPORATION	100,000	0.02	—	—	100,000	0.02
TOYOTA MOTOR CORP	35,000	—	—	—	35,000	—
NEXT FUNDS TOPIX Exchange Traded Fun	30,000	—	—	—	30,000	—
Mitsubishi Heavy Ind	5,000	—	—	—	5,000	—
Mercuries F&B	555,000	0.48	—	—	555,000	0.48
LMT Lockheed Martin	500,000	—	—	—	500,000	—
Apple Computer Inc.	1,000,000	—	—	—	1,000,000	—
RADIANT OPTO-ELECTRONICS CORP.	—	—	20,000	—	20,000	—

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.

# Four. 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		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Paid in Properties Other Than Cash	Others
1963.1	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	
1964.08	10	500,000	5,000,000	500,000	5,000,000	Cash Capital Increase - NT\$2,600,000	None	
1966.08	10	1,200,000	12,000,000	1,200,000	12,000,000	Cash Capital Increase - NT\$7,000,000	None	
1970.06	10	1,800,000	18,000,000	1,800,000	18,000,000	Cash Capital Increase - NT\$6,000,000	None	
1971.08	10	3,000,000	30,000,000	3,000,000	30,000,000	Cash Capital Increase - NT\$12,000,000	None	
1972.10	10	6,000,000	60,000,000	6,000,000	60,000,000	Cash Capital Increase - NT\$30,000,000	None	
1973.09	10	8,000,000	80,000,000	8,000,000	80,000,000	Cash Capital Increase - NT\$20,000,000	None	
1974.01	10	10,000,000	100,000,000	10,000,000	100,000,000	Cash Capital Increase - NT\$20,000,000	None	
1974.12	10	11,500,000	115,000,000	11,500,000	115,000,000	Capital Reserve to Increase Capitalization - NT\$15,000,000	None	
1975.12	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	
1978.09	10	16,000,000	160,000,000	16,000,000	160,000,000	Capitalization of Retained Earnings - NT\$15,000,000	None	
1979.10	10	19,000,000	190,000,000	19,000,000	190,000,000	Capitalization of Retained Earnings - NT\$30,000,000	None	
1980.09	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	
1983.12	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)
1985.10	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
1986.11	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)
1987.09	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
1988.11	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)
1989.12	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)
1991.10	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)
1993.07	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)
1994.09	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)
1995.03	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)
1995.06	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)



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
1996.07	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)
1997.06	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)
1998.06	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)
1999.06	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)
2000.06	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)
2003.07	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
2004.07	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
2005.04	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
2005.07	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
2005.10	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
2005.12	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
2006.01	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
2006.03	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
2006.04	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
2006.07	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
2006.10	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
2006.11	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
2007.01	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
2007.04	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
2007.04	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
2008.03	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
2008.12	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

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
2011.12	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
2012.03	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
2012.08	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
2015.12	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
2016.5	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
2016.8	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
2016.2	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
2017.5	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
2017.8	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
2018.3	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
2019.2	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
2020.6	10	680,000,000	6,800,000,000	342,326,000	3,423,260,000	Cancellation of Treasury Shares NT\$76,740,000	None	Approved under Taiwan-Finance-Securities-(3) 10901105320 dated June 22, 2020
2022.11	10	680,000,000	6,800,000,000	337,326,000	3,373,260,000	Cancellation of Treasury Shares NT\$50,000,000	None	Approved under Jin-Shou-Shang-Zhi No. 11101205470 dated November 17, 2022.
2023	10	680,000,000	6,800,000,000	303,593,400	3,035,934,000	Cash reduction NT\$337,326,000	None	Approved under Taiwan-Finance-Securities-(3) 11230150900 dated August 8, 2023.

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	303,593,400	376,406,600	680,000,000	None

Note 1: Capital amount of FRG: NT\$6.8 billion in 680 million shares at face value of NT\$10.

Note 2: They are shares of a public company.

General Information About the Reporting System: None.

(II) Shareholder Structure:

April 9, 2024

Shareholder Structure Count	Government Agencies	Financial Institutions	Other Corporations	Individual	Foreign Institutions and Foreigners	Total
Number of people	0	8	224	46,230	97	46,559
Number of shareholding	0	194,664	101,306,878	181,223,883	20,867,975	303,593,400
Proportion of Shareholding (%)	0.00%	0.06%	33.37%	59.69%	6.88%	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 9, 2024

Shareholdings grading	Number of shareholders	Number of shareholdings	Shareholding Ratio
1 to 999	29,732	6,583,277	2.17 %
1,000 to 5,000	11,662	27,319,140	9.00 %
5,001 to 10,000	2,724	20,061,522	6.61 %
10,001 to 15,000	804	10,145,282	3.34 %
15,001 to 20,000	473	8,384,101	2.76 %
20,001 to 30,000	400	9,827,467	3.24 %
30,001 to 40,000	195	6,887,881	2.27 %
40,001 to 50,000	131	5,912,821	1.95 %
50,001 to 100,000	234	16,359,065	5.39 %
100,001 to 200,000	98	13,241,991	4.36 %
200,001 to 400,000	49	13,759,132	4.53 %
400,001 to 600,000	20	9,465,263	3.12 %
600,001 to 800,000	3	2,054,656	0.68 %
800,001 to 1,000,000	3	2,713,482	0.88 %
1,000,001 to 999,999,999	31	150,878,320	49.70 %
Above NT\$1,000,000,000	0	0	0.00 %
Total	46,559	303,593,400	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 9, 2024.

Names of Major Shareholders/Shares	Number of shareholding	Shareholding Ratio
Ruifu Construction Co., Ltd.	30,663,678	10.10%
Ascend Gear International Inc.	15,931,342	5.25%
Hohe Construction Co., Ltd.	15,774,553	5.20%
Chengxi Investment Co., Ltd.	15,146,990	4.99%
Hsu Mei-Lun	8,637,048	2.84%
Quanxinfeng Co., Ltd.	8,049,069	2.65%
Ren-Yu Investment Limited	5,490,000	1.81%
Hsu Zhen-Tsai	4,690,917	1.55%
Xu Zhengqun	3,458,394	1.14%
Chen Hui-Jin	3,362,170	1.11%

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

Item \ Year		2022	2023	Current year as of March 31, 2024 (Note 8)
Market Price per Share (Note 1)	Highest	23.10	25.10	24.75
	Lowest	19.55	20.35	23.45
	Average	21.52	22.32	23.98
Net Worth per Share (Note 2)	Before Distribution	35.17	40.85	42.70
	After Distribution	33.97	39.55 (Note 9)	-
Earnings Per Share	Weighted average shares	340,126,333	323,270,750	303,593,400
	Earnings Per Share (Note 3)	2.09	1.61	0.35
Dividends per Share	Cash dividends	1.2 (Note 9)	1.3 (Note 9)	-
	Bonus shares	Retained Shares Distribution	0	-
		Stock Dividends from Capital Surplus	0	-
	Cumulative Undistributed Dividends (Note 4)		0	-
Return on Investment Analysis	P/E ratio (Note 5)	10.29	13.86	-
	Price / Dividend Ratio (Note 6)	17.93	17.17	-
	Cash Dividend Yield (Note 7)	5.58%	5.82%	-

\*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: Source: website of TWSE.

Note 2: Please refer to the number of issued shares at the end of the year and fill in the information according to the resolution of the board of directors or the shareholders' meeting of the following 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: The distribution of net income in 2023 shall subject to resolution by regular shareholders' meeting 2024.

(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:

- (I) 10% should be set aside as legal reserve, except for when the legal reserve has reached the total capital;
- (II) If necessary, it can be set aside according to the laws and regulations or for reversal of special reserve.
- (III) 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.

Pursuant to the amended Articles of Incorporation on June 8, 2022, where the Company distribute the bonus, or legal reserves or capital reserve, all or in part, if in the form of cash, it is authorized to do so by the approval of the majority of attending directors in a board meeting attended by more than one-third directors, and reported to the shareholders' meeting.

2. Dividend Distribution Proposed for the Shareholders Meeting:

**Formosan Rubber Group Inc.**  
**Earnings Distribution Table**  
**2023**

Unit: NTD \$

Item	Amount
Undistributed earnings at the beginning of the period	5,257,293,034
Add: Current net income	518,877,440
Add: disposal of equity investment instruments measured at fair value through other comprehensive income	97,555,323
Add: Other comprehensive income (actuarial gains and losses of defined benefit plans)	272,923
<b>The net profit after tax of the period, plus items other than the net profit after tax of the period, accounted into the undistributed earnings of the year</b>	616,705,686
Undistributed earnings after adjustment	5,873,998,720
Less: 10% provision for legal reserve	(61,670,569)
<b>Subtotal</b>	(61,670,569)
Distributable net profit	5,812,328,151
<b>1. Shareholder dividends (303,593,400 shares × cash dividends of NT\$1.3)</b>	(394,671,420)
<b>Subtotal</b>	(394,671,420)
Accumulated undistributed earnings at the end of the period	5,417,656,731

Note 1: The amount of this surplus earnings distribution has preference on net income after tax 2023.

Note 2: After that, if the shares outstanding are affected due to the Company's capital decrease with treasury shares or other reasons which result in a change in shareholder's dividend rate, it is to authorize the Chairperson to fully handle the matter.

Chairperson: Hsu Zhen-Tsai  
Chief accounting officer: Shi Ming-De

President: Hsu Zhen-Ji

(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) Employees' compensation and remuneration of directors and supervisors

1. Information Relating to Remuneration of Employees and Directors in the Company's Articles of Incorporation: Please refer to Chapter I, Item VI of this Article - "Dividend Policy".

2. The accounting of the difference between the estimates of remuneration to employees and directors, 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:

Approved by the board of directors on March 12, 2024

(1) The amount of proposed distribution to employees in cash and remuneration to director: Cash remuneration of NT\$6,014,305 to employees and NT\$6,014,305 to directors.

(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) The estimated earnings per share less than the proposed allotment of employee remuneration and director remuneration is NT\$1.61.

(4) The proposed allotment of employee remuneration and director remuneration approved by the board of directors is consistent with the estimates in the 2023 financial statements.

4. The actual allotment of employee remuneration and director remuneration in the previous year (including the number of shares allotted, amount and share price), differ from the estimated employee remuneration and the remuneration of directors and supervisors, note the amount, reasons, and measures taken:

The Board of Directors' approval and actual distribution on March 15, 2023:

(1) The actual distribution of cash remuneration for employees is NT\$8,456,000, and the remuneration for directors is NT\$8,456,000.

(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) The estimated earnings per share, after deducting employee and director remuneration, amount to NT\$2.09.
- (4) In 2022, the distribution of cash remuneration to employees and directors matched the estimated amount without any discrepancies.

(IX) Repurchase of FRG shares: none.

**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.



# Five. Operational Highlights

- 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 2 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

## Five. Operational Highlights

### 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 mentioned above and trading of existing raw materials.
  3. Operation of general import and export trade and providing agency services (excluding licensing business).
  4. Operation of cinemas, department stores and supermarkets.
  5. Manufacturing and trading of environmental protection equipment.
  6. Manufacturing and selling of rubber and plastic products for aircraft fuel tanks and inflatable rescue ladders.
  7. Manufacturing and trading of electronic (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 Cogeneration, Combined Heat and Power
  15. G801010 Warehousing
  16. All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

##### 2. Business ratios:

##### (1) Business ratios for various products

Unit: thousand

Item	2023	%
Construction	192,350	14.15%
Rubber Sheet	498,076	36.63%
Plastic	203,432	14.96%
Eco-Friendly Synthetic Leather	152,456	11.21%
Warehouse	287,202	21.12%
Others	26,202	1.93%
Total	1,359,718	100%

(2) Business ratios for various regions:

Unit: thousand

Region\year		2023	%
Domestic sales		300,939	34%
Overseas sales	Asia	335,953	38%
	Europe	146,174	17%
	North America	94,783	11%
	Other regions	2,317	0%
	Total of overseas sales	579,227	66%
Total		880,166	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 = Grade A ÷ input

Unit	Target Value	Division	Total of the First Half	Total of the Second Half	Annual Total
Rubber Sheet	90.0%	Input	838,727	864,606	1,703,333
		Grade A	780,235	806,663	1,586,898
		Recovery Rate	93.0%	93.3%	93.2%
Synthetic Leather	99.0%	Input	2,355,828	1,682,292	4,038,120
		Grade A	2,355,015	1,664,875	4,019,890
		Recovery Rate	99.9%	99.0%	99.5%
Eco-Friendly Synthetic Leather	94.0%	Input	1,562,876	1,185,713	2,748,589
		Grade A	1,528,475	1,160,449	2,688,924
		Recovery Rate	97.8%	97.9%	97.8%

(II) Industry Overview:

1. Secondary Processing Industries:

Years of statistics in Germany suggest that the total global demand for rubber and plastics remain growing slowing; the segments of life-saving, medication, and environment protection are outperforming the remaining ones; FRG is leading in the first two with better technology. Since 2023, the cumulative effects of significant interest rate hikes, underperformance in China's post-pandemic economy, and weak global economic demand have resulted in a global slowdown in manufacturing activity. Looking ahead to 2024, international forecast institutions anticipate a continued slowdown in the global economy, with expectations for a gradual recovery in global commodity trade. Major economies, such as Europe, are expected to show signs of recovery, while emerging markets and developing economies should experience stable growth. In spite of all these

unfavorable forces, FRG is targeting to outsell the 8,735 thousand yards of rubber, plastic, and synthetic leather (2023) in 2024.

2. Nankang's lease service industry actively seeks new clients and collaborates with well-known domestic and foreign logistic operators to provide tax and logistics management services to foreign businesses, with a focus on one-stop services and the use of technological management integration processes and systematized service models. This in turn improves service efficiency. The warehouses in Longtan Smart Park Zone A, Taoyuan, were completed in the fourth quarter of this year. They are FRG's primary targets for investment this year. As the Lungtan Smart Park's warehouse momentum grows, so will revenue from related warehouse rentals and goods handling fees. Revenue from warehousing rent and logistics may go over NT\$250 million in 2024.

3. Land Development Status of the Company:

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

Reserved units apartments at “Qiao-Feng” and “Qian-Yue”. 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”

The MRT Circular Line commenced the operation, and the development of the Yangbei Replanning Area, the market has gradually recovered and the selling rate has stabilized.

- (3) “55Timeless” Project in Taipei City

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. Sales of units of large size and higher prices are soaring due to the following factors: preference of high end customers attracted by good construction quality and word of mouth; funds back to Taiwan to get away from Sino-US conflicts are prominent. With the Company's flexible use of strategies, the apartments continued selling.

- (4) “La Bella Vita” Project in Taichung City

The real estate market of the 7th Phase, Taichung City is very active, and thus the selling prices are stabilized. The major selling point of “La Bella Vita” is planned to be the real model house designed for “La Bella Vita” specifically by the architecture Antonio Citterio and renowned cabinet brand, to increase the sales synergy with cross-industry alliance.

- (5) FRG Bridge Upto Zenith Business Plaza

FRG Qiao Feng 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 the infant care center, Bell's HOUSE. The occupancy rate is 100%. FRG Qiao Feng Business Plaza has become an exquisite business center of Banqiao.

(6) San Francisco and Hotel Development Project

The subsidiary (FRG US Corp.) in the United States was established in 2017. Participated in construction investment, with investment in this project accounting for approximately 11.23%. Residential sales were limited due to the significant increase in US mortgage interest rates, whereas hotel operations gradually improved, aided by sustained brand visibility.

(7) Kaohsiung Ambassador Hotel Development Project

The construction plan for the unsafe and old buildings has been completed, and the land registration transfer was completed in December 2022. Architectural design, environmental impact assessment, and urban design review are all currently underway.

(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 11 R&D personnel, among these six people hold a master degree, four people hold a bachelor degree and one person is an undergraduate.

(3) R&D expenses in the last five years (2019-2023):

Unit: thousand

2019	2020	2021	2022	2023
13,097	9,917	10,467	9,634	9,270

(4) Material Results:

Patents: five patents were obtained in 2023.

[1]	Protective clothing fabric and its manufacturing method
[2]	Waterproof and soundproof material and its manufacturing method
[3]	Rubber inflatable fabric and its manufacturing method
[4]	Rubber film surface printing structure and its printing method
[5]	Fuel tank leather manufacturing method

There are currently eight R.O.C. 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 pad products	<ol style="list-style-type: none"> <li>1. The rubber soundproofing pad products have passed relevant building regulations and have been awarded the “green building material label certificate.”</li> <li>2. The production equipment has been completed, with production in a small quantity, to be delivered to customers for trial.</li> </ol>	USD \$ 10,000	June 2024	<ol style="list-style-type: none"> <li>1. The actual operation of equipment production is consistent with production requirements and can improve production efficiency.</li> <li>2. Improve production efficiency, shorten product curing time.</li> </ol>
Life raft cold-resistant formula (-70 °C) project	<ol style="list-style-type: none"> <li>1. Actual-size samples were produced and delivered to customers for physical testing in an outdoor environment.</li> <li>2. Competitors have already had corresponding products to the customer which pose a price advantage.</li> </ol>	USD \$ 5,000	June 2024	<ol style="list-style-type: none"> <li>1. A customer reported that the major goods are unstable for the wear-resistance, and the technology is improving.</li> <li>2. The time for the customer to make confirmation has effected the number of the current orders.</li> </ol>
Product development project for rubber and TPU drop-stitch inflatable air cushion	<ol style="list-style-type: none"> <li>1. Various drop-Stitch rubber and TPU inflatable air cushions have been completed and delivered to aircraft jack customers for trial use.</li> <li>2. Drop-Stitch is a kind of fabric for EU markets; source for 2nd supplier and plan inventory level to deal with long lead time issues.</li> </ol>	USD \$ 5,000	June 2024	<ol style="list-style-type: none"> <li>1. Shipment was changed to folded packaging in response to customers' reports of abnormal creases on product rolls.</li> <li>2. Technology is continuously being developed and new equipment added; the Company is trying to simplify the production process and improve yield.</li> </ol>
National-level - national vehicles manufactured in Taiwan plan	<ol style="list-style-type: none"> <li>1. Flexible rubber duct.</li> <li>2. The high-wear-resistant and low-smoke carriage rubber floor material for trains meets the EN standards.</li> </ol> <p>It has been delivered to use at the MRT Circular Line and will be continually followed-up.</p>	USD \$ 5,000	December, 2024	<ol style="list-style-type: none"> <li>1. Replacement of special rubber floor materials for high-speed rail, MRT and railway carriages.</li> <li>2. Close partnership with customers to increase the technology level to increase orders for rubber floor used in carriages.</li> </ol>
Development project for diversified	<ol style="list-style-type: none"> <li>1. Stable orders have been received by customers, and keeping on following up.</li> </ol>	USD \$ 5,000	December, 2024	<ol style="list-style-type: none"> <li>1. Customers use joint materials with corners, and extended the</li> </ol>

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
products such as joint seam materials used in carriages.	2. The molding machine area has been established, pending operator training to familiarize with the machine in order to improve the yield.			development on the existing core expertise. 2. The corner forming and vulcanization accommodate each other.
Project for developing high-performance TPU product; featuring light, thin, and soft-touch	1. Actual size samples (based on special TPU materials) are in production now; pending for durability test by customer. 2. Make sure the reliable supply of TPU materials.	USD \$ 5,000	December, 2024	1. Adjust the processability of TPU materials to adapt to existing production equipment. 2. To ensure the quality of the customer's demand.
Project for developing EN & BS specification compliant and highly transmitting materials for joint seam of carriages.	1. The major products have been produced, and sample cards have been made for promotion. 2. Competitors in Europe and the US already have joint seam materials used in carriages that comply with EN & BS standards.	USD \$ 5,000	December, 2024	1. Make sure the EN & BS specification compliant and highly transmitting materials for joint seam of carriages meet customer requirements. 2. Close partnership with customers to increase the technology level to increase orders for joint seam materials used in carriages.
PCB & CCL mold-pressed laminated buffer	1. The actual size samples were outsourced for testing by manufacturers. 2. Assess production equipment to fit production process.	USD \$ 10,000	December, 2024	1. First the existing production equipment in the plant is applied to accommodate the development. 2. Decided the order of product development by integrating the demands of users.



(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. Improve quality and continue to engage in EOM/ODM collaboration with major global manufacturers to ensure turnover.
- C. Make good use of equipment and develop multi-colored and multi-specification productions to ensure customers' brand loyalty.
- D. Continue to collaborate with factories in Europe, the United States, and Japan to develop new products and introduce the theme to new markets.
- E. Add new product lines and develop related products and one-stop services to better meet the needs of our customers.
- F. By investing with precision - principles of full production, order delivery and gradually adjust the inventory.

(2) Long-term development plans:

- A. Develop new products with the performance of new products accounting for 30% of all manufacturing performance as the goal, with the intention of attaining steady turnover growth.
- B. Add rubber products required by green energy-related industries and process supply chains and continue to develop products that are more in line with green energy demand.
- C. Continue to optimize environmentally friendly products to secure long-term orders from customers in advanced European countries and the United States.
- D. Promote and expand FRG dragons (the best-selling FRG products). Furthermore, strengthen promotion and provide customers with certifications and reports to help them recognize FRG's products.
- E. Offer customers a one-stop shopping experience (including rubber, plastics, green plastics, PU coating, PU lamination, silicone and other departments). Provide most customers with a variety of product options and facilitate horizontal integration development across departments.
- F. The products have a wide range of applications, including healthcare, apparel, industrial safety, navigation, inflatables, shoe materials, box packaging materials, electronic consumables and others. The manufacturing department can share its R&D feedback and horizontally link and develop unique products. The new products and best-selling products complement one another.

II. Nankan Warehouse Logistics and Rental and Leasing Business:

(1) Short-term business development plans:

Building a new logistics warehouse in Longtan that is intended to be a smart green building. At the same time, request a permit for the Logistics Center's Warehouse III to serve South Taoyuan manufacturers. The company will continue to improve and optimize its services with the goal of attracting international customers as tenants.

(2) Long-term business development plans:

Completed the entire Smart Park in Lungtan and continue to build logistic factories that meet current trends, with the goal of attracting bonded customers as tenants. Increase the operational planning of various

industries, thereby improving the park's overall development strength and opening up opportunities for diverse collaboration.

### 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 residential properties, investments in commercial real estate will not be ruled out.

#### (2) Long-term development plans:

Due to the need of long-term development, other than the existing development projects, the Company will actively look for projects meeting the Company's conditions.

## 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		2022	%	2023	%
Domestic sales		408,198	41.39%	300,939	34.19%
Overseas sales	Asia	351,637	35.65%	335,953	38.17%
	Europe	146,252	14.83%	146,174	16.61%
	North America	71,581	7.25%	94,783	10.77%
	Other regions	8,671	0.88%	2,317	0.26%
	Subtotal	578,141	58.61%	579,227	65.81%
Total		986,339	100.00%	880,166	100.00%

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

#### (2) The supply and demand and growth potential of the market in the future:

In retrospect, the year 2023 marked the official end of the COVID-19 pandemic worldwide. There was optimism for a robust post-pandemic economic recovery after three years of a global public health crisis. However, economic performance was hampered by the Federal Reserve's series of hawkish interest rate hikes, lingering inflation risks, uncertainties in the economic outlooks of the United States and Mainland China, as well as ongoing geopolitical conflicts such as the Russia-Ukraine war and escalating Middle Eastern tensions. These crises slowed the expected pace of recovery. With the implementation of the EU's carbon border tariffs and associated policies, an unstoppable trend of using economic policies to address environmental issues has begun. How growing supply-side costs are reflected in the consumer market and the effects they have is another crucial issue that should not be disregarded. There are still many unknowns in the environment as a whole. Seizing opportunities when the economy recovers requires constant monitoring of the political and economic landscape on a global scale, as well as timely adjustments based on business cycle phases. Therefore, by continuously developing new products, improving quality and strictly controlling costs based on the market orientation, the sustainable development of the Company may be ensured

#### (3) 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. Blessed by over US\$100 million capital, 71 years of technology and patents, ISO-14001 and five national quality awards, FRG will invest in the above three growth markets to widen the difference with competitors, lead the rubber, plastic industry in Taiwan, and crown the eco-friendly synthetic leather manufacturing industry.

(4) Advantages of the development prospect:

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

(5) Disadvantages of development prospects:

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
Green plastics	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 with regard to development prospects:

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.
Green plastics	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 3%	Current annual growth rate is approximately 3%	Current annual growth rate is approximately 3%	Current annual growth rate is approximately 2%
	Synthetic Leather	Current Status of the Industry	Synthetic leather used in the staple merchandise market - the Company currently has the largest manufacturing	Synthetic leather used in the electronic materials market - the Company currently has the largest manufacturing	Synthetic leather used in the medical materials market - the Company currently has the largest manufacturing	Synthetic leather used in the transportation materials market - the Company currently has the largest manufacturing	Synthetic leather used in the environmental materials market - the Company currently has the largest manufacturing

Industry Trends	Product Lines	Item	Staple Merchandise Market	Electronic Materials Market	Medical Materials Market	Transportation Materials Market	Environmental Materials Market
			scales among Taiwanese manufacturers	scales among Taiwanese manufacturers	scales among Taiwanese manufacturers	scales among Taiwanese manufacturers	scales among Taiwanese manufacturers
		Development of the Industry	Current annual growth rate is approximately 2%	Current annual growth rate is approximately 1%	Current annual growth rate is approximately 5%	Current annual growth rate is approximately 2%	Current annual growth rate is approximately 2%
	Green plastics	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 5%	Current annual growth rate is approximately 1%	Current annual growth rate is approximately 2%

(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
(1) Industry relevance of upstream, midstream and downstream companies.	Rubber Sheet	Upstream Companies	Manufacturer for rubber raw materials (example: Denka, Tosoh)	Manufacturer for rubber raw materials (example: Denka, Tosoh)	Manufacturer for rubber raw materials (example: Denka, Tosoh)	Manufacturer for rubber raw materials (example: Denka, Tosoh)	Manufacturer for rubber raw materials (example: Denka, Tosoh)
		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
	Green plastics	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 leather staple 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.
		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	Due to the conservative market, it is not easy to expand business for synthetic leather used in the electronic	Due to the conservative market, it is not easy to expand business for synthetic leather used in the medical	Due to the conservative market, it is not easy to expand business for synthetic leather used in the	Due to the environmental new materials, it is not easy for the Company to expand business for synthetic

Industry Trends	Product Lines	Item	Staple Merchandise Market	Electronic Materials Market	Medical Materials Market	Transportation Materials Market	Environmental Materials Market
			market. Also, the capital expenditure of this product is large, making it more difficult for newcomers.	materials market. Also, the capital expenditure of this product is large, making it more difficult for newcomers.	materials market. Also, the capital expenditure of this product is large, making it more difficult for newcomers.	transportation materials market. Also, the capital expenditure of this product is large, making it more difficult for newcomers.	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.				
	Green plastics	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:

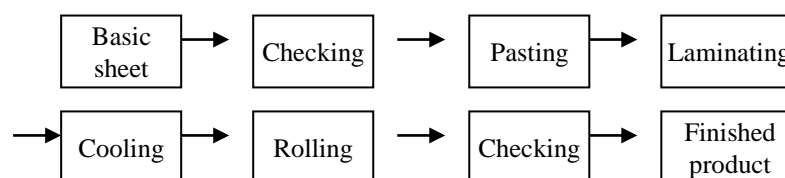
It can be made into raincoats, windbreakers, snow coats, footwear, waterproof engineering, air beds, boats, pontoons, aircraft tanks, water tanks, conveyor belts, ready-to-wear, life jackets, medical materials, automotive materials, dry diving suits, etc.

#### (3) Uses for Eco-Friendly Synthetic Leather:

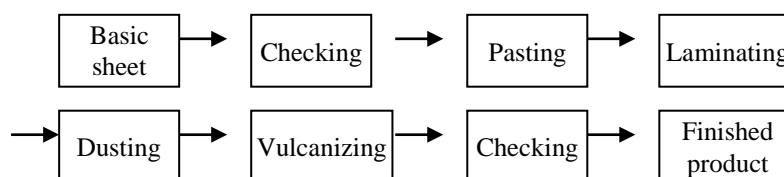
These can be made into high-end ready-to-wear, raincoat, windbreaker, ski wear, medical materials, automotive materials, etc.

