

Ticker symbol: 2107



**Formosan Rubber Group Inc.**

**2024 Shareholders Regular Meeting**

# **Agenda Handbook**

**Date: June 7, 2024**

**Location:** No. 1, Chaofeng Road, Sanhe Village, Longtan District, Taoyuan City (3rd Floor, the Company's Office Building)

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

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# **Meeting Procedure**

I. Call the Meeting to Order

II. Chairperson Remarks

III. Report Items

IV. Recognitions

V. Discussions

VI. Election

VII. Extraordinary Motions

VIII. Adjournment

# Meeting Agenda

**Time:** 9:30 a.m., Friday, June 7, 2024

**Location:** No. 1, Chaofeng Road, Sanhe Village, Longtan District, Taoyuan City (3rd Floor, the Company's Office Building in Taoyuan Plant)

**Form of Shareholders' Meeting:** Physical

## **I. Call the Meeting to Order (Report the number of shares attending)**

## **II. Chairperson Remarks**

## **III. Report Items**

- (I) The Company's 2023 Business Report.
- (II) The Company's 2023 Audit Committee's Review Report.
- (III) Report of 2023 Remuneration Report for the Company's Employees and Directors.
- (IV) Report on the 2023 Cash Dividends Paid from Earning Distribution.
- (V) Land Development Status of the Company.
- (VI) Report on the establishment of the Company's Code of Ethical Conduct.
- (VII) Report on the establishment of the Company's Ethical Corporate Management Best Practice Principles.

## **IV. Recognitions**

- (I) Annual business report and financial statements 2023.
- (II) Proposal of the Company's 2023 Earnings Distribution Table.

## **V. Discussions**

- (I) Motion of amendments of part of the Company's "Operational Procedures for "Acquisition or Disposal of Assets" has been approved.

## **VI. Election**

Election of a by-election of an independent director.

## **VII. Extraordinary Motions**

## **VIII. Adjournment**

## Report Items

I. The Company's 2023 Business Report. Please review.

Description: for the 2023 Business Report, please see details in Attachment 1 (pages 11-20 of the Meeting Handbook).

II. The Company's 2023 Audit Committee's Review Report. Please review.

Description: for the Review Report of the Audit Committee, please see details in Attachment 2 (page 21 of the Meeting Handbook).

III. 2023 Remuneration Report for the Company's Employees and Directors. Please review.

Description:

(I) According to Article 29 of the Company's Article of Incorporation: "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 higher than 2% of the profit shall be set as remuneration for directors. Where there is an accumulated loss, the profit shall be reserved to make up for the loss."

(II) The profit before tax and remunerations of employees and directors is NT\$601,430,431 for 2023. It is resolved by the board of directors to distribute employees' remuneration for NT\$6,014,305 ( $\cong 1\%$ ), and directors' remuneration for NT\$6,014,305 ( $\cong 1\%$ ), both in cash.

IV. Report on the 2023 Cash Dividends Paid from Earning Distribution. Please review.

Description:

(I) The current cash dividend is calculated according to the distribution ratio and rounded up to a dollar. The total amount of the odd share less than NT\$1.3 is adjusted, from the higher to lower decimal point and from top down of the account number sequentially, until it is equal to the total cash dividends distributed.

(II) The cash dividend distribution proposal has been approved upon the Board's resolution; the Chairman is authorized to determine the base date of dividend distribution and payment date, among other matters.

(III) 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.

V. The Company's Land Development. Please review.

Description: Based on the successful cases such as "World Garden - Bridge Up to Zenith" and "Modesty Home," the Company actively pursued development projects with potential. After being resolved by our board of directors, we have been proactively acquiring on potential development projects. In 2012, we have acquired the prime land of the Xinyi Planning District and also teamed up with DSG Technology Ltd. (now KINGLAND Property Corporation Ltd.) in introducing the project of "Legend River" located in Xindian at the end of the same year. At the end of 2013, we began letting at Qiao-Feng Business Plaza and in 2014, the land for Taichung Phase 7 was acquired. In 2016, we cooperated with the mainland China construction company and introduced the projects of "55Timeless" in Taipei Xinyi Planning District, and "La Bella Vita" in Taichung Phase 7. In 2017, we participated in the investment and construction of the residential and hotel developments in San Francisco; in 2022, we purchased part of the Ambassador Hotel in Kaohsiung and participated in the reconstruction and development. The cases in progress of the Company are as follows:

**(I) Completed projects**

Reserved units apartments at "Bridge Up to Zenith" "Modesty Home" and "Legend River." 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.

For "55Timeless," 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.

The real estate market of "La Bella Vita" in 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.

**(II) San Francisco and Hotel Development Project**

The subsidiary in the US (FRG US Corp.) was established in 2017 Participated in

investment construction, with investment in this project accounting for approximately 11.23%. The overall plan includes 242 high-end residences, 10 retail stores and a trendy hotel with 236 rooms. Due to the impact of rising US mortgage interest rates on residential sales, while the hotel operation is gradually improving, maintaining brand visibility.

### **(III) 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.

### **(IV) Ambassador Project in Kaohsiung**

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.

VI. Report on the establishment of the Company's Code of Ethical Conduct. Please review.

Description:

- (I) In order to guide the Company's directors, managers and other employees to act in line with ethical standards, and to improve the corporate governance mechanism, the Company's "Code of Ethical Conduct" has been established.
- (II) The Company's Code of Ethical Conduct is attached as Attachment 6 (please refer to page 39 of the Meeting Handbook).

VII. Report on the establishment of the Company's Ethical Corporate Management Best Practice Principles. Please review.

Description:

- (I) In order to establish a corporate culture of ethical management and to enhance corporate governance and corporate value, the Company has formulated the "Ethical Corporate Management Best Practice Principles."
- (II) The Company's Ethical Corporate Management Best Practice Principles is attached. Please refer to Attachment 7 (page 43 of the Meeting Handbook).



# Recognitions

## Motion 1

(Proposed by the Board of Directors)

Motion: The Company's 2023 business report and financial statements. Please ratify.

Description: The Company's 2023 financial statements (consolidated and parent company only financial statements included) submitted by the board of directors have been audited by CPAs Jia-Yu Lai and Yung-Ji Lai of Baker Tilly. The business report has also been reviewed by the Audit Committee and the review report has been submitted. Please refer to Attachment 1 and Attachment 3 to Attachment 4 for details (please refer to pages 11-20 and pages 22-27 of the Meeting Handbook).

Resolution:

## Motion 2

(Proposed by the Board of Directors)

Motion: The Company's 2023 earnings distribution table proposal. Please ratify.

Description:

- (I) The 2023 Statement of Earnings Distribution has been approved upon the Board's resolution, and reviewed by the Audit Committee.
- (II) Earnings Distribution Table has been attached, please see Attachment 5 for more details (please refer to page 38 of the Meeting Handbook).

Resolution:

# Discussions

## **Motion 1**

**(Proposed by the Board of Directors)**

Motion: Motion of amendments of part of the Company's "Operational Procedures for Acquisition or Disposal of Assets," please discuss.

Description:

- (I) In order to strengthen the Company's internal control system, enable business personnel to know the scope of investment authorized by the Company and facilitate the immediate operation of the plan, it is proposed to amend the "Operational Procedures for Acquisition or Disposal of Assets" (hereinafter referred to as Acquisition and Disposal) of the Company.
- (II) Regarding the Article 5, Paragraph (II) of the original provision, "The total amount of the Company's investment in securities shall not exceed fifty percent of the net value," it is proposed to amend the text to "The total amount of the Company's investment in securities shall not exceed one hundred percent of the net value."
- (III) In Article 8, Paragraph (I) of the original provision, the revised text shall read as follows: "For investments exceeding NT\$100 million, the responsible unit shall propose the expected total investment amount annually, which shall be approved by the Board of Directors before implementation. The authorized limit may be utilized in a revolving manner within the fiscal year. That is to say, the responsible unit may acquire or dispose of any securities within the authorized limit. However, the total cumulative cost of securities acquired daily should not exceed the authorized limit approved by the Board of Directors."
- (IV) The proposed revision for the original provision in Article 8, Paragraph (II) is as follows: "Securities trading or disposal not conducted on domestic or foreign listed exchanges or securities firm business premises" is proposed to be revised to "Acquisition or disposal of securities not conducted on domestic or foreign listed exchanges or securities firm business premises."
- (V) For the comparison table of the Company's "Operational Procedures for Acquisition or Disposal of Assets" before and after the amendments, please refer to Attachment 8 (please refer to pages 49-51 of the Meeting Handbook).

Resolution:

## Election

Motion: Election of a by-election of an independent director. Please vote. **(Proposed by the Board of Directors)**

Description:

- (I) Since the independent director, Mr. Xiao Sheng-Xian, resigned on June 30, 2023, it is proposed to elect 1 independent director and a candidate nomination system will be adopted.
- (II) The term of office for the independent director elected in this by-election shall begin on June 7, 2024, and end on June 7, 2025, completing the remainder of the original term. Please refer to Appendix 4 for the Regulations Governing Election of Directors (please refer to page 91 of the Meeting Handbook).
- (III) The list of independent director candidates is as follows:

Title of candidate	Name of candidate	Number of shareholding	Major education	Major experience/current position
Independent director	Chu, Shih-Yi	0 shares	Master of Business Administration, National Taiwan University Bachelor, Department of Psychology, National Taiwan University	Former Assistant Vice President of Bond Department and Assistant Vice President of Underwriting Department of MasterLink Securities Co., Ltd. Part-time Lecturer, Department of Finance, Lunghwa University of Science and Technology

Election results:

**Extraordinary Motion**

**Adjournment**

## **Attachment 1**

### **Formosan Rubber Group Inc.**

#### **The 2023 Business Report**

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 2017. Participated 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 acquired 5 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 8 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”, “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. The warehouse space rented by the Nankan leasing unit has reached the upper limit in the park. This year, we will continue interacting closely with customers and providing construction services for hardware and software setups to strengthen customer relationships. 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<sup>+</sup>” and “Modesty Home” are entrusted to gradually sell according to the market reaction in order to stabilize the selling rate with reasonable price.
  - (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

Good health! All the best!

Chairperson: Hsu Zhen-Tsai



President: Hsu Zhen-Ji



## Attachment 2

### 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 Zhou Yin-Lai and Lai Yong-Ji of the Baker Tilly Clock & 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.

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Annual General Meeting of Shareholders of FRG, 2024

Formosan Rubber Group Inc.

Convener of Audit Committee: Lorraine Yao

March 12, 2024

### **Attachment 3**

#### **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	Unappropriated 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	\$ 297,955	\$ 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

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.)

## **Attachment 4**

### **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.)

## Attachment 5

## Formosan Rubber Group Inc.

## Earnings Distribution

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
Distributable items:	
<b>1. Shareholder dividends - cash(303,593,400 shares × cash dividend of \$1.3)</b>	<b>(394,671,420)</b>
<b>Subtotal</b>	<b>(394,671,420)</b>
Accumulated undistributed earnings at the end of the period	5,417,656,731

Note: The amount of earnings are distributed with priority of 2023 net profit after tax.

**Formosan Rubber Group Inc.**  
**Code of Ethical Conduct**

Established on August 8, 2023

**Article 1 (Purpose and Basis of Establishment)**

The Code is established to guide the Company's directors, managers, and other employees to act in compliance with ethical standards and to enable the Company's stakeholders to better understand the Company's ethical standards.

**Article 2 (Scope of Application)**

The Code applies to the Company's directors, managers, and other employees. The aforementioned applicable subjects are hereinafter referred to as the "Company's personnel."

**Article 3 (Principle of Ethical Corporate Management)**

The Company and its personnel shall abide by the ethical standards and uphold the principle of integrity in business management behaviors, and abide by the following code of conduct.

