Formosan Rubber Group Inc.
and Subsidiaries
Consolidated Financial Statements
and Independent Auditors’ Report
For the Years Ended December 31,2021 and 2020

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

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

REPRESENTATION LETTER

The Companies required to be included in the combined financial statements of Formosan Rubber Group Inc. as of and for the year ended December 31, 2021, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Formosan Rubber Group Inc. and Subsidiaries do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Formosan Rubber Group Inc.

By

HSU, ZHEN-TSAI

Chairperson

March 18, 2022

INDEPENDENT AUDITORS' REPORT

NO.00111100ECA

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, 2021 and 2020, 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, 2021 and 2020, 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 Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in 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, 2021. 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, 2021 are stated as follows:

Valuation of Net Realizable Value of Real Estate For Sale

Summary of key issues for auditing

As of December 31, 2021, the value of real estate for sale on the consolidated balance sheet was NT$ 1,972,656 thousand primarily reflective of the cost with completed properties and land held for sale. These items accounted for approximately 15% of the consolidated total assets. Please refer to Notes 4, 5 and 11 of the consolidated financial statements for detailed information. Formosan Rubber Group Inc. uses the lower of the cost or net realizable value for the valuation of real estate for sale. 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, 2021, the value of property investments on the consolidated balance sheet was NT$ 2,656,889 thousand accounting for approximately 20% of the consolidated total assets. Please refer to Notes 4, 5 and 16 of the consolidated financial statements for detailed information. Management complies with IAS 36 “Impairment of Assets” by evaluating whether there are any signs indicating the investment properties may be impaired on each balance sheet date. Given the numerous assumptions involved, and the high uncertainty of accounting estimates, it was listed as one of the audit priorities this year.

Audit procedures

The audit procedures were carried out by CPAs as follows:

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

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, 2021 and 2020 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 auditing standards generally accepted in 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 auditing standards generally accepted in 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, 2021 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 18, 2022

Notes to Readers

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

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

Formosan Rubber Group Inc. and Its Subsidiaries

Consolidated Balance Sheet

Dec. 31, 2021 and 2020

Unit: In Thousands of NTD

Assets	Note	Dec. 31, 2021		Dec. 31, 2020	
Accounting item		Amount	%	Amount	%
Current assets		$ 8,863,248	68	$ 7,948,387	65
Cash and cash equivalents	6	2,012,367	16	1,371,090	11
Financial assets at fair value through profit or loss-current	7	18,953	—	72,280	1
Financial assets at fair value through other comprehensive income - current	8	4,283,699	33	2,919,805	24
Notes receivable, net	9	29,886	—	40,765	—
Accounts receivable, net	9	115,163	1	198,669	2
Other receivables		766	—	6,849	—
Current tax assets		5	—	9,783	—
Inventories	10	211,305	2	219,446	2
Real estate for sale and prepayment for land purchases	11	2,116,533	16	2,931,616	24
Prepayments		46,143	—	61,233	—
Other financial assets-current	12	27,620	—	115,653	1
Other current assets-other		808	—	1,198	—
Non-current assets		4,252,154	32	4,308,728	35
Financial assets at fair value through other comprehensive income - non-current	8	530,053	4	522,770	4
Investments accounted for using equity method	13	102,575	1	101,966	1
Property, plant and equipment	14	809,079	6	848,439	7
Right-of-use assets	15	36,087	—	41,242	—
Investment property, net	16	2,656,889	20	2,713,577	22
Deferred tax assets	27	53,591	1	56,375	1
Refundable deposits		39,626	—	2,291	—
Other financial assets - non-current	12	20,000	—	20,000	—
Other non-current assets, others		4,254	—	2,068	—
Total assets		$ 13,115,402	100	$ 12,257,115	100

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

Formosan Rubber Group Inc. and Its Subsidiaries

Consolidated Balance Sheet (Continued)