### 2. Manufacturing Process:

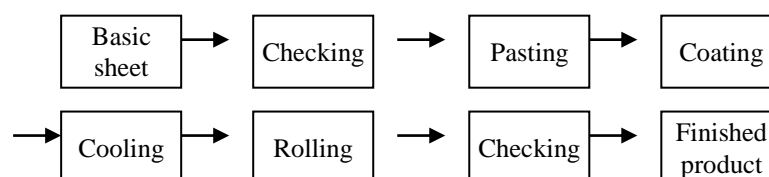
#### (1) Synthetic Leather:



#### (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, DPHP, 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 United States.

B. Natural rubber: Southeast Asia.

C. DPHP: Domestic: UPC Group and C&Yung Ltd.

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 2 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

	2022				2023				Year 2024 ended the previous quarter (Note 2)			
Item	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	111,961	20.07	None	Supplier A	50,636	11.15	None	Supplier A	10,798	9.31	None
2	Supplier B	63,468	11.38	None	Supplier B	38,065	8.39	None	Supplier B	9,986	8.61	None
	Others	382,341	68.55		Others	365,226	80.46		Others	95,236	82.08	
	Net purchase	557,770	100		Net purchase	453,927	100		Net purchase	116,020	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 for Q1 2024 has been reviewed by CPAs before the publication date of the annual report.

Reasons for the increase or decrease: The same two companies contributed more than 10% of the total sales in last two years were the same two companies, they look to remain so.

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

	2022				2023				Year 2024 ended the previous quarter (Note 2)			
Item	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	203,154	20.60	None	Customer A	139,775	15.88	None	Customer A	40,550	20.42	None
2	Customer B	92,496	9.38	None	Customer B	105,175	11.95	None	Customer B	20,427	10.29	None
	Others	690,689	70.02		Others	635,216	72.17		Others	137,609	69.29	
	Net sales	986,339	100		Net sales	880,166	100		Net sales	198,586	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 for Q1 2024 has been reviewed by CPAs before the publication date of the annual report.

Reasons for the increase or decrease: The same two companies contributed more than 10% of the total sales for the two years, without material deviation.

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

Unit: thousand yards; amount: thousand

Production Major Products (or by Segment)	Year	2022			2023		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Synthetic Leather		9,240	5,032	193,221	9,240	3,970	161,194
Rubber Sheet		4,488	1,817	368,451	4,488	1,758	375,067
Green plastics		15,998	3,769	145,203	15,998	2,653	110,823
Others		—	345	44,551	—	179	23,832
Total		29,726	10,963	751,426	29,726	8,560	670,916

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 2 Years

Unit: thousand yards; amount: thousand

Sales volume /value Major Products (or by Segment)	Year	2022				2023			
		Domestic sales		Overseas sales		Domestic sales		Overseas sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Synthetic Leather		4,100	180,024	1,207	68,058	2,786	134,566	1,132	68,866
Rubber Sheet		537	79,652	1,410	403,652	461	62,959	1,443	435,117
Green plastics		3,365	136,495	622	67,187	2,230	95,833	493	56,623
Sales of raw materials		317	1,861	5	73	—	—	3	221
Others		107	10,166	255	39,171	70	7,581	117	18,400
Total		8,426	408,198	3,499	578,141	5,547	300,939	3,188	579,227

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		2022	2023	Current year as of March 31, 2024
Number of Employees	Managers	27	30	30
	Indirect personnel	79	75	74
	Direct personnel	89	95	95
	Total	195	200	199
Average age		51.43	51.17	51.51
Average years of service		10.43	10.86	11.13
Education level distribution ratio (%)	PhD.	0.00%	0.00%	0.00%
	MBA	5.64%	4.64%	4.66%
	Bachelor's degree	30.77%	28.35%	28.50%
	Senior high school	45.64%	49.48%	49.22%
	Below senior high school	17.95%	17.53%	17.62%

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\$100,000.
2. Countermeasures: In accordance with air pollution control regulations, any unauthorized changes to the emission pipeline will require a completed application for modification.
3. Costs (est.): NT\$2 million

##### **(II) Fire Prevention:**

1. Total fine for the violation of the law and regulations: None.
2. Countermeasure: In response to amendments to the Fire Services Act, some unprotected areas of the factory will have automatic smoke detectors installed. °
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.
2. Countermeasures: Comply with provisions in the Occupational Safety and Health Act. Strengthen industrial safety advocacy to prevent occupational hazards.
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). A 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 is unpaid. Reelected 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 person 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, keeping, and utilizing the 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, which 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 was 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) Unexcused absences are not permitted during the training period; those unable to attend for any reason must request a leave of absence prior to class. Unexcused absences will be considered 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 results:

##### 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 who 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 who 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 needed which 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) FRG personnel training log (2023)

Item number	Item	Unit: thousand	Relevant license	Total hours (hours)	amount (NT\$)
1	Re-training class of forklift	Logistic Center (3 people), PPD line (3 people), C03 line (1 person), CPU line (1 person), Chaining line (2 people), Vulcanizing line (1 person), Rubber line (3 people), Warehousing Section (6 people), Inspection Team (1 person), Engineering unit (2 people), Completion and Promotion Center (1 person), General Affairs Section (1 person)	■Yes□No	75	15,000
2	Re-training class of fork-lift truck operator	Logistic Center (1 person)	■Yes□No	18	6,164
3	Re-training class of crane	Production line R (1 person), PPD production line (1 person), Finished Product Inspection Section (2 people), Warehousing Section (1 person), Inspection Team (1 person), Production line (1 person)	■Yes□No	21	4,200
4	Security Supervisor Course	Production Section (2 people)	■Yes□No	16	5,400
5	Accounting supervisor advance training courses	Accounting Section (1 person)	■Yes□No	12	8,000
6	Grade C occupational safety supervisory class	Logistic Center (1 person), Legal Affairs Office (1 person)	■Yes□No	42	10,000
7	Internal Audit Course	Audit Office (3 people)	■Yes□No	30	16,700
8	Course of Bonded Warehouse for Dedicated Personnel	Logistic Center (1 person)	■Yes□No	24	5,000
9	Self-compiled ESG sustainability and financial report-related policy development and internal control management course	Accounting Section (2 people)	■Yes□No	12	7,000
10	Investment and financial management intensive class	Management Department (1 person)	□Yes■No	24	14,500
11	Re-training class of high-pressure gas equipment	Production line U (1 person)	■Yes□No	3	500
12	Grade B Re-training class of boiler	Engineering unit (1 person)	■Yes□No	3	500
13	First Aid Training Course	Logistic Center (1 person)	■Yes□No	12	4,500
14	Retraining class of safety and health management	Engineering unit (1 person)	■Yes□No	12	2,400

#### (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) In July every year, the 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.

- I. Safety first, health first.
- II. Follow laws and regulations in terms of safety and health.
- III. Enhance safety and health equipment.
- IV. Improve safety and health organizations.
- V. Strengthen safety and health education.
- VI. Have safety and health habits.
- VII. Build safety honor concepts.
- VIII. Increase the awareness for prevention of disasters.
- IX. Implement industrial automatic checks.
- X. 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, immediately contact the Safety and Health Management Department and Safety and Health Committee to jointly seek 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. Linger 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, 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; cleanliness 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. Information security management:**

(I) Describe the information security and risk management framework, information security policies, specific management plans, and resources used in information security management.

The Company created a comprehensive information security management system. However, the new information security policy and information security promotion organization will be revised before the end of 2023 to address the new challenges posed to information security by constantly evolving ways to breach information security while minimizing any impact on the company. IT information security supervisors and personnel will be tasked with collaborating on information security concepts and technical training, as well as staying current on information security systems and control measures, in order to establish and sustain continuous business operations.

(II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant information security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

In the most recent year, and the current fiscal year as of the publication date of the annual report, there was no labor disputes.

## VII. Important contracts:

Nature of contract	Party	Contract Duration	Details	Restrictive terms
Sales contract	Japan Ajinomoto	January 26, 2005	Co-produced additives for electronic chemistry	None
Real Estate Development Contract	CONTINENTAL DEVELOPMENT CORP. Heng Bang Construction Co., Ltd. Heng Ju Construction Co., Ltd.	May 16, 2012	The B7 land development in Xinyi Section	None
	CONTINENTAL DEVELOPMENT CORP.	October 17, 2014	The land development in Huiguo Section of Taichung	None
	The Ambassador Hotel Co., Ltd. CONTINENTAL DEVELOPMENT CORP.	November 15, 2021	Land in Houjin Section, Qianjin District, Kaohsiung City, and the current building development case.	None

# **Six. 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

## Six. 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		Finance analysis for the past 5 fiscal years (Note 1)					Financial information for the current year as of March 31, 2024(Note 1)
		2019	2020	2021	2022	2023	
Current Assets		8,575,654	7,948,387	8,863,248	9,589,846	9,557,927	10,275,285
Property, Plant and Equipment		891,585	848,439	809,079	793,418	747,845	744,089
Intangible Assets		0	0	0	0	0	0
Other Assets		3,512,195	3,460,289	3,443,075	3,375,941	3,979,062	4,101,458
Total Assets		12,979,434	12,257,115	13,115,402	13,759,205	14,284,834	15,120,832
Current Liabilities	Before Distribution	1,919,580	818,341	930,236	1,647,518	1,639,735	1,764,910
	After Distribution	2,199,580	1,331,830	1,341,027	2,052,309	2,034,406	-
None Current Liabilities		254,232	256,515	247,340	249,102	242,827	393,790
Total Liabilities	Before Distribution	2,173,812	1,074,856	1,177,576	1,896,620	1,882,562	2,158,700
	After Distribution	2,453,812	1,588,345	1,588,367	2,301,411	2,277,233	-
Equity Attributable to Parent Company Shareholders		10,806,639	11,182,259	11,937,826	11,862,585	12,402,272	12,962,132
Shares		3,500,000	3,423,260	3,423,260	3,373,260	3,035,934	3,035,934
Capital reserve		466,463	456,341	456,341	449,745	449,745	449,745
Retained Earnings	Before Distribution	6,672,834	7,245,305	7,513,391	7,771,270	7,983,184	7,951,751
	After Distribution	6,392,834	6,731,816	7,102,600	7,366,479	7,588,513	-
Other Equity		167,342	57,353	544,834	268,310	933,409	1,524,702
Treasury Stock		0	0	0	0	0	0
Non-Controlling Interest		(1,017)	0	0	0	0	0
Total Equity	Before Distribution	10,805,622	11,182,259	11,937,826	11,862,585	12,402,272	12,962,132
	After Distribution	10,525,622	10,668,770	11,527,035	11,457,794	12,007,601	-

Note 1: The financial data of year has been audited by CPA; data of Q1 2024 has been reviewed by CPA before publication date of the annual report.

Note 2: Calculate the amount of distribution based on the amount resolved by the board of directors or resolved in the next year's shareholders meeting.



## 2. A Parent Company Only Condensed Balance Sheet

Unit: NT\$ thousand

Item \ Year		Finance analysis for the past 5 fiscal years (Note 1)				
		2019	2020	2021	2022	2023
Current Assets		7,927,109	7,325,060	8,005,000	8,679,643	8,448,248
Property, Plant and Equipment		891,585	848,439	808,863	793,239	747,716
Intangible Assets		0	0	0	0	0
Other Assets		4,158,796	4,083,175	4,298,212	4,279,916	5,080,189
Total Assets		12,977,490	12,256,674	13,112,075	13,752,798	14,276,153
Current Liabilities	Before Distribution	1,912,550	817,900	926,909	1,641,219	1,631,189
	After Distribution	2,192,550	1,331,389	1,337,700	2,046,010	2,025,860
None Current Liabilities		258,301	256,515	247,340	248,994	242,692
Total Liabilities	Before Distribution	2,170,851	1,074,415	1,174,249	1,890,213	1,873,881
	After Distribution	2,450,851	1,587,904	1,585,040	2,295,004	2,268,552
Equity Attributable to Parent Company Shareholders		10,806,639	11,182,259	11,937,826	11,862,585	12,402,272
Shares		3,500,000	3,423,260	3,423,260	3,373,260	3,035,934
Capital reserve		466,463	456,341	456,341	449,745	449,745
Retained Earnings	Before Distribution	6,672,834	7,245,305	7,513,391	7,771,270	7,983,184
	After Distribution	6,392,834	6,731,816	7,102,600	7,366,479	7,588,513
Other Equity		167,342	57,353	544,834	268,310	933,409
Treasury Stock		0	0	0	0	0
Non-Controlling Interest		0	0	0	0	0
Total Equity	Before Distribution	10,806,639	11,182,259	11,937,826	11,862,585	12,402,272
	After Distribution	10,526,639	10,668,770	11,527,035	11,457,794	12,007,601

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

Note 2: Calculate the amount of distribution based on the amount resolved by the board of directors or resolved in the next year's shareholders meeting.

### 3. Comprehensive Income Statements

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

Item \ Year	Finance analysis for the past 5 fiscal years (Note 1)					Financial information for the current year as of March 31, 2024 (Note 1)
	2019	2020	2021	2022	2023	
Operating income	2,701,777	3,282,255	2,794,884	1,937,243	1,359,718	271,355
Operating margin	661,688	1,062,287	883,664	625,209	420,611	85,283
Net Operating Income	423,813	810,562	627,242	370,870	199,606	37,959
Non-Operating Income and Expenses	128,874	119,572	196,109	459,427	392,594	74,590
Pre-Tax Income	552,687	930,134	823,351	830,297	592,200	112,549
Continuing Operation Net Income	538,950	901,716	777,956	711,684	518,877	107,684
Loss of Discontinued Operation	0	0	0	0	0	0
Net Income (Loss)	538,950	901,716	777,956	711,684	518,877	107,684
Other comprehensive income recognized for the period (Net amount after tax)	184,067	(116,478)	491,100	(270,318)	762,927	452,176
Total Comprehensive Income	723,017	785,238	1,269,056	441,366	1,281,804	559,860
Profit Attributable to the Equity Holders of the Parent Company	538,957	901,716	777,956	711,684	518,877	107,684
Net Profit Attributable to Non Controlling Interests	(7)	0	0	0	0	0
Comprehensive Income Attributable to the Equity Holders of the Parent Company	723,024	785,238	1,269,056	441,366	1,281,804	559,860
Comprehensive Income Attributable to Non Controlling Interests	(7)	0	0	0	0	0
Earnings Per Share	1.54	2.62	2.27	2.09	1.61	0.35

Note 1: The financial data of year has been audited by CPA; data of Q1 2024 has been reviewed by CPA before publication date of the annual report.

#### 4. A Parent Company Only Comprehensive Income Statements

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

Item \ Year	Finance analysis for the past 5 fiscal years (Note 1)				
	2019	2020	2021	2022	2023
Operating income	2,701,837	3,282,315	2,794,944	1,936,730	1,357,421
Operating margin	661,748	1,062,347	883,724	625,365	421,774
Net Operating Income	426,917	812,584	634,915	384,606	213,403
Non-Operating Income and Expenses	123,093	117,501	188,396	444,071	375,998
Pre-Tax Income	550,010	930,085	823,311	828,677	589,401
Continuing Operation Net Income	538,957	901,716	777,956	711,684	518,877
Loss of Discontinued Operation	0	0	0	0	0
Net Income (Loss)	538,957	901,716	777,956	711,684	518,877
Other comprehensive income recognized for the period (Net amount after tax)	184,067	(116,478)	491,100	(270,318)	762,927
Total Comprehensive Income	723,024	785,238	1,269,056	441,366	1,281,804
Profit Attributable to the Equity Holders of the Parent Company	538,957	901,716	777,956	711,684	518,877
Net Profit Attributable to Non Controlling Interests	0	0	0	0	0
Comprehensive Income Attributable to the Equity Holders of the Parent Company	723,024	785,238	1,269,056	441,366	1,281,804
Comprehensive Income Attributable to Non Controlling Interests	0	0	0	0	0
Earnings Per Share	1.54	2.62	2.27	2.09	1.61

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	CPA	Account audit comments
2019	Zhou Yin-Lai and Wu Xin-Liang	An Unqualified Opinion
2019	Zhou Yin-Lai and Wu Xin-Liang	An Unqualified Opinion
2021	Zhou Yin-Lai and Lai, Yung-Chi	An Unqualified Opinion
2022	Zhou Yin-Lai and Lai, Yung-Chi	An Unqualified Opinion
2023	Lai Chia-Yu and Lai Yung-Chi	An Unqualified Opinion

## II. Finance analysis for the past 5 fiscal years

(I) The International Financial Reporting Standards have been adopted

### 1. Consolidated Financial Analysis

Analysis		Year	Finance analysis for the past 5 fiscal years (Note 1)					Current year as of March 31, 2024 (Note 1)
			2019	2020	2021	2022	2023	
Financial Structure (%)	Debt to Assets Ratio		16.75	8.77	8.98	13.78	13.18	14.28
	Long Term Funds to Property, Plant and Equipment Ratio		1,240.47	1,348.21	1,506.05	1,526.52	1,690.87	1,794.94
Liquidity %	Current Ratio		446.75	971.28	952.80	582.08	582.89	582.20
	Quick Ratio		207.18	578.74	697.59	389.52	399.47	408.06
	Times Interest Earned		29.16	114.06	205.76	95.47	23.49	22.21
Operating Performance	Average Collection Turnover (times)		17.43	17.87	14.54	12.88	9.21	7.25
	Average Number of Days		20.94	20.42	25.10	28.33	39.63	50.35
	Inventory Turnover (times)		0.40	0.58	0.70	0.48	0.31	0.25
	Average Payment Turnover (times)		14.75	22.21	17.33	10.30	7.77	6.61
	Average Sales Days		912.50	629.31	521.43	760.41	1,177.41	1,460.00
	Property, Plant and Equipment Turnover (times)		2.95	3.77	3.37	2.42	1.76	1.46
	Total Assets Turnover (times)		0.20	0.26	0.22	0.14	0.10	0.07
Profitability	Return on Total Assets (%)		4.09	7.20	6.16	5.35	3.85	3.05
	Return on Equity (%)		5.09	8.20	6.73	5.98	4.28	3.40
	Pre-Tax to Ratio of the Paid-In Capital (%)		15.79	27.17	24.05	24.61	19.51	14.83
	Net Margin (%)		19.95	27.47	27.84	36.74	38.16	39.68
	Earnings Per Share (NT\$)		1.54	2.62	2.27	2.09	1.61	0.35
Cash Flow	Cash Flow Ratio (%)		92.89	253.39	185.49	(1.30)	41.63	1.09
	Cash Flow Adequacy Ratio (%)		63.93	296.82	371.31	221.93	206.53	153.97
	Cash Flow Reinvestment Ratio (%)		12.38	14.32	9.09	(3.24)	2.00	0.13
Leverage	Operating Leverage		1.86	1.43	1.56	1.67	2.72	3.16
	Financial Leverage		1.05	1.01	1.01	1.02	1.15	1.16

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. Times interest earned: mainly due to the increased expenditure on payable short-term securities in the current period compared to the previous period.
2. Average collection turnover, average collection days, inventory turnover, average payment turnover, average days of sale, property, plant, and equipment turnover ratio and total assets turnover ratio: mainly due to decreased construction project sales in the current period, resulting in a decrease in operating income and related operating costs compared to the previous period.
3. Return on assets, return on equity, income before tax of paid-in capital, earnings per share: mainly due to decreased construction project sales, resulting in a decrease in income before tax and after tax in the current period compared to the previous period.
4. Cash flow ratio and cash flow reinvestment ratio: The increased net cash inflow from operating activities in the current period is mainly due to the late installment payments of Kaohsiung Ambassador Hotel development project in the previous period.
5. Operating leverage: mainly due to a decrease in operating profit in the current period.

Note 1: The financial data of year has been audited by CPA; data of Q1 2024 has been reviewed by CPA before publication date of the annual report.

## 2. Parent Company Only Financial Analysis

Analysis \ Year		Finance analysis for the past 5 fiscal years (Note 1)				
		2019	2020	2021	2022	2023
Financial Structure (%)	Debt to Assets Ratio	16.73	8.77	8.96	13.74	13.13
	Long Term Funds to Property, Plant and Equipment Ratio	1,241.04	1,348.21	1,506.46	1,526.85	1691.15
Liquidity %	Current Ratio	414.48	895.59	863.62	528.85	517.92
	Quick Ratio	174.03	502.85	615.37	335.56	333.54
	Times Interest Earned	28.35	114.05	205.75	95.29	23.39
Operating Performance	Average Collection Turnover (times)	17.43	17.87	14.54	12.9	9.22
	Average Number of Days	20.94	20.42	25.10	28.29	39.58
	Inventory Turnover (times)	0.40	0.58	0.71	0.49	0.31
	Average Payment Turnover (times)	14.75	22.21	17.33	10.30	7.74
	Average Sales Days	912.50	629.31	514.08	744.89	1,177.41
	Property, Plant and Equipment Turnover Ratio (times)	2.95	3.77	3.37	2.42	1.76
Profitability	Total Assets Turnover (times)	0.20	0.26	0.22	0.14	0.10
	Return on Total Assets (%)	4.09	7.20	6.16	5.35	3.85
	Return on Equity (%)	5.09	8.20	6.73	5.98	4.28
	Pre-Tax to Ratio of the Paid-In Capital (%)	15.71	27.17	24.05	24.57	19.41
	Net Margin (%)	19.95	27.47	27.83	36.75	38.23
Cash Flow	Earnings Per Share (NT\$)	1.54	2.62	2.27	2.09	1.61
	Cash Flow Ratio (%)	91.79	249.14	190.21	1.82	40.61
	Cash Flow Adequacy Ratio (%)	61.05	290.71	368.23	222.19	223.99
	Cash Flow Reinvestment Ratio (%)	12.11	13.98	9.35	(2.86)	1.85
Leverage	Operating Leverage	1.85	1.43	1.54	1.62	2.56
	Financial Leverage	1.05	1.01	1.01	1.02	1.14

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. Times interest earned: mainly due to the increased expenditure on payable short-term securities in the current period compared to the previous period.
2. Average collection turnover, average collection days, inventory turnover, average payment turnover, average days of sale, property, plant, and equipment turnover ratio and total assets turnover ratio: mainly due to decreased construction project sales in the current period, resulting in a decrease in operating income and related operating costs compared to the previous period.
3. Return on assets, return on equity, income before tax of paid-in capital, earnings per share: mainly due to decreased construction project sales, resulting in a decrease in income before tax and after tax in the current period compared to the previous period.
4. Cash flow ratio and cash flow reinvestment ratio: The increased net cash inflow from operating activities in the current period is mainly due to the late installment payments of Kaohsiung Ambassador Hotel development project in the previous period.
5. Operating leverage: mainly due to a decrease in operating profit in the current 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 to Assets 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 board of directors has prepared the business report, financial statements (including parent company only financial report and consolidated financial statements), and profit distribution proposals of year 2023; the financial statements have been audited by CPA Lai Chia-Yu and Lai Yung-Chi of the Baker Tilly Clock and Co.; the latter issued audit report as well.

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.

-

Annual Shareholders' Meeting of FRG, 2024

Formosan Rubber Group Inc.

Convener of Audit Committee: Lorraine Yao

March 12,2024



**IV. Financial report for the most recent fiscal year**

**Formosan Rubber Group Inc.  
and Subsidiaries  
Consolidated Financial Statements  
For the Years Ended December 31, 2023 and 2022  
With Independent Auditors' Report**

**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 combined financial statements of Formosan Rubber Group Inc. as of and for the year ended December 31, 2023, 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 12, 2024

## INDEPENDENT AUDITORS'REPORT

NO.00111120ECA

The Board of Directors and Shareholders

Formosan Rubber Group Inc.

### **Opinion**

We have audited the accompanying consolidated financial statements of Formosan Rubber Group Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Formosan Rubber Group Inc. and its subsidiaries as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended 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), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Formosan Rubber Group Inc. and its subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for Formosan Rubber Group Inc. and its subsidiaries' consolidated financial statements for the year ended December 31, 2023 are stated as follows:

#### Valuation of Net Realizable Value of Real Estate For Sale

##### Summary of key issues for auditing

As of December 31, 2023, the value of real estate for sale on the consolidated balance sheet was NT\$ 2,771,492 thousand primarily reflective of the cost with completed properties and land held for sale. These items accounted for approximately 19% of the consolidated total assets. Please refer to Notes 4, 5 and 10 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. As the valuation of real estate for sale 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 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, 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, 2023, the value of property investments on the consolidated balance sheet was NT\$ 2,847,586 thousand accounting for approximately 20% of the consolidated total assets. Please refer to Notes 4, 5 and 15 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.

### **Other Matter**

We have also audited the parent company only financial statements of Formosan Rubber Group Inc. as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing Formosan Rubber Group Inc. and its subsidiaries' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Formosan Rubber Group Inc. and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing Formosan Rubber Group Inc. and its subsidiaries' financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Formosan Rubber Group Inc. and its subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Formosan Rubber Group Inc. and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Formosan Rubber Group Inc. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Formosan Rubber Group Inc. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BAKER TILLY CLOCK & CO.