**Article 4 (Prevention of Conflict of Interest)**

The Company's personnel shall conduct business in an objective and efficient manner, and shall not take advantage of their positions in the Company to obtain improper benefits for themselves, their spouse, parents, children, or relatives within the second degree of kinship. When the Company has funds lending or guarantees, major asset transactions, or purchase (sale) goods with the affiliated enterprise of the preceding person, the relevant personnel shall explain to the Company whether there is any potential conflict of interest with the Company and act in accordance with the Company's code of conduct to prevent conflicts of interest.

**Article 5 (No Seeking Personal Interests)**

Personnel of the Company shall not perform any of the following actions:

1. Seeking personal gain by using the Company's property, information or taking advantage of their positions;
2. Competition with the Company;
3. Behaviors prohibited by the Company's code of conduct or other relevant regulations.

Sales personnel shall abide by the following regulations:

1. Sales personnel and customers shall not have personal money transactions or accept the

entrustment of others to do business on behalf of them.

2. When a relative within second degree of kinship of a salesperson operates an industry related to the business of the division served by the salesperson, the salesperson shall submit a formal signature to the general manager or the vice-president of the business division for approval before quotation.
3. Sales personnel shall refrain from selling products to the business being serviced or operated by the resigned employees of the Company or participating in investment in such business under any name.

In case of special needs, a formal signature shall be submitted to the President for approval before business transactions can be conducted. However, this does not apply to investors who have participated in the business being served or operated by the employee for two years after separation.

4. Sales personnel and customers should avoid abnormal interactions in addition to normal social interactions.

#### **Article 6 (Confidentiality Responsibility)**

1. The personnel of the Company shall maintain confidentiality obligations regarding technical and non-technical information of the company itself or information about its procurement (sales) customers (hereinafter referred to as "confidential information"), except when authorized or legally required to disclose. Confidential information includes all undisclosed information that may be used by others or the disclosure of which will cause damage to the Company or customers.
2. The Company's personnel shall abide by the provisions of the "Confidentiality Commitment" and other relevant confidentiality contracts signed with the Company.
3. The Company's personnel shall duly exercise due care and shall not divulge confidential business or related information and shall not present documents to others without authorization.
4. Sales personnel shall have the required professional knowledge, pay attention to relevant laws and regulations at all times, and strictly observe the Company's business confidentiality.

#### **Article 7 (Fair trade)**

1. The Company's personnel shall treat the Company's purchase (sale) customers, competitors and employees fairly and in good faith and reasonably and may not manipulate, conceal, or abuse the information learned by virtue of their positions or



make false statements about important matters or any other unfair treatment and obtaining improper benefits.

2. The Personnel shall abide by the Company's personnel management rules and regulations governing business/business trips when accepting gifts or entertainment.

#### **Article 8 (Proper Protection and Use of Company Assets)**

All personnel of the Company shall protect the assets of the Company and ensure that they can be effectively and lawfully used for official business to avoid theft, negligence or waste. The Company's personnel may not misappropriate public funds, waste or damage public property.

The Company's personnel shall comply with the principle of economic expenditure. For non-recurring or non-budgeted expenditures, only prior approval of the authorized supervisor can be used. The Company may refuse to pay if the expenditure is signed after the fact.

#### **Article 9 (Compliance)**

The Company's personnel shall comply with the Securities and Exchange Act and other laws and regulations.

#### **Article 10 (Encouragement to report any behavior that is illegal or in violation of the Code of Ethical Conduct)**

When the personnel of the Company suspect or discover any violation of laws and regulations or the Code, they shall voluntarily report to the Audit Committee, managers, chief internal auditor or other appropriate officers and provide sufficient information to enable the Company to properly handle the follow-up matters.

All reported matters will be treated in full confidentiality and verified by independent channels to protect the escalation personnel.

#### **Article 11 (Punishment and Remedy)**

If the Company's personnel violates the Code, the Company shall handle the matter in accordance with the law or relevant regulations of the Company.

The Company adheres to the principle of zero abuse in its operations. If the Company's personnel take advantage of their positions with the intent to seek improper benefits for themselves or others, thereby causing losses to the Company, they should be dismissed from their duties and unconditionally compensated for the Company's losses all losses.

The Company shall establish the "Regulations on Reporting and Disciplinary Measures for Violation of Ethical Behavior and Ethical Corporate Management" to provide relief for violators of this Code.

**Article 12 (Method of Disclosure)**

The Company shall disclose the Code, and any amendment thereto, on the Company's website, in its annual reports and on the MOPS.

**Article 13 (Implementation)**

The Code, and the amendments hereto, shall be implemented after being approved by the Audit Committee and the Board of Directors, and submitted to the Shareholders' Meeting.

DRAFT

**Formosan Rubber Group Inc.**  
**Ethical Corporate Management Best Practice Principles**

Established on August 8, 2023

**Article 1 (Purpose and Scope of Application)**

These Principles are established for the sustainable development of the Company and the establishment of a corporate culture of integrity management.

These Principles apply to the Company's directors, managers, employees, mandataries, or parties with substantial control (hereinafter referred to as the "controlling parties"). The aforementioned applicable subjects are hereinafter referred to as the "Company's personnel." These Principles are applicable to subsidiaries, foundations that have contributed more than 50% of the funds directly or indirectly and other institutions or legal persons over which the Company has substantial control.

**Article 2 (Prohibition of Unethical Conduct)**

In the course of engaging in business activities, the Company's personnel shall not directly or indirectly offer, promise, request or accept any improper benefits, or engage in other dishonest acts such as violation of good faith, illegal or breach of fiduciary duty, in order to obtain or maintain benefits (hereinafter referred to as "dishonest conduct").

The subjects of the preceding acts include public officials, candidates for political office, political parties or party apparatus, as well as any public or private enterprises or institutions and their directors, supervisors, managers, employees, persons with substantial control or other stakeholders.

**Article 3 (Types of benefits)**

Benefits referred to in these Principles refer to anything of value, including money, gifts, commissions, positions, services, favors, kickbacks, etc. in any form or name. However, it is not subject to this restriction when it is a normal social custom, a festive gift, or an accidental one that does not affect specific rights and obligations.

**Article 4 (Compliance with laws and regulations)**

The Company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, IPO-related regulations, or other laws and regulations pertaining to business activities, as a means to implement ethical corporate management. the basic premise.

## **Article 5 (Policies)**

The Company has established policies based on integrity, transparency, and responsibility, and has established sound corporate governance and risk control mechanisms to create a business environment for sustainable development.

## **Article 6 (Preventive Plans)**

In accordance with the Principles and with reference to the standards or guidelines prevailing at home and abroad, the Company has established a program for the prevention of unethical conduct, including operating procedures, conduct guidelines, education and training, etc., and set forth specific matters for the Company's personnel to pay attention to when conducting business.

## **Article 7 (Commitment and Execution)**

The Company shall require directors and senior management to issue a statement of compliance with the ethical corporate management policy, and require employees to comply with the ethical corporate management policy as a condition of employment.

The Company has clearly stated the ethical corporate management policy on the Company's website and in the annual report. The board of directors and senior management shall commit to actively implement such policies and implement them in internal management and business activities.

The Company prepares documented information on the ethical corporate management policies, statements, commitments and implementations referred to in paragraphs 1 and 2 and is properly retained.

## **Article 8 (Prohibition of Intellectual Property Rights Infringement)**

The Company's personnel shall comply with laws and regulations, the Company's internal operating procedures, and contract provisions and shall not use, disclose, dispose, or damage intellectual property or any intellectual property that infringes business secrets, trademarks, patents, copyrights, etc., without the consent of the intellectual property owner behavior.

## **Article 9 (Ethical Management of Commercial Activities and Prohibition of Unfair Competition)**

The Company conducts its business activities in a fair manner and engages in commercial

activities in accordance with relevant competition regulations. It shall not fix prices, manipulate bidding, restrict production quantities and quotas, or share or divide markets by allocating customers, suppliers, operational areas or types of business.

Before engaging in commercial dealings, the Company shall consider the legality of agents, suppliers, customers, or other business transaction parties, as well as whether they have any records of dishonest behavior, and avoid transactions with those who have records of dishonest behavior.

When the Company enters into a material contract with a third party, the content shall include the compliance with the ethical corporate management policy and the clause that if the counterparty is involved in unethical conduct, the contract may be terminated or rescinded at any time.

#### **Article 10 (Prohibition of Offering and Acceptance of Bribe)**

The Company's personnel shall be rigorous in ethics and shall not directly or indirectly offer, promise, request or accept any improper benefits in any form, including bribes, kickbacks, commissions, facilitation fees, business operators, suppliers, public officials or other stakeholders in offering or accepting improper benefits. However, this restriction does not apply to those under the laws of the place of operation.

#### **Article 11 (Prohibition of Illegal Political Donations)**

When directly or indirectly making donations to political parties or organizations or individuals participating in political activities, the Company's personnel shall comply with the Political Donations Act and the relevant internal operating procedures of the Company, and shall not use such donations to seek commercial interests or trading advantages.

#### **Article 12 (Prohibition of Improper Charitable Donations or Sponsorship)**

When making charitable donations or sponsorships, the Company's personnel shall comply with relevant laws and regulations and internal operating procedures and shall not offer bribes in disguise.

#### **Article 13 (Prohibition of unreasonable gifts, hospitality or other improper benefits)**

The Company, its directors, managers and employees, shall not directly or indirectly offer or accept any unreasonable gifts, hospitality or other improper benefits, establish business relationships or affect business transactions.

#### **Article 14 (Confidentiality Agreement)**

The Company's personnel shall comply with the provisions of the Securities and Exchange Act, and shall not use undisclosed information that they are aware of to engage in insider trading, and shall not divulge undisclosed information to others in order to prevent others from using the undisclosed information to engage in insider trading.

Entities or individuals participating in the Company's mergers, splits, acquisitions, share transfers, important memorandum, strategic alliances, other business cooperation plans, or significant contracts should sign a confidentiality agreement with the company. They agree not to disclose any confidential business information or other significant information known to them to others and they may not use such information without the Company's consent.

#### **Article 15 (Organization and Responsibilities)**

The Company's personnel shall exercise the due care of a good administrator to supervise the Company to prevent unethical practices, and review the effectiveness of its implementation and continuous improvement from time to time to ensure the implementation of the ethical management policies.

For the Company's ethical corporate management, the Administration Department is responsible for the establishment and supervision of ethical corporate management policies and prevention programs and reports to the Board of Directors on a regular basis (at least once a year).

#### **Article 16 (Regulations Governing Business Implementation)**

The Company's personnel shall comply with laws and regulations and the prevention programs when conducting business.

The Company's personnel shall abide by all the Company's Articles of Incorporation, rules, regulations, by-laws, and other matters instructed by higher authorities.

#### **Article 17 (Recusal for conflict of interest by the Company's personnel)**

The Company shall establish policies to prevent conflicts of interest and provide appropriate channels for the Company's personnel to voluntarily explain whether there are potential conflicts of interest between them and the Company.

Directors of the Company shall maintain a high level of self-discipline and may state their opinions and answer questions on any proposal listed by the Board of Directors that has a conflict of interest with themselves or the juridical person they represent and may cause harm to the interest of the Company. Directors shall recuse themselves from voting and may

not exercise voting rights on behalf of other directors. Directors should also be self-disciplined and refrain from providing improper support to each other. The Company's personnel shall not take advantage of their positions in the Company to obtain improper benefits for themselves, their spouse, parents, children or any other person.

#### **Article 18 (Accounting and Internal Control)**

The Company has established an effective accounting system and internal control system for business activities with a higher risk of unethical conduct. There are no external accounts or secretly retained accounts, and the review is conducted from time to time to ensure that the design and implementation of the system continue to be effective. The Company's internal auditors shall regularly audit the compliance with the systems referred to in the preceding paragraph and submit an audit report to the Board of Directors.