Dec. 31, 2021 and 2020

Unit: In Thousands of NTD

Liabilities & equity	Note	Dec. 31, 2021		Dec. 31, 2020	
Accounting item		Amount	%	Amount	%
Current liabilities		$ 930,236	7	$ 818,341	7
Short-term borrowings	17	415,000	3	350,000	3
Short-term notes and bills payable	18	159,884	1	9,992	—
Contract liabilities	11、21	50,221	1	197,159	2
Notes payable		93,284	1	57,581	1
Accounts payable		35,325	—	34,372	—
Other payables		135,863	1	136,633	1
Current tax liabilities		16,301	—	10,488	—
Lease liabilities-current	15	5,069	—	5,014	—
Other current liabilities		19,289	—	17,102	—
Non-current liabilities		247,340	2	256,515	2
Deferred tax liabilities	27	168,438	2	173,308	2
Non-current lease liabilities	15	31,605	—	36,674	—
Net defined benefit liability	19	2,774	—	3,070	—
Guarantee deposits received		44,523	—	43,463	—
Total liabilities		1,177,576	9	1,074,856	9
Equity attributable to owners of parent	20	11,937,826	91	11,182,259	91
Share capital		3,423,260	27	3,423,260	28
Capital surplus		456,341	3	456,341	4
Retained earnings		7,513,391	57	7,245,305	59
Legal reserve		1,666,856	13	1,580,683	13
Special reserve		297,955	2	304,771	2
Unappropriated retained earnings		5,548,580	42	5,359,851	44
Other equity interest		544,834	4	57,353	—
Exchange differences on translation of foreign financial statements		(36,371)	—	(26,658)	—
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income		581,205	4	84,011	—
Treasury stocks		—	—	—	—
Non-controlling interests	20	—	—	—	—
Total equity		11,937,826	91	11,182,259	91
Total liabilities & equity		$ 13,115,402	100	$ 12,257,115	100

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

<u>Formosan Rubber Group Inc. and Its Subsidiaries</u>

<u>Consolidated Comprehensive Income Statement</u>

From Jan. 1 to Dec. 31, 2021 and 2020

Unit: In Thousands of NTD

Accounting item	Note	2021 Amount	2021 %	2020 Amount	2020 %
Operating revenue	21	$ 2,794,884	100	$ 3,282,255	100
Operating costs	22	(1,911,220)	(68)	(2,219,968)	(68)
Gross profit		883,664	32	1,062,287	32
Operating expenses		(256,422)	(9)	(251,725)	(8)
Selling expenses		(100,737)	(4)	(96,091)	(3)
General and administrative expenses		(145,218)	(5)	(145,717)	(5)
Research and development expenses		(10,467)	—	(9,917)	—
Operating profit		627,242	23	810,562	24
Non-operating income and expenses		196,109	7	119,572	4
Interest income		9,005	—	10,822	—
Other income	23	219,304	8	158,663	5
Other gains and losses	24	(35,581)	(1)	(44,236)	(1)
Finance costs	25	(4,021)	—	(8,227)	—
Expected credit impairment (loss) gain		323	—	(532)	—
Shares of (loss) profit of associate		7,079	—	3,082	—
Income before income tax		823,351	30	930,134	28
Income tax (expense) profit	27	(45,395)	(2)	(28,418)	(1)
Net income		777,956	28	901,716	27
Other comprehensive income		491,100	18	(116,478)	(3)
Items that will not be reclassified subsequently to profit or loss		500,181	18	(97,049)	(3)
Remeasurements of defined benefit plans	19	148	—	468	—
Unrealized gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income		504,640	18	(116,994)	(4)
Shares of other comprehensive (loss) income of associates		(6,470)	—	21,320	1
Income tax benefit related to items that will not be reclassified subsequently	27	1,863	—	(1,843)	—
Items that may be reclassified subsequently to profit or loss		(9,081)	—	(19,429)	—
Exchange differences arising on translation of foreign operations		(12,141)	—	(24,013)	—
Unrealized loss on valuation of investments in debt instruments measured at fair value through other comprehensive income		883	—	(419)	—
Income tax related to items that may be reclassified subsequently	27	2,177	—	5,003	—
Total comprehensive income for the year		$ 1,269,056	46	$ 785,238	24
Net income attributable to:					
Shareholders of the parent		$ 777,956	28	$ 901,716	27
Non-controlling interests		—	—	—	—
Total comprehensive income attributable to:					
Shareholders of the parent		$ 1,269,056	46	$ 785,238	24
Non-controlling interests		—	—	—	—
Earnings per share (NT dollars)	28				
Basic earnings per share		$ 2.27		$ 2.62	
Diluted earnings per share		$ 2.27		$ 2.61	