March 12, 2024

#### 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 such consolidated financial statements are those generally 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, 2023 and 2022

Unit: In Thousands of NTD

Assets	Note	Dec. 31, 2023		Dec. 31, 2022	
Accounting item		Amount	%	Amount	%
<b>Current assets</b>					
Cash and cash equivalents	6	\$ 648,132	5	\$ 1,819,185	13
Financial assets at fair value through profit or loss-current	7	64,635	1	16,963	—
Financial assets at fair value through other comprehensive income - current	8	4,934,692	35	4,385,379	32
Notes receivable, net	9	38,804	—	74,739	1
Accounts receivable, net	9	100,762	1	80,946	1
Other receivables		50,961	—	39,176	—
Inventories	10	181,618	1	210,674	2
Inventories-Construction Industry	10	2,771,492	19	2,909,351	21
Prepayments		54,562	—	52,346	—
Other financial assets-current	11	711,296	5	—	—
Other current assets-other		973	—	1,087	—
<b>Total current assets</b>		<b>9,557,927</b>	<b>67</b>	<b>9,589,846</b>	<b>70</b>
<b>Non-current assets</b>					
Financial assets at fair value through other comprehensive income - non-current	8	821,967	6	482,225	4
Investments accounted for using equity method	12	127,642	1	103,371	1
Property, plant and equipment	13	747,845	6	793,418	6
Right-of-use assets	14	30,989	—	32,569	—
Investment property, net	15	2,847,586	20	2,663,226	19
Deferred tax assets	26	55,178	—	32,869	—
Prepayments for equipment		18,017	—	—	—
Refundable deposits		57,050	—	40,376	—
Other financial assets - non-current	11	20,000	—	20,000	—
Other non-current assets, others		633	—	1,305	—
<b>Total non-current assets</b>		<b>4,726,907</b>	<b>33</b>	<b>4,169,359</b>	<b>30</b>
<b>Total assets</b>		<b>\$ 14,284,834</b>	<b>100</b>	<b>\$ 13,759,205</b>	<b>100</b>

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

Formosan Rubber Group Inc. and Its Subsidiaries

Consolidated Balance Sheet (Continued)

Dec. 31, 2023 and 2022

Unit: In Thousands of NTD

Liabilities & equity	Note	Dec. 31, 2023		Dec. 31, 2022	
Accounting item		Amount	%	Amount	%
<b>Current liabilities</b>					
Short-term borrowings	16	\$ 1,140,000	7	\$ 1,240,000	9
Short-term notes and bills payable	17	189,881	2	39,894	—
Notes payable		81,599	1	92,132	1
Accounts payable		34,185	—	33,910	—
Other payables		133,006	1	140,995	1
Current tax liabilities		35,261	—	76,359	1
Lease liabilities-current	14	7,648	—	5,775	—
Other current liabilities		18,155	—	18,453	—
<b>Total current liabilities</b>		1,639,735	11	1,647,518	12
<b>Non-current liabilities</b>					
Deferred tax liabilities	26	170,946	2	170,413	2
Non-current lease liabilities	14	24,065	—	27,473	—
Net defined benefit liability	18	2,131	—	2,575	—
Guarantee deposits received		45,685	—	48,641	—
<b>Total non-current liabilities</b>		242,827	2	249,102	2
<b>Total liabilities</b>		1,882,562	13	1,896,620	14
<b>Equity attributable to owners of parent</b>	19				
<b>Share capital</b>		3,035,934	21	3,373,260	25
<b>Capital surplus</b>		449,745	3	449,745	3
<b>Retained earnings</b>					
Legal reserve		1,812,711	13	1,745,695	13
Special reserve		296,475	2	296,475	2
Unappropriated retained earnings		5,873,998	41	5,729,100	41
<b>Other equity interest</b>					
Exchange differences on translation of foreign financial statements		4,539	—	(1,037)	—
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income		928,870	7	269,347	2
<b>Total equity</b>		12,402,272	87	11,862,585	86
<b>Total liabilities &amp; equity</b>		\$ 14,284,834	100	\$ 13,759,205	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, 2023 and 2022

Unit: In Thousands of NTD

Accounting item	Note	2023		2022	
		Amount	%	Amount	%
<b>Operating revenue</b>	20	\$ 1,359,718	100	\$ 1,937,243	100
<b>Operating costs</b>	21	(939,107)	(69)	(1,312,034)	(68)
<b>Gross profit</b>		420,611	31	625,209	32
<b>Operating expenses</b>					
Selling expenses		(47,577)	(3)	(65,313)	(3)
General and administrative expenses		(164,158)	(12)	(179,392)	(9)
Research and development expenses		(9,270)	(1)	(9,634)	(1)
<b>Total operating expense</b>		(221,005)	(16)	(254,339)	(13)
<b>Operating profit</b>		199,606	15	370,870	19
<b>Non-operating income and expenses</b>					
Interest income		53,710	4	25,417	1
Other income	22	318,279	23	303,549	16
Other gains and losses	23	26,992	2	133,023	7
Finance costs	24	(26,326)	(2)	(8,789)	—
Expected credit impairment (loss) gain		284	—	751	—
Shares of (loss) profit of associate		19,655	2	5,476	—
<b>Total non-operating income and expenses</b>		392,594	29	459,427	24
<b>Income before income tax</b>		592,200	44	830,297	43
<b>Income tax expense</b>	26	(73,323)	(6)	(118,613)	(6)
<b>Net income</b>		518,877	38	711,684	37
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Remeasurements of defined benefit plans	18	341	—	60	—
Unrealized gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income		735,027	54	(309,924)	(16)
Shares of other comprehensive (loss) income of associates		4,616	—	(4,680)	—
Income tax benefit related to items that will not be reclassified subsequently	26	18,799	1	9,887	—
<b>Items that may be reclassified subsequently to profit or loss</b>					
Exchange differences arising on translation of foreign operations		6,970	1	44,168	2
Unrealized loss on valuation of investments in debt instruments measured at fair value through other comprehensive income		(1,793)	—	(1,192)	—
Income tax related to items that may be reclassified subsequently	26	(1,033)	—	(8,637)	—
<b>Other comprehensive income (loss)</b>		762,927	56	(270,318)	(14)
<b>Total comprehensive income for the year</b>		\$ 1,281,804	94	\$ 441,366	23
<b>Net income attributable to:</b>					
Shareholders of the parent		\$ 518,877	38	\$ 711,684	37
<b>Total comprehensive income attributable to:</b>					
Shareholders of the parent		\$ 1,281,804	94	\$ 441,366	23
<b>Earnings per share (NT dollars)</b>	27				
Basic earnings per share		1.61 (NT dollars)		2.09 (NT dollars)	
Diluted earnings per share		1.60 (NT dollars)		2.09 (NT dollars)	

(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, 2023 and 2022

Unit: In Thousands of NTD

Item	Equity attributable to owners of the parent							Treasury stocks	Total equity
	Share capital	Capital surplus	Retained earnings			Other equity interest			
			Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income		
Balance of Jan. 1, 2022	\$ 3,423,260	\$ 456,341	\$ 1,666,856	\$ 297,955	\$ 5,548,580	\$ (36,371)	\$ 581,205	\$ —	\$ 11,937,826
Legal reserve appropriated	—	—	78,839	—	(78,839)	—	—	—	—
Cash dividend	—	—	—	—	(410,791)	—	—	—	(410,791)
Reversal of special reserve	—	—	—	(1,480)	1,480	—	—	—	—
Net income in 2022	—	—	—	—	711,684	—	—	—	711,684
Other comprehensive income for 2022, net of income tax	—	—	—	—	48	35,334	(305,700)	—	(270,318)
Total comprehensive income (loss) in 2022	—	—	—	—	711,732	35,334	(305,700)	—	441,366
Purchase of treasury share	—	—	—	—	—	—	—	(105,816)	(105,816)
Retirement of treasury share	(50,000)	(6,596)	—	—	(49,220)	—	—	105,816	—
Disposal of financial assets at fair value through other comprehensive income - equity instruments	—	—	—	—	6,158	—	(6,158)	—	—
Balance of Dec. 31, 2022	\$ 3,373,260	\$ 449,745	\$ 1,745,695	\$ 296,475	\$ 5,729,100	\$ (1,037)	\$ 269,347	\$ —	\$ 11,862,585
Legal reserve appropriated	—	—	67,016	—	(67,016)	—	—	—	—
Cash dividend	—	—	—	—	(404,791)	—	—	—	(404,791)
Net income in 2023	—	—	—	—	518,877	—	—	—	518,877
Other comprehensive income for 2023, net of income tax	—	—	—	—	273	5,576	757,078	—	762,927
Total comprehensive income (loss) in 2023	—	—	—	—	519,150	5,576	757,078	—	1,281,804
Capital Reduction	(337,326)	—	—	—	—	—	—	—	(337,326)
Disposal of financial assets at fair value through other comprehensive income - equity instruments	—	—	—	—	97,555	—	(97,555)	—	—
Balance of Dec. 31, 2023	\$ 3,035,934	\$ 449,745	\$ 1,812,711	\$ 296,475	\$ 5,873,998	\$ 4,539	\$ 928,870	\$ —	\$ 12,402,272

(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, 2023 and 2022

Unit: In Thousands of NTD

Item	2023	2022
	Amount	Amount
<b>Cash flows from operating activities:</b>		
<b>Income before income tax</b>	\$ 592,200	\$ 830,297
<b>Adjustments for:</b>		
Depreciation expense	102,855	104,363
Expected credit impairment gain	(284)	(751)
Net loss (gain) on financial assets at fair value through loss (profit)	(24,649)	1,990
Finance costs	26,326	8,789
Interest income	(53,710)	(25,417)
Dividend income	(312,827)	(297,907)
Share of profit of associates	(19,655)	(5,476)
gain on disposal of property, plant and equipment	—	(57)
Impairment loss on non-financial assets	—	18,845
Unrealized foreign exchange gain	(98)	(1,454)
<b>Changes in operating assets and liabilities</b>		
Notes receivable	36,298	(45,306)
Accounts receivable	(19,924)	35,254
Other receivables	(12,366)	(2,057)
Inventories	29,056	631
Inventories-Construction Industry	137,859	(865,710)
Prepayments	(2,216)	(6,203)
Other current assets	114	(279)
Contract liabilities	—	(50,221)
Notes payable	(10,533)	(1,152)
Accounts payable	275	(1,415)
Other payables	(7,989)	5,132
Other current liabilities	(298)	(836)
Net defined benefit liability	(103)	(139)
Cash generated from (used in) operations	460,331	(299,079)

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

From Jan. 1 to Dec. 31, 2023 and 2022

Unit: In Thousands of NTD

Item	2023	2022
	Amount	Amount
Interest received	54,297	23,152
Dividends received	312,821	297,907
Interest paid	(26,326)	(8,789)
Income tax paid	(118,431)	(34,602)
<b>Net cash generated from (used in) operating activities</b>	<b>682,692</b>	<b>(21,411)</b>
<b>Cash flows from investing activities:</b>		
Cash paid for acquisition of financial assets at fair value through other comprehensive income	(989,541)	(482,646)
Proceeds from financial assets at fair value through other comprehensive income	805,909	83,212
Return of capital from financial assets at fair value through other comprehensive income	4,000	2,000
Cash paid for financial assets at fair value through profit or loss	(38,042)	—
Proceeds from acquisition of financial assets at fair value through profit or loss	38,957	—
Acquisition of property, plant and equipment	(19,207)	(27,218)
Disposal of property, plant and equipment	—	57
Increase in refundable deposits	(16,674)	(750)
Acquisition of Investment property	(215,354)	—
(Increase) decrease in other financial assets	(711,296)	27,620
Decrease in other non-current assets	672	2,949
Increase prepayments for equipment	(18,017)	—
<b>Net cash used in investing activities</b>	<b>(1,158,593)</b>	<b>(394,776)</b>
<b>Cash flows from financing activities:</b>		
(Decrease) increase in short-term borrowings	(100,000)	825,000
Increase (decrease) in short-term notes and bills payable	149,987	(119,990)
(Decrease) increase in guarantee deposits received	(2,956)	4,118
Payments of lease liabilities	(6,992)	(5,391)
Cash dividends paid	(404,791)	(410,791)
Capital Reduction	(337,326)	—
Payments to acquire treasury shares	—	(105,816)
<b>Net cash (used in) generated from financing activities</b>	<b>(702,078)</b>	<b>187,130</b>
Effect of exchange rate changes on cash and cash equivalents	6,926	35,875
Net Decrease in cash and cash equivalents	(1,171,053)	(193,182)
Cash and cash equivalents at beginning of year	1,819,185	2,012,367
Cash and cash equivalents at end of year	\$ 648,132	\$ 1,819,185

(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, 2023 and 2022

(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 diversify 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 12, 2024.

3. Application of new standards, amendments and interpretations

(1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The initial application of the amendments to the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

(2) The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New Standards, Interpretations and Amendments	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRSs will be effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of above standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

(3) New IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

New Standards, Interpretations and Amendments	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)
Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.	
Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.	

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of above standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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 subsidies without causing the Company to use the control over the subsidies, 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, 2023	Dec. 31, 2022
FRG	Ban Chien Development Co., Ltd. (Taiwan)	100%	100%
FRG	FRG US Corp. (San Francisco)	100%	100%

- a. 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.
- b. 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, As of December 31, 2023, with an investment limit of USD 32,000 thousand. Its main businesses are real estate investment, development and rental and sales of premises.

As of December 31, 2023 and 2022, FRG has remitted Investment funds are NT\$938,955 thousand (USD30,802 thousand) and NT\$560,933 thousand (USD18,252 thousand).

- c. 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

Inventories include raw materials, supplies, finished goods and work-in-process. Inventories are measured at the lower of cost or net realizable value. Comparisons between cost and net realizable value are made on an item-by-item basis, except for inventories of the same type. Net realizable value is the estimated selling price under normal circumstances, less estimated costs to complete and estimated costs to sell. The cost of inventories is calculated using the weighted-average method.

If a house is exchanged for land under a subdivision contract and is classified as land for sale, no gain or loss is recognized on the exchange and revenue is not recognized until the land is sold to the buyer.

(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, 3-10 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 3-50 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

A. The Group 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 Group 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 Group. 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 Group as lessee

The Group 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 Group 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.

(12) Impairment of non-financial assets

The Group 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 Group 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 Group 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.

(15) 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, investment in debt instruments measured at FVTOCI, and investments in equity instruments at 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.

Financial assets measured at fair value through profit or loss are measured at fair value. The dividends and interests generated are recognized in other income and interest income, respectively, and any gain or loss arising from remeasurement is recognized in other gains and losses.



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.

(16) 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.

(17) 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.

(18) 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 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.

(19) 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 Group 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

Since inventory and real estate for sale 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 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 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

	Dec. 31, 2023	Dec. 31, 2022
Cash and petty cash	\$ 445	\$ 519
Cash in bank	337,838	410,010
Cash equivalent		
Commercial paper	309,849	195,906
Time deposits with maturity	—	1,212,750
Total	<u>\$ 648,132</u>	<u>\$ 1,819,185</u>

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

	Dec. 31, 2023	Dec. 31, 2022
Current financial assets at fair value through profit or loss, designated as upon initial recognition		
Fund	<u>\$ 64,635</u>	<u>\$ 16,963</u>

8. Financial assets at fair value through other comprehensive income

	Dec. 31, 2023	Dec. 31, 2022
Equity instruments		
Stock of domestic listed (OTC) companies	\$ 4,829,994	\$ 4,369,693
Stock of foreign listed (OTC) companies	46,346	1,743
Stock not classified to listed (OTC) and emerging companies	117,356	67,342
Stock of foreign companies	704,611	414,883
Debt instruments		
Financial bond	58,352	13,943
Total	<u>\$ 5,756,659</u>	<u>\$ 4,867,604</u>
Current	<u>\$ 4,934,692</u>	<u>\$ 4,385,379</u>
Non-current	<u>\$ 821,967</u>	<u>\$ 482,225</u>

(1) The Company signed a securities lending agreement with SinoPac Securities Corporation on April 10, 2020. Dividends and bonuses, being generated during the loan period should be repaid to the company. According to the agreement, when there is no loan transaction for more than three consecutive years, the agreement would be terminated. As of December 31, 2023 and 2022, the book value of stock lending were NT\$83,722 thousand and NT\$0 thousand respectively.

(2) Credit risk management for investments in debt instruments

Investments in debt instruments were classified as at FVTOCI :

	Dec. 31, 2023	Dec. 31, 2022
Gross carrying amount	\$ 60,885	\$ 14,712
Adjustment to fair value	(2,533)	(769)
Total	\$ 58,352	\$ 13,943

The Company only invests in debt instruments that have low credit risk for the purpose of impairment assessment. The Company continuously tracks information to monitor changes in the credit risk of the debt instruments that it invests in, and also reviews other information such as material information about the debtor to assess whether there is a significant increase in credit risk since the investment was recognized.

The Company considers the historical default rates of each credit rating supplied by external rating agencies to estimate 12-month or lifetime expected credit losses.

The book amounts of investments in each credit level debt instrument and the applicable expected credit loss rates are as follows:

Dec. 31, 2023		
Credit Rating	Expected credit loss rate	Through other comprehensive income measured at fair value of book amount
Performing	0.02%	\$ 60,885
Dec. 31, 2022		
Credit Rating	Expected credit loss rate	Through other comprehensive income measured at fair value of book amount
Performing	0.30%	\$ 14,712

The allowance for impairment loss of investments in debt instruments at FVTOCI is as follows:

	For the Year Ended December 31, 2023	For the Year Ended December 31, 2022
Balance, beginning of year	\$ 41	\$ 209
New purchase in this period	—	—
Derecognise in this period	—	—
Changes in risk parameters	(29)	(168)
Balance, end of year	<u>\$ 12</u>	<u>\$ 41</u>

9. Notes and accounts receivable, net

	Dec. 31, 2023	Dec. 31, 2022
Notes receivable	\$ 39,196	\$ 75,494
Allowance for doubtful accounts	(392)	(755)
Net amount	<u>\$ 38,804</u>	<u>\$ 74,739</u>

	Dec. 31, 2023	Dec. 31, 2022
Accounts receivable	\$ 102,620	\$ 82,696
Allowance for doubtful accounts	(1,858)	(1,750)
Net amount	<u>\$ 100,762</u>	<u>\$ 80,946</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, 2023		
	Carrying amount of accounts receivable	Expected credit loss rate	Loss allowance for lifetime expected credit losses
Non past due	\$ 139,599	1~2%	\$ 2,100
Past due less than 90 days	2,151	2~5%	84
Past due 91-180 days	—	10~20%	—
Past due 181-365 days	—	50%	—
More than 366 days past due	66	100%	66
	<u>\$ 141,816</u>		<u>\$ 2,250</u>



	Dec. 31, 2022		
	Carrying amount of accounts receivable	Expected credit loss rate	Loss allowance for lifetime expected credit losses
Non past due	\$ 155,246	1~2%	\$ 2,352
Past due less than 90 days	2,091	2~5%	87
Past due 91-180 days	787	10~20%	—
Past due 181-365 days	—	50%	—
More than 366 days past due	66	100%	66
	<u>\$ 150,190</u>		<u>\$ 2,505</u>

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

	2023	2022
Balance, beginning of year	\$ 2,505	\$ 3,088
Expected credit impairment gain	(255)	(583)
Balance, end of year	<u>\$ 2,250</u>	<u>\$ 2,505</u>

#### 10. Inventories

##### (1) Inventories - Manufacturing

A.The inventory details related to the rubber department is as follows:

	Dec. 31, 2023	Dec. 31, 2022
Raw materials	\$ 67,456	\$ 78,208
Work-in-process	10,204	19,426
Finished goods	103,958	113,040
Total	<u>\$ 181,618</u>	<u>\$ 210,674</u>

B.The cost of sales related to the rubber department is as follows:

	2023	2022
Cost of inventories sold	\$ 675,866	\$ 773,309
Provision for (Reversal of) loss on inventories	666	(15,088)
Unamortized fixed manufacturing costs	10,692	9,963
Total	<u>\$ 687,224</u>	<u>\$ 768,184</u>

For the year ended December 31, 2022, the reversal of loss on inventories is due to the removal part of the inventory that has been listed for decline in price.

##### (2) Inventories-Construction Industry

A.The inventory details and contract liabilities related to the construction department is as follows:

	Real estate for sale and prepayment for land purchases		Contract liabilities		
	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022
Bridge Upto Zenith Project at Banqiao	\$ 34,016	\$ 34,016	\$ —	\$ —	\$ —
Modesty Home Project at Banqiao	14,923	14,923	—	—	—
Legend River Project at Xindian	92,728	92,728	—	—	—
Treasure Garden Project in Taichung City	236,653	236,653	—	—	—
55 TIMELESS Project in Taipei City	262,289	350,489	—	—	34,552
La Bella Vita Project in Taichung City	690,521	740,180	—	—	15,669
Ambassador Hotel Project in Kaohsiung City-Real estate under construction	1,440,362	1,440,362	—	—	—
	<u>\$ 2,771,492</u>	<u>\$ 2,909,351</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 50,221</u>

a. The Ambassador Hotel Co., Ltd. and Continental Engineering Corporation signed the Ambassador Hotel Project in Kaohsiung City, a collaborative development agreement in November 2021. The reconstruction plan is set out by the Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings and related regulations and requesting demolition and rebuild to the Authority which the new building would be developed, constructed, and sold tripartite mutually. The completion date of the reconstruction building is expected to be 1,600 work days after the approval date of the layout inspection.

b. The situation of pledge & guarantee in detail is shown in Note 31.

B. The cost of sales related to the construction department is as follows:

	2023	2022
Cost of inventories sold	\$ 141,753	\$ 438,332

#### 11. Other financial assets

	Dec. 31, 2023	Dec. 31, 2022
Pledged time deposits	\$ 20,000	\$ 20,000
Time deposits with maturity over three months	711,296	—
Total	<u>\$ 731,296</u>	<u>\$ 20,000</u>
Current	<u>\$ 711,296</u>	<u>\$ —</u>
Non-current	<u>\$ 20,000</u>	<u>\$ 20,000</u>
Interest rate range %	<u>0.715~5.6</u>	<u>0.595~1.45</u>

The pledged time deposit serves as guaranty for logistics business and it is shown in Note 31.

## 12. 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, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
<u>Unlisted (OTC) companies</u>				
Formosan Construction Corp. (Taiwan)	\$ 77,897	\$ 63,226	26.20	26.20
Fenghe Development Co., Ltd. (Taiwan)	40,433	31,741	39.90	39.90
Rueifu Development Co., Ltd. (Taiwan)	9,312	8,404	48.26	48.26
Total	<u>\$ 127,642</u>	<u>\$ 103,371</u>		

Information about associates that are not individually material was as follows

	2023	2022
The Company's share of:		
Net profit (loss) from continuing operations for the year	\$ 19,655	\$ 5,476
Other comprehensive income	4,616	(4,680)
Total comprehensive profit (loss)	<u>\$ 24,271</u>	<u>\$ 796</u>

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

## 13. Property, plant and equipment

Item	For the Year Ended December 31, 2023				
	Balance, Beginning of Year	Additions	Disposals	Reclassification	Balance, End of Year
<u>Cost</u>					
Land	\$ 444,026	\$ —	\$ —	\$ (24,049)	\$ 419,977
Building	599,700	3,159	—	—	602,859
Machinery equipment	798,819	3,165	—	—	801,984
Transportation equipment	11,849	930	—	—	12,779
Other equipment	158,422	11,953	—	—	170,375
Unfinished construction and equipment to be inspected	372	—	—	(372)	—
Total	<u>2,013,188</u>	<u>19,207</u>	<u>—</u>	<u>(24,421)</u>	<u>2,007,974</u>
<u>Accumulated depreciation &amp; impairment</u>					
Building	387,009	14,642	—	—	401,651
Machinery equipment	695,998	18,031	—	—	714,029
Transportation equipment	11,406	180	—	—	11,586
Other equipment	125,357	7,506	—	—	132,863
Total	<u>1,219,770</u>	<u>\$ 40,359</u>	<u>\$ —</u>	<u>\$ —</u>	<u>1,260,129</u>
Net	<u>\$ 793,418</u>				<u>\$ 747,845</u>

For the Year Ended December 31, 2022					
Item	Balance, Beginning of Year	Additions	Disposals	Reclassification	Balance, End of Year
<u>Cost</u>					
Land	\$ 444,026	\$ —	\$ —	\$ —	\$ 444,026
Building	580,509	19,191	—	—	599,700
Machinery equipment	795,359	3,460	—	—	798,819
Transportation equipment	14,039	—	(2,190)	—	11,849
Other equipment	154,227	4,195	—	—	158,422
Unfinished construction and equipment to be inspected	—	372	—	—	372
Total	1,988,160	27,218	(2,190)	—	2,013,188
<u>Accumulated depreciation &amp; impairment</u>					
Building	373,474	13,535	—	—	387,009
Machinery equipment	677,453	18,545	—	—	695,998
Transportation equipment	13,437	159	(2,190)	—	11,406
Other equipment	114,717	10,640	—	—	125,357
Total	1,179,081	\$ 42,879	\$ (2,190)	\$ —	1,219,770
Net	\$ 809,079				\$ 793,418

(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) Reclassification is transferred to Investment property.

(3) The situation of pledge & guarantee in detail is shown in Note 31.

#### 14. Lease

##### (1) Right-of-use assets

For the Year Ended December 31, 2023				
	Balance, Beginning of Year	Additions	Disposals	Balance, End of Year
<u>Cost</u>				
Building	\$ 51,552	\$ —	\$ —	\$ 51,552
Transportation equipment	1,965	5,457	—	7,422
Total	53,517	5,457	—	58,974
<u>Accumulated depreciation &amp; impairment</u>				
Building	20,620	5,155	—	25,775
Transportation equipment	328	1,882	—	2,210
Total	20,948	\$ 7,037	\$ —	27,985
Net	\$ 32,569			\$ 30,989

	For the Year Ended December 31, 2022			
	Balance, Beginning of Year	Additions	Disposals	Balance, End of Year
<u>Cost</u>				
Building	\$ 51,552	\$ —	\$ —	\$ 51,552
Transportation equipment	—	1,965	—	1,965
Total	51,552	1,965	—	53,517
<u>Accumulated depreciation &amp; impairment</u>				
Building	15,465	5,155	—	20,620
Transportation equipment	—	328	—	328
Total	15,465	\$ 5,483	\$ —	20,948
Net	\$ 36,087			\$ 32,569

(2) Lease liabilities

	For the Year Ended December 31, 2023		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less 1 year	\$ 7,980	\$ 332	\$ 7,648
Over 1 years	24,555	490	24,065
Total	\$ 32,535	\$ 822	\$ 31,713

Range of discount rate for lease liabilities were as 1.09%~2.07%.

	For the Year Ended December 31, 2022		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less 1 year	\$ 6,108	\$ 333	\$ 5,775
Over 1 years	28,201	728	27,473
Total	\$ 34,309	\$ 1,061	\$ 33,248

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

(3) Other lease information

	2023	2022
Expenses relating to short-term leases	\$ 57	\$ —
Total cash (outflow) for all lease agreements	\$ (7,446)	\$ (5,774)

(4) Please see note 30 for the status of transactions with related parties.

15. Investment property, net

For the Year Ended December 31, 2023						
Item	Balance, Beginning of Year	Additions	Impairment	Reclassification	Effect of exchange rate changes	Balance, End of Year
<u>Cost</u>						
Land	\$ 1,126,728	\$ —	\$ —	\$ 24,049	\$ 9	\$ 1,150,786
Building	2,706,340	—	—	—	17	2,706,357
Unfinished construction	—	215,354	—	372	—	215,726
Total	3,833,068	215,354	—	24,421	26	4,072,869
<u>Accumulated depreciation &amp; impairment</u>						
Land	237,058	—	—	—	2	237,060
Building	932,784	55,459	—	—	(20)	988,223
Total	1,169,842	\$ 55,459	\$ —	\$ —	\$ (18)	1,225,283
Net	\$ 2,663,226					\$ 2,847,586
Fair value	\$ 4,306,918					\$ 4,825,150

For the Year Ended December 31, 2022						
Item	Balance, Beginning of Year	Additions	Disposals	Impairment	Effect of exchange rate changes	Balance, End of Year
<u>Cost</u>						
Land	\$ 1,098,862	\$ 25,111	\$ —	\$ —	\$ 2,755	\$ 1,126,728
Building	2,653,319	47,780	—	—	5,241	2,706,340
Total	3,752,181	72,891	—	—	7,996	3,833,068
<u>Accumulated depreciation &amp; impairment</u>						
Land	228,852	—	—	8,206	—	237,058
Building	866,440	56,001	—	10,639	(296)	932,784
Total	1,095,292	\$ 56,001	\$ —	\$ 18,845	\$ (296)	1,169,842
Net	\$ 2,656,889					\$ 2,663,226
Fair value	\$ 4,451,589					\$ 4,306,918

(1) Details of land:

	Dec. 31, 2023		Dec. 31, 2022	
	Ping	Cost	Ping	Cost
Oiashui Section, Longtan	16,691	\$ 66,692	14,447	\$ 42,643
Dahu Section, Miaoli	230,253	473,971	230,253	473,971
Shuiwei Section, Luzhu	14,696	265,779	14,696	265,779
Xinban Section, Banqiao	140	311,775	140	311,775
Zhuangjing Section, Xindian	53	4,694	53	4,694
Serif Project in San Francisco	—	27,875	—	27,866
Total		\$ 1,150,786		\$ 1,126,728

- (2) 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.

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

	Dec. 31, 2023	Dec. 31, 2022
Year 1	\$ 162,053	\$ 140,099
Year 2	83,787	90,903
Year 3	25,713	24,372
Year 4	18,106	11,166
Year 5	3,177	11,166
Over 5 years	—	1,695
Total	<u>\$ 292,836</u>	<u>\$ 279,401</u>

- (3) As of December 31, 2023 and December 31, 2022, the book value of the investment properties let out stood at NT\$2,269,093 thousand and NT\$2,363,379 thousand , respectively. The rent incomes during 2023 and 2022 totaled NT\$220,411 thousand and NT\$213,571 thousand, respectively.
- (4) The Unfinished Construction is the company entrusting Engtown Construction Corp with Longtan Intelligent Park - Area A. Please see note 30 for the status of transactions with related parties. In 2023, The capitalized interest is NT\$1,404 thousand. The range of interest rates was 1.297%~2.258%.
- (5) 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.
- (6) As of December 31, 2023 and 2022, the land at Dahu Section of Miaoli accumulated losses of reduction were both NT\$231,549 thousand.
- (7) Details of the farm land lots registered in others' names due to legal restrictions:

	Dec. 31, 2023	Dec. 31, 2022
Oiashui Section, Longtan	\$ 35,100	\$ 35,100
Dahu Section, Miaoli	94,241	94,241
Shuiwei Section, Luzhu	17,631	17,631
Total	<u>\$ 146,972</u>	<u>\$ 146,972</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 30 (2) D for the status of transactions with related parties.