#### **Article 19 (Education, Training and Assessment)**

The Company regularly organizes training and education for its personnel. All business units are advised to educate their business counterparts, so that they can fully understand the Company's determination and policies for ethical management, prevention plans and violations of unethical practices consequences. Supervisors at all levels of the Company shall continuously assess the knowledge, integrity, work capabilities, adherence to the integrity policy and performance of their subordinates as the basis for annual performance evaluations.

#### **Article 20: (Reporting, disciplinary and appealing systems)**

When the Company's personnel discover any violation of the ethical corporate management regulations, they shall take the initiative to report to the Audit Committee, department head, internal audit officer, corporate governance officer or other appropriate supervisors. The company shall ensure confidentiality regarding the identity of the whistleblower and the content of the report.

The Company adheres to the principle of zero abuse in its operations. If the Company's personnel take advantage of their positions with the intent to seek improper benefits for themselves or others, thereby causing losses to the Company, they should be dismissed from their duties and unconditionally compensated for the Company's losses all losses. Any employee found to violate the ethical corporate management rules of the Company will be subject to disciplinary action according to the severity of the situation and in accordance with the Company's disciplinary measures. Employees dismissed from their positions will

be permanently prohibited from reemployment within the Company and its affiliated enterprises. When necessary, it may be reported to the competent authority or referred to the judicial authorities for investigation.

The Company is advised to establish the "Ethical Corporate Management Procedure and Code of Conduct" to specifically regulate the matters that the Company's personnel shall adhere to during the execution of their duties.

#### **Article 21 (Information Disclosure)**

The Company discloses the status of implementation of the Principles on the Company's website, annual reports and the MOPS.

#### **Article 22 (Review and Amendment of the Principles)**

The Company shall monitor the development of relevant regulations on ethical corporate management at home and abroad at all times, and encourage the Company's personnel to provide suggestions for reviewing and improving this Code, thereby enhancing the effectiveness of the Company's ethical management.

#### **Article 23 (Implementation)**

The Code, and the amendments hereto, shall be implemented after being approved by the Audit Committee and the Board of Directors, and submitted to the Shareholders' Meeting.



**Attachment 8**

**Formosan Rubber Group Inc.**

**Operational Procedures for the Acquisition and Disposal of Assets**

**Comparison table of amendments to the provisions**

Current Provision	Amended Provision	Description
<p>Article 5</p> <p>Total amounts of real property and right-of-use assets thereof or securities acquired by the company and each subsidiary for business use, and limits on individual securities, set forth as following:</p> <p>(I) Total amount of the Company's real properties not for operation, and their right-of-use assets, shall not exceed 15% of the net worth. Total amount of each subsidiary of the Company's real properties not for operation, and their right-of-use assets, shall not exceed 15% of the net worth.</p> <p>(II) Total amount of the Company's investments in negotiable securities, shall not exceed <u>50%</u> of the net worth. Total amount of each subsidiary of the Company's investments in negotiable securities, shall not exceed 150% of the net worth.</p> <p>(III) Total amount of the Company's investments in single negotiable security, shall not exceed 25% of the net worth. Total amount of each subsidiary of the Company's investments in single negotiable security, shall not exceed 100% of the net worth.</p> <p>Article 8</p> <p>Paragraph 1 omitted.</p>	<p>Article 5</p> <p>Total amounts of real property and right-of-use assets thereof or securities acquired by the company and each subsidiary for business use, and limits on individual securities, set forth as following:</p> <p>(I) Total amount of the Company's real properties not for operation, and their right-of-use assets, shall not exceed 15% of the net worth. Total amount of each subsidiary of the Company's real properties not for operation, and their right-of-use assets, shall not exceed 15% of the net worth.</p> <p>(II) Total amount of the Company's investments in negotiable securities, shall not exceed <u>100%</u> of the net worth. Total amount of each subsidiary of the Company's investments in negotiable securities, shall not exceed 150% of the net worth.</p> <p>(III) Total amount of the Company's investments in single negotiable security, shall not exceed 25% of the net worth. Total amount of each subsidiary of the Company's investments in single negotiable security, shall not exceed 100% of the net worth.</p> <p>Article 8</p> <p>Paragraph 1 omitted.</p>	<p>1. To comply with the Company's operating procedures for investing in securities and increase investment flexibility.</p>

Current Provision	Amended Provision	Description
<p>II. Determining procedures for transaction conditions and authorized limits.</p> <p>(I) <u>The trading of securities in the centralized trading market or OTC venue provided by securities firm shall be determined by the responsible unit based on market conditions. For these transaction with amount under NT\$ One hundred million (inclusive), they shall be approved by the chairman and submitted to the next meeting of the board of directors as reference, while providing an analysis report on the unrealized benefits or losses of financial assets; if the amount exceeds NT\$ One hundred million, the transaction must be submitted to the board of directors for approval before conducting.</u></p> <p>(II) <u>For securities transactions that are not in the centralized trading market or OTC venue provided by securities firms, the latest financial statements of the target company that have been certified or reviewed by CPAs shall be taken as a reference for evaluating the transaction price, and the net value per share, profitability, and future potential of the target company shall be taken into consideration. For these transactions with amounts under NT\$ ten million (inclusive), they shall be approved by the chairman and submitted to the next meeting of the board of directors as reference, while providing an analysis report on the unrealized benefits or losses of financial assets; if the amount exceeds NT\$ ten million, the transaction must be submitted to the board of directors for approval before conducting.</u></p> <p>(III) <u>With respect to the Company's acquisition or disposal of assets</u></p>	<p>II. Determining procedures for transaction conditions and authorized limits.</p> <p>(I) <u>For the acquisition or disposal of marketable securities that are listed at home and abroad or on the business premises of securities firms, the responsible unit shall make a decision based on the market conditions. Regarding the trading of securities, for these transaction with amount under NT\$ One hundred million (inclusive), they shall be approved by the chairman and submitted to the next meeting of the board of directors as reference, while providing an analysis report on the unrealized benefits or losses of financial assets; if the amount exceeds NT\$ One hundred million, the responsible department must present the total projected investment amount annually for authorization by the board of directors before proceeding. The authorized limit may be utilized in a revolving manner within the fiscal year. That is to say, the responsible unit may acquire or dispose of any securities within the authorized limit. However, the total cumulative cost of securities acquired daily should not exceed the authorized limit approved by the Board of Directors."</u></p> <p>(II) <u>For the acquisition or disposal of securities not listed on domestic or foreign stock exchanges or securities firms' business premises,</u> the latest financial statements of the target company that have been certified or reviewed by CPAs shall be taken as a reference for evaluating the transaction price, and the net value per share, profitability and future potential of the target</p>	

Current Provision	Amended Provision	Description
<p>that is subject to the approval of the board of directors under the company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to the Audit Committee. When a transaction involving the acquisition or disposal of assets is submitted for discussion by the Board of Directors pursuant to the paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p>	<p>company shall be taken into consideration. For these transaction with amount under NT\$ ten million (inclusive), they shall be approved by the chairman and submitted to the next meeting of the board of directors as reference, while providing an analysis report on the unrealized benefits or losses of financial assets; if the amount exceeds NT\$ ten million, the transaction must be submitted to the board of directors for approval before conducting.</p> <p>(III) With respect to the Company's acquisition or disposal of assets that is subject to the approval of the board of directors under the company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to the Audit Committee. When a transaction involving the acquisition or disposal of assets is submitted for discussion by the Board of Directors pursuant to the paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p>	

## Appendix 1

### **Formosan Rubber Group Inc. Operational Procedures for the Acquisition and Disposal of Assets**

Amended on June 9, 2023

#### Article 1: Purpose

To secure assets and implement the information disclosure, the Procedures are established.

#### Article 2: Basis of Laws

The Procedures are established pursuant to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies,” (the “Regulations”) which are adopted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act ("the Act").

#### Asset 3: Applicable Assets

- I. Negotiable securities: Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
- II. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
- III. Memberships.
- IV. Intangible asset: Patents, copyrights, trademarks, franchise rights, and other intangible assets.
- V. Right-of-use assets.
- VI. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- VII. Derivatives.
- VIII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
- IX. Other major assets.

#### Article 4: Definition

- I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- II. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.
- III. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- IV. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.

- V. The term of “Date of occurrence” described in these Procedures: refers to the date of contract signing, date of payment, date of commissioned transaction concluding, date of transfer, dates of boards of directors’ resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier. However, the investment requiring approvals from competent authorities, the earlier date between the aforesaid dates, or the dates receiving approvals from competent authorities prevails.
- VI. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

Article 5: Total amounts of real property and right-of-use assets thereof or securities acquired by the company and each subsidiary for business use, and limits on individual securities, set forth as following:

- (I) Total amount of the Company’s real properties not for operation, and their right-of-use assets, shall not exceed 15% of the net worth. Total amount of each subsidiary of the Company’s real properties not for operation, and their right-of-use assets, shall not exceed 15% of the net worth.
- (II) Total amount of the Company’s investments in negotiable securities, shall not exceed 50% of the net worth. Total amount of each subsidiary of the Company’s investments in negotiable securities, shall not exceed 150% of the net worth.
- (III) Total amount of the Company’s investments in single negotiable security, shall not exceed 25% of the net worth. Total amount of each subsidiary of the Company’s investments in single negotiable security, shall not exceed 100% of the net worth.

Article 6: Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

- I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
- II. May not be a related party or de facto related party of any party to the transaction.
- III. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the self-regulatory rules of the industry associations to which they belong and with the following provisions:

Article 7: Procedures for the acquisition or disposal of real properties, equipment, and their right-of-use assets

- I. Evaluation and operational procedures

For the acquisition or disposal of real properties, equipment, and their right-of-use

assets, the Company's fixed asset circulation procedures under the internal control system shall be complied with.

II. Determining procedures for transaction conditions and authorized limits.

(I) For the acquisition or disposal of real properties, equipment, and their right-of-use assets, the announced current value, appraised value, actual transaction prices of properties in the neighborhood, negotiated transaction conditions and transaction prices shall be referred to, and either price inquiry, price comparison, price negotiation, or tender shall be adopted. For the amount of Three Hundred Million New Taiwan Dollars or under, the approval of the chairperson is required, and shall be submitted to the soonest board meeting for ratification; For over Three Hundred Million New Taiwan Dollars, the approval of the chairperson is required, and shall be submitted to the board of directors for approval before engagement Or, the Board of Directors may first approve a designated area or within a certain amount, authorize the chairman of the board to deal with it at full power, and then report to the Board of Directors for ratification. The above-mentioned certain amount should not exceed 50% of the net worth of the most recent financial statements.

(II) With respect to the Company's acquisition or disposal of assets that is subject to the approval of the board of directors under the company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to the Audit Committee.

When proposal transactions of acquiring or disposing assets to the Board of Directors per this Article, the opinions of each independent directors shall be fully considered. When an independent director has a dissenting opinion or qualified opinion, it shall be noted in the minutes of board of directors' meeting.

The Company's major assets transactions shall be approved by a majority of the Audit Committee members, resolved by the board of directors, and subject to the provisions of Paragraph 4 and 5 of Article 17.

III. Execution unit

When the Company acquires or disposes of real property, equipment or its right-of-use assets, it shall be executed by the department using the asset, and the management department upon the approval in accordance with the preceding paragraph.

IV. Appraisal reports of real property, equipment, or right-of-use assets

In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

(I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any

subsequent change to the terms and conditions of the transaction.

- (II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  - 1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  - 2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.The CPAs providing opinion are not limited to the Company's certifying CPAs.
- (IV) The date of the report issued by the professional appraiser and the date of contract establishment shall not exceed three months. However, if the announced current value in the same period is applicable, within six months, the original professional appraiser may issue an opinion.
- (V) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

Article 7-1: For the calculation of 10 percent of total assets under these Regulations, the total assets stated in the most recent parent company only financial report or individual financial report prepared by the Company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

Article 8: Procedure of Acquiring or Disposing Negotiable Securities

I. Evaluation and operational procedures

For the acquisition or disposal of negotiable securities, the Company's investment circulation procedures under the internal control system shall be complied with.