(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, 2021 and 2020

Unit: In Thousands of NTD

Item	Equity attributable to owners of the parent									Non-controlling interests	Total equity
			Retained earnings			Other equity interest					
	Capital	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury stocks	Subtotal		
Balance of Jan. 1, 2020	$ 3,500,000	$ 466,463	$ 1,526,788	$ 358,637	$ 4,787,409	$ (7,448)	$ 174,790	$ —	$ 10,806,639	$ (1,017)	$ 10,805,622
Legal reserve appropriated	—	—	53,895	—	(53,895)	—	—	—	—	—	—
Cash dividend	—	—	—	—	(280,000)	—	—	—	(280,000)	—	(280,000)
Reversal of special reserve	—	—	—	(53,866)	53,866	—	—	—	—	—	—
Net income in 2020	—	—	—	—	901,716	—	—	—	901,716	—	901,716
Other comprehensive income for 2020, net of income tax	—	—	—	—	(704)	(19,210)	(96,564)	—	(116,478)	—	(116,478)
Total comprehensive income (loss) in 2020	—	—	—	—	901,012	(19,210)	(96,564)	—	785,238	—	785,238
Purchase of treasury share	—	—	—	—	—	—	—	(129,618)	(129,618)	—	(129,618)
Retirement of treasury share	(76,740)	(10,122)	—	—	(42,756)	—	—	129,618	—	—	—
Disposal of financial assets at fair value through other comprehensive income - equity instruments	—	—	—	—	(5,785)	—	5,785	—	—	—	—
Increase (decrease) in non-controlling interests	—	—	—	—	—	—	—	—	—	1,017	1,017
Balance of Dec. 31, 2020	3,423,260	456,341	1,580,683	304,771	5,359,851	(26,658)	84,011	—	11,182,259	—	11,182,259
Legal reserve appropriated	—	—	86,173	—	(86,173)	—	—	—	—	—	—
Cash dividend	—	—	—	—	(513,489)	—	—	—	(513,489)	—	(513,489)
Reversal of special reserve	—	—	—	(6,816)	6,816	—	—	—	—	—	—
Net income in 2021	—	—	—	—	777,956	—	—	—	777,956	—	777,956
Other comprehensive income for 2021, net of income tax	—	—	—	—	118	(9,713)	500,695	—	491,100	—	491,100
Total comprehensive income (loss) in 2021	—	—	—	—	778,074	(9,713)	500,695	—	1,269,056	—	1,269,056
Purchase of treasury share	—	—	—	—	—	—	—	—	—	—	—
Retirement of treasury share	—	—	—	—	—	—	—	—	—	—	—
Disposal of financial assets at fair value through other comprehensive income - equity instruments	—	—	—	—	3,501	—	(3,501)	—	—	—	—
Increase (decrease) in non-controlling interests	—	—	—	—	—	—	—	—	—	—	—
Balance of Dec. 31, 2021	$ 3,423,260	$ 456,341	$ 1,666,856	$ 297,955	$ 5,548,580	$ (36,371)	$ 581,205	$ —	$ 11,937,826	$ —	$ 11,937,826