- (8) The situation of already providing to serve as loan guarantees from financial industries in detail is shown in Note 31.

16. Short-term borrowings

	Dec. 31, 2023	Dec. 31, 2022
Bank unsecured borrowings	\$ 1,140,000	\$ 740,000
Bank guaranteed loan	—	500,000
Total	\$ 1,140,000	\$ 1,240,000
Interest rate range %	1.69~2.46	1.48~2.19

17. Short-term notes and bills payable

	Dec. 31, 2023	Dec. 31, 2022
Commercial paper payable	\$ 190,000	\$ 40,000
Less: Unamortized discount	(119)	(106)
Net amount	\$ 189,881	\$ 39,894
Interest rate range %	1.4~1.75	1.5~2.39

The situation of pledge & guarantee in detail is shown in Note 31.

18. 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 2023 and January 1 to December 31, 2022 are respectively NT\$6,372 thousand and NT\$6,232 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:

	2023	2022
Service cost	\$ 10	\$ —
Net interest cost (income)	33	19
List to (profit) loss	\$ 43	\$ 19
Re-measurements		
Plan assets returns (excl. amount that covered in net interest income)	24	218
Actuarial profit (loss)-Change of the demographic assumption	(3)	(3)
Actuarial profit (loss)-Change of the financial assumption	(25)	358
Actuarial profit (loss)- Adjustment with experience	345	(513)
Listed to other comprehensive income	\$ 341	\$ 60

The details of the various costs and expenses recognized in profit or loss are as follows:

	2023	2022
Operating costs	\$ 26	\$ 19
Operating expenses	17	—
Total	\$ 43	\$ 19

The amount listed in the consolidated balance sheet for the obligation occurring from the defined benefit plan is as follows

	Dec. 31, 2023	Dec. 31, 2022
Defined benefit obligation present value	\$ 5,005	\$ 5,387
Plan asset fair value	(2,874)	(2,812)
Net defined benefit liability (assets)	\$ 2,131	\$ 2,575

The changed of defined benefit obligation present value of this Company is as follows:

	2023	2022
Beginning defined benefit obligation	\$ 5,387	\$ 5,632
Interest expense	70	39
Benefits paid from plan assets	—	(442)
Re-measurements		
Actuarial (profit) loss- Change of the demographic assumption	3	3
Actuarial (profit) loss- Change of the financial assumption	25	(358)
Actuarial (profit) loss- Adjustment with experience	(345)	513
Planned repayments	(135)	—
Ending defined benefit obligation	\$ 5,005	\$ 5,387

The changed of plan asset fair value of this Company is as follows:

	2023	2022
Beginning plan asset fair value	\$ 2,812	\$ 2,858
Interest income	38	19
Re-measurements		
Plan assets returns (excl. amount that covered in net interest income)	24	218
Contribution by employer	146	159
Benefits paid from plan assets	—	(442)
Redemption or curtailments payment	(146)	—
Ending plan asset fair value	\$ 2,874	\$ 2,812

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

	2023	2022
Cash and cash equivalents	\$ 2,874	\$ 2,812

B. The main assumptions of the Company's actuarial valuation are as follows:

	Dec. 31, 2023	Dec. 31, 2022
Discount rate	1.25%	1.30%
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 2023 and 2022.

Dec. 31, 2023	Effect on present value of defined benefit obligation	
	Actuarial assumption increased 0.25%	Actuarial assumption decreased 0.25%
Discount rate	\$ (123)	\$ 127
Expected increase in future salaries	\$ 126	\$ (122)

Dec. 31, 2022	Effect on present value of defined benefit obligation	
	Actuarial assumption increased 0.25%	Actuarial assumption decreased 0.25%
Discount rate	\$ (141)	\$ 146
Expected increase in future salaries	\$ 144	\$ (140)

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\$124 thousand to the defined benefit plans within one year after December 31, 2023; the weighted average duration of defined benefits obligations is 10 years.

#### 19. Equity

##### (1) Share capital - common stock

	Dec. 31, 2023	Dec. 31, 2022
Authorized capital	\$ 6,800,000	\$ 6,800,000
Issued capital	\$ 3,035,934	\$ 3,373,260

1. The face value of the issued ordinary shares is NT\$10 per share. Each share has one vote and the right to dividends.
2. Treasury stocks of NT\$50,000 thousand was cancelled from January 1 to December 31, 2022.
3. In June 9, 2023, the Corporation's Board of Stockholders resolved to reduce cash capital to \$ 337,326 thousand with the elimination of 33,733 thousand shares and a 10% capital reduction for increasing equity and EPS, which was approved by the Authority on August 8, 2023.

##### (2) Capital surplus

	Dec. 31, 2023	Dec. 31, 2022
Premium on capital	\$ 716	\$ 716
Conversion premium of corporate bonds	444,133	444,133
Gains of disposal of assets	1,238	1,238
Equity net value change of associates by equity method	3,658	3,658
Total	\$ 449,745	\$ 449,745

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 FRG'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.

According to the Articles of Incorporation revised by the shareholders' meeting on June 8, 2022, the Board of Directors is authorized to pass a resolution for the Company to distribute all or part of dividends or statutory surplus reserves and capital reserves in cash with the attendance of two thirds of the directors and the consent of more than half of the directors in attendance, which shall be reported to 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

	Dec. 31, 2023	Dec. 31, 2022
The number of appropriation arising from the first adoption of IFRSs	\$ 296,475	\$ 296,475
Decrease in other equity items	—	—
Total	\$ 296,475	\$ 296,475

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 2022 and 2021 were approved by the annual general meetings on June 9, 2023 and June 8, 2022, respectively, as proposed by the board.

	2022		2021	
	Amount	Dividend per share (TWD)	Amount	Dividend per share (TWD)
Legal reserve	\$ 67,016		\$ 78,839	
Cash dividend	404,791	\$ 1.2	410,791	\$ 1.2
Total	\$ 471,807		\$ 489,630	

E. The status for the board of the Company proposed to approve the 2023 earnings allocation proposal on March 12, 2024 is as follows:

	2023	
	Amount	Dividend per share (TWD)
Legal reserve	\$ 61,671	
Cash dividend	394,671	\$ 1.3
Total	\$ 456,342	

The Company’s earnings distribution for 2023 is still pending for the approval from the annual general meeting in 2022.

(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, 2023	\$ (1,037)	\$ 269,347	\$ 268,310
Exchange differences on translation of foreign financial statements	5,576	—	5,576
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	—	752,462	752,462
Share of loss (profit) of associates accounted for using equity method	—	4,616	4,616
Disposal of financial assets at fair value through other comprehensive income - equity instrument	—	(97,555)	(97,555)
Balance on Dec. 31, 2023	<u>\$ 4,539</u>	<u>\$ 928,870</u>	<u>\$ 933,409</u>

	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, 2022	\$ (36,371)	\$ 581,205	\$ 544,834
Exchange differences on translation of foreign financial statements	35,334	—	35,334
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	—	(301,020)	(301,020)
Share of loss (profit) of associates accounted for using equity method	—	(4,680)	(4,680)
Disposal of financial assets at fair value through other comprehensive income - equity instrument	—	(6,158)	(6,158)
Balance on Dec. 31, 2022	<u>\$ (1,037)</u>	<u>\$ 269,347</u>	<u>\$ 268,310</u>

(5) Treasury stocks

	Number of shares (thousand shares)	Amount
Balance on Jan. 1, 2022	—	\$ —
Acquired in this period	5,000	105,816
Cancellation in this period	(5,000)	(105,816)
Balance of Dec. 31, 2022	—	—

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.

20. Operating revenue

	2023	2022
Net sales revenue	\$ 880,166	\$ 986,339
Construction revenue	192,350	668,816
Rental and logistics revenue	287,202	282,088
Total	\$ 1,359,718	\$ 1,937,243

The amount of revenue recognized at the beginning from the contractual liabilities for the period from January 1 to December 31, 2023 and 2022 are respectively NT\$0 thousand and NT\$50,221 thousand.

21. Operating costs

	2023	2022
Cost of sales	\$ 687,224	\$ 768,184
Cost of construction sales	141,753	438,332
Cost of rental and logistics	110,130	105,518
Total	\$ 939,107	\$ 1,312,034



22. Other income

	2023	2022
Dividend income	\$ 312,827	\$ 297,907
Other	5,452	5,642
Total	<u>\$ 318,279</u>	<u>\$ 303,549</u>

23. Other gains and losses

	2023	2022
Gains on disposals of investments	\$ 107	\$ —
gain on disposal of property, plant and equipment	—	57
Foreign currency exchange gain	3,566	154,578
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	24,649	(1,990)
Miscellaneous expense	(1,330)	(777)
Impairment loss	—	(18,845)
Total	<u>\$ 26,992</u>	<u>\$ 133,023</u>

24. Finance costs

	2023	2022
Interest of bank loan	\$ 27,333	\$ 8,406
Interest of lease liabilities	397	383
Capitalized interest	(1,404)	—
Total	<u>\$ 26,326</u>	<u>\$ 8,789</u>

25. Extra information on the items with the expense characteristics

The employee benefits, depreciation, depletion and amortization expenses incurred in this period are summarized below:

	2023			2022		
	Operating costs	Operating expense	Total	Operating costs	Operating expense	Total
Salary expense	\$ 92,977	\$ 92,806	\$ 185,783	\$ 96,250	\$ 52,170	\$ 148,420
Labor and health insurance expenses	7,559	5,132	12,691	7,196	5,013	12,209
Pension expense	4,131	2,284	6,415	4,086	2,165	6,251
Other Personnel expense	1,737	908	2,645	2,112	1,147	3,259
Personnel expense	<u>\$ 106,404</u>	<u>\$ 101,130</u>	<u>\$ 207,534</u>	<u>\$ 109,644</u>	<u>\$ 60,495</u>	<u>\$ 170,139</u>
Depreciation expense	<u>\$ 83,904</u>	<u>\$ 18,951</u>	<u>\$ 102,855</u>	<u>\$ 88,450</u>	<u>\$ 15,913</u>	<u>\$ 104,363</u>

The compensations to employees and the remunerations to directors determined by the board on March 12, 2024 for the year 2023 and March 15, 2023 for the year 2022 are as follows:

	2023		2022	
	Amount	Estimated proportion	Amount	Estimated proportion
Compensations to employees	\$ 6,014	1%	\$ 8,456	1%
Remunerations to directors	6,014	1%	8,456	1%

FRG shall allocate from annual profits no less than 1% for compensations to employees and no more than 2% for remunerations to directors. 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 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 for 2021 and 2022, the recognized amount on the consolidated financial statements for 2021 and 2022.

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.

## 26. Income tax

### (1) Income tax recognized in profit & loss

The income tax expense listed as profit & loss is composed of as follows:

	2023	2022
Income tax current period:		
Occurred in current year	\$ (60,320)	\$ (68,327)
Additionally imposed undistributed earnings	(13,795)	(16,414)
Adjustments for prior year	(33)	—
Paid for land value increment tax	(3,185)	(9,925)
	(77,333)	(94,666)
Deferred income tax:		
Occurred in current year	4,010	(23,947)
Income tax expense listed as profit & loss	\$ (73,323)	\$ (118,613)

The accounting benefit and income tax expense of current period are adjusted as follows:

	2023	2022
Income tax calculated according to the regulated tax rate of before-tax net income	\$ 123,524	\$ 172,393
The effect of tax in reconciliation items of income tax:		
When determining taxable income, adjustments should be made to increase (decrease)	21,766	(14,573)
Tax-exempt income	(81,812)	(94,165)
Additionally imposed undistributed earnings	13,795	(16,414)
Adjustments for prior year	33	—
Paid for land value increment tax	3,185	(9,925)
Other	(3,158)	4,672
Income tax expense (gain) current period	\$ 77,333	\$ 68,327
(2) Income tax expense recognized in other comprehensive income		
	2023	2022
Remeasurement of defined benefit plans	\$ (68)	\$ (12)
Unrealized loss on valuation of investments in equity instruments measured at fair value through other comprehensive income	18,867	9,899
Exchange differences on translation of foreign financial statements	(1,394)	(8,834)
Unrealized loss on valuation of investments in debt instruments measured at fair value through other comprehensive income	361	197
Income tax related to other comprehensive income	\$ 17,766	\$ 1,250

### (3) Deferred tax assets and liabilities

The analysis on deferred income tax assets and liabilities in balance sheet is as follows:

	2023			
	Balance, beginning of year	Recognized in profit (loss)	Recognized in other comprehensive income	Balance, end of year
Net defined benefit liability	\$ 515	\$ (21)	\$ (68)	\$ 426
Unrealized loss on valuation of investments in equity instruments measured at fair value through other comprehensive income	11,388	—	19,130	30,518
Exchange differences on translation of foreign financial statements	259	—	(259)	—
Unrealized loss on valuation of investments in debt instruments measured at fair value through other comprehensive income	146	—	361	507
Unrealized exchange loss	4,857	3,464	—	8,321
Other	15,704	(298)	—	15,406
Deferred income tax assets	<u>\$ 32,869</u>	<u>\$ 3,145</u>	<u>\$ 19,164</u>	<u>\$ 55,178</u>
Unrealized loss on valuation of investments in equity instruments measured at fair value through other comprehensive income	\$ —	\$ —	\$ (263)	\$ (263)
Exchange differences on translation of foreign financial statements	—	—	(1,135)	(1,135)
Unrealized exchange gain	(499)	499	—	—
Other	(3,557)	366	—	(3,191)
Land value increment tax	(166,357)	—	—	(166,357)
Deferred income tax (liabilities)	<u>\$ (170,413)</u>	<u>\$ 865</u>	<u>\$ (1,398)</u>	<u>\$ (170,946)</u>

	2022			
	Balance, beginning of year	Recognized in profit (loss)	Recognized in other comprehensive income	Balance, end of year
Net defined benefit liability	\$ 554	\$ (27)	\$ (12)	\$ 515
Unrealized loss on valuation of investments in equity instruments measured at fair value through other comprehensive income	1,489	—	9,899	11,388
Exchange differences on translation of foreign financial statements	9,093	—	(8,834)	259
Unrealized loss on valuation of investments in debt instruments measured at fair value through other comprehensive income	—	—	146	146
Unrealized exchange loss	208	4,649	—	4,857
Other	34,978	(19,274)	—	15,704
Tax loss carry forwards	6,593	(6,593)	—	—
Investment credits	676	(676)	—	—
Deferred income tax assets	<u>\$ 53,591</u>	<u>\$ (21,921)</u>	<u>\$ 1,199</u>	<u>\$ 32,869</u>
Net defined benefit asset	\$ (1,389)	\$ 1,389	\$ —	\$ —
Unrealized loss on valuation of investments in debt instruments measured at fair value through other comprehensive income	(51)	—	51	—
Unrealized exchange gain	(278)	(221)	—	(499)
Other	(363)	(3,194)	—	(3,557)
Land value increment tax	(166,357)	—	—	(166,357)
Deferred income tax (liabilities)	<u>\$ (168,438)</u>	<u>\$ (2,026)</u>	<u>\$ 51</u>	<u>\$ (170,413)</u>

(4)The Company's and its subsidiaries Ban Chien Development Co., Ltd.'s income tax settlement application case approved by the competent authority is approved to 2021.

## 27. EPS

### (1) Basic earnings per share

	2023	2022
Net income for the period attributable to owners of the Corporation	\$ 518,877	\$ 711,684
Weighted average number of ordinary shares (in thousand shares)	323,271	340,126
Basic EPS (NT dollars)	\$ 1.61	\$ 2.09

### (2) Diluted earnings per share

	2023	2022
Net income for the period attributable to owners of the Corporation	\$ 518,877	\$ 711,684
Weighted average number of ordinary shares (in thousand shares)	323,271	340,126
Potentially ordinary stock- Employee bonus (in thousand shares)	322	485
Number of shares of diluted EPS (in thousand shares)	323,593	340,611
Diluted EPS (NT dollars)	\$ 1.60	\$ 2.09

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.

## 28. 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.

## 29. Financial instruments

### (1) The types of financial instruments

	Dec. 31, 2023	Dec. 31, 2022
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 64,635	\$ 16,963
Financial assets at fair value through other comprehensive income	5,756,659	4,867,604
Amortized cost		
Cash and cash equivalents	648,132	1,819,185
Trade receivables	190,527	194,861
Other financial assets	731,296	20,000
Refundable deposits	57,050	40,376
Total	<u>\$ 7,448,299</u>	<u>\$ 6,958,989</u>
<u>Financial liabilities</u>		
Amortized cost		
Short-term loans	\$ 1,140,000	\$ 1,240,000
Short-term bills payable	189,881	39,894
Trade payables	248,790	267,037
Guarantee deposits received	45,685	48,641
Lease liabilities	31,713	33,248
Total	<u>\$ 1,656,069</u>	<u>\$ 1,628,820</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, 2023				
	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Fund	\$ 64,635	\$ —	\$ —	\$ 64,635
<u>Financial assets at fair value through other comprehensive income</u>				
Stock of Listed (OTC) companies	\$ 4,876,340	\$ —	\$ —	\$ 4,876,340
Stock not classified to listed (OTC) and emerging companies	—	—	117,356	117,356
Financial bond	58,352	—	—	58,352
Stock of foreign companies	—	—	704,611	704,611
Total	<u>\$ 4,934,692</u>	<u>\$ —</u>	<u>\$ 821,967</u>	<u>\$ 5,756,659</u>
Dec. 31, 2022				
	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Fund	\$ 16,963	\$ —	\$ —	\$ 16,963
<u>Financial assets at fair value through other comprehensive income</u>				
Stock of Listed (OTC) companies	\$ 4,371,436	\$ —	\$ —	\$ 4,371,436
Stock not classified to listed (OTC) and emerging companies	—	—	67,342	67,342
Financial bond	13,943	—	—	13,943
Stock of foreign companies	—	—	414,883	414,883
Total	<u>\$ 4,385,379</u>	<u>\$ —</u>	<u>\$ 482,225</u>	<u>\$ 4,867,604</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. There was no change between Level 1 and Level 2 fair value measurements in 2023.

The emerging stocks of Brightek Optoelectronics Co., Ltd., measured at Level 2 fair value, became TWSE-listed in January 2022, and were reclassified as a financial asset measured at Level 1 fair value.

F. Adjustment of financial assets with the third-level fair value measurement:

	2023	2022
Beginning balance	\$ 482,225	\$ 515,160
Purchases	438,177	—
Capital return due to disinvestment	(4,000)	(2,000)
Listed to other comprehensive income of this year	(94,435)	3,153
Disposal for the current period	—	(34,088)
Ending balance	\$ 821,967	\$ 482,225

G. 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, 2023			Dec. 31, 2022		
	foreign currency	Exchange rate	Amount	foreign currency	Exchange rate	Amount
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	55,883	30.66	1,713,376	45,298	30.65	1,388,394
HKD	1,179	3.904	4,603	16	3.911	63
JPY	132,520	0.2154	28,545	235,628	0.2305	54,312
RMB	7,120	4.304	30,653	1,452	4.384	6,365
<u>Non-monetary items</u>						
USD	357	30.66	10,931	328	30.65	10,052
JPY	206,108	0.2154	44,396	—	—	—
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	50	30.76	1,531	138	30.75	4,236
HKD	2	3.964	8	2	3.971	8
JPY	55	0.2195	12	39	0.2346	9
RMB	—	4.354	1	2	4.434	7

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, 2023 and 2022 would separately increase/decrease by NT\$17,756 thousand and NT\$14,449 thousand, respectively.

##### B. Interest rate risk

The interest rate risk refers to the risk in fair values of non-derivative financial instruments caused 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, 2023 and 2022 would separately increase/decrease by NT\$13,299 thousand and NT\$12,799 thousand, 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, 2023 and 2022 would separately increase/decrease by NT\$56,983 thousand and NT\$48,537 thousand, 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 use 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, 2023 and December 31, 2022, the accounts receivable balances of the top 10 major customers account for the accounts receivable balances of the Company both as 54%; 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, 2023					
	Less than 1 year	2~3 years	4~5 years	Over 5 years	Total
<u>Non-derivative financial liabilities</u>					
Short-term borrowing	\$ 1,146,004	\$ —	\$ —	\$ —	\$ 1,146,004
Short-term notes and bills payable	190,000	—	—	—	190,000
Trade payables	248,790	—	—	—	248,790
Lease liabilities	7,980	13,676	10,879	—	32,535
Guarantee deposits received	25,781	16,822	3,082	—	45,685
Total	\$ 1,618,555	\$ 30,498	\$ 13,961	\$ —	\$ 1,663,014

Dec. 31, 2022					
	Less than 1 year	2~3 years	4~5 years	Over 5 years	Total
<u>Non-derivative financial liabilities</u>					
Short-term borrowing	\$ 1,245,094	\$ —	\$ —	\$ —	\$ 1,245,094
Short-term notes and bills payable	40,000	—	—	—	40,000
Trade payables	267,037	—	—	—	267,037
Lease liabilities	6,108	11,882	10,879	5,440	34,309
Guarantee deposits received	20,094	26,592	1,680	274	48,640
Total	\$ 1,578,333	\$ 38,474	\$ 12,559	\$ 5,714	\$ 1,635,080

B. Loan commitments

	Dec. 31, 2023	Dec. 31, 2022
Unsecured bank overdraft limit		
-Amount used	\$ —	\$ —
-Amount unused	60,000	90,000
	<u>\$ 60,000</u>	<u>\$ 90,000</u>
Unsecured bank loan limit		
-Amount used	\$ 1,300,000	\$ 780,000
-Amount unused	2,710,000	2,165,000
	<u>\$ 4,010,000</u>	<u>\$ 2,945,000</u>
Secured bank loan limit		
-Amount used	\$ —	\$ 500,000
-Amount unused	170,000	810,000
	<u>\$ 170,000</u>	<u>\$ 1,310,000</u>

30. Related party transaction

(1)Name and relation ship with related parties

Name of related parties	Relationship with the Company
Formosan Construction Corp. (Formosan Construction)	Investee company accounted for using the equity method
Eurogear Corporation(Eurogear)	The president is the representative of the Company's legal person director
Chen Hsi Investment CO, LTD (Chen His Investment)	The president is the spouse of the general manager of the Company
Hung He Development CO, LTD (Hung He Development)	The president is the spouse (1st degree of kinship) of the Company's president
Fenghe International Co., Ltd. (Fenghe International)	The president is the general manager of the Company
Engtown Construction Corp (Engtown Construction)	The president is the representative of the Company's legal person director
FRG Charity Foundation (FRG Foundation)	Its president is the same as president of the Company
HSU, ZHEN-TSAI	President of Company
KHL Architects & Planners (KHL)	The representative is the representative of the Company's legal person director

(2) Major transaction with related parties

A. Operating revenue -Rental

	2023	2022
Other	\$ 1,127	\$ 1,125
	Dec. 31, 2023	Dec. 31, 2022
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, Eurogear, Chen Hsi Investment and Hung He Development in December 2018., with the lease period as of December, 2018 to December, 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.

lease liabilities	Dec. 31, 2023	Dec. 31, 2022
Formosan Construction	\$ 5,257	\$ 6,275
Eurogear	5,042	6,017
Chen Hsi Investment	10,705	12,777
Hung He Development	5,476	6,536
Total	\$ 26,480	\$ 31,605

	Dec. 31, 2023	Dec. 31, 2022
Refundable deposits	\$ 1,167	\$ 1,167

	2023	2022
Interest expense	\$ 315	\$ 383
Depreciation expense	\$ 5,155	\$ 5,483

C. Labor remuneration and expenses

	2023	2022
KHL	\$ 2,576	\$ 6,010

D. As of December 31, 2023 and 2022, the farmland of investment property held in the

name of the major management of FRG amount to NT\$109,204 thousand. Its ownership certificate is under custody of FRG, and its pledge is set to FRG for security purpose.

#### E. Sale of real estate

The subsidiary Da Guan Entertainment Co., Ltd., which had been dissolved and liquidated in January 2022, sold the land in Puli Township, Nantou County to Fenghe International Co., Ltd. with the total sales price of NT\$ 6,350 thousand and the gain on disposal in the amount of NT\$ 5,118 thousand.

#### F. Investment property,

	2023	2022
Engtown Construction Corp	\$ 204,286	\$ —

The Company commissioned Engtown in 2022 to work on the new construction project in Longtan Intelligent Park - Area A on the self-owned land with a total contract amount of NT\$ 770,000 thousand (tax inclusive). The project is expected to be completed within 16 months from the official written notification of the start of construction after the construction permit is obtained. The construction license was obtained on May 15, 2023, and construction started in June. As of December 31, 2023, the first to third phases of the project payments had been paid in the amount of NT\$ 214,500 thousand (tax inclusive).

#### G. Donation expense

	2023	2022
FRG Charity Foundation	\$ —	\$ 7,500

#### (3) Reward to major management

The remuneration information to board directors and other major management members shall be as follows:

	2023	2022
Short-term benefits	\$ 69,486	\$ 63,192
Retirement benefit	707	547
Total	\$ 70,193	\$ 63,739

#### 31. 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, 2023	Dec. 31, 2022
--	---------------	---------------

Other financial assets	\$	20,000	\$	20,000
Land under construction		1,440,362		1,440,362
Property, plant and equipment		281,673		287,640
Investment property - house and land		186,297		182,383
Total	\$	1,928,332	\$	1,930,385

32. Material contingent liabilities and unrecognized contract promise

- (1) The total price of the construction contract signed by the Company on December 15, 2022 for the new construction project was NT\$770,000 thousand, In December 31, 2023 for which the payment had been paid NT\$ 214,500 thousand (tax inclusive).
- (2) The notes payable used as security issued by the Company on December 31, 2023 and December 31, 2022 due to the guarantee of the credit extension contract were NT\$3,175,000 thousand and NT\$3,205,000 thousand, respectively.
- (3) The farmland in the Luzhu district of Taoyuan purchased by the Company in the previous year (with a book value of NT\$17,631 thousand on December 31, 2023) was registered in the name of the former employee who had the status of yeoman. In order to protect the rights and interests of the Company, the Company has completed the enforcement procedures of provisional injunction or provisional attachment on the land under the said employee's name, for both of which the foreclosure registration has also been completed. A lawsuit was also filed with the Taoyuan District Court, requesting the return of the land with nominee registration. The Company appealed and expressed dissatisfaction in July 2022 which is in the hearing by the Supreme Administrative Court.