II. Determining procedures for transaction conditions and authorized limits.

- (I) The trading of securities in the centralized trading market or OTC venue provided by securities firm shall be determined by the responsible unit based on market conditions. For these transaction with amount under NT\$ One hundred million (inclusive), they shall be approved by the chairman and submitted to the next meeting of the board of directors as reference, while providing an analysis report on the unrealized benefits or losses of financial assets; if the amount exceeds NT\$ One hundred million, the transaction must be submitted to the board of directors for approval before conducting.
- (II) For securities transactions that are not in the centralized trading market or OTC venue provided by securities firms, the latest financial statements of the target company that have been certified or reviewed by CPAs shall be taken as a reference for evaluating the transaction price, and the net value per share, profitability, and future potential of the target company shall be taken into consideration. For these transaction with amount under NT\$ ten million (inclusive), they shall be approved by the chairman and submitted to the next

meeting of the board of directors as reference, while providing an analysis report on the unrealized benefits or losses of financial assets; if the amount exceeds NT\$ten million, the transaction must be submitted to the board of directors for approval before conducting.

- (III) With respect to the Company's acquisition or disposal of assets that is subject to the approval of the board of directors under the company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to the Audit Committee. When a transaction involving the acquisition or disposal of assets is submitted for discussion by the Board of Directors pursuant to the paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

### III. Execution unit

When the Company acquires or disposes of negotiable securities, the financial and accounting unit shall be responsible for the execution after the approval in accordance with the approval set forth of the preceding paragraph.

### IV. Obtaining experts' opinions

- (I) The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission.
- (II) Pursuant to the proviso to Article 10 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, a public company acquiring or disposing of securities may be exempted from the requirement of obtaining the financial statements of the issuing company for the most recent period, audited or reviewed by a certified public accountant (CPA) and the requirement of additionally engaging a CPA to provide an opinion regarding the reasonableness of the transaction price when the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, prior to the date of occurrence of the transaction, if it fulfills any of the conditions listed below:
1. Securities acquired through cash contribution in an incorporation by promotion or by public offering in accordance with the Company Act, with the further requirement that the rights represented by the acquired securities be commensurate with the proportion of capital contributed.
  2. Participation in subscription to an issue of securities issued at face value by an issuing company
  3. Participation in subscription to securities issued by a 100 percent owned



subsidiary that is carrying out a cash capital increase.

4. Securities listed and traded on the Taiwan Stock Exchange or the Taipei Exchange or emerging stocks.
5. Government bonds, or bonds under repurchase or reverse purchase agreements.
6. Onshore or offshore publicly offered funds.
7. TWSE or TPEx listed stocks acquired or disposed of in accordance with the TWSE or TPEx rules governing the purchase of listed securities by reverse auction or rules governing the auction of listed securities.
8. Participation in subscription to shares issued by a public company for a cash capital increase or domestic subscription to corporate bonds (including financial debentures), with the further requirement that the securities acquired are not privately placed securities.
9. Subscription to a domestic privately placed fund before the establishment of the fund in accordance with Article 11, paragraph 1 of the Securities Investment Trust and Consulting Act, or subscription to or redemption of a domestic privately placed fund, provided that the trust agreement for the fund specifies an investment strategy in which, aside from securities margin transactions and open positions held in securities-related products, the investment scope of the remaining portion is the same as that of a publicly offered fund.

(III) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

Article 9: Procedures for the acquisition or disposal of membership certificates, intangible assets, and their right-of-use assets

I. Evaluation and operational procedures

For the acquisition or disposal of real membership certificates, intangible assets, and their right-of-use assets, the Company's fixed asset circulation procedures under the internal control system shall be complied with.

II. Determining procedures for transaction conditions and authorized limits.

(I) To acquire or dispose of a membership certificate, the fair market price shall be referred to, to determine the transaction conditions and transaction prices, and prepare an analysis report and submit it to the president. If the amount is less than NT\$three million, approval from the president is required, and the transaction shall be submitted to the next board meeting for reference; if it exceeds NT\$three million, it must be submitted to the board of directors for approval before conducting.

(II) To acquire or dispose intangible assets or their right-of-use assets, the expert evaluation reports or market fair market prices shall be referred to, to determine transaction conditions and transaction prices, prepare an analysis report and submit it to the chairperson. If the amount of which is less than NT\$ then million, the approval of the chairperson is required, and the transaction shall be submitted to the next board meeting for reference; if it exceeds NT\$ten million, it must be submitted to the board of directors for approval before conducting.

(III) Where a public company acquires or disposes of membership certificates, intangible assets or right-of-use assets and the transaction amount reaches 20

percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price;

### III. Execution unit

When the Company acquires or disposes of membership certificates, intangible assets, and their right-of-use assets, it shall be executed by the department using the asset, and the management department upon the approval in accordance with the preceding paragraph.

### IV. Appraisal report of experts for membership certificates, intangible assets, and their right-of-use assets

- (I) If the Company acquires or disposes of a membership certificate with a transaction amount of more than NT\$three million or more, an appraisal report by an expert is required.
- (II) If the Company acquires or disposes of intangible assets or their right-of-sue assets, for the transaction with amount of NT\$ten million or more, an appraisal report by an expert is required.
- (III) Where a public company acquires or disposes of membership certificates, intangible assets or right-of-use assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

Article 9-1: The calculation of the transaction amounts referred to in Articles 7, 8 and 9 shall be done in accordance with Article 14, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

### Article 10: Procedures of Handling Transactions with Related Parties

- I. When the Company engages in any acquisition or disposal of assets from or to a related party, other than ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, pursuant to Article 7, the Procedures for the acquisition or disposal of real properties, equipment, and their right-of-use assets, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 9-1 herein.

When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

- II. Evaluation and operational procedures

For the acquisition and disposal of property or use-of-right assets with the related party, or the acquisition and disposal of assets other than the property or right-of-right assets for an amount exceeding 20% of the company's paid-in capital,

10% of the total assets, or NT\$300 million, except for the trade of domestic bonds, R/P and R/S bonds, subscription, or R/P of monetary fund issued by domestic securities investment trusts industry, the following information submitted to the Audit Committee for the approval of a majority of the members and the board of directors for approval before having the trade contract signed and payment made.

- (I) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (II) The reason for choosing the related party as a transaction counterparty.
- (III) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Item 3, Paragraph (I) and (IV) of this Article.
- (IV) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.
- (V) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- (VI) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the first item.
- (VII) Restrictive covenants and other important stipulations associated with the transaction.

With respect to the types of transactions listed below, when to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company's board of directors may pursuant to Article 7, paragraph 1, subparagraph 3 delegate the board chairman to decide such matters when the transaction is within Three Hundred Million New Taiwan Dollars and have the decisions subsequently submitted to and ratified by the next board of directors meeting:

- (I) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
- (II) Acquisition or disposal of real property right-of-use assets held for business use.

Where the Company or its subsidiary that is not a domestic public company in Taiwan has a transaction in the paragraph and the transaction amount reaches 10% or more of the total assets of the Company, the Company shall submit the information listed in the paragraph to the shareholders' meeting for approval before signing the transaction contract and making the payment. However, this restriction does not apply to transactions between the public company and its parent company or subsidiaries or between its subsidiaries.

The calculation of the transaction amounts referred to in paragraph 2 and the preceding paragraph shall be made in accordance with Article 14, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the shareholders meeting or board of directors need not be counted toward the transaction amount.

### III. Assessment of reasonableness of the transaction costs.

- (I) The Company that acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:
1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
  2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.
- (II) Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.
- (III) The Company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with the preceding two paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.
- (IV) When the Company acquires real properties or their right-of-use assets, if the results of the Company's appraisal conducted in accordance with paragraph (1) and paragraph (2), Item 3 of the Article are uniformly lower than the transaction price, the matter shall be handled in compliance with paragraph (5), Item 3 of the Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:
1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
    - (1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
    - (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or

area land prices in accordance with standard property market sale or leasing practices.

2. Where the Company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.
- (V) When the Company acquires real properties or their right-of-use assets, if the results of the Company's appraisal conducted in accordance with paragraph (1) and paragraph (2), Item 3 of the Article are uniformly lower than the transaction price, the matter shall be handled in compliance with the following: The appropriated special reserve cannot be used until the assets purchased or leased at a high price is with the loss in valuation recognized, disposed, or properly compensated or resumed to its original form, or concluded as reasonable with proof, and with the approval of the Financial Supervisory Commission, Executive Yuan.
3. For the difference between the transaction price and assessed cost of the property and its use-of-right assets, a special reserve shall be appropriated in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act and it shall not be distributed or capitalized with stock shares distributed. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
  4. Independent directors shall comply with Article 218 of the Company Act.
  5. Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
- (VI) Where a public company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the Paragraph 2 of this Article, and the (1), (2), and (3) of Paragraph 3 of this Article do not apply:
1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
  2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.

3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
4. The real property right-of-use assets for business use are acquired by the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

(VII) When a public company obtains real property or right-of-use assets thereof from a related party, it shall also comply with the (5), Paragraph 3 of this Article, if there is other evidence indicating that the acquisition was not an arms length transaction.

#### Article 11: Procedure of acquiring or disposing claims of financial institutions

In principle, the Company does not engage in the acquisition or disposal of the claims of financial institutions. If it wishes to engage in the acquisition or disposition of the claims of financial institutions in the future, it will be handled in accordance with relevant regulations.

#### Article 12: Procedure of acquiring or disposing derivatives

##### I. Principles and guidelines of transactions

##### (I) Transaction types

1. Derivatives undertaken by the Company: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.
2. Matters related to bond's margin trading shall be handled in accordance with the relevant provisions of these Procedures. The transaction of bonds under repurchase agreement may be waived from the Procedures.

##### (II) Operation (hedging) strategy

The Company's trading of derivative financial products should be for the purpose of hedging risks. The trading products should mainly choose to avoid risks arising from the Company's business operations. The currency held must be consistent with the Company's actual foreign currency demands for import and export transactions. The Company's overall internal positions (only foreign currency income and expenditures) shall be squared off among them as a principle, to reduce the Company's overall foreign exchange risk and save foreign exchange operating costs. Approval of the Board of Directors is required for other transactions with particular purpose with cautious assessment.

##### (III) Authority and duty division

##### 1. Finance Department

##### (1) Traders

- A. Responsible for the formulation of the whole Company's financial product trading strategy.
- B. Traders should regularly calculate positions every two weeks, collect market information, conduct trend judgments and risk

assessments and formulate operating strategies, which will be used as the basis for trading after being approved by the one with authority.

- C. Execute transactions in accordance with authorized authority and established strategies.
- D. When there are major changes in the financial market and the traders determine that the established strategy is no longer applicable, an evaluation report shall be submitted at any time, and the strategy shall be re-drawn. After approval by the president, it shall be used as the basis for trading.

(2) Accounting personnel

- A. Confirm transaction.
- B. Review whether or not the transaction is conducted in accordance with the authorized authority and the established strategy.
- C. Perform monthly evaluations and submit the evaluation report to the president for his review.
- D. Handle accounting and accounts
- E. Filing and announcement in accordance with the regulations of the Securities and Futures Commission

(3) Delivery personnel: perform delivery tasks.

(4) Approval authorities for derivatives

A. Approval authorities for hedging transactions

Person with approval authorities	Daily transaction limit	Net accumulated position transaction limit
Head of Accounting and Finance	Under US\$0.5M	Under US\$1.5M (inclusive)
President	Under US\$0.5M-2M (inclusive)	Under US\$5M (inclusive)
Chairperson	Over US\$2M	Under US\$10M (inclusive)

- B. Approval of the Board of Directors is required for other transactions with particular purpose.
- C. With respect to the Company's acquisition or disposal of assets that is subject to the approval of the board of directors under the Company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to the Audit Committee. When proposal transactions of acquiring or disposing assets to the Board of Directors per this Article, the opinions of each independent directors shall be fully considered. When an independent director has a dissenting opinion or qualified opinion, it shall be noted in the minutes of board of directors' meeting.