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

<u>Formosan Rubber Group Inc. and Its Subsidiaries</u>

<u>Consolidated Statement of Cash Flows</u>

From Jan. 1 to Dec. 31, 2021 and 2020

Unit: In Thousands of NTD

Item	From Jan. 1 to Dec. 31, 2021	From Jan. 1 to Dec. 31, 2020
	Amount	Amount
Cash flows from operating activities:		
Income before income tax	$ 823,351	$ 930,134
Adjustments for:		
Depreciation expense	107,786	111,880
Expected credit impairment loss (gain)	(47)	817
Net loss (gain) on financial assets and (liabilities) at fair value through loss (profit)	(4,046)	(1,870)
Interest expense	4,021	8,227
Interest income	(9,005)	(10,822)
Dividend income	(206,140)	(149,075)
Share of loss (profit) of associates	(7,079)	(3,082)
Loss (gain) on disposal of investment properties	—	1,589
Loss (gain) on disposal of investments	—	(4,069)
Impairment loss on non-financial assets	1,215	3,477
Unrealized foreign exchange loss (gain)	1,040	1,907
Changes in operating assets and liabilities		
Notes receivable	10,855	(5,606)
Accounts receivable	83,254	(106,170)
Other receivables	4,856	(4,897)
Inventories	8,141	37,801
Real estate for sale and prepayment for land purchases	815,083	1,374,079
Prepayments	15,090	(25,551)
Other current assets	390	(96)
Notes payable	35,703	(30,239)
Accounts payable	953	14,228
Other payables	(770)	9,234
Contract liabilities	(146,938)	(198,539)
Receipts in advance	2,272	292
Other current liabilities	(85)	(562)
Net defined benefit liability	(149)	(149)
Cash generated from operations	1,539,751	1,952,938

<u>Formosan Rubber Group Inc. and Its Subsidiaries</u>

<u>Consolidated Statement of Cash Flows (Continued)</u>

From Jan. 1 to Dec. 31, 2021 and 2020

Unit: In Thousands of NTD

Item	From Jan. 1 to Dec. 31, 2021	From Jan. 1 to Dec. 31, 2020
	Amount	Amount
Interest received	11,465	9,997
Dividends received	206,140	149,075
Interest paid	(4,021)	(8,227)
Income tax paid	(27,851)	(30,178)
Net cash generated by operating activities	1,725,484	2,073,605
Cash flows from investing activities:		
Cash paid for acquisition of financial assets at fair value through other comprehensive income	(975,223)	(414,910)
Proceeds from financial assets at fair value through other comprehensive income	86,685	97,418
Return of capital from financial assets at fair value through other comprehensive income	9,000	4,500
Cash paid for financial assets at fair value through profit or loss	(5,586)	(70,410)
Proceeds from financial assets at fair value through profit or loss	62,773	—
Acquisition of property, plant and equipment	(7,797)	(8,118)
(Increase) decrease in refundable deposits	(37,335)	6,031
Acquisition of investment properties	—	(10,484)
Decrease in other financial assets	88,033	49,561
(Increase) decrease in other non-current assets	(2,186)	1,074
Net cash (used in) generated by investing activities	(781,636)	(345,338)
Cash flows from financing activities:		
(Decrease) in short-term borrowings	65,000	(510,000)
(Decrease) in short-term notes and bills payable	149,892	(389,556)
Increase (decrease) in guarantee deposits received	1,060	1,062
Payments of lease liabilities	(5,014)	(5,281)
Cash dividends paid	(513,489)	(280,000)
Payments to acquire treasury shares	—	(129,618)
Net cash (used in) financing activities	(302,551)	(1,313,393)
Effect of exchange rate changes on cash and cash equivalents	(20)	(70)
Net Increase in cash and cash equivalents	641,277	414,804
Cash and cash equivalents at beginning of year	1,371,090	956,286
Cash and cash equivalents at end of year	$ 2,012,367	$ 1,371,090

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

Formosan Rubber Group Inc. and Its Subsidiaries

Notes to Consolidated Financial Statements

From Jan. 1 to Dec. 31, 2021 and 2020

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

1. Company profile

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

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

2. Date and procedure approving financial statements

The consolidated financial statements were approved and published by the board of directors on March 18, 2022.