33. Important disaster loss: None

34. Important subsequent events: None

35. Others: None

### 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	\$ 1,860,341	\$ 146,992 (USD 4,717)	\$ 145,082 (USD 4,717)	\$ 32,756 (USD 1,065)	—	1.17%	\$ 3,720,682	—	—	—
0	The Company	950 Property LLC and 950 Retail Property LLC	Note 2	1,860,341	678,681 (USD21,449)	659,780 (USD 21,449)	341,980 (USD 11,118)	—	5.32%	3,720,682	—	—	—

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\$ 30.76



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	
FRG	<u>Fund</u>							
	Allianz Global Investors Preferred Securities and Income Fund		Financial assets at fair value through profit or loss - current	997,009	\$ 8,824	—	\$ 8,824	
	NN(L) US Credit X Cap USD		"	202	8,980	—	8,980	
	KGI Taiwan Premium Selection High Dividend 30 ETF		"	230,000	5,170	—	5,170	
	United Taiwan High Dividend Recovery 30 ETF		"	230,000	5,081	—	5,081	
	Capital tip customized taiwan select high dividend exchange traded fund		"	400,000	8,904	—	8,904	
	<u>Stock</u>							
	Taiwan Cement Corporation		Financial assets at fair value through other comprehensive income - current	1,363,911	47,532	0.02	47,532	
	Formosa Plastics Corporation		"	1,658,000	131,314	0.03	131,314	Note
	Nan Ya Plastics Corporation		"	3,847,900	255,885	0.05	255,885	
	Formosa Chemicals & Fibre Corporation		"	2,502,170	155,885	0.04	155,885	
	Far Eastern New Century Corporation		"	4,101,761	127,975	0.08	127,975	
	China Steel Corporation		"	1,640,000	44,280	0.01	44,280	Note
	Taiwan Semiconductor Manufacturing Co., Ltd.		"	295,000	174,935	—	174,935	
	ASUSTeK Computer Inc.		"	233,000	114,054	0.03	114,054	
	Quanta Computer Inc.		"	1,005,000	225,623	0.03	225,623	
	Jsl construction & development co., ltd.		"	147,048	12,690	0.04	12,690	Note

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	
FRG	Huaku Development Co., Ltd.		Financial assets at fair value through other comprehensive income - current	3,552,000	\$ 342,058	1.28	\$ 342,058	
	Evergreen Marine Corporation		"	443,000	63,571	0.02	63,571	Note
	E. SUN Financial Holding Co., Ltd.		"	150,134	3,873	—	3,873	Note
	Shin Kong Financial Holding Co., Ltd.		"	1,400,000	12,390	0.01	12,390	
	Shin Kong Financial Holding Co., Ltd. -Preferred Shares B		"	666,000	19,081	0.22	19,081	
	SinoPac Financial Holdings Company Limited		"	37,097,366	730,818	0.30	730,818	
	Far Eastern Group		"	5,656,447	139,996	0.40	139,996	
	Nichidenbo corporation		"	346,000	20,103	0.16	20,103	
	WPG Holdings		"	1,916,600	156,395	0.11	156,395	
	Continental Holdings Corp.		"	4,669,000	131,666	0.57	131,666	
	Far Eas Tone Telecommunications Co., Ltd.		"	2,210,000	176,358	0.07	176,358	Note
	Pegatron Corporation		"	1,347,000	117,592	0.05	117,592	
	Brightek Optoelectronic Co., Ltd.		"	267,241	10,970	0.39	10,970	
	Leo systems, inc.		"	279,000	9,598	0.31	9,598	Note
	Farglory Land Development Co., Ltd.		"	4,044,000	229,699	0.52	229,699	
	Chong Hong Construction Co., Ltd.		"	2,593,000	203,032	0.89	203,032	
	Grand Fortune Securities Co., Ltd.		"	1,105,830	14,265	0.28	14,265	
	Formosa Petrochemical Corp.		"	1,678,000	135,415	0.02	135,415	
	Nan ya pcb co., ltd.		"	100,000	25,150	0.02	25,150	
	Shine More Technology Materials Corporation., Ltd.		"	579,125	3,620	1.22	3,620	

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	
FRG	TOYOTA MOTOR CORP		Financial assets at fair value through other comprehensive income - current	35,000	\$19,530	—	\$19,530	
	NEXT FUNDS TOPIX Exchange Traded Fun		"	30,000	15,990	—	15,990	
	Mitsubishi Heavy Ind		"	5,000	8,876	—	8,876	
	Citigroup Inc.		"	1,000	1,576	—	1,576	
	Ford Motor Company		"	1,000	374	—	374	
	Formosan Chemical Industrial Co.		Financial assets at fair value through other comprehensive income – non-current	22,516	12,506	2.25	12,506	
	Formosan Glass & Chemical Industrial Co.		"	2,510	2,259	5.02	2,259	
	Tai Yang Co., Ltd.		"	111,395	8,264	1.24	8,264	
	Eslite Corporation		"	895,300	6,054	1.65	6,054	
	Yu Chi Venture Investment Co., Ltd.		"	750,000	17,526	10.00	17,526	
	Tashee Golf & Country Club - preferred stock		"	1	17,600	—	17,600	
	Mercuries F&B Co., Ltd.		"	555,000	53,147	0.48	53,147	
	<u>Corporate Bond</u>							
	Lockheed Martin Corporation		Financial assets at fair value through other comprehensive income - current	500,000	14,940	—	14,940	
	Apple Inc.		"	1,000,000	30,055	—	30,055	
	Dialine International Airport Limited		"	480,000	13,357	—	13,357	

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	
Ban Chien Development Co., Ltd.	<u>Stock</u>							
	Yuanta Taiwan Dividend Plus ETF		Financial assets at fair value through profit or loss - current	740,000	\$27,676	—	\$27,676	
	SinoPac Financial Holdings Company Limited		Financial assets at fair value through other comprehensive income - current	43,424,515	855,463	0.35	855,463	
	Chong Hong Construction Co., Ltd.		"	904,000	70,782	0.31	70,782	
	Taiwan Cement Corporation		"	791,954	27,600	0.01	27,600	
	Farglory Land Development Co., Ltd.		"	380,000	21,584	0.05	21,584	
	Yuanta Financial Holding Co., Ltd.		"	217,453	6,002	—	6,002	
	Qisda Corporation		"	210,000	10,080	—	10,080	
FRG US Corp.	<u>Stock</u>							
	TRIMOSA HOLDINGS LLC		Financial assets at fair value through other comprehensive income - non-current	—	704,611	14.67	704,611	

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:

Company Name	Type and Name of Marketable Securities (Note 1)	Financial Statement Account	Counterparty Relationship (Note 2)	Relationship (Note 2)	Beginning Balance		Acquisition (Note 3)		Disposal (Note 3)				Ending Balance (Note 5)	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
FRG US Corp.	TRIMOSA HOLDING S LLC	Financial assets at fair value through other comprehensive income - non-current	—	—	—	\$ 471,241	—	\$ 385,968	—	—	—	—	—	\$ 857,209

Note1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note2: Fill in the columns two columns if securities are accounted for under the equity method; otherwise leaves the columns blank.

Note3 : The same securities in which the accumulated amount of buying or selling reached NT\$300 million or 20% of paid-in capital or more

Note4: The paid-in capital refers to the paid-in capital of the parent company. If the par value per share is not \$10 or \$0, it shall be calculated by the 10% of the owner's equity of the parent company's balance sheets.

Note5: It is the original purchase cost that excluded the valuation adjustment of financial assets measured at fair value.

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 relationships and important transactions between parent and subsidiary companies: 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	\$ 1,100,100	\$ 25,324	\$ 25,324	Subsidiary
	FRG US Corp.	U.S.A.	Real estate investment, development and rental and sales of premises.	938,955	560,933	15,401,000	100.00	768,558	(1,832)	(1,832)	Subsidiary
	KINGSHALE INDUSTRIAL LIMITED	Hong Kong	Investment	34	34	9,999	99.99	—	—	—	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	77,897	37,396	10,062	
	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	40,433	21,785	8,692	
	Rueifu Development Co., Ltd.	Taiwan	International trade, investment consultancy, office building for lease and building/land brokerage.	483	483	48,260	48.26	9,312	1,868	901	

(3) Information of the investment in China: None

(4) Information on major shareholders

Shareholding Name of major shareholder	Number of shares	Percentage of ownership
Ruifu Construction Co., Ltd.	30,663,678	10.10%
Chen Hsi Investment CO, LTD	15,811,342	5.00%
Ascend Gear International Inc.	15,614,553	5.18%

Note: A. The major shareholders information was calculated by Taiwan Depository & Clearing Corporation in accordance with the common shares (including treasury shares) and preferred shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter. The share capital which was recorded on the financial statements might be different from the number of shares held in dematerialised form because of the different calculation basis.

B. As per information above, if the shareholder delivers the shares to the trust, shares will be disclosed based on the trustee's account. Additionally, according to the Securities and Exchange Act, internal stakeholder whom holds more than 10% of the Company's share, which includes shares held by the stakeholder and parts delivered to the trust that have decision making rights, should be declared. For information regarding internal stakeholder declaration, please refer to the Market Observation Post System website of the Taiwan Stock Exchange Corporation.

### 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

	2023					
	Rubber	Construction	Warehousing	Other	Adjustment and write-off	Total
Revenue from external customers	\$ 882,666	\$ 192,350	\$ 260,346	\$ 24,356	\$ —	\$ 1,359,718
Revenue from inter-departments	\$ —	\$ —	\$ 60	\$ —	\$ (60)	\$ —
Profit (loss) of departments	\$ 123,034	\$ 50,597	\$ 130,790	\$ 59,343	\$ —	\$ 363,764
Unclassified profit (loss)						(164,158)
Non-operating income and expenses						392,594
Profit before income tax						\$ 592,200
Income tax (expense)profit						\$ (73,323)



	2022					
	Rubber	Construction	Warehousing	Other	Adjustment and write-off	Total
Revenue from external customers	\$ 989,116	\$ 668,816	\$ 264,496	\$ 14,815	\$ —	\$ 1,937,243
Revenue from inter-departments	\$ —	\$ —	\$ 60	\$ —	\$ (60)	\$ —
Profit (loss) of departments	\$ 169,728	\$ 203,870	\$ 163,460	\$ 13,204	\$ —	\$ 550,262
Unclassified profit (loss)						(179,392)
Non-operating income and expenses						459,427
Profit before income tax						\$ 830,297
Income tax (expense)profit						\$ (118,613)

(3) Regional information:

Region	Revenue from external customers		Non-current assets	
	2023	2022	2023	2022
Asia	\$ 1,114,087	\$ 1,710,739	\$ 3,709,792	\$ 3,593,889
Europe	145,247	146,252	—	—
United States- Canada	97,140	71,581	62,920	—
Other region	3,244	8,671	—	—
Total	\$ 1,359,718	\$ 1,937,243	\$ 3,772,712	\$ 3,593,889

The above non-current assets shall not include financial products and deferred income tax assets

(4) Products information

Products	2023	2022
Rubber	\$ 880,166	\$ 986,339
Real property	192,350	668,816
Other	287,202	282,088
Total	\$ 1,359,718	\$ 1,937,243

- (5) Important customer information: The customers whose net incomes accounting for more than 10% of the income in the Rubber Department of 2023 and 2022 are as follows:

Rubber Enterprise Dept.					
2023			2022		
Customer	Amount	Proportion to operating income	Customer	Amount	Proportion to operating income
Customer A	\$ 139,775	16%	Customer A	\$ 203,154	21%
Customer B	105,175	12%	Customer B	92,496	9%

- V. A parent company only financial statement for the most recent fiscal year, certified by a CPA

Formosan Rubber Group Inc.  
Parent Company Only Financial Statements  
For the Years Ended December 31, 2023 and 2022  
With Independent Auditor's Report

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.00111120EA

The Board of Directors and Shareholders

Formosan Rubber Group Inc.

### **Opinion**

We have audited the accompanying parent company only financial statements of Formosan Rubber Group Inc., which comprise the parent company only balance sheets as of December 31, 2023 and 2022, and the parent company only statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the accompanying parent company only financial position of Formosan Rubber Group Inc. as of December 31, 2023 and 2022, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of Formosan Rubber Group Inc. in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for Formosan Rubber Group Inc.’ parent company only financial statements for the year ended December 31, 2023 are stated as follows:

#### Valuation of Net Realizable Value of Real Estate For Sale

##### Summary of key issues for auditing

As of December 31, 2023, the value of real estate for sale on the parent company only balance sheet was NT\$2,771,492 thousand primarily reflective of the completed properties and land held for sale. These items accounted for approximately 20% of the parent company only total assets. Please refer to Notes 4, 5 and 10 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. As the valuation of real estate for sale 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 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, 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, 2023, the value of property investments on the parent company only balance sheet was NT\$2,784,666 thousand accounting for approximately 20% of the parent company only total assets. Please refer to Notes 4, 5 and 15 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.

## **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing Formosan Rubber Group Inc.' ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Formosan Rubber Group Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing Formosan Rubber Group Inc.' financial reporting process.

## **Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Formosan Rubber Group Inc.' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Formosan Rubber Group Inc.' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Formosan Rubber Group Inc. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Formosan Rubber Group Inc. to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BAKER TILLY CLOCK & CO.

March 12, 2024

#### 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 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, 2023 and 2022

Unit: In Thousands of NTD

Assets	Note	Dec. 31, 2023		Dec. 31, 2022	
Accounting item		Amount	%	Amount	%
<b>Current assets</b>					
Cash and cash equivalents	6	\$ 563,696	4	\$ 1,775,404	13
Financial assets at fair value through profit or loss-current	7	36,959	—	16,963	—
Financial assets at fair value through other comprehensive income - current	8	3,940,521	28	3,519,432	26
Notes receivable, net	9	38,804	—	74,739	1
Accounts receivable, net	9	100,376	1	80,485	1
Other receivables		47,969	—	39,176	—
Inventories	10	181,618	1	210,674	1
Inventories-Construction Industry	10	2,771,492	20	2,909,351	21
Prepayments		54,544	—	52,332	—
Other financial assets-current	11	711,296	5	—	—
Other current assets-other		973	—	1,087	—
<b>Total current assets</b>		<b>8,448,248</b>	<b>59</b>	<b>8,679,643</b>	<b>63</b>
<b>Non-current assets</b>					
Financial assets at fair value through other comprehensive income - non-current	8	117,356	1	67,342	1
Investments accounted for using equity method	12	1,996,300	14	1,486,595	11
Property, plant and equipment	13	747,716	5	793,239	6
Right-of-use assets	14	30,989	—	32,569	—
Investment property, net	15	2,784,666	20	2,598,861	19
Deferred tax assets	26	55,178	—	32,869	—
Prepayments for equipment		18,017	—	—	—
Refundable deposits		57,050	1	40,376	—
Other financial assets - non-current	11	20,000	—	20,000	—
Other non-current assets, others		633	—	1,304	—
<b>Total non-current assets</b>		<b>5,827,905</b>	<b>41</b>	<b>5,073,155</b>	<b>37</b>
<b>Total assets</b>		<b>\$ 14,276,153</b>	<b>100</b>	<b>\$ 13,752,798</b>	<b>100</b>

(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, 2023 and 2022

Unit: In Thousands of NTD

Liabilities & equity	Note	Dec. 31, 2023		Dec. 31, 2022	
Accounting item		Amount	%	Amount	%
<b>Current liabilities</b>					
Short-term borrowings	16	\$ 1,140,000	8	\$ 1,240,000	9
Short-term notes and bills payable	17	189,881	2	39,894	—
Notes payable		81,599	1	92,132	1
Accounts payable		34,185	—	33,910	—
Other payables		127,396	1	136,345	1
Current tax liabilities		32,407	—	74,783	1
Lease liabilities-current	14	7,648	—	5,775	—
Other current liabilities		18,073	—	18,380	—
<b>Total current liabilities</b>		1,631,189	12	1,641,219	12
<b>Non-current liabilities</b>					
Deferred tax liabilities	26	170,946	1	170,413	1
Non-current lease liabilities	14	24,065	—	27,473	—
Net defined benefit liability	18	2,131	—	2,575	—
Guarantee deposits received		45,550	—	48,533	1
<b>Total non-current liabilities</b>		242,692	1	248,994	2
<b>Total liabilities</b>		1,873,881	13	1,890,213	14
<b>Share capital</b>	19	3,035,934	21	3,373,260	25
<b>Capital surplus</b>	19	449,745	3	449,745	3
<b>Retained earnings</b>	19				
Legal reserve		1,812,711	13	1,745,695	13
Special reserve		296,475	2	296,475	2
Unappropriated retained earnings		5,873,998	41	5,729,100	41
<b>Other equity interest</b>	19				
Exchange differences on translation of foreign financial statements		4,539	—	(1,037)	—
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income		928,870	7	269,347	2
<b>Total equity</b>		12,402,272	87	11,862,585	86
<b>Total liabilities &amp; equity</b>		\$ 14,276,153	100	\$ 13,752,798	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, 2023 and 2022

Unit: In Thousands of NTD

Accounting item	Note	2023		2022	
		Amount	%	Amount	%
<b>Operating revenue</b>	20	\$ 1,357,421	100	\$ 1,936,730	100
<b>Operating costs</b>	21	(935,647)	(69)	(1,311,365)	(68)
<b>Gross profit</b>		421,774	31	625,365	32
<b>Operating expenses</b>					
Selling expenses		(47,577)	(3)	(65,313)	(3)
General and administrative expenses		(151,524)	(11)	(165,812)	(9)
Research and development expenses		(9,270)	(1)	(9,634)	—
<b>Total operating expense</b>		(208,371)	(15)	(240,759)	(12)
<b>Operating profit</b>		213,403	16	384,606	20
<b>Non-operating income and expenses</b>					
Interest income		53,560	4	25,638	1
Other income	22	282,461	21	259,566	13
Other gains and losses	23	22,872	2	149,170	8
Finance costs	24	(26,326)	(2)	(8,789)	—
Expected credit impairment gain		284	—	751	—
Shares of profit (loss) of subsidiaries and associates		43,147	3	17,735	1
<b>Total non-operating income and expenses</b>		375,998	28	444,071	23
<b>Income before income tax</b>		589,401	44	828,677	43
<b>Income tax expense</b>	26	(70,524)	(6)	(116,993)	(6)
<b>Net income</b>		518,877	38	711,684	37
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Remeasurements of defined benefit plans	18	341	—	60	—
Unrealized gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income		658,077	48	(276,052)	(14)
Shares of other comprehensive (loss) income of subsidiaries and associates		81,566	6	(38,552)	(2)
Income tax benefit related to items that will not be reclassified subsequently	26	18,799	1	9,887	—
<b>Items that may be reclassified subsequently to profit or loss</b>					
Exchange differences arising on translation of foreign operations		6,970	1	44,168	2
Unrealized loss on valuation of investments in debt instruments measured at fair value through other comprehensive income		(1,793)	—	(1,192)	—
Income tax related to items that may be reclassified subsequently	26	(1,033)	—	(8,637)	—
<b>Other comprehensive income (loss)</b>		762,927	56	(270,318)	(14)
<b>Total comprehensive income for the year</b>		\$ 1,281,804	94	\$ 441,366	23
<b>Earnings per share (NT dollars)</b>	27				
Basic earnings per share		1.61 (NT dollars)		2.09 (NT dollars)	
Diluted earnings per share		1.60 (NT dollars)		2.09 (NT dollars)	

(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, 2023 and 2022

Unit: In Thousands of NTD

Item	Share capital	Capital surplus	Retained earnings			Other equity interest		Treasury stocks	Total equity
			Legal reserve	Special reserve	Clnappropriated undistributed retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income		
Balance of Jan. 1, 2022	\$ 3,423,260	\$ 456,341	\$ 1,666,856	\$ 297,9551	\$ 5,548,580	\$ (36,371)	\$ 581,205	\$ —	\$ 11,937,826
Legal reserve appropriated	—	—	78,839	—	(78,839)	—	—	—	—
Cash dividend	—	—	—	—	(410,791)	—	—	—	(410,791)
Reversal of special reserve	—	—	—	(1,480)	1,480	—	—	—	—
Net income in 2022	—	—	—	—	711,684	—	—	—	711,684
Other comprehensive income for 2022, net of income tax	—	—	—	—	48	35,334	(305,700)	—	(270,318)
Total comprehensive income (loss) in 2022	—	—	—	—	711,732	35,334	(305,700)	—	441,366
Purchase of treasury share	—	—	—	—	—	—	—	(105,816)	(105,816)
Retirement of treasury share	(50,000)	(6,596)	—	—	(49,220)	—	—	105,816	—
Disposal of financial assets at fair value through other comprehensive income - equity instruments	—	—	—	—	6,158	—	(6,158)	—	—
Balance of Dec. 31, 2022	3,373,260	449,745	1,745,695	296,475	5,729,100	(1,037)	269,347	—	11,862,585
Legal reserve appropriated	—	—	67,016	—	(67,016)	—	—	—	—
Cash dividend	—	—	—	—	(404,791)	—	—	—	(404,791)
Net income in 2023	—	—	—	—	518,877	—	—	—	518,877
Other comprehensive income for 2023, net of income tax	—	—	—	—	273	5,576	757,078	—	762,927
Total comprehensive income (loss) in 2023	—	—	—	—	519,150	5,576	757,078	—	1,281,804
Capital Reduction	(337,326)	—	—	—	—	—	—	—	(337,326)
Disposal of financial assets at fair value through other comprehensive income - equity instruments	—	—	—	—	97,555	—	(97,555)	—	—
Balance of Dec. 31, 2023	\$ 3,035,934	\$ 449,745	\$ 1,812,711	\$ 296,475	\$ 5,873,998	\$ 4,539	\$ 928,870	\$ —	\$ 12,402,272

Note: For the years ended December 31, 2023 and 2022, the Company recognized the employees compensation of \$6,014 thousand and \$8,456 thousand respectively, and the directors remuneration of \$6,014 thousand and \$8,456 thousand respectively, amounts recognised The amounts loss in the statement of comprehensive income .

(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, 2023 and 2022

Unit: In Thousands of NTD

Item	2023	2022
	Amount	Amount
<b>Cash flows from operating activities:</b>		
<b>Income before income tax</b>	\$ 589,401	\$ 828,677
<b>Adjustments for:</b>		
Depreciation expense	101,316	103,656
Expected credit impairment gain	(284)	(751)
Net loss (gain) on financial assets at fair value through profit or loss	(20,635)	1,990
Interest expense	26,326	8,789
Interest income	(53,560)	(25,638)
Dividend income	(277,070)	(253,963)
Share of profit of subsidiaries and associates	(43,147)	(17,735)
gain on disposal of property, plant and equipment	—	(57)
Impairment loss on non-financial assets	—	2,697
Unrealized foreign exchange gain	(98)	(1,454)
<b>Changes in operating assets and liabilities</b>		
Notes receivable	36,298	(45,306)
Accounts receivable	(19,999)	35,714
Other receivables	(9,374)	80,998
Inventories	29,056	631
Inventories-Construction Industry	137,859	(865,709)
Prepayments	(2,212)	(6,203)
Other current assets	114	(279)
Contract liabilities	—	(50,221)
Notes payable	(10,533)	(1,152)
Accounts payable	275	(1,415)
Other payables	(8,949)	3,705
Other current liabilities	(307)	(844)
Net defined benefit liability	(103)	(139)
Cash generated by (used in) operations	474,374	(204,009)

(Continued)

Formosan Rubber Group Inc.

Parent Company Only Statement of Cash Flows (Continued)

From Jan. 1 to Dec. 31, 2023 and 2022

Unit: In Thousands of NTD

Item	2023	2022
	Amount	Amount
Interest received	54,147	23,186
Dividends received	277,064	253,963
Interest paid	(26,326)	(8,789)
Income tax paid	(116,910)	(34,524)
<b>Net cash generated by operating activities</b>	<b>662,349</b>	<b>29,827</b>
<b>Cash flows from investing activities:</b>		
Cash paid for acquisition of financial assets at fair value through other comprehensive income	(567,769)	(410,103)
Proceeds from financial assets at fair value through other comprehensive income	749,077	76,042
Return of capital from financial assets at fair value through other comprehensive income	4,000	2,000
Cash paid for acquisition of financial assets at fair value through profit or loss	(38,042)	—
Proceeds from financial assets at fair value through profit or loss	38,681	—
Acquisition of investments accounted for using equity method	(378,022)	(99,584)
Acquisition of property, plant and equipment	(19,207)	(27,218)
Disposal of property, plant and equipment	—	57
Increase in refundable deposits	(16,674)	(750)
Acquisition of Investment property	(215,354)	—
(Increase) decrease in other financial assets	(711,296)	27,620
Decrease in other non-current assets	671	2,950
Increase prepayments for equipment	(18,017)	—
<b>Net cash (used in) investing activities</b>	<b>(1,171,952)</b>	<b>(428,986)</b>
<b>Cash flows from financing activities:</b>		
(Decrease) increase in short-term borrowings	(100,000)	825,000
Increase (decrease) in short-term notes and bills payable	149,987	(119,990)
(Decrease) increase in guarantee deposits received	(2,983)	4,010
Payments of lease liabilities	(6,992)	(5,391)
Cash dividends paid	(404,791)	(410,791)
Capital Reduction	(337,326)	—
Payments to acquire treasury shares	—	(105,816)
<b>Net cash (used in) generated by financing activities</b>	<b>(702,105)</b>	<b>187,022</b>
Net Decrease in cash and cash equivalents	(1,211,708)	(212,137)
Cash and cash equivalents at beginning of year	1,775,404	1,987,541
Cash and cash equivalents at end of year	\$ 563,696	\$ 1,775,404

(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, 2023 and 2022

(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 12, 2024.

3. Application of new standards, amendments and interpretations

- (1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The initial application of the amendments to the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

- (2) The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New Standards, Interpretations and Amendments	Effective Date Announced by IASB(Note 1)
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)
Note 1: Unless stated otherwise, the above IFRSs will be effective for annual reporting periods beginning on or after their respective effective dates.	
Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.	

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the parent company only financial statements were authorized for issue, the Company has assessed that the application of above standards and interpretations will not have a material impact on the Company's financial position and financial performance.

(3) New IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

New Standards, Interpretations and Amendments	Effective Date Announced by IASB(Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of above standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### 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.

##### (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

Inventories include raw materials, supplies, finished goods and work-in-process. Inventories are measured at the lower of cost or net realizable value. Comparisons between cost and net realizable value are made on an item-by-item basis, except for inventories of the same type. Net realizable value is the estimated selling price under normal circumstances, less estimated costs to complete and estimated costs to sell. The cost of inventories is calculated using the weighted-average method.

If a house is exchanged for land under a subdivision contract and is classified as land for sale, no gain or loss is recognized on the exchange and revenue is not recognized until the land is sold to the buyer.

(7) Investments accounted for under equity method

Investments accounted for using the equity method is investments in subsidiaries and associates.

A. A subsidiary

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 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 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, 3-10 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 3-50 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

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.

#### (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.

(14) 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, investment in debt instruments measured at FVTOCI, and investments in equity instruments at 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.

Financial assets measured at fair value through profit or loss are measured at fair value. The dividends and interests generated are recognized in other income and interest income, respectively, and any gain or loss arising from remeasurement is recognized in other gains and losses.

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 on 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 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 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 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

Since inventory and real estate for sale 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 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 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

	Dec. 31, 2023	Dec. 31, 2022
Cash and petty cash	\$ 445	\$ 519
Cash in bank	253,402	366,229
Cash equivalent		
Commercial paper	309,849	195,906
Time deposits with maturity	—	1,212,750
Total	<u>\$ 563,696</u>	<u>\$ 1,775,404</u>

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

	Dec. 31, 2023	Dec. 31, 2022
Current financial assets at fair value through profit or loss, designated as upon initial recognition		
Fund	<u>\$ 36,959</u>	<u>\$ 16,963</u>

8. Financial assets at fair value through other comprehensive income

	Dec. 31, 2023	Dec. 31, 2022
Equity instruments		
Stock of domestic listed (OTC) companies	\$ 3,835,823	\$ 3,503,746
Stock of foreign listed (OTC) companies	46,346	1,743
Stock not classified to listed (OTC) and emerging companies	117,356	67,342
Debt instruments		
Financial bond	58,352	13,943
Total	<u>\$ 4,057,877</u>	<u>\$ 3,586,774</u>
Current	<u>\$ 3,940,521</u>	<u>\$ 3,519,432</u>
Non-current	<u>\$ 117,356</u>	<u>\$ 67,342</u>

(1) The Company signed a securities lending agreement with SinoPac Securities Corporation on April 10, 2021. Dividends and bonuses, being generated during the loan period should be repaid to the company. According to the agreement, when there is no loan transaction for more than three consecutive years, the agreement would be terminated. As of December 31, 2023 and 2022, the book value of stock lending were NT\$83,722 thousand and NT\$0 thousand respectively.

(2) Credit risk management for investments in debt instruments

Investments in debt instruments were classified as at FVTOCI :

	Dec. 31, 2023	Dec. 31, 2022
Gross carrying amount	\$ 60,885	\$ 14,712
Adjustment to fair value	(2,533)	(728)
Total	<u>\$ 58,352</u>	<u>\$ 13,943</u>

The Company only invests in debt instruments that have low credit risk for the purpose of impairment assessment. The Company continuously tracks information to monitor changes in the credit risk of the debt instruments that it invests in, and also reviews other information such as material information about the debtor to assess whether there is a significant increase in credit risk since the investment was recognized.

The Company considers the historical default rates of each credit rating supplied by external rating agencies to estimate 12-month or lifetime expected credit losses.