- D. The Company's major derivative transactions shall be approved by a majority of the Audit Committee members, resolved by the board of directors and subject to the provisions of Paragraph 4 and 5 of Article 17.
2. Audit Department
- Responsible for understanding the adequacy of the internal control of derivative transactions and checking the compliance of the trading department with the operating procedures, analyzing the transaction circulation, preparing an audit report and reporting to the Board of Directors when there are major deficiencies. The Board of Directors should have independent directors attend and express their opinions.
3. Performance Evaluation
- (1) Hedging transactions
- A. The performance evaluation is based on the exchange rate cost on the Company's book and the profit or loss generated from the derivative financial transactions.
- B. In order to fully grasp and express the evaluation risk of the transaction, the Company adopts the monthly settlement evaluation method to evaluate the profit and loss.
- C. The Finance Department should provide the president with the evaluation of foreign exchange positions and foreign exchange market movement, and market analysis as reference for management and instructions.
- (2) Transactions with particular purpose
- The performance evaluation is based on the actual profit and loss, and the accounting personnel must prepare reports on a regular basis to provide management as reference.
4. Establishment of total amount of contract and maximum loss
- (1) Total amount of contract
- A. Limits for hedging transactions
- The Finance Department should control the Company's overall position to avoid transaction risks. The amount of hedging transactions should not exceed two-thirds of the Company's overall net position. If it exceeds two-thirds, it should be reported to the president for approval.
- B. Transactions with particular purpose
- Based on the forecast of market changes, the Finance Department may formulate a strategy as needed, and submit it to the president and chairperson for approval before proceeding. The total contract amount of the Company's transactions with particular purpose in the Company's net cumulative position is limited to US\$5 million. If the amount exceeds the above amount, the board of directors must approve it and follow the policy instructions.
- (2) Establishment of maximum loss
- A. As the hedging transaction is to avoid risks, so there is no need to set a loss limit.



- B. If it is a transaction contract for a particular purpose, after the position is established, a stop loss point should be set to prevent excess loss. The stop loss point is set at the maximum not exceeding 10% of the transaction amount. If the loss exceeds 10% of the transaction amount, it must be reported to the president immediately and reported to the board of directors to discuss necessary countermeasures.
- C. The maximum loss amount of individual contract is the is less one of under US\$ 20,000 or 5% of the transaction contract amount.
- D. The maximum annual loss limit of the Company's operations for transaction with particular purposes is US\$300 thousand.

## II. Risk management measures

### (I) Credit risk management

As the market is subject to changes in various factors, it is easy to cause operational risks of derivatives. Therefore, market risk management is conducted in accordance with the following principles:

Transaction counterparts: Mainly famous domestic and overseas financial institutions.

Trading products: Limited to offerings provided by famous domestic and overseas financial institutions.

Transaction amount: The un-offset amount with the same counterpart is limited to maximum as 10% of the total authorized amount, but not for those approved by the president

### (II) Market risk management

Mainly the public foreign exchange market provided by banks, and the futures market will not be considered for the time being.

### (III) Liquidity risk management

In order to ensure market liquidity, the choice of financial products is based on high liquidity (that is, they can be squared off in the market any time).

Financial institutions entrusted with transactions must have sufficient information and the ability to trade in any market at any time.

### (IV) Cash flow risk management

In order to ensure the stability of the Company's working capital turnover, the Company's source of funds for derivative transactions is limited to its own funds, and its operating amount should take into account the capital needs of the cash income and expenditure forecast in the next three months.

### (V) Operational risk management

1. The Company's authorized limit, operating procedures and internal audits should be strictly followed to avoid operating risks
2. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
3. Risk measurement, monitoring, and control personnel shall be assigned to a different department that the personnel in the preceding subparagraph and shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making.
4. Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated

at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.

(VI) Product risk management

Internal traders should have complete and correct professional knowledge of financial products, and banks are required to fully disclose risks to avoid the risk of misuse of financial products.

(VII) Legal risk management

Documents signed with financial institutions should be reviewed by specialists from foreign exchange and legal affairs or legal advisors before they can be formally signed to avoid legal risks.

III. Internal audit system.

(I) The internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading and analyze the transaction circulation by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, all supervisors shall be notified in writing.

(II) The internal auditors shall report the audit report and the annual internal audit status to the competent authority before the end of February of the following year, and report the improvement of abnormal matters to the competent authority for reference by the end of May of the following year.

IV. Regular valuation method

(I) The Board of Directors should authorize senior executives to regularly supervise and evaluate whether derivative commodity transactions are indeed handled in accordance with the company's trading procedures, and whether the risks assumed are within the tolerance, and when there are abnormalities in the market price evaluation report (if the held position has exceeded the loss limit), it should be reported to the board of directors immediately, and appropriate measures should be taken.

(II) Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.

V. When engaging in derivative transactions, the supervisory and management principles of the board of directors

(I) Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk.

The management principles are as following:

1. Regularly assess whether the current risk management measures are appropriate and indeed in accordance with the "Governing Regulations" and the Company's procedures for handling derivative transactions.
2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; independent directors shall be present at the meeting and express an opinion.

(II) Periodically evaluate whether derivatives trading performance is consistent

with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.

- (II) The Company shall report to the soonest meeting of the board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for engaging in derivatives trading.
- (III) The Company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to be carefully evaluated under paragraph 4, subparagraph (2), paragraph 5, subparagraph (1) 1. and (2) of this Article shall be recorded in detail in the log book.

#### Article 13: Procedures for Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares

##### I. Evaluation and operational procedures

- (I) The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.

However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

- (II) The Company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in paragraph 1, subparagraph (1) of the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. In addition, where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

##### II. Other matters to be paid attention to

- (I) Date of board meeting: A company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent. A

company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the competent authority is notified in advance of extraordinary circumstances and grants consent. When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:

1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of the preceding two paragraphs.

- (II) Prior NDA: Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
- (III) Principles of altering the share exchange ratio or acquisition price: The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the shareholders' meeting for deliberation and passage. The share exchange ratio or acquisition price shall not be altered as a principle, but if there are terms/conditions that the contract stipulates may be

altered and that have been publicly disclosed, this restriction is not applicable. Circumstances where the share exchange ratio or acquisition price may be altered are as following:

1. Cash capital increase, issuance of convertible corporate bonds or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants or other equity based securities.
2. An action, such as a disposal of major assets, that affects the company's financial operations.
3. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition or transfer of shares.
6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

(IV) Terms to be specified in contents: for the contracts of merger, demerger, acquisition, or transfer of shares, other than the requirements set forth in Article 317-1 of the Company Act and Article 22 of Business Mergers And Acquisitions Act, the followings shall be specified.

1. Handling of breach of contract.
2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio and the principles for handling thereof.
4. The manner of handling changes in the number of participating entities or companies.
5. Preliminary progress schedule for plan execution and anticipated completion date.
6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

(V) When the numbers of companies participating the merger, demerger, acquisition, or share transfer changes: After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.

- (VI) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Paragraph 2 (1) date of convening board meeting; (2) Prior NDA, and (5) numbers of companies participating the merger, demerger, acquisition, or share transfer changes for the latter to comply with.

Article 14: Procedure of Information Disclosure

Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:

- I. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- II. Merger, demerger, acquisition, or transfer of shares.
- III. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.
- IV. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria: NTD 500 million or more.
- V. Acquisition or disposal in the construction business of real property or right-of-use assets thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million
- VI. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.
- VII. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
  1. Trading of domestic government bonds or foreign government bonds with a credit rating not lower than the sovereign rating of our country.
  2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

The amount of transactions above shall be calculated as follows:

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.

The Company shall retain relevant contracts, minutes of meetings, registers, appraisal reports, opinions from accountants, lawyers, or securities underwriters regarding the acquisition or disposal of assets within the company. Unless otherwise required by law, these documents should be kept for a minimum of five years.

After announcing and reporting transactions in accordance with the provisions of the first paragraph, the company shall, within two days from the occurrence of any of the following circumstances, post and report relevant information on the website designated by the Financial Supervisory Commission:

1. Change, termination, or rescission of a contract signed in regard to the original transaction.
2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
3. Change to the originally publicly announced and reported information.

Article 15: The Company's Subsidiaries Shall Comply with the Followings:

- I. A subsidiary shall establish its "Operational Procedures for Acquisition or Disposal of Assets" pursuant to these Regulations. After the procedures have been approved by the board of directors, they shall be submitted to a shareholders' meeting for approval; the same applies when the procedures are amended.
- II. When acquiring or disposing assets, subsidiaries shall follow the established procedures.
- III. Information required to be publicly announced and reported in accordance with the provisions of the Regulations on acquisitions and disposals of assets by the Company's subsidiary that is not itself a public company in Taiwan shall be

reported by the Company.

- IV. The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary referred to in the preceding paragraph in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing under Article 14, paragraph 1.
- V. If the subsidiary acquires or disposes of assets, at least the quarterly audit for the acquisition or disposition of assets and its implementation shall be conducted and documented. If a material violation is found, the Company's audit unit should be notified in writing immediately; the Company's audit unit should also submit written information to the audit committee.
- VI. When the Company's audit unit conducts an audit on a subsidiary based on the annual audit plan, the implementation of the subsidiary's operating procedures for acquiring or disposing of assets shall be understood altogether. If any deficiency is found, the improvement should be tracked continuously, and a report should be prepared and submitted to the Audit Committee.

#### Article 16: Penalties

In case the Company's employees who undertake acquisition and disposal of assets violates these Procedures, shall be regularly assessed pursuant to the Company's personnel management procedures and employee manuals, and the punishment is based on the severity.

#### Article 17: Enforcement and Amendment

The amendments to the "Operational Procedures for Acquisition or Disposal of Assets" shall be approved by a majority of the Audit Committee members, resolved by the board of directors, and approved by the shareholders meeting. If a director expresses an objection with a record or written statement on file, the information of the director's objection shall be sent to the Audit Committee.

When the "Operational Procedures for Acquisition or Disposal of Assets" is submitted for discussion by the Board of Directors pursuant to the paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

If the approval of one-half or more of all Audit Committee members as required in the first paragraph is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

Any acquisition or disposal of asset that shall be approved by the Audit Committee pursuant to these Procedures or other legislative requirement, shall be approved by one-half or more of all Audit Committee members. If the approval of one-half or more of all Audit Committee members as required is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms "all Audit Committee members" in the Procedures and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

#### Article 18: By-laws

Anything not mentioned in these Procedures, shall be handled pursuant to the related laws and regulations.



## Appendix 2

### Articles of Incorporation of Formosan Rubber Group Inc.

#### Chapter 1 General Provisions

Article 1: The Company adheres to its philosophy of ‘making a contribution to the society’ and the corporate spirit of ‘research makes the difference’, we follow the 7 principles of Formosan Rubber’s and aim to achieve the target of providing the society with supplies and services needed accordingly. The Company has been established in accordance with the requirements stipulated in the Company Act and it has been named as “Formosan Rubber Group Inc.”