3. Application of new standards, amendments and interpretations

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39 , IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform – Phase 2'	January 1, 2021
Amendments to IFRS 16, 'Covid-19-related Rent concessions beyond'	April 1, 2021(Note)

Note: Earlier application from January 1, 2021 is allowed by the FSC.

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

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

New standards, interpretations and amendments endorsed by FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
‘‘Annual Improvements to IFRS Standards 2018-2020’’	January 1, 2022
Amendments to IFRS 3 ‘‘Reference to the Conceptual Framework’’	January 1, 2022
Amendments to IAS 16 ‘‘Property, Plant and Equipment - Proceeds before Intended Use’’	January 1, 2022
Amendments to IAS 37‘‘Onerous Contracts - Cost of Fulfilling a Contract’’	January 1, 2022

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, ‘‘Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture’’	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 ‘‘Initial Application of IFRS 9 and IFRS 17 – Comparative Information’’	January 1, 2023
Amendments to IAS 1 ‘‘Classification of Liabilities as Current or Non-current’’	January 1, 2023
Amendments to IAS 1 ‘‘Disclosure of Accounting Policies’’	January 1, 2023
Amendments to IAS 8 ‘‘Definition of Accounting Estimates’’	January 1, 2023
Amendments to IAS 12 ‘‘Deferred Tax related to Assets and Liabilities arising from a Single Transaction’’	January 1, 2023

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

4. Summary of significant accounting policies

(1) Compliance statement

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

(2) Preparation bases

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

(3) Consolidated bases

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

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

The financial reporting of subsidiaries has been appropriately adjusted so that their accounting policies are consistent with the Company.

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

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

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

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

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

Investing company	Subsidiary	Percentage of shares held by this Company	
		Dec. 31, 2021	Dec. 31, 2020
FRG	Da-Guan Recreation Company (Taiwan)	－	－
FRG	Ban Chien Development Co., Ltd. (Taiwan)	100％	100％
FRG	FRG US Corp. (San Francisco)	100％	100％

a. Da-Guan Recreation Company has passed the dissolution and liquidation at the temporary shareholders meeting on October 22, 2020, and FRG lost control of Da-Guan Recreation Company.

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

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

As of December 31, 2021 and 2020, FRG has remitted Investment funds are NT$461,349 thousand (USD15,052 thousand).

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

B. Subsidiaries not included in the consolidated financial statements:

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

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

(4) <u>Foreign Currency</u>

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

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

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

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

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

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

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

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

(6) Cash equivalents

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

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

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

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

(8) Investments accounted for under equity method

Investments in associates are reported according to the equity method.

Associates are the companies over which FRG has significant influence. Associates are not entitles of subsidiaries.

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

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

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

Only the profits and losses resultant from upstream, downstream and lateral transactions with associates not relevant to the Company's stake in the associates can be recognized in the consolidated financial statements.

(9) Property, plant and equipment

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

Straight-line method is applied to depreciation, by indicating the amount of an asset within the durable service life offset its cost and less its residual value. All the major components of the non-current assets shall be depreciated on a standalone basis. Depreciation is accrued in accordance with the following durable service years: building, 3-55 years; machinery equipment, 3-26 years; transportation and other equipments, 3-10 years.

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

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

(10) Investment property

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

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

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

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

(11) Lease

A. The Company as lessor

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

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

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

B. The Company as lessee

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

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

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

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

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

(12) Impairment of non-financial assets

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

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

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

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

(13) Employee benefits cost

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

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

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

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

(14) Financial Instrument

Financial assets and financial liabilities shall be recognized when the Company becomes a party of the said financial instrument clause.