The book amounts of investments in each credit level debt instrument and the applicable expected credit loss rates are as follows:

Dec. 31, 2023		
Credit Rating	Expected credit loss rate	Through other comprehensive income measured at fair value of book amount
Performing	0.02%	\$ 60,885
Dec. 31, 2022		
Credit Rating	Expected credit loss rate	Through other comprehensive income measured at fair value of book amount
Performing	0.30%	\$ 14,712

The allowance for impairment loss of investments in debt instruments at FVTOCI is as follows:

	For the Year Ended December 31, 2023	For the Year Ended December 31, 2022
Balance, beginning of year	\$ 41	\$ 209
New purchase in this period	—	—
Derecognise in this period	—	—
Changes in risk parameters	(29)	(168)
Balance, end of year	<u>\$ 12</u>	<u>\$ 41</u>

9. Notes and accounts receivable, net

	Dec. 31, 2023	Dec. 31, 2022
Notes receivable	\$ 39,196	\$ 75,494
Allowance for doubtful accounts	(392)	(755)
Net amount	<u>\$ 38,804</u>	<u>\$ 74,739</u>

	Dec. 31, 2023	Dec. 31, 2022
Accounts receivable	\$ 102,234	\$ 84,123
Allowance for doubtful accounts	(1,858)	(1,750)
Net amount	<u>\$ 100,376</u>	<u>\$ 80,485</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, 2023		
	Carrying amount of accounts receivable	Expected credit loss rate	Loss allowance for lifetime expected credit losses
Non past due	\$ 139,213	1~2%	\$ 2,100
Past due less than 90 days	2,151	2~5%	84
Past due 91-180 days	—	10~20%	—
Past due 181-365 days	—	50%	—
More than 366 days past due	66	100%	66
	<u>\$ 141,430</u>		<u>\$ 2,250</u>

	Dec. 31, 2022		
	Carrying amount of accounts receivable	Expected credit loss rate	Loss allowance for lifetime expected credit losses
Non past due	\$ 154,785	1~2%	\$ 2,352
Past due less than 90 days	2,091	2~5%	87
Past due 91-180 days	787	10~20%	—
Past due 181-365 days	—	50%	—
More than 366 days past due	66	100%	66
	<u>\$ 157,729</u>		<u>\$ 2,505</u>



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

	2023	2022
Balance, beginning of year	\$ 2,505	\$ 3,088
Expected credit impairment loss (gain)	(255)	(583)
Balance, end of year	\$ 2,250	\$ 2,505

#### 10. Inventories

##### (1) Inventories - Manufacturing

A. The inventory details related to the rubber department is as follows:

	Dec. 31, 2023	Dec. 31, 2022
Raw materials	\$ 67,456	\$ 78,208
Work-in-process	10,204	19,426
Finished goods	103,958	113,040
Total	\$ 181,618	\$ 210,674

B. The cost of sales related to the rubber department is as follows:

	2023	2022
Cost of inventories sold	\$ 675,866	\$ 773,309
Provision for (Reversal of) loss on inventories	666	(15,088)
Unamortized fixed manufacturing costs	10,692	9,963
Total	\$ 687,224	\$ 768,184

For the year ended December 31, 2022, the reversal of loss on inventories is due to the removal part of the inventory that has been listed for decline in price.

##### (2) Inventories-Construction Industry

A. The inventory details and contract liabilities related to the construction department is as follows:

	Real estate for sale and prepayment for land purchases		Contract liabilities		
	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022
Bridge Upto Zenith Project at Banqiao	\$ 34,016	\$ 34,016	\$ —	\$ —	\$ —
Modesty Home Project at Banqiao	14,923	14,923	—	—	—
Legend River Project at Xindian	92,728	92,728	—	—	—
Treasure Garden Project in Taichung City	236,653	236,653	—	—	—
55 TIMELESS Project in Taipei City	262,289	350,489	—	—	34,552
La Bella Vita Project in Taichung City	690,521	740,180	—	—	15,669
Ambassador Hotel Project in Kaohsiung City-Real estate under construction	1,440,362	1,440,362	—	—	—
	\$ 2,771,492	\$ 2,909,351	\$ —	\$ —	\$ 50,221

a. The Ambassador Hotel Co., Ltd. and Continental Engineering Corporation signed the Ambassador Hotel Project in Kaohsiung City, a collaborative development agreement in November 2021. The reconstruction plan is set out by the Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings and related regulations and requesting demolition and rebuild to the Authority which the new building would be developed, constructed, and sold tripartite mutually. The completion date of the reconstruction building is expected to be 1,600 work days after the approval date of the layout inspection.

b. The situation of pledge & guarantee in detail is shown in Note 31.

B. The cost of sales related to the construction department is as follows:

	2023	2022
Cost of inventories sold	\$ 141,753	\$ 438,332

#### 11. Other financial assets

	Dec. 31, 2023	Dec. 31, 2022
Pledged time deposits	\$ 20,000	\$ 20,000
Time deposits with maturity over three months	711,296	—
Total	\$ 731,296	\$ 20,000
Current	\$ 711,296	\$ —
Non-current	\$ 20,000	\$ 20,000
Interest rate range %	0.715~5.6	0.595~1.45

The pledged time deposit serves as guaranty for logistics business and it is shown in Note 31.

#### 12. Investments accounted for using equity method

	Dec. 31, 2023	Dec. 31, 2022
Investments in subsidiaries	\$ 1,868,658	\$ 1,383,224
Investments in associates	127,642	103,371
Total	\$ 1,996,300	\$ 1,486,595

(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, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
<u>Unlisted (OTC) companies</u>				
Ban Chien Development Co., Ltd. (Taiwan)	\$ 1,100,100	\$ 901,586	100.00	100.00
FRG US Corp. (San Francisco)	768,558	481,638	100.00	100.00
KINGSHALE INDUSTRIAL LIMITED (Hong Kong)	—	—	99.99	99.99
Total	\$ 1,868,658	\$ 1,383,224		

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 32,000 thousand. Its main businesses are real estate investment, development and rental and sales of premises.

As of December 31, 2023 and 2022, FRG has remitted Investment funds are NT\$ 938,955 thousand (USD 30,802 thousand) and NT\$ 560,933 thousand (USD 18,252 thousand).

(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, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
<u>Unlisted (OTC) companies</u>				
Formosan Construction Corp. (Taiwan)	\$ 77,897	\$ 63,226	26.20	26.20
Fenghe Development Co., Ltd. (Taiwan)	40,433	31,741	39.90	39.90
Rueifu Development Co., Ltd. (Taiwan)	9,312	8,404	48.26	48.26
Total	<u>\$ 127,642</u>	<u>\$ 103,371</u>		

(3) Information about associates that are not individually material was as follows

	2023	2022
The Company's share of:		
Net profit (loss) from continuing operations for the year	\$ 19,655	\$ 5,476
Other comprehensive income	4,616	(4,680)
Total comprehensive profit (loss)	<u>\$ 24,271</u>	<u>\$ 796</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.

### 13. Property, plant and equipment

For the Year Ended December 31, 2023					
Item	Balance, Beginning of Year	Additions	Disposals	Reclassification	Balance, End of Year
<u>Cost</u>					
Land	\$ 444,026	\$ —	\$ —	\$ (24,049)	\$ 419,977
Building	599,700	3,159	—	—	602,859
Machinery equipment	798,819	3,165	—	—	801,984
Transportation equipment	9,801	930	—	—	10,731
Other equipment	158,422	11,953	—	—	170,375
Unfinished construction and equipment to be inspected	372	—	—	(372)	—
Total	2,011,140	19,207	—	(24,421)	2,005,926
<u>Accumulated depreciation &amp; impairment</u>					
Building	387,009	14,642	—	—	401,651
Machinery equipment	695,998	18,031	—	—	714,029
Transportation equipment	9,537	130	—	—	9,667
Other equipment	125,357	7,506	—	—	132,863
Total	1,217,901	\$ 40,309	\$ —	\$ —	1,258,210
Net	\$ 793,239				\$ 747,716

For the Year Ended December 31, 2022					
Item	Balance, Beginning of Year	Additions	Disposals	Reclassification	Balance, End of Year
<u>Cost</u>					
Land	\$ 444,026	\$ —	\$ —	\$ —	\$ 444,026
Building	580,509	19,191	—	—	599,700
Machinery equipment	795,359	3,460	—	—	798,819
Transportation equipment	11,991	—	(2,190)	—	9,801
Other equipment	154,227	4,195	—	—	158,422
Unfinished construction and equipment to be inspected	—	372	—	—	372
Total	1,986,112	27,218	(2,190)	—	2,011,140
<u>Accumulated depreciation &amp; impairment</u>					
Building	373,474	13,535	—	—	387,009
Machinery equipment	677,453	18,545	—	—	695,998
Transportation equipment	11,605	122	(2,190)	—	9,537
Other equipment	114,717	10,640	—	—	125,357
Total	1,177,249	\$ 42,842	\$ (2,190)	\$ —	1,217,901
Net	\$ 808,863				\$ 793,239

(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 31.

#### 14. Lease

##### (1) Right-of-use assets

For the Year Ended December 31, 2023				
	Balance, Beginning of Year	Additions	Disposals	Balance, End of Year
<u>Cost</u>				
Building	\$ 51,552	\$ —	\$ —	\$ 51,552
Transportation equipment	1,965	5,457	—	7,422
Total	53,517	5,457	—	58,974
<u>Accumulated depreciation &amp; impairment</u>				
Building	20,620	5,155	—	25,775
Transportation equipment	328	1,882	—	2,210
Total	20,948	\$ 7,037	\$ —	27,985
Net	\$ 32,569			\$ 30,989

For the Year Ended December 31, 2022				
	Balance, Beginning of Year	Additions	Disposals	Balance, End of Year
<u>Cost</u>				
Building	\$ 51,552	\$ —	\$ —	\$ 51,552
Transportation equipment	—	1,965	—	1,965
Total	51,552	1,965	—	53,517
<u>Accumulated depreciation &amp; impairment</u>				
Building	15,465	5,155	—	20,620
Transportation equipment	—	328	—	328
Total	15,465	\$ 5,483	\$ —	20,948
Net	\$ 36,087			\$ 32,569

##### (2) Lease liabilities

For the Year Ended December 31, 2023			
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less 1 year	\$ 7,980	\$ 332	\$ 7,648
Over 1 years	24,555	490	24,065
Total	\$ 32,535	\$ 822	\$ 31,713

Range of discount rate for lease liabilities were as 1.09%~2.07%.

For the Year Ended December 31, 2022			
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less 1 year	\$ 6,108	\$ 333	\$ 5,775
Over 1 years	28,201	728	27,473
Total	\$ 34,309	\$ 1,061	\$ 33,248

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

## (3) Other lease information

	2023	2022
Expenses relating to short-term leases	\$ 57	\$ —
Total cash (outflow) for all lease agreements	\$ (7,446)	\$ (5,774)

(4) Please see note 30 for the status of transactions with related parties.

15. Investment property, net

For the Year Ended December 31, 2023						
Item	Balance, Beginning of Year	Additions	Disposals	Impairment	Reclassification	Balance, End of Year
<u>Cost</u>						
Land	\$ 1,098,862	\$ —	\$ —	\$ —	\$ 24,049	\$ 1,122,911
Building	2,653,319	—	—	—	—	2,653,319
Unfinished construction	—	215,354	—	—	372	215,726
Total	3,752,181	215,354	—	—	24,421	3,991,956
<u>Accumulated depreciation &amp; impairment</u>						
Land	231,549	—	—	—	—	231,549
Building	921,771	53,970	—	—	—	975,741
Total	1,153,320	\$ 53,970	\$ —	\$ —	\$ —	1,207,290
Net	\$ 2,598,861					\$ 2,784,666
Fair value	\$ 4,242,553					\$ 4,758,557
For the Year Ended December 31, 2022						
Item	Balance, Beginning of Year	Additions	Disposals	Impairment	Reclassification	Balance, End of Year
<u>Cost</u>						
Land	\$ 1,098,862	\$ —	\$ —	\$ —	\$ —	\$ 1,098,862
Building	2,653,319	—	—	—	—	2,653,319
Total	3,752,181	—	—	—	—	3,752,181
<u>Accumulated depreciation &amp; impairment</u>						
Land	228,852	—	—	2,697	—	231,549
Building	866,440	55,331	—	—	—	921,771
Total	1,095,292	\$ 55,331	\$ —	\$ 2,697	\$ —	1,153,320
Net	\$ 2,656,889					\$ 2,598,861
Fair value	\$ 4,451,589					\$ 4,242,553

(1) Details of land:

	Dec. 31, 2023		Dec. 31, 2022	
	Ping	Cost	Ping	Cost
Oiashui Section, Longtan	16,691	\$ 66,692	14,447	\$ 42,643
Dahu Section, Miaoli	230,253	473,971	230,253	473,971
Shuiwei Section, Luzhu	14,696	265,779	14,696	265,779
Xinban Section, Banqiao	140	311,775	140	311,775
Zhuangjing Section, Xindian	53	4,694	53	4,694
Total		<u>\$ 1,122,911</u>		<u>\$ 1,098,862</u>

- (2) 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.

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

	Dec. 31, 2023	Dec. 31, 2022
Year 1	\$ 163,133	\$ 139,586
Year 2	84,867	90,963
Year 3	26,793	24,433
Year 4	19,186	11,226
Year 5	4,257	11,226
Over 5 years	—	1,755
Total	<u>\$ 298,236</u>	<u>\$ 279,189</u>

- (3) As of December 31, 2023 and December 31, 2022, the book value of the investment properties let out stood at NT\$2,269,093 thousand and NT\$2,299,014 thousand, respectively. The rent incomes during 2023 and 2022 totaled NT\$218,055 thousand and NT\$212,998 thousand, respectively.
- (4) The Unfinished Construction is the company entrusting Engtown Construction Corp with Longtan Intelligent Park - Area A. Please see note 30 for the status of transactions with related parties. In 2023, The capitalized interest is NT\$1,404 thousand. The range of interest rates was 1.297%~2.258%.
- (5) 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.

(6) As of December 31, 2023 and 2022, the land at Dahu Section of Miaoli accumulated losses of reduction were both NT\$231,549 thousand.

(7) Details of the farm land lots registered in others' names due to legal restrictions:

	Dec. 31, 2023	Dec. 31, 2022
Oiashui Section, Longtan	\$ 35,100	\$ 35,100
Dahu Section, Miaoli	94,241	94,241
Shuiwei Section, Luzhu	17,631	17,631
Total	\$ 146,972	\$ 146,972

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 30 (2) D for the status of transactions with related parties.

(8) The situation of already providing to serve as loan guarantees from financial industries in detail is shown in Note 31.

16. Short-term borrowings

	Dec. 31, 2023	Dec. 31, 2022
Bank unsecured borrowings	\$ 1,140,000	\$ 740,000
Bank guaranteed loan	—	500,000
Total	\$ 1,140,000	\$ 1,240,000
Interest rate range %	1.69~2.46	1.48~2.19

17. Short-term notes and bills payable

	Dec. 31, 2023	Dec. 31, 2022
Commercial paper payable	\$ 190,000	\$ 40,000
Less: Unamortized discount	(119)	(106)
Net amount	\$ 189,881	\$ 39,894
Interest rate range%	1.4~1.75	1.5~2.39

The situation of pledge & guarantee in detail is shown in Note 31.

18. 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 2023 and January 1 to December 31, 2022 are respectively NT\$6,242 thousand and NT\$6,112 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:

	2023	2022
Service cost	\$ 10	\$ —
Net interest cost (income)	33	19
List to (profit) loss	\$ 43	\$ 19
Re-measurements		
Plan assets returns (excl. amount that covered in net interest income)	24	218
Actuarial profit (loss)-Change of the demographic assumption	(3)	(3)
Actuarial profit (loss)-Change of the financial assumption	(25)	358
Actuarial profit (loss)- Adjustment with experience	345	(513)
Listed to other comprehensive income	\$ 341	\$ 60

The details of the various costs and expenses recognized in profit or loss are as follows:

	2023	2022
Operating costs	\$ 26	\$ 19
Operating expenses	17	—
Total	\$ 43	\$ 19

The amount listed in the parent company only balance sheet for the obligation occurring from the defined benefit plan is as follows:

	Dec. 31, 2023	Dec. 31, 2022
Defined benefit obligation present value	\$ 5,005	\$ 5,387
Plan asset fair value	(2,874)	(2,812)
Net defined benefit liability (assets)	<u>\$ 2,131</u>	<u>\$ 2,575</u>

The changed of defined benefit obligation present value of this Company is as follows:

	2023	2022
Beginning defined benefit obligation	\$ 5,387	\$ 5,632
Interest expense	70	39
Benefits paid from plan assets	—	(442)
Re-measurements		
Actuarial (profit) loss- Change of the demographic assumption	3	3
Actuarial (profit) loss- Change of the financial assumption	25	(358)
Actuarial (profit) loss- Adjustment with experience	(345)	513
Planned repayments	(135)	—
Ending defined benefit obligation	<u>\$ 5,005</u>	<u>\$ 5,387</u>

The changed of plan asset fair value of this Company is as follows:

	2023	2022
Beginning plan asset fair value	\$ 2,812	\$ 2,858
Interest income	38	19
Re-measurements		
Plan assets returns (excl. amount that covered in net interest income)	24	218
Contribution by employer	146	159
Benefits paid from plan assets	—	(442)
Redemption or curtailments payment	(146)	—
Ending plan asset fair value	<u>\$ 2,874</u>	<u>\$ 2,812</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

	Dec. 31, 2023	Dec. 31, 2022
Cash and cash equivalents	\$ 2,874	\$ 2,812

B. The main assumptions of the Company's actuarial valuation are as follows:

	Dec. 31, 2023	Dec. 31, 2022
Discount rate	1.25%	1.30%
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 2023 and 2022.

	Effect on present value of defined benefit obligation	
Dec. 31, 2023	Actuarial assumption increased 0.25%	Actuarial assumption decreased 0.25%
Discount rate	\$ (123)	\$ 127
Expected increase in future salaries	\$ 126	\$ (122)

	Effect on present value of defined benefit obligation	
Dec. 31, 2022	Actuarial assumption increased 0.25%	Actuarial assumption decreased 0.25%
Discount rate	\$ (141)	\$ 146
Expected increase in future salaries	\$ 144	\$ (140)

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\$124 thousand to the defined benefit plans within one year after December 31, 2023; the weighted average duration of defined benefits obligations is 10 years.

## 19. Equity

### (1) Share capital - common stock

	Dec. 31, 2023	Dec. 31, 2022
Authorized capital	\$ 6,800,000	\$ 6,800,000
Issued capital	\$ 3,035,934	\$ 3,373,260

A.The face value of the issued ordinary shares is NT\$10 per share. Each share has one vote and the right to dividends.

B.Treasury stocks of NT\$50,000 thousand was cancelled from January 1 to December 31, 2022.

C.In June 9, 2023, the Corporation's Board of Stockholders resolved to reduce cash capital to \$ 337,326 thousand with the elimination of 33,733 thousand shares and a 10% capital reduction for increasing equity and EPS, which was approved by the Authority on August 8, 2023.

### (2) Capital surplus

	Dec. 31, 2023	Dec. 31, 2022
Premium on capital	\$ 716	\$ 716
Conversion premium of corporate bonds	444,133	444,133
Gains of disposal of assets	1,238	1,238
Equity net value change of associates by equity method	3,658	3,658
Total	\$ 449,745	\$ 449,745

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.

According to the Articles of Incorporation revised by the shareholders' meeting on June 8, 2022, the Board of Directors is authorized to pass a resolution for the Company to distribute all or part of dividends or statutory surplus reserves and capital reserves in cash with the attendance of two thirds of the directors and the consent of more than half of the directors in attendance, which shall be reported to 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

	Dec. 31, 2023	Dec. 31, 2022
The number of appropriation arising from the first adoption of IFRSs	\$ 296,475	\$ 296,475
Decrease in other equity items	—	—
Total	\$ 296,475	\$ 296,475

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 2022 and 2021 were approved by the annual general meetings on June 9, 2023 and June 8, 2022, respectively, as proposed by the board.

	2022		2021	
	Amount	Dividend per share (TWD)	Amount	Dividend per share (TWD)
Legal reserve	\$ 67,016		\$ 78,839	
Cash dividend	404,791	1.2	410,791	1.2
Total	<u>\$ 471,807</u>		<u>\$ 489,630</u>	

E. The status for the board of the Company proposed to approve the 2023 earnings allocation proposal on March 12, 2024 is as follows:

	2023	
	Amount	Dividend per share (TWD)
Legal reserve	\$ 61,671	
Cash dividend	394,671	\$ 1.3
Total	<u>\$ 456,342</u>	

The Company’s earnings distribution for 2023 is still pending for the approval from the annual general meeting in 2024.

(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, 2023	\$ (1,037)	\$ 269,347	\$ 268,310
Exchange differences on translation of foreign financial statements	5,576	—	5,576
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	—	675,512	675,512
Share of loss (profit) of associates accounted for using equity method	—	81,566	81,566
Disposal of financial assets at fair value through other comprehensive income - equity instrument	—	(97,555)	(97,555)
Balance on Dec. 31, 2023	<u>\$ 4,539</u>	<u>\$ 928,870</u>	<u>\$ 933,409</u>

	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, 2022	\$ (36,371)	\$ 581,205	\$ 544,834
Exchange differences on translation of foreign financial statements	35,334	—	35,334
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	—	(276,948)	(276,948)
Share of loss (profit) of associates accounted for using equity method	—	(28,752)	(28,752)
Disposal of financial assets at fair value through other comprehensive income - equity instrument	—	(6,158)	(6,158)
Balance on Dec. 31, 2022	\$ (1,037)	\$ 269,347	\$ 268,310

(5) Treasury stocks

	Number of shares (thousand shares)	Amount
Balance on Jan. 1, 2022	—	\$ —
Acquired in 2022	5,000	105,816
Cancellation in 2022	(5,000)	(105,816)
Balance of Dec. 31, 2022	—	\$ —

- 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.

20. Operating revenue

	2023	2022
Net sales revenue	\$ 880,166	\$ 986,339
Construction revenue	192,350	668,816
Rental and logistics revenue	284,905	281,575
Total	\$ 1,357,421	\$ 1,936,730

The amount of revenue recognized at the beginning from the contractual liabilities for the period from January 1 to December 31, 2023 and 2022 are respectively NT\$0 thousand and NT\$50,221 thousand.

21. Operating costs

	2023	2022
Cost of sales	\$ 687,224	\$ 768,184
Cost of construction sales	141,753	438,332
Cost of rental and logistics	106,670	104,849
Total	\$ 935,647	\$ 1,311,365

22. Other income

	2023	2022
Dividend income	\$ 277,070	\$ 253,963
Other	5,391	5,603
Total	\$ 282,461	\$ 259,566

23. Other gains and losses

	2023	2022
gain on disposal of property, plant and equipment	\$ —	\$ 57
Foreign currency exchange gain	3,567	154,578
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	20,635	(1,990)
Miscellaneous expense	(1,330)	(778)
Impairment loss	—	(2,697)
Total	\$ 22,872	\$ 149,170

24. Finance costs

	2023	2022
Interest of bank loan	\$ 27,333	\$ 8,406
Interest of lease liabilities	397	383
Capitalized interest	(1,404)	—
Total	\$ 26,326	\$ 8,789



25. Extra information on the items with the expense characteristics

The employee benefits, depreciation, depletion and amortization expenses incurred in this period are summarized below:

	2023			2022		
	Operating costs	Operating expense	Total	Operating costs	Operating expense	Total
Salary expense	\$ 92,977	\$ 71,480	\$ 164,457	\$ 96,250	\$ 50,802	\$ 147,052
Labor and health insurance expenses	7,559	4,945	12,504	7,196	4,630	11,826
Pension expense	4,131	2,154	6,285	4,086	2,046	6,132
Board compensation	—	12,463	12,463	—	26,308	26,308
Other Personnel expense	1,737	827	2,564	2,112	1,075	3,187
Personnel expense	<u>\$ 106,404</u>	<u>\$ 91,869</u>	<u>\$ 198,273</u>	<u>\$ 109,644</u>	<u>\$ 84,861</u>	<u>\$ 194,505</u>
Depreciation expense	<u>\$ 82,414</u>	<u>\$ 18,902</u>	<u>\$ 101,316</u>	<u>\$ 87,780</u>	<u>\$ 15,876</u>	<u>\$ 103,656</u>

As of December 31, 2023 and 2022, the Company had 200 and 195 employees, respectively.

There were 6 non-employee directors and 7 non-employee directors, respectively.

The Company's average employee benefit expense and the Company's average salary expense for the year ended December 31, 2023 and 2022 were NT\$958 thousand, NT\$848 thousand, NT\$895 thousand, NT\$782 thousand, respectively.

The Company's average salary expense adjustment for the year ended December 31, 2023 increased by 8.44%.

The Company did not have a supervisor in 2023 and 2022; hence, no remuneration to supervisors had accrued.

The Company's salary compensation policy is as follows:

- (1) Employee Salary: Employee salary mainly includes basic salary (including basic salary and meal allowance), performance bonus, annual salary adjustment for individual performance and year-end bonus. The salary is approved with reference to the market rate of the industry, job category, academic experience, professional knowledge and skills, and professional years of experience, and is better than the average market rate of the industry.
- (2) The compensation policy of the manager is based on the usual industry standard, and takes into account the reasonableness of the relationship with personal performance, the company's operating performance and future risks. The proposal made by the Salary and Compensation Committee will be implemented after the board of directors has approved it.
- (3) Personal performance bonus: The bonus is paid according to the company's operational performance and employees' personal performance.
- (4) Annual salary adjustment: The Company conducts annual salary adjustment with reference

to the overall economic environment, operating profit, employee performance assessment results, and long-term development of the employees, taking into account the salary level of the industry and the overall salary adjustment status of the industry.

Correlation between operating performance and employee compensation:

The Company shall set aside no less than 1% of the Company's annual profit as employee compensation, which shall be distributed in shares or cash as determined by the Board of Directors, and shall be paid to employees of subordinate companies under the conditions set by the Board of Directors; the Company shall set aside no more than 2% of the Company's annual profit as director compensation as determined by the Board of Directors. The remuneration to employees and remuneration to directors shall be reported to the shareholders' meeting. If the Company has an accumulated deficit, the Company shall reserve the amount to cover the deficit in advance, and then allocate the remuneration to employees and directors in accordance with the aforementioned ratio.

The remuneration of directors and other key management personnel is determined by reference to the industry standard, taking into account the reasonableness of the relationship with individual performance, the Company's operating performance and future risks. The proposal made by the Salary and Compensation Committee will be implemented after the board of directors has approved it.

The compensations to employees and the remunerations to directors determined by the board on March 12, 2024 for the year 2023 and on March 15, 2023 for the year 2022 are as follows:

	2023		2022	
	Amount	Estimated proportion	Amount	Estimated proportion
Compensations to employees	\$ 6,014	1%	\$ 8,456	1%
Remunerations to directors	6,014	1%	8,456	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. 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 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 for 2022 and 2021, the recognized amount on the parent company only financial statements for 2022 and 2021.

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.