Article 2: The Company’s business consists of:

- (1) C801100 Synthetic Resin and Plastic Manufacturing
- (2) C804020 Industrial Rubber Products Manufacturing
- (3) C805010 Manufacture of Plastic Sheets, Pipes and Tubes
- (4) C802120 Industrial and Additive Manufacturing
- (5) C804990 Other Rubber Products Manufacturing
- (6) C805070 Reinforced Plastic Products Manufacturing
- (7) C805990 Other Plastic Products Manufacturing
- (8) CB01010 Mechanical Equipment Manufacturing
- (9) CC01080 Electronics Components Manufacturing
- (10) CD01060 Aircraft and Parts Manufacturing
- (11) CF01011 Medical Devices Manufacturing
- (12) D101050 Combined Heat and Power
- (13) F104110 Wholesale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories
- (14) F114030 Wholesale of Motor Vehicle Parts and Motorcycle Parts, Accessories
- (15) F204110 Retail Sale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories
- (16) F214030 Retail Sale of Motor Vehicle Parts and Motorcycle Parts, Accessories
- (17) F301010 Department Stores
- (18) F301020 Supermarkets
- (19) F401010 International Trade
- (20) G801010 Warehousing
- (21) H701040 Specific Area Development
- (22) H701060 New Towns, New Community Development
- (23) H703100 Real Estate Leasing
- (24) IZ06010 Tally Packaging
- (25) J701010 Electronic Game Arcades
- (26) J701040 Recreational Activities Venue
- (27) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

Article 2-1: Due to business needs, the Company makes guarantees externally.

Article 2-2: Due to business needs, the Company makes investments in other industries, and is not limited to the restrictions in Article 13 of the Company Act.

Article 3: The Company’s headquarters are located in Taipei City. When necessary, after being resolved by the board of directors, the Company may establish branches or plants domestically or overseas.

Article 4: The Company’s method for making public announcements is in accordance with the

requirements stipulated in Article 28 of the Company Act.

## **Chapter 2 Shares**

- Article 5: The Company's total capital is amounted to NT\$6.8 billion which is divided into NT\$680 million shares with a par value of NT\$10 per share. Among these, the unissued shares are distributed by the board of directors as needed.
- Article 6: The company issuing stocks may be exempted from printing, but shall register the issued stocks with a centralized securities depository enterprise and follow the regulations of that enterprise.
- Article 7: (the article has been deleted)
- Article 8: The Company handles stocks in accordance with the "Regulations Governing the Administration of Shareholder Services of Public Companies," the Company Act and relevant laws and regulations prescribed by the competent authority.
- Article 9: A handling fee will be charged by the Company when shareholders apply for a change or replacement of shares.
- Article 10: The share transfer is suspended within 60 days prior to each shareholders' meeting, 30 days prior to shareholders special shareholders' meeting or 5 days prior to Company's decision to distribute shares and dividends, or the base date of other interest or benefit.

## **Chapter 3 Shareholders' Meeting**

- Article 11: The Company's shareholders meetings are classified as follows:
- I. Regular shareholders meetings shall be convened within six months after the end of the accounting year; except for when there is a legitimate reason and a prior approval is gained by the competent authority.
  - II. Special shareholders meetings: Convened when necessary.
- The convening of shareholders meeting as stated in the preceding paragraph, unless it is otherwise prescribed, they shall be called for by the board of directors. A notice to convene a regular meeting of shareholders shall be given to each shareholder no later than 30 days prior to the scheduled meeting date. A notice to convene a special meeting of shareholders shall be given to each shareholder no later than 10 days prior to the scheduled meeting date. The cause or subject of a meeting of shareholders to be convened shall be indicated. The notice may be given by means of electronic transmission, after obtaining a prior consent from the recipient(s) thereof. The notice of the shareholders meeting stated in the preceding paragraph is given by an issuer to shareholders who own less than 1,000 shares of nominal stocks may be given in the form of a public announcement.
- Article 11-1: The Company may convene a shareholders' meeting by video conference or in other methods as announced by the Ministry of Economic Affairs.
- Article 12: A shareholder shall attend a shareholders' meeting in person. When the chairperson is on leave or unable to exercise his/her function for some reason, he/she may appoint a proxy to attend a shareholders' meeting in his/her behalf by executing a power of attorney stating therein the scope of power authorized to the proxy.
- Article 13: Shareholders' meetings shall be chaired by the chairperson of the board of directors. When the chairperson is on leave or unable to exercise his/her function for some reason, the chairperson shall assign a standing director to act on his/her behalf. If the chairperson does not assign a someone to act as his/her behalf, they shall choose one person by and from among themselves to chair the meeting.
- Article 14: Each shareholder has one voting right per share, except for those who are restricted or have no voting rights according to paragraph 2 of Article 179 stipulated in the Company Act.
- Article 15: When the government or a juristic person is a shareholder, its proxy shall not be limited

to one person, provided that the voting right that may be exercised shall be calculated on the basis of the total number of voting shares it holds.

Article 16: Resolutions at a shareholders' meeting shall, unless otherwise provided for in the Company Act, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.

Article 17: The resolutions reached in the shareholders' meeting must be documented in the minutes of meeting, and shall be handled in accordance with Article 183 of the Company Act.

#### **Chapter 4 Directors and Audit Committee**

Article 18: The Company has 5 to 9 directors. The candidates of the by-election are nominated. Shareholders shall elect from the candidates.

Among the number of directors mentioned above, the independent directors may not be less than 3 people and no less than one fifth of the number of directors.

Both independent directors and non-independent directors shall be elected at the same time and the number of elected dependent directors shall be separated from the number of elected non-independent directors for purpose of election.

Article 18-1: The Company has established the Audit Committee to replace the duties of the supervisor and is composed of by all of the independent directors who are responsible for duties such as the execution of the Company Act, Securities and Exchange Act and other laws and regulations in relation to supervisors.

Audit Committee members, exercise of powers and other matters for compliance shall be handled according to laws and regulations; its organizational procedures are prescribed by the board of directors. According to laws and regulations, the Company is required to establish Remuneration and Compensation Committee or other functional committees.

Article 18-2: When the Company's board of directors calls for a meeting, the cause or subject of a meeting shall be indicated and each director must be notified 7 days prior to the meeting. In the case of emergency, a meeting of the board of directors may be convened at any time. When the Company's board of directors calls for a meeting, each director may be notified by ways of written, E-mail or fax.

Article 19: The term of office of a director is three years; and he/she may be eligible for re-election. The aggregate amount of shares held by all directors shall be handled in accordance with the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies" prescribed by the competent authority.

Article 20: When the number of vacancies in the board of directors of a company equals to one third of the total number of directors and the independent directors are dismissed, the board of directors shall call, within 60 days, a special meeting of shareholders to elect succeeding directors to fill the vacancies.

Article 21: When the directors organize a board of directors' meeting, it shall be attended by two-third of the total number of directors of a company, and with an approval by a majority of directors, they shall select from among themselves one person to serve as the chairperson.

The chairperson represents the Company externally and executes all affairs relating to the Company by following these Articles and resolutions approved by the shareholders and board of directors. The duties of the board of the board of directors are as follows:

- I. Calling for shareholders' meetings and executing their resolutions.
- II. Reviewing the Company's organizational articles and the enforcement rules.
- III. Proposing to amend the Articles of Incorporation.
- IV. Preparing and reviewing investments of other businesses, establishment of branches and abolitions.
- V. Appointment/dismissal remuneration of managerial officers.

- VI. Approving the Company's employee establishment, salary standards.
- VII. Reviewing important contracts.
- VIII. Reviewing business plans and supervising their executions.
- IX. Reviewing budgets and settlements.
- X. Proposing for earnings distribution.
- XI. Proposing for capital increase/decrease.
- XII. Reviewing the issuance of special shares.
- XIII. Approving of the Company's property pledge, rights setting and matters relating to dispositions.
- XIV. Approving of significant capital expenditure.
- XV. Approving the matters when the Company applies for financing, guarantee, acceptance from a financial institution, or makes advances, loans and debts from the third party.
- XVI. Approving endorsements/guarantees and acceptance in the name of the Company.
- XVII. Approving of major transactions by the company and related parties.
- XVIII. Appointment of CPAs and legal consultants. Other relevant business shall be carried out except for matters decided by the shareholders' meeting in accordance with laws and regulations or the company's articles of association.
- XIX. Except for provisions stipulated in laws and regulations or in the Company's Articles of Incorporation, other related business shall be resolved by the shareholders' meeting.

Article 22: The Company's business policies and other important matters are determined by the board of directors. A board of directors' meeting is called for by the chairperson and served as the chair. When the chairperson is unable to exercise the power of the chairperson, the chairperson shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairperson does not make such a designation, the directors shall select from among themselves one person to serve as chair.

Article 23: When the chairperson is on leave for some reason, he/she may appoint a proxy to attend a shareholders' meeting in his/her behalf by executing a power of attorney stating therein the scope of power authorized to the proxy; he/she may only appoint one proxy at a time. Unless otherwise stipulated in the Company Act, the resolutions of the board of directors shall be executed with an approval by a majority of directors. The resolutions reached in the shareholders' meeting must be documented in the minutes of meeting signed or sealed by the chair and kept permanently.

Article 24: (Deleted)

Article 25: Directors receive transportation allowances according to the actual attendance, and the amount shall be determined by the board of directors.  
The remuneration of the directors is authorized to the board of directors to determine based on the degree of involvement and value of contribution in the Company's operations. The Company also takes references from peers.

## **Chapter 5 Managers**

Article 26: The Company has several managerial officers, their appointment, dismissal and remuneration are handled in accordance with Article 29 of the Company Act. The Company may set up an executive vice president in accordance with the resolution of the board of directors.

Article 27: (This article has been deleted)

## **Chapter 6 Final Earnings Distribution**

Article 28: The accounting year for the Company is January 1 to December 31 each year. At the close of each fiscal year, the board of directors shall prepare the following statements and records and shall forward the same to a general meeting of shareholders:

- I. Business report
- II. Financial statements
- III. Earnings distribution or loss off-setting proposals.

Article 29: 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. 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 directors' remuneration 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.

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.

Article 30: (This article has been deleted)

## **Chapter 7 Additional Provisions**

Article 31: Any matters not specified in these Articles shall be handled in accordance with the provisions stipulated in the Company Act.

Article 32: The Company's Organizational Rules and Enforcement Rules are determined by the board of directors.

Article 33: These Articles were established on September 15, 1962.

The 1st amendment was made on December 20, 1962.  
The 2nd amendment was made on August 28, 1964.  
The 3rd amendment was made on August 20, 1966.  
The 4th amendment was made on October 15, 1968.  
The 5th amendment was made on January 12, 1969.  
The 6th amendment was made on June 25, 1970.  
The 7th amendment was made on August 7, 1971.  
The 8th amendment was made on October 15, 1972.  
The 9th amendment was made on January 12, 1973.  
The 10th amendment was made on January 1, 1974.  
The 11th amendment was made on December 17, 1974.  
The 12th amendment was made on September 28, 1975.  
The 13th amendment was made on December 19, 1975.  
The 14th amendment was made on August 4, 1977.  
The 15th amendment was made on September 16, 1978.  
The 16th amendment was made on October 9, 1979.  
The 17th amendment was made on October 1, 1980.  
The 18th amendment was made on September 8, 1983.  
The 19th amendment was made on December 19, 1983.  
The 20th amendment was made on January 30, 1984.  
The 21st amendment was made on March 9, 1984.  
The 22nd amendment was made on March 5, 1985.  
The 23rd amendment was made on March 11, 1985.  
The 24th amendment was made on November 20, 1985.  
The 25th amendment was made on May 23, 1986.  
The 26th amendment was made on October 3, 1986.  
The 27th amendment was made on June 26, 1987.  
The 28th amendment was made on June 3, 1988.  
The 29th amendment was made on June 12, 1989.  
The 30th amendment was made on December 14, 1989.  
The 31st amendment was made on April 11, 1990.  
The 32nd amendment was made on March 9, 1991.  
The 33th amendment was made on June 3, 1991.  
The 34th amendment was made on April 30, 1992.  
The 35th amendment was made on May 25, 1993.  
The 36th amendment was made on April 29, 1994.  
The 37th amendment was made on May 4, 1995.  
The 38th amendment was made on September 19, 1995.  
The 39th amendment was made on May 29, 1996.  
The 40th amendment was made on May 28, 1997.  
The 41th amendment was made on April 28, 1998.  
The 42th amendment was made on April 30, 1999.  
The 43th amendment was made on May 18, 2000.  
The 44th amendment was made on June 20, 2001.  
The 45th amendment was made on June 21, 2002.  
The 46th amendment was made on June 11, 2004.  
The 47th amendment was made on June 17, 2005.  
The 48th amendment was made on June 14, 2006.  
The 49th amendment was made on June 17, 2010.  
The 50th amendment was made on June 18, 2012.  
The 51th amendment was made on June 12, 2015.