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

A. Financial assets

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

a. Type of measurement

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost, investment in debt instruments measured at FVTOCI, and investments in equity instruments at FVTOCI.

A) Financial asset at FVTPL

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

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

B) Measured at amortized cost

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

a) The financial assets are held under a specific operation mode, in which the purpose of the mode is to hold the financial assets in order to collect contract cash flows.

b) The cash flow generated on a specific date due to contract clauses is completely for the payment of the principal and the interest accrued from the outstanding principal amount.

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

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

a) The interest income of the purchased or originated credit-impaired financial assets is calculated by multiplying the credit-adjusted effective interest rate by the cost of amortized financial assets.

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

C) Investment in debt instruments measured at FVTOCI

Debt instruments that meet the following two conditions are classified as financial assets at fair value through other comprehensive income:

a) The debt instruments are held within a business model whose objective is to collect the contractual cash flows and to sell the financial assets; and

b) The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

D) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to

designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent considerate on recognized by an acquirer in a business combination.

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

Dividends on these investments in equity instruments at FVTOCI are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

B. Impairment of financial assets

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

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

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

The Company recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial assets.

(15) Income recognition

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

(16) Borrowing costs

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

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

(17) Income tax

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

A. Current tax

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

According to the provisions of Income Tax Law, The unallocated earnings of the Company adding 10% profit-seeking enterprise income tax shall be recognized as the current expense in the allocated earning year resolved in the shareholders' meeting

B. Deferred tax

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

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

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

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

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

(18) Treasury stocks

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

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

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

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

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

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

(1) Evaluation of inventory and real estate for sale

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

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

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

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

6. Cash and cash equivalents

	Dec. 31, 2021	Dec. 31, 2020
Cash and petty cash	$ 562	$ 516
Cash in bank	983,195	770,249
Cash equivalent		
Commercial paper	855,810	600,325
Time deposits with maturity	172,800	—
Total	$ 2,012,367	$ 1,371,090

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

	Dec. 31, 2021	Dec. 31, 2020
Current financial assets at fair value through profit or loss, designated as upon initial recognition		
Fund	$ 18,953	$ 72,280

8. Financial assets at fair value through other comprehensive income

	Dec. 31, 2021	Dec. 31, 2020
Equity instruments		
Stock of domestic listed (OTC) companies	$ 3,657,751	$ 2,702,578
Stock of foreign listed (OTC) companies	2,329	15,395
Stock of emerging companies	7,860	7,860
Stock not classified to listed (OTC) and emerging companies	162,454	171,453
Stock of foreign companies	413,307	425,428
Debt instruments		
Financial bond	13,257	65,412
Plus (Less): adjustment of financial assets for transaction	556,794	54,449
Total	$ 4,813,752	$ 3,442,575
Current	$ 4,283,699	$ 2,919,805
Non-current	$ 530,053	$ 522,770

(1) The Company signed a loan business trust contract with MasterLink Securities Corporation on June 5, 2015, delivering the trust of partial listed (OTC) companies stocks to MasterLink Securities Corporation for management, use, while the beneficiary of the trust revenue was the Company, with the contract period ending till an initiative termination of the trustor. Up to December 31, 2021, the book amount of stock delivered for trust is NT$435,930 thousand.

(2) The Company signed a securities lending agreement with SinoPac Securities Corporation on April 10, 2020. Dividends and bonuses, being generated during the loan period should be repaid to the company. According to the agreement, when there is no loan transaction for more than three consecutive years, the agreement would be terminated. Up to December 31, 2021, the book amount of lending stock is NT$11,925 thousand.