26. Income tax

(1) Income tax recognized in profit & loss

The income tax expense listed as profit & loss is composed of as follows:

	2023	2022
Income tax current period:		
Occurred in current year	\$ (58,844)	\$ (68,183)
Additionally imposed undistributed earnings	(12,378)	(14,938)
Adjustments for prior year	(127)	—
Paid for land value increment tax	(3,185)	(9,925)
	<u>(74,534)</u>	<u>(93,046)</u>
Deferred income tax:		
Occurred in current year	4,010	(23,947)
Income tax expense listed as profit & loss	<u>\$ (70,524)</u>	<u>\$ (116,993)</u>

The accounting benefit and income tax expense of current period are adjusted as follows:

	2023	2022
Income tax calculated according to the regulated tax rate of before-tax net income	\$ 117,880	\$ 165,735
The effect of tax in reconciliation items of income tax:		
When determining taxable income, adjustments should be made to increase (decrease)	15,872	(14,573)
Tax-exempt income	(70,332)	(87,518)
Additionally imposed undistributed earnings	12,378	14,938
Adjustments for prior year	127	—
Paid for land value increment tax	3,185	9,925
Other	(4,576)	4,539
Income tax expense (gain) current period	<u>\$ 74,534</u>	<u>\$ 68,183</u>

(2) Income tax expense recognized in other comprehensive income

	2023	2022
Remeasurement of defined benefit plans	\$ (68)	\$ (12)
Unrealized loss on valuation of investments in equity instruments measured at fair value through other comprehensive income	18,867	9,899
Exchange differences on translation of foreign financial statements	(1,394)	(8,834)
Unrealized loss on valuation of investments in debt instruments measured at fair value through other comprehensive income	361	197
Income tax related to other comprehensive income	\$ 17,766	\$ 1,250

(3) Deferred tax assets and liabilities

The analysis on deferred income tax assets and liabilities in balance sheet is as follows:

	2023			
	Balance, beginning of year	Recognized in profit (loss)	Recognized in other comprehensive income	Balance, end of year
Net defined benefit liability	\$ 515	\$ (21)	\$ (68)	\$ 426
Unrealized loss on valuation of investments in equity instruments measured at fair value through other comprehensive income	11,388	—	19,130	30,518
Exchange differences on translation of foreign financial statements	259	—	(259)	—
Unrealized loss on valuation of investments in debt instruments measured at fair value through other comprehensive income	146	—	361	507
Unrealized exchange loss	4,857	3,464	—	8,321
Other	15,704	(298)	—	15,406
Deferred income tax assets	\$ 32,869	\$ 3,145	\$ 19,164	\$ 55,178
Unrealized loss on valuation of investments in equity instruments measured at fair value through other comprehensive income	\$ —	\$ —	\$ (263)	\$ (263)
Exchange differences on translation of foreign financial statements	—	—	(1,135)	(1,135)
Unrealized exchange gain	(499)	499	—	—
Other	(3,557)	366	—	(3,191)
Land value increment tax	(166,357)	—	—	(166,357)
Deferred income tax (liabilities)	\$ (170,413)	\$ 865	\$ (1,398)	\$ (170,946)

	2022			
	Balance, beginning of year	Recognized in profit (loss)	Recognized in other comprehensive income	Balance, end of year
Net defined benefit liability	\$ 554	\$ (27)	\$ (12)	\$ 515
Unrealized loss on valuation of investments in equity instruments measured at fair value through other comprehensive income	1,489	—	9,899	11,388
Exchange differences on translation of foreign financial statements	9,093	—	(8,834)	259
Unrealized loss on valuation of investments in debt instruments measured at fair value through other comprehensive income	—	—	146	146
Unrealized exchange loss	208	4,649	—	4,857
Other	34,978	(19,274)	—	15,704
Tax loss carry forwards	6,593	(6,593)	—	—
Investment credits	676	(676)	—	—
Deferred income tax assets	<u>\$ 53,591</u>	<u>\$ (21,921)</u>	<u>\$ 1,199</u>	<u>\$ 32,869</u>
Net defined benefit asset	\$ (1,389)	\$ 1,389	\$ —	\$ —
Unrealized loss on valuation of investments in debt instruments measured at fair value through other comprehensive income	(51)	—	51	—
Unrealized exchange gain	(278)	(221)	—	(499)
Other	(363)	(3,194)	—	(3,557)
Land value increment tax	(166,357)	—	—	(166,357)
Deferred income tax (liabilities)	<u>\$ (168,438)</u>	<u>\$ (2,026)</u>	<u>\$ 51</u>	<u>\$ (170,413)</u>

- (4) The Company's income tax settlement application case approved by the competent authority is approved to 2021.

## 27. EPS

### (1) Basic earnings per share

	2023	2022
Net income for the period attributable to owners of the Corporation	<u>\$ 518,877</u>	<u>\$ 711,684</u>
Weighted average number of ordinary shares (in thousand shares)	<u>323,271</u>	<u>340,126</u>
Basic EPS (NT dollars)	<u>\$ 1.61</u>	<u>\$ 2.09</u>

### (2) Diluted earnings per share

	2023	2022
Net income for the period attributable to owners of the Corporation	<u>\$ 518,877</u>	<u>\$ 711,684</u>
Weighted average number of ordinary shares (in thousand shares)	<u>323,271</u>	<u>340,126</u>
Potentially ordinary stock- Employee bonus (in thousand shares)	<u>322</u>	<u>485</u>
Number of shares of diluted EPS (in thousand shares)	<u>323,593</u>	<u>340,611</u>
Diluted EPS (NT dollars)	<u>\$ 1.60</u>	<u>\$ 2.09</u>

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.

## 28. 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.

## 29. Financial instruments

### (1) The types of financial instruments

	Dec. 31, 2023	Dec. 31, 2022
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 36,959	\$ 16,963
Financial assets at fair value through other comprehensive income	3,940,521	3,586,774
Amortized cost		
Cash and cash equivalents	563,696	1,775,404
Trade receivables	187,149	194,400
Other financial assets	731,296	20,000
Refundable deposits	57,050	40,376
Total	<u>\$ 5,516,671</u>	<u>\$ 5,633,917</u>
<u>Financial liabilities</u>		
Amortized cost		
Short-term loans	\$ 1,140,000	\$ 1,240,000
Short-term bills payable	189,881	39,894
Trade payables	243,180	262,387
Guarantee deposits received	45,550	48,533
Lease liabilities	31,713	33,248
Total	<u>\$ 1,650,324</u>	<u>\$ 1,624,062</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, 2023				
	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Fund	\$ 36,959	\$ —	\$ —	\$ 36,959
<u>Financial assets at fair value through other comprehensive income</u>				
Stock of Listed (OTC) companies	\$ 3,882,169	\$ —	\$ —	\$ 3,882,169
Stock not classified to listed (OTC) and emerging companies	—	—	117,356	117,356
Financial bond	58,352	—	—	58,352
Total	\$ 3,940,521	\$ —	\$ 117,356	\$ 4,057,877

Dec. 31, 2022				
	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Fund	\$ 16,963	\$ —	\$ —	\$ 16,963
<u>Financial assets at fair value through other comprehensive income</u>				
Stock of Listed (OTC) companies	\$ 3,505,489	\$ —	\$ —	\$ 3,505,489
Stock of emerging companies	—	—	—	—
Stock not classified to listed (OTC) and emerging companies	—	—	67,342	67,342
Financial bond	13,943	—	—	13,943
Total	\$ 3,519,432	\$ —	\$ 67,342	\$ 3,586,774

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. There was no change between Level 1 and Level 2 fair value measurements in 2023.

The emerging stocks of Brightek Optoelectronics Co., Ltd., measured at Level 2 fair value, became TWSE-listed in January 2022, and were reclassified as a financial asset measured at Level 1 fair value.

F. Adjustment of financial assets with the third-level fair value measurement:

	2023	2022
Beginning balance	\$ 67,342	\$ 109,212
Purchases	52,208	—
Capital return due to disinvestment	(4,000)	(2,000)
Listed to other comprehensive income of this year	1,806	(5,782)
Disposal for the current period	—	(34,088)
Ending balance	\$ 117,356	\$ 67,342



G. 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, 2023			Dec. 31, 2022		
	foreign currency	Exchange rate	Amount	foreign currency	Exchange rate	Amount
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	55,883	30.66	1,713,376	45,298	30.65	1,388,394
HKD	1,179	3.904	4,603	16	3.911	63
JPY	132,520	0.2154	28,545	235,628	0.2305	54,312
RMB	7,120	4.304	30,653	1,452	4.384	6,365
<u>Non-monetary items</u>						
USD	357	30.66	10,931	328	30.65	10,052
JPY	206,108	0.2154	44,396	—	—	—
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	50	30.76	1,531	138	30.75	4,236
HKD	2	3.964	8	2	3.971	8
JPY	55	0.2195	12	39	0.2346	9
RMB	—	4.354	1	2	4.434	7

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, 2023 and 2022 would separately increase/decrease by NT\$17,756 thousand and NT\$14,449 thousand, respectively.

#### 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, 2023 and 2022 would separately increase/ decrease by NT\$13,299 thousand and NT\$12,799 thousand, 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, 2023 and 2022 would separately increase/decrease by NT\$39,995 thousand and NT\$35,728 thousand, 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, 2023 and December 31, 2022, the accounts receivable balances of the top 10 major customers account for the accounts receivable balances of the Company both as 54% 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, 2023				
		Less than 1 year	2~3 years	4~5 years	Over 5 years	Total
<u>Non-derivative financial liabilities</u>						
Short-term borrowing		\$ 1,146,004	\$ —	\$ —	\$ —	\$ 1,146,004
Short-term notes and bills payable		190,000	—	—	—	190,000
Trade payables		243,180	—	—	—	243,180
Lease liabilities		7,980	13,676	10,879	—	32,535
Guarantee deposits received		25,646	16,822	3,082	—	45,550
Total		\$ 1,612,810	\$ 30,498	\$ 13,961	\$ —	\$ 1,657,269
		Dec. 31, 2022				
		Less than 1 year	2~3 years	4~5 years	Over 5 years	Total
<u>Non-derivative financial liabilities</u>						
Short-term borrowing		\$ 1,245,094	\$ —	\$ —	\$ —	\$ 1,245,094
Short-term notes and bills payable		40,000	—	—	—	40,000
Trade payables		262,387	—	—	—	262,387
Lease liabilities		6,108	11,882	10,879	5,440	34,309
Guarantee deposits received		19,987	26,592	1,680	274	48,533
Total		\$ 1,573,576	\$ 38,474	\$ 12,559	\$ 5,714	\$ 1,630,323

B. Loan commitments

	Dec. 31, 2023	Dec. 31, 2022
Unsecured bank overdraft limit		
-Amount used	\$ —	\$ —
-Amount unused	60,000	90,000
	<u>\$ 60,000</u>	<u>\$ 90,000</u>
Unsecured bank loan limit		
-Amount used	\$ 1,300,000	\$ 780,000
-Amount unused	2,710,000	2,165,000
	<u>\$ 4,010,000</u>	<u>\$ 2,945,000</u>
Secured bank loan limit		
-Amount used	\$ —	\$ 500,000
-Amount unused	170,000	810,000
	<u>\$ 170,000</u>	<u>\$ 1,310,000</u>

30. Related party transaction

(1) Name and relation ship with related parties

Name of related parties	Relationship with the Company
Ban Chien Development Co., Ltd. (Ban Chien Development)	The Company's subsidiaries
FRG US Corp. (FRG US)	The Company's subsidiaries
Formosan Construction Corp. (Formosan Construction)	Investee company accounted for using the equity method
Eurogear Corporation (Eurogear)	The president is the representative of the Company's legal person director
Chen Hsi Investment CO, LTD (Chen His Investment)	The president is the spouse of the general manager of the Company
Hung He Development CO, LTD (Hung He Development)	The president is the spouse (1st degree of kinship) of the Company's president
Fenghe International Co., Ltd. (Fenghe International)	The president is the general manager of the Company
Engtown Construction Corp (Engtown Construction)	The president is the representative of the Company's legal person director
FRG Charity Foundation (FRG Foundation)	Its president is the same as president of the Company
HSU, ZHEN-TSAI	President of Company
KHL Architects & Planners (KHL)	The representative is the representative of the Company's legal person director

(2) Major transaction with related parties

A. Operating revenue -Rental

	2023	2022
Other	\$ 1,187	\$ 1,185
	Dec. 31, 2023	Dec. 31, 2022
Guarantee deposits received	\$ 274	\$ 274

The subsidiaries and related enterprise lease 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, Eurogear, Chen His Investment and Hung He Development in December 2018., with the lease period as of December, 2018 to December, 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.

lease liabilities	Dec. 31, 2023	Dec. 31, 2022
Formosan Construction	\$ 5,257	\$ 6,275
Eurogear	5,042	6,017
Chen Hsi Investment	10,705	12,777
Hung He Development	5,476	6,536
Total	\$ 26,480	\$ 31,605

	Dec. 31, 2023	Dec. 31, 2022
Refundable deposits	\$ 1,167	\$ 1,167

	2023	2022
Interest expense	\$ 315	\$ 383
Depreciation expense	\$ 5,155	\$ 5,483

C. Labor remuneration and expenses

	2023	2022
KHL	\$ 2,576	\$ 6,010

D. As of December 31, 2023 and 2022, the farmland of investment property held in the name of the major management of FRG amount to NT\$109,204 thousand. Its ownership certificate is under custody of the Company, and its pledge is set to the Company for security purpose.

E. Sale of real estate

The subsidiary Da Guan Entertainment Co., Ltd., which had been dissolved and liquidated in January 2022, sold the land in Puli Township, Nantou County to Fenghe International with the total sales price of NT\$ 6,350 thousand and the gain on disposal in the amount of NT\$ 5,118 thousand.

F. Investment property,

	2023	2022
Engtown Construction	\$ 204,286	\$ —

The Company commissioned Engtown in 2022 to work on the new construction project in Longtan Intelligent Park - Area A on the self-owned land with a total contract amount of NT\$ 770,000 thousand (tax inclusive). The project is expected to be completed within 16 months from the official written notification of the start of construction after the construction permit is obtained. The construction license was obtained on May 15, 2023, and construction started in June. As of December 31, 2023, the first to third phases of the project payments had been paid in the amount of NT\$ 214,500 thousand (tax inclusive).

G. Donation expense

	2023	2022
FRG Foundation	\$ —	\$ 7,500

H. The Company lent capital to FRG US in 2022, the recognized interest revenue is NT\$296 thousand and interest receivable is NT\$0 thousand.

(3) Reward to major management

The remuneration information to board directors and other major management members shall be as follows:

	2023	2022
Short-term benefits	\$ 62,805	\$ 56,724
Retirement benefit	707	547
Total	\$ 63,513	\$ 57,271

31. 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, 2023	Dec. 31, 2022
Other financial assets	\$ 20,000	\$ 20,000
Land under construction	1,440,362	1,440,362
Property, plant and equipment	281,673	287,640
Investment property - house and land	186,297	182,383
Total	\$ 1,928,332	\$ 1,930,385

32. Material contingent liabilities and unrecognized contract promise

- (1) The total price of the construction contract signed by the Company in 2022 for the new construction project was NT\$770,000 thousand, In December 31, 2023 for which the payment had been paid NT\$ 214,500 thousand (tax inclusive).
- (2) The notes payable used as security issued by the Company on December 31, 2023 and December 31, 2022 due to the guarantee of the credit extension contract were NT\$3,175,000 thousand and NT\$3,205,000 thousand, respectively.
- (3) The farmland in the Luzhu district of Taoyuan purchased by the Company in the previous year (with a book value of NT\$17,631 thousand on December 31, 2023) was registered in the name of the former employee who had the status of yeoman. In order to protect the rights and interests of the Company, the Company has completed the enforcement procedures of provisional injunction or provisional attachment on the land under the said employee's name, for both of which the foreclosure registration has also been completed. A lawsuit was also filed with the Taoyuan District Court, requesting the return of the land with nominee registration. The Company appealed and expressed dissatisfaction in July 2022 which is in the hearing by the Supreme Administrative Court.

33. Important disaster loss: None

34. Important subsequent events: None

35. Others: None



### 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	\$ 1,860,341	\$ 146,992 (USD 4,717)	\$ 145,082 (USD 4,717)	\$ 32,756 (USD 1,065)	—	1.17%	\$ 3,720,682	—	—	—
0	The Company	950 Property LLC and 950 Retail Property LLC	Note 2	1,860,341	678,681 (USD21,449)	659,780 (USD 21,449)	341,980 (USD 11,118)	—	5.32%	3,720,682	—	—	—

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\$ 30.76

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	
FRG	<u>Fund</u>							
	Allianz Global Investors Preferred Securities and Income Fund		Financial assets at fair value through profit or loss - current	997,009	\$ 8,824	—	\$ 8,824	
	NN(L) US Credit X Cap USD		"	202	8,980	—	8,980	
	KGI Taiwan Premium Selection High Dividend 30 ETF		"	230,000	5,170	—	5,170	
	United Taiwan High Dividend Recovery 30 ETF		"	230,000	5,081	—	5,081	
	Capital tip customized taiwan select high dividend exchange traded fund		"	400,000	8,904	—	8,904	
	<u>Stock</u>							
	Taiwan Cement Corporation		Financial assets at fair value through other comprehensive income - current	1,363,911	47,532	0.02	47,532	
	Formosa Plastics Corporation		"	1,658,000	131,314	0.03	131,314	Note
	Nan Ya Plastics Corporation		"	3,847,900	255,885	0.05	255,885	
	Formosa Chemicals & Fibre Corporation		"	2,502,170	155,885	0.04	155,885	
	Far Eastern New Century Corporation		"	4,101,761	127,975	0.08	127,975	
	China Steel Corporation		"	1,640,000	44,280	0.01	44,280	Note
	Taiwan Semiconductor Manufacturing Co., Ltd.		"	295,000	174,935	—	174,935	
	ASUSTeK Computer Inc.		"	233,000	114,054	0.03	114,054	
	Quanta Computer Inc.		"	1,005,000	225,623	0.03	225,623	
	Jsl construction & development co., ltd.		"	147,048	12,690	0.04	12,690	Note

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	
FRG	Huaku Development Co., Ltd.		Financial assets at fair value through other comprehensive income - current	3,552,000	\$ 342,058	1.28	\$ 342,058	
	Evergreen Marine Corporation		"	443,000	63,571	0.02	63,571	Note
	E. SUN Financial Holding Co., Ltd.		"	150,134	3,873	—	3,873	Note
	Shin Kong Financial Holding Co., Ltd.		"	1,400,000	12,390	0.01	12,390	
	Shin Kong Financial Holding Co., Ltd. -Preferred Shares B		"	666,000	19,081	0.22	19,081	
	SinoPac Financial Holdings Company Limited		"	37,097,366	730,818	0.30	730,818	
	Far Eastern Group		"	5,656,447	139,996	0.40	139,996	
	Nichidenbo corporation		"	346,000	20,103	0.16	20,103	
	WPG Holdings		"	1,916,600	156,395	0.11	156,395	
	Continental Holdings Corp.		"	4,669,000	131,666	0.57	131,666	
	Far Eas Tone Telecommunications Co., Ltd.		"	2,210,000	176,358	0.07	176,358	Note
	Pegatron Corporation		"	1,347,000	117,592	0.05	117,592	
	Brightek Optoelectronic Co., Ltd.		"	267,241	10,970	0.39	10,970	
	Leo systems, inc.		"	279,000	9,598	0.31	9,598	Note
	Farglory Land Development Co., Ltd.		"	4,044,000	229,699	0.52	229,699	
	Chong Hong Construction Co., Ltd.		"	2,593,000	203,032	0.89	203,032	
	Grand Fortune Securities Co., Ltd.		"	1,105,830	14,265	0.28	14,265	
	Formosa Petrochemical Corp.		"	1,678,000	135,415	0.02	135,415	
	Nan ya pcb co., ltd.		"	100,000	25,150	0.02	25,150	
	Shine More Technology Materials Corporation., Ltd.		"	579,125	3,620	1.22	3,620	

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	
FRG	TOYOTA MOTOR CORP		Financial assets at fair value through other comprehensive income - current	35,000	\$19,530	—	\$19,530	
	NEXT FUNDS TOPIX Exchange Traded Fun		"	30,000	15,990	—	15,990	
	Mitsubishi Heavy Ind		"	5,000	8,876	—	8,876	
	Citigroup Inc.		"	1,000	1,576	—	1,576	
	Ford Motor Company		"	1,000	374	—	374	
	Formosan Chemical Industrial Co.		Financial assets at fair value through other comprehensive income – non-current	22,516	12,506	2.25	12,506	
	Formosan Glass & Chemical Industrial Co.		"	2,510	2,259	5.02	2,259	
	Tai Yang Co., Ltd.		"	111,395	8,264	1.24	8,264	
	Eslite Corporation		"	895,300	6,054	1.65	6,054	
	Yu Chi Venture Investment Co., Ltd.		"	750,000	17,526	10.00	17,526	
	Tashee Golf & Country Club - preferred stock		"	1	17,600	—	17,600	
	Mercuries F&B Co., Ltd.		"	555,000	53,147	0.48	53,147	
	<u>Corporate Bond</u>							
	Lockheed Martin Corporation		Financial assets at fair value through other comprehensive income - current	500,000	14,940	—	14,940	
	Apple Inc.		"	1,000,000	30,055	—	30,055	
	Dialine International Airport Limited		"	480,000	13,357	—	13,357	

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	
Ban Chien Development Co., Ltd.	<u>Stock</u>							
	Yuanta Taiwan Dividend Plus ETF		Financial assets at fair value through profit or loss - current	740,000	\$27,676	—	\$27,676	
	SinoPac Financial Holdings Company Limited		Financial assets at fair value through other comprehensive income - current	43,424,515	855,463	0.35	855,463	
	Chong Hong Construction Co., Ltd.		"	904,000	70,782	0.31	70,782	
	Taiwan Cement Corporation		"	791,954	27,600	0.01	27,600	
	Farglory Land Development Co., Ltd.		"	380,000	21,584	0.05	21,584	
	Yuanta Financial Holding Co., Ltd.		"	217,453	6,002	—	6,002	
	Qisda Corporation		"	210,000	10,080	—	10,080	
	Radiant opto-electronics corp.		"	20,000	2,660	—	2,660	
FRG US Corp.	<u>Stock</u>							
	TRIMOSA HOLDINGS LLC		Financial assets at fair value through other comprehensive income - non-current	—	704,611	14.67	704,611	

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:

Company Name	Type and Name of Marketable Securities (Note 1)	Financial Statement Account	Counterparty Relationship (Note 2)	Relationship (Note 2)	Beginning Balance		Acquisition (Note 3)		Disposal (Note 3)				Ending Balance (Note 5)	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
FRG US Corp.	TRIMOSA HOLDING S LLC	Financial assets at fair value through other comprehensive income - non-current	—	—	—	\$ 471,241	—	\$ 385,968	—	—	—	—	—	\$ 857,209

Note1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note2: Fill in the columns two columns if securities are accounted for under the equity method; otherwise leaves the columns blank.

Note3 : The same securities in which the accumulated amount of buying or selling reached NT\$300 million or 20% of paid-in capital or more

Note4: The paid-in capital refers to the paid-in capital of the parent company. If the par value per share is not \$10 or \$0, it shall be calculated by the 10% of the owner's equity of the parent company's balance sheets.

Note5: It is the original purchase cost that excluded the valuation adjustment of financial assets measured at fair value.

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 relationships and important transactions between parent and subsidiary companies: 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	\$ 1,100,100	\$ 25,324	\$ 25,324	Subsidiary
	FRG US Corp.	U.S.A.	Real estate investment, development and rental and sales of premises.	938,955	461,349	15,401,000	100.00	768,558	(1,832)	(1,832)	Subsidiary
	KINGSHALE INDUSTRIAL LIMITED	Hong Kong	Investment	34	34	9,999	99.99	—	—	—	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	77,897	37,396	10,062	
	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	40,433	21,785	8,692	
	Rueifu Development Co., Ltd.	Taiwan	International trade, investment consultancy, office building for lease and building/land brokerage.	483	483	48,260	48.26	9,312	1,868	901	

(3) Information of the investment in China: None

(4) Information on major shareholders

Shareholding Name of major shareholder	Number of shares	Percentage of ownership
Ruifu Construction Co., Ltd.	30,663,678	10.10%
Chen Hsi Investment CO, LTD	15,811,342	5.20%
Ascend Gear International Inc.	15,614,553	5.14%

Note: A. The major shareholders information was calculated by Taiwan Depository & Clearing Corporation in accordance with the common shares (including treasury shares) and preferred shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter. The share capital which was recorded on the financial statements might be different from the number of shares held in dematerialised form because of the different calculation basis.

B. As per information above, if the shareholder delivers the shares to the trust, shares will be disclosed based on the trustee's account. Additionally, according to the Securities and Exchange Act, internal stakeholder whom holds more than 10% of the Company's share, which includes shares held by the stakeholder and parts delivered to the trust that have decision making rights, should be declared. For information regarding internal stakeholder declaration, please refer to the Market Observation Post System website of the Taiwan Stock Exchange Corporation.



37. Department information

The Company has provided the operating segments disclosure in the consolidated financial statements.

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2023

STATEMENT 1

Item	Description	Amount
Cash on hand		\$ 200
Petty cash	Including RMB 20 thousand, exchange rate of \$4.304	245
Checking accounts		65,194
Savings accounts	Including USD 24,995 thousand, exchange rate of \$30.66 RMB 5,590 thousand, exchange rate of \$ 4.304 HKD 1,179 thousand, exchange rate of \$ 3.904 JPY107,272 thousand, exchange rate of \$ 0.2154	188,208
Cash equivalent		
Commercial paper	Expiration date 2023/12/04~2024/01/26 Interest rates at 1.2%~5.55%	309,849
Total		\$ 563,696

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

DECEMBER 31, 2023

STATEMENT 2

Name of Securitie	Description	Units	Par value	Total price	Rates	Acquisition	Accumulated impairment	Fair value		Remarks
								Unit price	Total price	
<u>Fund</u>										
Allianz Global Investors Preferred Securities and Income Fund		997,009	—	\$ —	—	\$ 10,000	\$ —	8.85	\$ 8,824	
KGI Taiwan Premium Selection High Dividend 30 ETF		230,000		—		4,814	—	22.48	5,170	
United Taiwan High Dividend Recovery 30 ETF		230,000		—		4,799	—	22.09	5,081	
Capital tip customized taiwan select high dividend exchange traded fund		400,000		—		8,298	—	22.26	8,904	
NN(L) US Credit X Cap USD	USD	202.45		—		9,400	—	1,446.77	8,980	Note
Total				\$ —	—	\$37,311	\$ —		\$ 36,959	

Note : US\$1=NT\$ 30.76

**STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CURRENT**

**DECEMBER 31, 2023**

**STATEMENT 3**

Name of Securitie	Description	Share / unit numbers	Par value	Total price	Rates	Acquisition	Accumulated impairment	Fair value		Remarks
								Unit price	Total price	
<u>Stock</u>										
Taiwan Cement Corporation		1,363,911	10	\$ 13,639	—	\$ 63,779	\$ —	34.85	\$ 47,532	
Formosa Plastics Corporation		1,658,000	10	16,580	—	145,338	—	79.20	131,314	
Nan Ya Plastics Corporation		3,847,900	10	38,479	—	283,471	—	66.50	255,885	Note
Formosa Chemicals & Fibre Corporation		2,502,170	10	25,022	—	247,871	—	62.30	155,885	Note
Far Eastern New Century Corporation		4,101,761	10	41,018	—	135,008	—	31.20	127,975	
China Steel Corporation		1,640,000	10	16,400	—	51,292	—	27.00	44,280	
Taiwan Semiconductor Manufacturing Co., Ltd.		295,000	10	2,950	—	150,567	—	593.00	174,935	
ASUSTeK Computer Inc.		233,000	10	2,330	—	80,838	—	489.50	114,054	
Quanta Computer Inc.		1,005,000	10	10,050	—	83,164	—	224.50	225,623	
Jsl construction & development co., ltd.		147,048	10	1,470	—	8,120	—	86.30	12,690	
Huaku Development Co., Ltd.		3,552,000	10	35,520	—	290,223	—	96.30	342,058	
Evergreen Marine Corporation		443,000	10	4,430	—	69,020	—	143.50	63,571	
E. SUN Financial Holding Co., Ltd		150,134	10	1,501	—	1,627	—	25.80	3,873	
Shin Kong Financial Holding Co., Ltd.		1,400,000	10	14,000	—	11,480	—	8.85	12,390	
Shin Kong Financial Holding Co., Ltd. - Preferred Shares B		666,000	10	6,660	—	29,970	—	28.65	19,081	
SinoPac Financial Holdings Company Limited		37,097,366	10	370,974	—	300,573	—	19.70	730,818	
Far Eastern Group		5,656,447	10	56,564	—	156,825	—	24.75	139,996	Note
Nichidenbo corporation		346,000	10	3,460	—	20,182	—	58.10	20,103	
WPG Holdings		1,916,600	10	19,166	—	93,393	—	81.60	156,395	
Continental Holdings Corp. (CHC)		4,669,000	10	46,690	—	90,908	—	28.20	131,666	

Name of Securitie	Description	Share / unit numbers	Par value	Total price	Rates	Acquisition	Accumulated impairment	Fair value		Remarks
								Unit price	Total price	
Far Eas Tone Telecommunications Co., Ltd.		2,210,000	10	\$ 22,100	—	\$ 144,792	—	79.80	\$ 176,358	Note
Pegatron Corporation		1,347,000	10	13,470	—	83,641	—	87.30	117,592	
Brightek Optoelectronic Co., Ltd.		267,241	10	2,672	—	7,860	—	41.05	10,970	
Leo systems, inc.		279,000	10	2,790	—	9,844	—	34.40	9,598	
Farglory Land Development Co., Ltd.		4,044,000	10	40,440	—	213,045	—	56.80	229,699	
Chong Hong Construction Co., Ltd.		2,593,000	10	25,930	—	210,960	—	78.30	203,032	
Grand Fortune Securities Co., Ltd.		1,105,830	10	11,058	—	12,799	—	12.90	14,265	
Formosa Petrochemical Corp.		1,678,000	10	16,780	—	174,618	—	80.70	135,415	
Nan ya pcb co., ltd.		100,000	10	1,000	—	26,732	—	251.50	25,150	
Shine More Technology Materials Corporation., Ltd.		579,125	10	5,791	—	9,795	—	6.25	3,620	
TOYOTA MOTOR CORP		35,000				18,699	—	2,590.50	19,530	Note 1
NEXT FUNDS TOPIX Exchange Traded Fun		30,000				15,750	—	2,474.50	15,990	Note 1
Mitsubishi Heavy Ind		5,000				8,251	—	8,241.00	8,876	Note 1
Citigroup Inc.		1,000				1,889	—	51.44	1,576	Note 2
Ford Motor Company		1,000				440	—	12.19	374	Note 2
<u>Corporate Bond</u>										
Lockheed Martin Corporation	Expires before 2026	500,000				15,341		0.97453	14,940	Note 2
Apple Inc.	Expires before 2026	1,000,000				30,735		0.98028	30,055	Note 2
Dialine International Airport Limited	Expires before 2026	480,000				13,639		0.90759	13,357	Note 2
Total						\$ 3,312,479	\$ —		\$ 3,940,521	

Note: The situation of being provided to financial loan business trust in detail is shown as in Note 8.