The 52th amendment was made on June 7, 2015.  
The 53th amendment was made on June 5, 2019.  
The 54th amendment was made on June 12, 2020.  
The 55th amendment was made on June 8, 2022

Chairperson Hsu Zhen-Tsai



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## Appendix 3

### **Formosan Rubber Group Inc. Rules of Procedure for Shareholders Meetings**

Amended on June 8, 2022

Article I To establish a strong governance system and sound supervisory capabilities for the Company's shareholders meetings, and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Article II The rules of procedures for the Company's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.

Article III The Company's shareholders meetings shall, unless otherwise provided for in this Act, be convened by the Board of Directors.

The method of convening shareholders' meetings, if changes, shall be resolved by the board of directors, and not later than sending the shareholders' meeting notice.

The Company shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting. The Company shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. If, however, the Company has the paid-in capital of NT\$10 billion or more as of the last day of the most current fiscal year, or total shareholding of foreign shareholders and PRC shareholders reaches 30% or more as recorded in the register of shareholders of the shareholders meeting held in the immediately preceding year, transmission of these electronic files shall be made by 30 days before the regular shareholders meeting. Fifteen days before the Company convenes a shareholders' meeting, it shall prepare the shareholders' meeting agenda handbook and supplementary materials and make them available for the shareholders to obtain and review at any time. In addition, the handbook shall be displayed at the Company and its professional shareholder service agency.

The Company shall provide the handbook and supplementary materials mentioned in the preceding paragraph to the shareholders on the day of the shareholders' meeting in the following methods:

- I. For physical shareholders meetings, to be distributed on-site at the meeting.
- II. For hybrid shareholders meetings, to be distributed on-site at the meeting and shared on the virtual meeting platform.
- III. For virtual-only shareholders meetings, electronic files shall be shared on the virtual meeting platform.

The cause(s) or subject(s) of a meeting of shareholders to be convened shall be indicated in the individual notice and announcement to be given to shareholders; and the notice may, as an alternative, be given by means of electronic transmission, after obtaining a prior consent from the recipient(s) thereof.



Election or dismissal of directors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities Exchange Act, Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out and the essential contents explained in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.

Where re-election of all directors and supervisors as well as their inauguration date is stated in the notice of the reasons for convening the shareholders meeting, after the completion of the re-election in said meeting such inauguration date may not be altered by any extraordinary motion or otherwise in the same meeting.

A shareholder holding one percent or more of the total number of issued shares may submit to this Corporation a proposal for discussion at a regular shareholders meeting. The number of items so proposed is limited to one only, and no proposal containing more than one item will be included in the meeting agenda. When the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda. A shareholder may propose a recommendation for urging the corporation to promote public interests or fulfill its social responsibilities, provided procedurally the number of items so proposed is limited only to one in accordance with Article 172-1 of the Company Act, and no proposal containing more than one item will be included in the meeting agenda.

Prior to the date on which share transfer registration is suspended before the convention of a regular shareholders' meeting, the company shall give a public notice announcing acceptance of proposal in writing or by way of electronic transmission, the place and the period for shareholders to submit proposals to be discussed at the meeting; and the period for accepting such proposals shall not be less than ten (10) days.

Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.

The company shall, prior to preparing and delivering the shareholders' meeting notice, inform, by a notice, all the proposal submitting shareholders of the proposal screening results, and shall list in the shareholders' meeting notice the proposals conforming to the requirements set out in this Article. With regard to the proposals submitted by shareholders but not included in the agenda of the meeting, the cause of exclusion of such proposals and explanation shall be made by the board of directors at the shareholders' meeting to be convened.

**Article IV** For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to the Company before five days before the date of the shareholders meeting. When duplicate proxy forms are

delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.

Once a proxy form is received by the Company, if a shareholder wishes to attend the shareholders' meeting in person or to exercise their voting rights in writing or by electronic means, a written proxy rescission notice shall be filed with the Company two days prior to the date of the shareholders' meeting, otherwise, the voting power exercised by the authorized proxy at the meeting shall prevail.

Once the proxy form is received by the Company, in the case that the shareholder intends to attend the shareholders' meeting by video conference, a written proxy rescission notice shall be filed with the Company two days prior to the date of the shareholders' meeting; otherwise, the voting power exercised by the authorized proxy at the meeting shall prevail.

Article V The venue for a shareholders meeting shall be the premises of this Corporation, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.

When the Company convenes a shareholders' meeting by video conference, it is not subject to the restriction on the venue of the meeting under the preceding paragraph.

Article VI The Company shall state, in the meeting notice, the sign-in time and place for shareholders, solicitors, and proxies (hereinafter referred to as "shareholders"), and other matters that shall be noted.

The time at which shareholders' sign-in begins, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The sign-in place shall be clearly marked and staffed with a sufficient number of suitable personnel. When the shareholders' meeting is convened by video conference, the sign-in process shall begin on the video conference platform 30 minutes before the meeting commences. Shareholders who have completed the sign-in shall be deemed to have attended the shareholders' meeting in person.

Shareholders shall attend the shareholders' meetings with their attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attendance presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting. When a juridical person is appointed to attend as a proxy, it may designate only one person to represent it in the meeting.

If the shareholders' meeting is convened by video conference, shareholders who wish to attend by video conference should register with the Company two days prior to the

shareholders' meeting.

If the shareholders' meeting is convened by video conference, the Company shall upload the meeting agenda handbook, annual report, and other relevant materials to the video conference platform at least 30 minutes prior to the start of the meeting and continue to disclose them until the end of the meeting.

#### Article 6-1

When the Company convenes the shareholders' meeting by video conference, the information below shall be stated in the meeting notice:

- I. Methods of shareholders participating in the video conference and exercising their rights.
- II. The handling method when the video conference platform or participation in the manner of video conference fails due to force majeure, such as natural disasters or incidents, and the follows shall be at least included:
  - (I) Time and date for the postponement or re-convention when the aforesaid continual failure that cannot be eliminated and thus a postponement or re-convention is required.
  - (II) The shareholders have not registered to attend the first shareholders' meeting must not attend the postponed or re-convened meeting.
  - (III) When a physical shareholders' meeting is convened, along with a video conference, if the video conference cannot continue, after the number of shares in attendance through the video conference is deducted, the total number of shares in attendance at the physical shareholders' meeting reaches the number as required by law, the shareholders' meeting shall continue. For shareholders participating by video conference, the number of their shares shall be included in the total number of shares in attendance, and they shall be deemed to abstain for all motions resolved at the shareholders' meeting.
  - (IV) The handling method in the event that the resolution results of all motions have been announced, while extempore motions have not been resolved.
- III. When a shareholders' meeting is to be convened by video conference, appropriate alternatives to shareholders who have difficulty participating in the meeting by video means shall be specified.

Article VII If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairperson does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair.

When a managing director or a director serves as chair, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chair.

It is advisable that shareholders meetings convened by the board of directors be chaired by the chairperson of the board in person and attended by a majority of the directors, at least one supervisor in person, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.

If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

The Company may appoint its attorneys, certified public accountants, or related persons to attend the meeting in a non-voting capacity.

**Article VIII** The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the meeting and the voting and vote counting procedures.

The recorded materials shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

If a shareholders' meeting is convened by video conference, the Company shall keep records of shareholders' registration, sign-in, questions raised, as well as voting and the Company's vote counting results and retain the records, while making an uninterrupted audio and video recording of the entire video conference.

The above-mentioned materials and audio and video recordings shall be properly kept by the Company during the period of its existence, and the audio and video recordings shall be provided to those who are entrusted to handle the video conference affairs for storage.

If a shareholders' meeting is convened by video conference, the Company is advised to make an audio and video recording of the back-end interface of the video conference platform.

**Article IX** Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be counted according to the shares indicated in the sign-in book or the sign-in cards handed in and the sign-in record on the video conference platform plus the number of shares whose voting rights are exercised in writing or by electronic means.

The chair shall call the meeting to order at the scheduled meeting time. Also, the information of the shares with voting rights and without rights should be announced at the same time.

However, the chair may have the meeting postponed if the attending shareholders do not represent more than half of the total shares issued. The meeting postponement is limited to 2 times for a total of less than 1 hour. If attending shareholders still represent less than one third of the total number of issued shares after two postponements, the chair shall declare the meeting adjourned. If a shareholders' meeting is convened by video conference, the Company shall also declare the meeting adjourned on the video conference platform.

If there are not enough shareholders representing at least one third of issued shares attending the meeting after two postponements, tentative resolutions may be passed in accordance with Article 175, paragraph 1 of the Company Act. Shareholders shall be notified of the tentative resolutions, and another shareholders' meeting will be

convened within one month. If a shareholders' meeting is convened by video conference, shareholders who wish to attend by video conference shall re-register with the Company in accordance with Article 6.

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

- Article X If a shareholders' meeting is convened for by the Board of Directors, the meeting agenda is to be set by the Board of Directors. Relevant motions (including extraordinary motions and amendments to original motions) should be decided by voting on each separate proposal, and the meeting shall be held according to the agenda; without a decision made through a shareholders' meeting, it may not be changed. The provisions of the preceding paragraph apply *mutatis mutandis* to a shareholders meeting convened by a party with the power to convene that is not the board of directors. The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting. The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed, call for a vote, and schedule sufficient time for voting.

- Article XI Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair. A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail. A shareholder may not speak more than twice on the same proposal, except with the chair's consent, and a single speech may not exceed 5 minutes. However, if the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech. When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation. When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond. If a shareholders' meeting is convened by video conference, shareholders who

participate by video conference may ask questions in text on the video conference platform after the chair calls the meeting to order and before the chair declares the meeting adjourned. The number of questions raised by each shareholder for each motion shall not exceed two, each question shall be limited to 200 words, and the provisions of paragraphs 1 to 5 shall not apply.

If such questions in the preceding paragraph are not in violation of the regulations or not outside the scope of the motions, it is advisable to disclose such questions on the video conference platform.

**Article XII** Votes at shareholders meetings shall be calculated based on numbers of shares.

The shares held by shareholders having no voting right shall not be counted in the total number of issued shares while adopting a resolution at a meeting of shareholders.

A shareholder who has a personal interest in the matter under discussion at a meeting, which may impair the interest of the Company, shall not vote nor exercise the voting right on behalf of another shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

Except for trust enterprises or stock agencies approved by the competent authority, when a person who acts as the proxy for two or more shareholders, the number of voting power represented by him/her shall not exceed 3% of the total number of voting shares of the company, otherwise, the portion of excessive voting power shall not be counted.

**Article XIII** Each shareholder has one voting right per share, except for those who are restricted or have no voting rights according to paragraph 2 of Article 179 stipulated in the Company Act.

Voting rights may be exercised in writing or by using the electronic method when the Company's shareholders meeting is being held. Instructions for exercising voting rights, whether in writing or using the electronic form, and it must be clearly stated on the shareholders' meeting advice. A shareholder exercising voting rights in writing or by electronic means will be deemed to have attended the meeting in person. However, to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company shall avoid the submission of extraordinary motions and amendments to original proposals.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company before 2 days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail. Unless an explicit statement to revoke the previous declaration is made in the declaration which comes later.

After a shareholder exercises voting rights by correspondence or electronically, if the shareholder intends to attend the meeting via video conference in person, a written notice of proxy cancellation in the same manner of exercising the voting right shall be submitted to the Company before two business days prior to the meeting date. If the cancellation notice is submitted after that time, the voting rights exercised by correspondence or electronically prevail. When a shareholder has exercised voting

rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in this Corporation's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.

Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

When a shareholders' meeting is convened by video conference, shareholders participating by video conference shall vote on various motions and election(s) on the video conference platform after the chair calls the meeting to order. They shall complete the voting before the chair declares the voting closed, otherwise they shall be deemed to have waived their voting rights.

When a shareholders' meeting is convened by video conference, after the chair declares the voting closed, the votes shall be counted at one go, and the voting and election results shall be announced.

If a shareholders' meeting is convened, along with a video conference held at the same time, shareholders who have registered to attend the shareholders' meeting by video conference in accordance with Article 6, intend to attend the physical shareholders' meeting in person, shall rescind the registration in the same manner as the registration two days before the shareholders' meeting, otherwise they can only attend the shareholders' meeting by video conference.

Those who exercise their voting rights in writing or by electronic means without retracting their declaration of intention and participate in the shareholders' meeting by video conference shall not exercise their voting rights on the same motions, propose amendment to the same motions, or exercise their voting rights for revised motions, except for extempore motions.

**Article XIV** The election of directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected, and these who are not elected and their votes.

The ballots for the election referred to in the preceding paragraph shall be sealed with

the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article XV Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the company within twenty (20) days after the close of the meeting. The preparation and distribution of the minutes of shareholders' meeting as required in the preceding Paragraph may be effected by means of electronic transmission.

The Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their voting results (including the number of voting rights), and disclose the number of voting rights won by each candidate in the event of an election of directors or supervisors. The minutes shall be retained for the duration of the existence of the Company.

When a shareholders' meeting is convened by video conference, the minutes of the shareholders' meeting shall contain the start and end time of the shareholders' meeting, the method of convening the meeting, the names of the chair and the meeting taker, as well as the response method and the response situation when any natural disasters, accidents, or other force majeure events have obstructed the video conference platform or the participation in the video conference in addition to the matters that shall be recorded in accordance with the preceding paragraph.

When a shareholders' meeting is convened by video conference, the Company shall proceed as per the preceding paragraph and shall specify the alternative measures provided to shareholders who have difficulty participating in the video conference in the minutes of the shareholders' meeting.

Article XVI The Company shall, on the day of the shareholders' meeting, compile a statistical statement in the prescribed format and disclose the number of shares solicited by the solicitor, the number of shares represented by the proxies, and the number of shares in attendance in writing or by electronic means clearly on site at the shareholders' meeting. When a shareholders' meeting is convened by video conference, the Company shall upload the aforementioned information to the video conference platform at least 30 minutes before the start of the meeting and continue to disclose it until the end of the meeting.

When a shareholders' meeting is convened by video conference, when the chair calls the meeting to order, the total number of shares in attendance shall be disclosed on the video conference platform. The same shall apply if the total number of shares and voting rights in attendance are counted during the meeting.

If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation (or GreTai Securities Market) regulations, this Corporation shall upload the content of such resolution to the MOPS within the prescribed time period.

Article XVII Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.



The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

**Article XVIII** When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders meeting to defer or resume the meeting within five days in accordance with Article 182 of the Company Act.

**Article XIX** When a shareholders' meeting is convened by video conference, the Company shall immediately disclose the voting results and election results of various motions on the video conference platform in accordance with the regulations and shall continue to disclose for at least 15 minutes after the chair declares the meeting adjourned.

**Article XX** When a shareholders' meeting is convened by video conference, the chair and the minute taker shall be at the same location in Taiwan, and the chair shall disclose the address of the place when calling the meeting to order.

**Article XXI** When a shareholders' meeting is convened by video conference, the Company may allow shareholders to perform a simple test of the connection before the meeting commences and provide relevant services immediately before and during the meeting to assist with any technical communication problems.

In the event of a virtual shareholders meeting, when declaring the meeting open, the chair shall also declare, unless under a circumstance where a meeting is not required to be postponed to or resumed at another time under Article 44-20, paragraph 4 of the Regulations Governing the Administration of Shareholder Services of Public Companies, if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents or other force majeure events before the chair has announced the meeting adjourned, and the obstruction continues for more than 30 minutes, the meeting shall be postponed to or resumed on another date within five days, in which case Article 182 of the Company Act shall not apply.

In the event of any incident in the preceding paragraph that caused the meeting to be postponed or resumed, shareholders who have not registered to participate in the original shareholders' meeting by video conference shall not participate in the meeting postponed or resumed.

For the meeting to be postponed or resumed under paragraph 2, shareholders who have registered to participate in the original shareholders' meeting by video conference and have completed the registration but fail to participate in said meeting, the number of shares in attendance and the voting rights and voting rights for elections exercised at

the original shareholders' meeting shall be included in the total number of attending shareholders' shares, voting rights, and voting rights for elections at the meeting postponed or resumed.

When a shareholders' meeting is postponed or resumed in accordance with paragraph 2, the motions for which the voting and counting of votes have been completed and the voting results or the list of elected directors or supervisors have been announced, do not need to be discussed or resolved again.

When the Company convenes a shareholder's meeting, supplemented by a video conference, if the video conference cannot continue as under paragraph 2, after the number of shares in attendance through the video conference is deducted, the total number of shares in attendance at the physical shareholders' meeting reaches the number as required by law, the shareholders' meeting shall continue. There is no need to postpone or resume the meeting in accordance with paragraph 2.

When the meeting shall continue as in the preceding paragraph, for shareholders participating by video conference, the number of their shares shall be included in the total number of shares in attendance; however, they shall be deemed to abstain for all motions resolved at the shareholders' meeting.

When postponing or resuming a meeting according to the second paragraph, the Company shall handle the preparatory work based on the date of the original shareholders meeting in accordance with the requirements listed under Article 44-20, paragraph 7 of the Regulations Governing the Administration of Shareholder Services of Public Companies.

For dates or period set forth under Article 12, second half, and Article 13, paragraph 3 of Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies, and Article 44-5, paragraph 2, Article 44-15, and Article 44-17, paragraph 1 of the Regulations Governing the Administration of Shareholder Services of Public Companies, the Company shall handle the matter based on the date of the shareholders meeting that is postponed or resumed under the second paragraph.

Article XXII When a shareholders' meeting is to be convened by video conference, appropriate alternatives to shareholders who have difficulty participating in the meeting by video means shall be provided.

Article XXIII The handling matters not disclosed in these Rules, other than the laws and regulations stipulated in the Company Act and the Company's Articles of Incorporation, they are handled under the chair's instructions.

Article XXIV These Rules, and any amendments hereto, shall be implemented from the date it is adopted by the Shareholders' Meeting.

## Appendix 4

### **Formosan Rubber Group Inc. Regulations Governing Election of Directors**

Amended on June 11th, 2021

- Article 1 To ensure a just, fair, and open election of directors, these Procedures are adopted pursuant to Article 21 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and Article 21 of the Company's Article 21 of the Corporate Governance Best-Practice Principles.
- Article 2 Except as otherwise provided by law and regulation or by this Corporation's articles of incorporation, elections of directors shall be conducted in accordance with these Procedures.
- Article 3 More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.  
In case some among the elected directors do not meet the aforesaid conditions, the election of the director receiving the lowest number of votes among those not meeting the conditions shall be deemed invalid.  
The board of directors of the Company shall consider adjusting its composition based on the results of performance evaluation.
- Article 4 The qualifications for the independent directors of the Company shall comply with Articles 2, 3 and 4 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.  
The election of independent directors of this Corporation shall comply with Articles 5, 6, 7, 8 and 9 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and shall be conducted pursuant to Article 24 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and Article 24 of the Company's Corporate Governance Best Practice Principles.
- Article 5 Elections of directors at this Company shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.  
When the number of directors falls below five due to the dismissal of a director for any reason, the company shall hold a director by-election at the next following shareholders meeting. When the number of directors falls short by one-third of the total number prescribed by the articles of incorporation, the company shall convene a special shareholders' meeting within 60 days of the occurrence of that fact to hold a director by-election.  
If the number of independent directors falls short of that required under the proviso of Article 14-2, paragraph 1 of the Securities and Exchange Act, they shall be supplemented at the most recent shareholders' meeting. When all independent directors are dismissed, an extraordinary general meeting shall be convened within 60 days from the occurrence of the fact to hold a by-election.
- Article 6 The cumulative voting method shall be used for the election of the directors at this Corporation. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates.
- Article 7 The board of directors shall prepare separate ballots for directors in numbers corresponding to the directors or supervisors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be

distributed to the attending shareholders at the shareholders meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.

- Article 8 The number of directors will be as specified in the Company's Articles of Incorporation, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of votes will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.
- Article 9 Before the election begins, the chair shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting personnel. The ballot boxes shall be prepared by the board of directors and publicly checked by the vote monitoring personnel before voting commences.
- Article 10 A ballot is invalid under any of the following circumstances:
- I. The ballot was not prepared by a person with the right to convene.
  - II. A blank ballot is placed in the ballot box.
  - III. The writing is unclear and indecipherable or has been altered.
  - IV. The candidate whose name is entered in the ballot does not conform to the director candidate list.
  - V. Other words or marks are entered in addition to the number of voting rights allotted.
- Article 11 The voting rights shall be calculated on-site immediately after the end of the poll and the results of the calculation, including the list of persons elected as directors and the number of votes with which they were elected, shall be announced by the chair on the site.
- The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the records shall be retained until the conclusion of the litigation.
- Article 12 The board of directors of the Company shall issue notifications to the persons elected as directors. The elected directors shall provide the Consent to Act as Director
- Article 13 Matters not specified in the "Regulations" shall be handled in accordance with the provisions of the Company Act, and relevant law and regulations.
- Article 14 These Regulations, and any amendments hereto, shall be implemented from the date it is adopted by the Shareholders' Meeting.

## Appendix 5

### Formosan Rubber Group Inc.

#### Numbers of Shares Held by All Shareholders and the Minimum Number of shares Required to be held

As of the day of the suspension of share transfer (April 9, 2024), the Company's paid-in capital amounted to NT\$3,035,934,000 with issued shares of 303,593,400 shares.

All of the directors held the minimum percentage of stock totaling 12,143,736 shares (must not be less than 5% of the total issued shares)

According to Article 2 stipulated in the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies" - if a public company has elected two or more independent directors, the ratio of all shareholders other than the independent directors and shall be decreased by 80 percent.

Title	Name	Juristic person	Shareholding at the time of suspension of share transfer (April 9, 2024)	
			Number of Shares	%
Chairperson	Hsu Zhen-Tsai		4,690,917 shares	1.55
Director	Hsu Zhen-Ji		3,130,466 shares	1.03
Director	Hsu Zhen-Xin	Quanxinfeng Co., Ltd.	8,049,069 shares	2.65
Director	Hsu Wei-Zhi	Ruifu Construction Co., Ltd.	30,663,678 shares	10.1
Director	Lin Kun-Rong	Hohe Construction Co., Ltd.	15,774,553 shares	5.2
Director	Chu, Lung-Tsung	Ascend Gear International Inc.	15,931,342 shares	5.25
Independent director	Wu Chun-Lai		0 shares	0
Independent director	Lorraine Yao		4,500 shares	0
<b>Total shareholding of all directors</b>			<b>78,244,525 shares</b>	<b>25.77</b>

## Appendix 6

### Other Matters

Description of the acceptance of motions of this shareholders regular meeting:

Description:

1. According to the provisions stipulated in Article 172-1 of the Company Act, Shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of a company may propose to the company a proposal for discussion at a regular shareholders' meeting in writing, provided that only one matter shall be allowed in each single proposal with a maximum of 300 words per proposal. The Company has set the duration of March 29, 2024 to April 9, 2024 as the acceptance period for the shareholders proposals.
2. The Company has made public announcements on MOPS.
3. The Company has not received any shareholders' proposals.