(3) Credit risk management for investments in debt instruments

Investments in debt instruments were classified as at FVTOCI：

	Dec. 31, 2021		Dec. 31, 2020	
Gross carrying amount	$	13,257	$	65,412
Less: Allowance for impairment loss		(209)		(532)
Amortized cost		13,048		64,880
Adjustment to fair value		255		(951)
Total	$	13,303	$	63,929

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

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

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

Dec. 31, 2021

Credit Rating	Expected credit loss rate	Through other comprehensive income measured at fair value of book amount
Performing	1.55%	$ 13,257

Dec. 31, 2020

Credit Rating	Expected credit loss rate	Through other comprehensive income measured at fair value of book amount
Performing	0.12～4.8%	$ 65,412

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

	For the Year Ended December 31, 2021	For the Year Ended December 31, 2020
Balance, beginning of year	$ 532	$ —
New purchase in this period	209	532
Derecognise in this period	(532)	—
Balance, end of year	$ 209	$ 532

9. Notes and accounts receivable ,net

	Dec. 31, 2021	Dec. 31, 2020
Notes receivable	$ 30,188	$ 41,043
Allowance for doubtful accounts	(302)	(278)
Net amount	$ 29,886	$ 40,765

	Dec. 31, 2021	Dec. 31, 2020
Accounts receivable	$ 117,949	$ 201,203
Allowance for doubtful accounts	(2,786)	(2,534)
Net amount	$ 115,163	$ 198,669

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

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

	Dec. 31, 2021		
	Carrying amount of accounts receivable	Expected credit loss rate	Loss allowance for lifetime expected credit losses
Non past due	$ 138,004	1～2%	$ 2,444
Past due less than 90 days	6,667	2～5%	142
Past due 91-180 days	3,202	10～20%	238
Past due 181-365 days	－	50%	－
More than 366 days past due	264	100%	264
	$ 148,137		$ 3,088

	Dec. 31, 2020		
	Carrying amount of accounts receivable	Expected credit loss rate	Loss allowance for lifetime expected credit losses
Non past due	$ 222,822	1～2%	$ 1,875
Past due less than 90 days	16,642	2～5%	389
Past due 91-180 days	2,295	10～20%	158
Past due 181-365 days	195	50%	98
More than 366 days past due	292	100%	292
	$ 242,246		$ 2,812

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

	2021	2020
Balance, beginning of year	$ 2,812	$ 4,923
Expected credit impairment loss (gain)	276	285
Amount written off	－	(2,396)
Balance, end of year	$ 3,088	$ 2,812

10. Inventories

	Dec. 31, 2021	Dec. 31, 2020
Raw materials	$ 79,837	$ 90,340
Work-in-process	21,079	19,727
Finished goods	110,389	109,379
Total	$ 211,305	$ 219,446

The cost of sales related to inventory is as follows:

	2021	2020
Cost of inventories sold	$ 715,210	$ 684,142
Provision for (Reversal of) loss on inventories	2,118	(2,268)
Unamortized fixed manufacturing costs	9,617	10,756
Total	$ 726,945	$ 692,630

Reversal of loss on inventories is due to the removal part of the inventory that has been listed for decline in price.

11. Real estate for sale and prepayment for land purchases / Contract liabilities

	Real estate for sale		Contract liabilities		
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Jan. 1, 2020
Bridge Upto Zenith Project at Banqiao	$ 51,276	$ 124,802	$ －	$ －	$ 47,251
Modesty Home Project at Banqiao	14,923	14,923	－	－	－
Legend River Project at Xindian	92,728	169,027	－	－	－
Treasure Garden Project in Taichung City	236,653	241,545	－	－	－
55 TIMELESS Project in Taipei City	571,120	1,218,354	34,552	162,233	123,136
La Bella Vita Project in Taichung City	933,065	1,162,965	15,669	34,926	－
La Bella Vita Project in Taichung City－Real estate under construction	－	－	－	－	225,311
Serif Project in San Francisco	72,891	－	－	－	－
	$ 1,972,656	$ 2,931,616	$ 50,221	$ 197,159	$ 395,698