Note1 : YEN\$1=NT\$ 0.2154

Note2 : US\$1=NT\$ 30.76

STATEMENT OF NOTES RECEIVABLE, NET

DECEMBER 31, 2023

STATEMENT 4

Client Name	Description	Amount	Remarks
Non related parties :			
Client A	Payment for goods	\$ 29,187	
Client B	"	2,198	
Others	"	7,811	The amount of individual client included in others does not exceed 5% of the account balance.
Total		39,196	
Less: Loss allowance		(392)	
Net		\$ 38,804	

STATEMENT OF ACCOUNTS RECEIVABLE, NET

DECEMBER 31, 2023

STATEMENT 5

Client Name	Description	Amount	Remarks
Non related parties :			
Client A	Real property	\$ 15,218	
Client B	Payment for goods	13,849	
Client C	"	10,596	USD 346 thousand
Client D	"	7,491	USD 244 thousand
Client E	"	6,115	USD 1,421 thousand
Others	Payment for goods and real property	48,965	The amount of individual client included in others does not exceed 5% of the account balance.
Total		\$ 102,234	
Less: Loss allowance		(1,858)	
Net		\$ 100,376	

STATEMENT OF INVENTORIES

DECEMBER 31, 2023

STATEMENT 6

Item	Description	Amount		Remarks
		Cost	Net Realizable Value	
Raw materials	Chemical raw materials and original cloth, etc.	\$ 113,112	\$ 67,456	Net realizable value is the estimated except those raw materials are based on replacement cost, the selling price of inventories less all estimated costs of completion and costs necessary to make the sale.
Work-in-process	Rubber Sheet, Eco-Friendly Synthetic Leather, Synthetic Leather, Rubberized fabric machining, and Rubber raw materials and Plastic raw materials, etc.	10,204	10,204	
Finished goods	Rubber Sheet, Eco-Friendly Synthetic Leather, and Synthetic Leather, etc.	126,354	103,958	
Subtotal		249,670	\$ 181,618	
Less: allowance for loss		(68,052)		
Net		\$ 181,618		



STATEMENT OF OTHER FINANCIAL ASSETS-CURRENT

DECEMBER 31, 2023

STATEMENT 7

Item	Description	Amount	Remarks
Pledged deposits	time CTBC Bank – Chengde (Interest rates at 5.52% ~ 5.6%) (Period 2023.11.08 ~ 2024.11.25)	\$ 129,906	USD4,237 thousand
	First Commercial Bank (Interest rates at 5.6%) (Period 2023.11.06 ~ 2024.2.6)	30,660	USD1,000 thousand
	Land Bank – BanQiao (Interest rates at 5.1%) (Period 2023.12.20 ~ 2024.6.20)	40,165	USD1,310 thousand
	BANK SINOPAC – Chengzhong (Interest rates at 5.45% ~ 5.5%) (Period 2023.11.13 ~ 2024.03.29)	131,914	USD4,302 thousand
	E.SUN Bank (Interest rates at 5.4%) (Period 2023.11.30 ~ 2024.12.7)	95,383	USD3,111 thousand
	Mega Bank – BanQiao (Interest rates at 5.25%) (Period 2023.12.14 ~ 2024.11.14)	66,686	USD2,175 thousand
	Taiwan Cooperative Bank – BanQiao (Interest rates at 5.3% ~ 5.5%) (Period 2023.12.1 ~ 2024.12.12)	122,640	USD4,000 thousand
	Kaohsiung – Poai (Interest rates at 5.4% ~ 5.6%) (期間 2023.11.30 ~ 2024.3.5)	61,320	USD2,000 thousand
	Hua nan commercial bank (Interest rates at 5.1%) (期間 2023.12.19 ~ 2024.6.19)	32,622	USD1,064 thousand
Total		\$ 711,296	

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

FOR THE YEAR ENDED DECEMBER 31, 2023

STATEMENT 8

Name of Securities	As of January 1, 2023		Additions		Decrease		As of December 31, 2023		Accumulated impairment	Collateral	Remarks
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Fair value			
<u>Stock</u>											
Formosan Chemical Industrial Co.	22,516	\$ 16,652	—	\$ —	—	\$ 4,146	22,516	\$ 12,506	N/A		
Formosan Glass & Chemical Industrial Co.	7,283	826	2,259	2,259	7,032 (Note 1)	826	2,510	2,259	N/A		
Tai Yang Co., Ltd.	111,395	7,444	—	820	—	—	111,395	8,264	N/A		
Eslite Corporation	895,300	8,540	—	—	—	2,486	895,300	6,054	N/A		
Yu Chi Venture Investment Co., Ltd.	1,150,000	17,480	—	4,046	400,000 (Note 2)	4,000	750,000	17,526	N/A		
Tashee Golf & Country Club - preferred stock	1	16,400	—	1,200	—	—	1	17,600	N/A		
Mercuries F&B Co., Ltd.	—	—	555,000	53,147	—	—	555,000	53,147	N/A		
Total		\$ 67,342		\$ 61,472		\$ 11,458		\$ 117,356			

Note 1: Capital reduction to make up for accumulated losses.

Note 2: Capital return due to disinvestment

STATEMENT OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

FOR THE YEAR ENDED DECEMBER 31, 2023

STATEMENT 9

Name	As of January 1, 2022		Additions		Decrease		As of December 31, 2022			Fair value / Net assets value		Collateral	Remarks
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	%	Amount	Unit Price (NT\$)	Total Amount		
Ban Chien Development Co., Ltd.	56,000,000	\$ 901,586	—	\$ 198,514	—	\$ —	56,000,000	100.00	\$ 1,100,100		\$	None	
FRG US Corp.	9,126,000	481,638	6,275,000	286,920	—	—	15,401,000	100.00	768,558			None	
KINGSHALE INDUSTRIAL LIMITED	9,999	—	—	—	—	—	9,999	99.99	—	—	—	None	
Formosan Construction Corp. (Taiwan)	7,597,927	63,226	—	14,671	—	—	7,597,927	26.20	77,897			None	
Fenghe Development Co., Ltd.	3,990,000	31,741	—	8,692	—	—	3,990,000	39.90	40,433			None	
Rueifu Development Co., Ltd.	48,260	8,404	—	908	—	—	48,260	48.26	9,312			None	
Total		\$ 1,486,595		\$ 509,705		\$ —			\$1,996,300				

Note : Increase(Decrease)for the period including shares of profit (loss) of subsidiaries and associates, shares of other comprehensive (loss) income of subsidiaries and associates.

TATEMENT OF OTHER FINANCIAL ASSETS-CURRENT

DECEMBER 31, 2023

STATEMENT 10

Item	Description	Amount	Remarks
Pledged time deposits	Cooperative bank – Bansin (Interest rates at 0.715% ~ 1.59%) (Period 2023.11.02 ~ 2026.11.02)	\$ 20,000	Guarantee of logistics business
Total		\$ 20,000	

STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2023

STATEMENT 11

Type	Explanation	Balance, End of Year	Contract Period	Range of Interest Rates (%)	Loan Commitments	Collateral	Remarks
Unsecured borrowings	Bank Sinopac	\$ 110,000	2023.11.22~2024.1.22	1.85	\$ 180,000		
	Mega Bank	50,000	2023.12.14~2024.6.11	1.897	120,000		
	E.SUN BANK	200,000	2023.11.30~2024.2.27	1.73	200,000		
	Bank of Kaohsiung	10,000	2023.11.24~2024.1.23	1.98	180,000		
	Land Bank of Taiwan	60,000	2023.11.10~2024.1.19	1.92	150,000		
	Taiwan Cooperative Bank	200,000	2023.11.17~2024.11.15	1.6867	200,000		
	Chang Hua Commercial Bank	200,000	2023.12.14~2024.3.14	1.73	200,000		
	Hua Nan Commercial Bank	20,000	2023.12.15~2024.1.12	1.925	300,000		
	CTBC Bank	200,000	2023.10.24~2024.1.24	1.82	300,000		
	First Commercial Bank	20,000	2023.12.8~2024.1.5	2	100,000		
	Bank of Taiwan	70,000	2023.11.16~2024.3.28	1.8	130,000		
Total		\$ 1,140,000					

STATEMENT OF SHORT-TERM NOTES AND BILLS PAYABLE

DECEMBER 31, 2023

STATEMENT 12

Item	Guarantee/Accepting Institution	Contract Period	Range of Interest Rates (%)	Amount			Remarks
				Issue Amount	Discount Amount	Carrying Amount	
Commercial paper	China Bills	2023.12.15~2024.1.12	1.4%	\$ 50,000	\$ 29	\$ 49,971	
	MegaBills	2023.12.8~2024.1.5	1.75%	50,000	10	49,990	
	International Bills	2023.12.29~2024.1.26	1.66%	40,000	52	39,948	
	Ta Ching Bills	2023.12.14~2024.1.12	1.64%	50,000	28	49,972	
Total				\$ 190,000	\$ 119	\$ 189,881	

STATEMENT OF NOTES PAYABLE

DECEMBER 31, 2023

STATEMENT 13

Vendor Name	Description	Amount	Remarks
Vendor A	Payment for the purchase	\$ 9,447	
Vendor B	"	8,136	
Vendor C	"	4,326	
Vendor D	"	4,260	
Others	Payment for the purchase, expenses, etc.	55,430	
Total		\$ 81,599	The amount of individual client included in others does not exceed 5% of the account balance.

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2023

STATEMENT 14

Vendor Name	Description	Amount	Remarks
Vendor A	Payment for the purchase	\$ 6,571	
Vendor B	"	4,875	
Vendor C	"	2,310	
Vendor D		2,288	
Others	Payment for the purchase, processing charges, etc.	18,141	
Total		\$ 34,185	The amount of individual client included in others does not exceed 5% of the account balance.

STATEMENT OF LEASE LIABILITIES

DECEMBER 31, 2023

STATEMENT 15

Item	Description	Lease Term	Discount Rate	Balance End of Year	Remarks
Buildings	Offices	2018.12~2028.12	1.09%	\$ 26,480	
Transportation equipment	Rental car	2022.07~2026.07	1.40~2.07%	5,233	
Less: Current portion				(5,775)	
				\$ 24,065	



STATEMENT OF OPERATING REVENUE

FOR THE YEAR ENDED DECEMBER 31, 2023

STATEMENT 16

Item	Shipments	Amount	Remarks
Sales revenue:			
Synthetic Leather	3,917 thousand yards	\$ 205,056	
Rubber Sheet	1,904 thousand yards	498,107	
Eco-Friendly Synthetic Leather	2,723 thousand yards	152,873	
Others	190 metric tons	26,201	The amount does not exceed 10% of the total revenue.
Less: Sales returns		(27)	
Sales discounts		(2,044)	
Subtotal		880,166	
Construction revenue		192,350	
Rental and logistics revenue		284,905	
Total		\$ 1,357,421	

STATEMENT OF OPERATING COSTS

FOR THE YEAR ENDED DECEMBER 31, 2023

STATEMENT 17

Item	Amount		Remarks
	Subtotal	Total	
Direct material		\$ 462,225	
Raw material, beginning of year	\$ 127,041		
Add: raw material purchased	449,300		
Less: raw material, end of year	113,112		
Sale of raw materials	182		
Transferred to expenses	822		
Indirect material (Supplies)		—	
Supplies, beginning of year	—		
Add: supplies purchased	2,273		
Less: transferred to manufacturing expenses	2,273		
Direct labor		57,568	
Manufacturing expenses		137,992	
Manufacturing cost		657,785	
Work in process, beginning of year	19,462		
Add: transferred from finished goods	6,110		
Less: work in process, end of year	10,204		
Cost of finished goods		673,153	
Finished goods, beginning of year	131,557		
Add: finished goods purchased	2,354		
Cost of outsourcing	3,065		
Cost of sales return	14		
Less: finished goods, end of year	126,354		
Finished goods transferred to costs	7,801		
Finished goods Transferred to expenses	290		
Product cost of sales		675,698	
Raw materials and supplies transferred to sales		168	
Provision for loss on inventories		666	
Unamortized fixed manufacturing costs		10,692	
Total cost of sales		687,224	
Cost of construction		141,753	
Cost of rental and logistics		106,670	
Total operating costs		\$ 935,647	

STATEMENT OF SELLING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023

STATEMENT 18

Item	Description	Amount	Remarks
Wages and salaries		\$ 14,749	
Freight		8,075	
Selling expenses of construction		9,221	
Entertainment expense		2,606	
Travelling expense		3,913	
Other expenses		9,013	The amount of each item in others does not exceed 5% of the account balance.
Total		\$ 47,577	

STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023

STATEMENT 19

Item	Description	Amount	Remarks
Wages and salaries		\$ 63,574	
Taxes		12,697	
Depreciations		18,085	
Entertainment expense		8,550	
Other expenses		47,390	The amount of each item in others does not exceed 5% of the account balance.
Total		\$ 151,524	

STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023

STATEMENT 20

Item	Description	Amount	Remarks
Wages and salaries		\$ 5,620	
Contracted research expense		1,431	
Other expenses		2,219	The amount of each item in others does not exceed 5% of the account balance.
Total		\$ 9,270	

**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.**

# **Seven. 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. Financial Impact of Major Capital Expenditures During the Most Recent Fiscal Year
- 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

## Seven. 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	2022	2023	Difference	
			Amount	%
Current Assets	9,589,846	9,557,927	(31,919)	-0.33%
Property, Plant and Equipment	793,418	747,845	(45,573)	-5.74%
Other Assets	3,375,941	3,979,062	603,121	17.87%
Total Assets	13,759,205	14,284,834	525,629	3.82%
Current Liabilities	1,647,518	1,639,735	(7,783)	-0.47%
None Current Liabilities	249,102	242,827	(6,275)	-2.52%
Total Liabilities	1,896,620	1,882,562	(14,058)	-0.74%
Shares	3,373,260	3,035,934	(337,326)	-10%
Capital reserve	449,745	449,745	0	0.00%
Retained Earnings	7,771,270	7,983,184	211,914	2.73%
Other Equity	268,310	933,409	665,099	247.88%
Treasury Stock	0	0	0	0.00%
Non-Controlling Interest	0	0	0	0.00%
Total Equity	11,862,585	12,402,272	539,687	4.55%
(I) Analysis of Changes:				
1. Other equity: mainly due to the unrealized benefits of financial assets measured at fair value through other comprehensive income in the current period.				
(II) Future response plans:				
As the continual sales of finished houses from each project bring the cash inflow, the received house payment will be effectively utilized, invested, repaid bank borrowings and liabilities, and solidify the financial position to safeguard the shareholders' equity.				

## II. Financial statements:

### (I) Comparison Analysis of Operation Results:

Unit: NT\$ thousand

Item \ Year	2022	2023	Increase (decrease) Amount	Change %
Operating income	1,937,243	1,359,718	(577,525)	-29.81%
Operation Cost	1,312,034	939,107	(372,927)	-28.42%
Operating margin	625,209	420,611	(204,598)	-32.72%
Operating Expenses	254,339	221,005	(33,334)	-13.11%
Operating Profit	370,870	199,606	(171,264)	-46.18%
Non-Operating Income and Expenses	459,427	392,594	(66,833)	-14.55%
Pre-Tax Income	830,297	592,200	(238,097)	-28.68%
Income Tax Expense	118,613	73,323	(45,290)	-38.18%
Net Income for Continuing Operation	711,684	518,877	(192,807)	-27.09%

#### Analysis of Increase and Decrease Changes:

Due to decreased construction project sales in the current period.

### (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 balance①	Net cash flow from operating activities for the entire year②	Net cash flow for the entire year③	Cash remaining④ + ② + ③	Remedies for cash deficits	
				Investment plans	Financial plans
1,819,185	682,692	(1,853,745)	648,132	-	-

#### 1. Analysis of changes in cash flows this year:

- (1) Operating activities: The increased net cash inflow from business activities in the current period is mainly due to the later installment payments of Kaohsiung Ambassador Hotel development project.
- (2) Investment activities: mainly due to increased term deposits in the current period.
- (3) Funding activities: mainly due to the increased short-term borrowing in the



previous period to pay for the final payment of Kaohsiung Ambassador Hotel development project.

2. Expected remedies for cash deficits and liquidity analysis: Not applicable.

(II) Analysis of liquidity for the past 2 years:

Item \ Year	December 31, 2022	December 31, 2023	Increase (decrease) Ratio
Cash Flow Ratio	(1.30)	41.63	3,302.3%
Cash Flow Adequacy Ratio	221.93	206.53	-6.94%
Cash Flow Reinvestment Ratio	(3.24)	2.00	-38.27%
Analysis of Increase and Decrease Changes: Cash flow ratio and cash flow reinvestment ratio: the net cash inflow from operating activities in the current period increased, mainly due to late installment payments of Kaohsiung Ambassador Hotel in the previous period.			

(III) Cash liquidity analysis for the coming year

Unit: NT\$ thousand

Opening cash balance①	Expected net cash flow from operating activities for the entire year②	Expected net cash flow for the entire year③	Expected cash balance ① + ② + ③	Expected remedies for cash deficits	
				Investment plans	Financial plans
648,132	915,804	(1,354,397)	209,539	-	-

1. Analysis of changes in cash flow in 2023:

- (1) Operating activities: Mainly due to payments for construction premises and land that enter the account book, as do income from dividends and gain of financial asset at fair value through profit or loss.
- (2) Investment and financing activities: mainly due to the increase investment in financial assets, cash capital decrease.

2. Expected remedies for cash deficits and liquidity analysis: Not applicable.

#### IV. Financial impact of major capital expenditures during the most recent fiscal year:

(I) Application and source funds of major capital expenditures:

Unit: NT\$ thousand

Project	Actual or expected source of funding	Total funds required	Actual or intended use of funds	
			2022	2023
Entered in the cooperative contract for the development of project in Houjin, Qianjin District, Kaohsiung City	Own capital and bank loans	1,438,766	1,294,889	0
Construction of Longtan Smart Park	Own capital and bank loans	770,000	0	214,500

(II) Expected benefits

(1) There are two buildings with 45–48 stories above ground and a total of 772 units, according to the current project planning. FRG purchased 30% of the land and is expected to receive 11.1% of the equity.

(2) On its own property, the Company has contracted with third parties to build the Longtan Smart Park. The current plan is to construct a building with one basement level and four upper levels, with two units per level for a total of six units to be applied for. It intends to apply to Taipei Customs for the establishment of a logistics center, with the primary target for merchant recruitment being companies in Longtan and Hsinchu Science Park, as well as foreign companies requiring bonded warehouses for importation.

**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 of NT\$938,955 thousand	Real estate investment, development and rental	Loss of NT\$1,832 thousand is recognized for the period.	None	None
Ban Chien Development Co., Ltd.	Investment cost of NT\$560,000 thousand	Investment in financial products	The gain of NT\$25,324 thousand was recognized for the period.	None	None

**VI. Risk Analysis**

(II) 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) FRG is in the "mature period" of the industry's life cycle characterized by fierce competition; land and property development projects. in accordance with the principles of stable and sustainable operations, the low debt ratio is maintained. Financial expenses in 2023 totaled NT\$26,326 thousand, an increase from 2021.
- (b) In the future, we will continue to upload 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) Exports (most of them in USD and RMB) by FRG account for 66% of total

sales in 2023; imports of materials are paid in USD.

- (b) The exchange gains and losses of FRG in the past two years: the exchange loss in 2022: NT\$154,578 thousand, and gain of NT\$3,566 thousand in 2023.
- (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 unstable financial market has resulted in global price fluctuations in raw materials. 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.

- (III) 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 2023 totaled NT\$0; there were no derivatives transactions; the balance of "endorsements and guarantees" totaled NT\$804,862 thousand.
- (IV) 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.".
- (V) 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.
- (VI) Technological changes (including information security management risks) and industrial change on the Company's finance business: The Company continues to monitor market trends and technological advancements in plastic and rubber product development related to the Company's Production Business Department. This will reduce the effects of technological changes. At the same time, in conjunction with the national-level national vehicle manufacturing in Taiwan plan, eco-friendly green building materials, and greenhouse gas reduction policies, the Company actively engages in new product development, equipment updates, and process improvement, while focusing on cost control and cash management to maintain competitiveness and control impacts on its financial business. Technological changes (including information and communication security risks) and industrial changes in the most recent year, as of the publication date of the annual report, have had no material impact on the Company's financial operations.
- (VII) Impact on the company's crisis management of changes in the company's corporate image, and corresponding measures to be taken in response: None.
- (VIII) Expected benefits and possible risks associated with any merger and acquisitions, and corresponding measures being or to be taken: None.
- (IX) Expected benefits and possible risks associated with any plant expansion, and corresponding measures being or to be taken: None.
- (X) Risks associated with any consolidation of sales or purchasing operations, and corresponding measures being or to be taken: None.
- (XI) 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% stake in the company has been transferred or has otherwise changed hands, and corresponding measures being or to be taken: None.
- (XII) 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.
- (XIII) 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. Get back lands in Nankan and Longtan, Taoyuan City, registered under name of others (the Pseudo Name):

1. It was learnt during the previous inventory for the lands registered under others' names in Nankan and Longtan, Taoyuan, that some lands had be expropriated by the Taoyuan City Government, and such lands are now registered under the name of Taoyuan City Government. However, the who lent his name did not inform the Company the expropriation but received the compensations.
2. In order to recover the compensation for expropriation, the Company has filed for provisional disposition over the rest of the land registered under the nominee, and the provisional attachment for other lands of the nominee. Currently, the Company has commissioned attorneys to file the civil and criminal lawsuit at the Taiwan Taoyuan District Court, including "civil demand for returning the lands registered under nominee," "civil demand for returning the compensation for expropriation," and "criminal suits for breach of trust and embezzlement."
3. The civil suit for returning the lands registered under nominee currently is being tried in Taiwan High Court as the second instance; through several mediation courts, both parties failed to settlement while not excluding the willingness of settlement. For the civil suit for returning the compensation for expropriation, Taoyuan District Court ruled in the first instance that the nominee shall return the compensation for expropriation of NT\$28,778,113, but the judgement is not finalized. The Company provided the collateral based on this judgement, and applied for the provisional execution of the properties under the nominee's name; for the criminal suits for breach of trust and embezzlement, Taiwan New Taipei District Prosecutors Office has accepted the case and been investigated.

(XIV) 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 to maintain 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. Though the Company cannot guarantee that it will be spared by new risks and attacks in the constant changing network security threats. From the beginning of 2023 to the publication date of the annual report, FRG has not experienced any cyberattacks or incidents that may have a material adverse impact on its 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.

# **Eight. Special Disclosures**

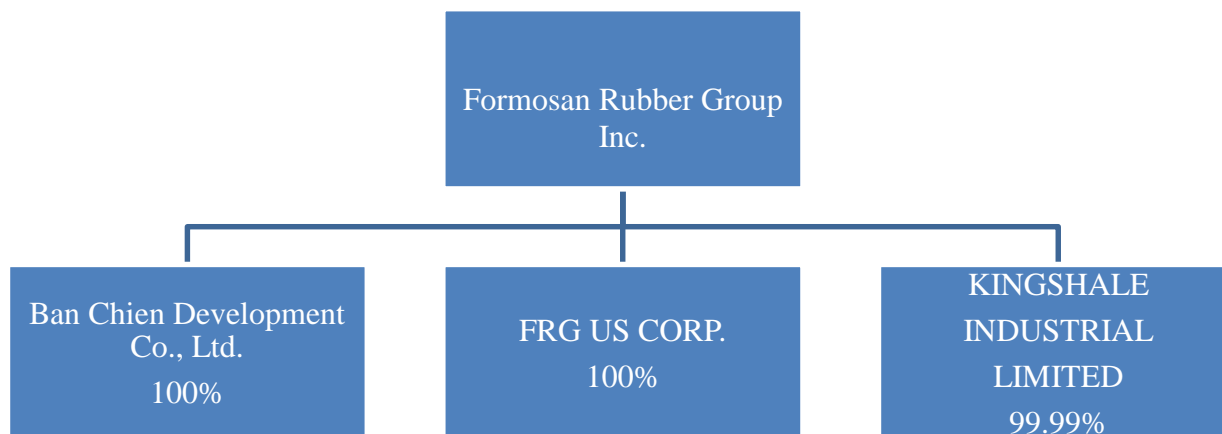
- I. Information relating to the Company's affiliates
- II. Transaction about the company's private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of the publication of the annual report
- III. Holding or disposal of shares in the company by 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

## Eight. 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
Ban Chien Development Co., Ltd.	2003.11.07	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 consulting 4. Residential and cleaning management services 5. Agency Services
FRG US CORP.	2017.10.20	10750 Johnson Ave, Cupertino, California 95014	938,955	Real estate investment, development and rental
KINGSHALE INDUSTRIAL LIMITED	1989.2.14	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, 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 or Rep.	Shareholding	
			Number of Shares	Shareholding Ratio
Ban Chien Development Co., Ltd.	Chairperson /President	Formosan Rubber Group Inc. Representative: Hsu Zhen-Tsai	56,000,000	100%
	Director	Formosan Rubber Group Inc. Representative: Jiang Rui-Tang and Chen Hui-Jin	56,000,000	100%
	Supervisor	Formosan Rubber Group Inc. Representative: Hsiao Zheng-Zhong	56,000,000	100%
FRG US CORP.	Director	Formosan Rubber Group Inc. Representative: Hsu Zhen-Ji	15,401,000	100%
	Director	Formosan Rubber Group Inc. Representative: Hsu Zhen-Xin	15,401,000	100%
KINGSHALE INDUSTRIAL LIMITED	Director	Formosan Rubber Group Inc. Representative: Hsu Zhen-Tsai, Hsu Zhen-Ji, Hsu Zhen-Xin	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)	Earnings Per Share (NT\$) (after tax)
Ban Chien Development Co., Ltd.	560,000	1,107,790	7,690	1,100,100	0	(11,967)	25,324	0.45
FRG US CORP.	938,955	769,549	991	768,558	2,356	(1,830)	(1,832)	(0.12)
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 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: None.**

**V. Other matters that require additional explanation: None.**

**Formosan Rubber Group Inc.**

**Chairperson: Hsu Zhen-Tsai**