	Prepayment for land purchases	
	Dec. 31, 2021	Dec. 31, 2020
Ambassador Hotel development Project in Kaohsiung City	$ 143,877	$ －

12. Other financial assets

	Dec. 31, 2021	Dec. 31, 2020
Pledged time deposits	$ 20,000	$ 20,000
Time deposits with maturity over three months	27,620	115,653
Total	$ 47,620	$ 135,653
Current	$ 27,620	$ 115,653
Non-current	$ 20,000	$ 20,000
Interest rate range %	0.2～0.825	0.2～2.5

The pledged time deposit serves as guaranty for logistics business and it is shown in Note 33.

13. Investments accounted for using equity method

The investment of associates is listed as follows:

	Book value		The percentage of ownership interest and voting right directly held by the Company	
Name of Investee	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Unlisted (OTC) companies				
Formosan Construction Corp. (Taiwan)	$ 61,540	$ 62,048	26.20	26.20
Fenghe Development Co., Ltd. (Taiwan)	32,570	31,655	39.90	39.90
Rueifu Development Co., Ltd. (Taiwan)	8,465	8,263	48.26	48.26
Total	$ 102,575	$ 101,966		

Information about associates that are not individually material was as follows

	2021	2020
The Company’s share of:		
Net profit (loss) from continuing operations for the year	$ 7,079	$ 3,082
Other comprehensive income	(6,470)	21,320
Total comprehensive profit (loss)	$ 609	$ 24,402

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

14. Property, plant and equipment

Item	For the Year Ended December 31, 2021				
	Balance, Beginning of Year	Additions	Disposals	Reclassification	Balance, End of Year
Cost					
Land	$ 444,026	$ —	$ —	$ —	$ 444,026
Building	579,218	1,291	—	—	580,509
Machinery equipment	790,373	4,986	—	—	795,359
Transportation equipment	13,859	180	—	—	14,039
Other equipment	152,886	1,341	—	—	154,227
Total	1,980,362	7,798	—	—	1,988,160
Building	359,975	13,499	—	—	373,474
Machinery equipment	658,828	18,625	—	—	677,453
Transportation equipment	13,352	85	—	—	13,437
Other equipment	99,768	14,949	—	—	114,717
Total	1,131,923	$ 47,158	$ —	$ —	1,179,081
Net	$ 848,439				$ 809,079

Item	For the Year Ended December 31, 2020				
	Balance, Beginning of Year	Additions	Disposals	Reclassification	Balance, End of Year
Cost					
Land	$ 444,026	$ —	$ —	$ —	$ 444,026
Building	696,889	—	(120,524)	2,853	579,218
Machinery equipment	966,896	3,684	(180,207)	—	790,373
Transportation equipment	19,220	100	(5,461)	—	13,859
Other equipment	232,306	4,334	(83,754)	—	152,886
Total	2,359,337	8,118	(389,946)	2,853	1,980,362
Accumulated depreciation & impairment					
Building	463,554	14,092	(120,524)	2,853	359,975
Machinery equipment	818,616	20,419	(180,207)	—	658,828
Transportation equipment	18,599	214	(5,461)	—	13,352
Other equipment	166,983	16,539	(83,754)	—	99,768
Total	1,467,752	$ 51,264	$ (389,946)	$ 2,853	1,131,923
Net	$ 891,585				$ 848,439

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

(2) The situation of pledge & guarantee in detail is shown in Note 33.

15. Lease

(1) Right-of-use assets

	For the Year Ended December 31, 2021			
	Balance, Beginning of Year	Additions	Disposals	Balance, End of Year
Cost				
Building	$ 51,552	$ —	$ —	$ 51,552
Transportation equipment	—	—	—	—
Total	51,552	—	—	51,552
Accumulated depreciation & impairment				
Building	10,310	5,155	—	15,465
Transportation equipment	—	—	—	—
Total	10,310	$ 5,155	$ —	15,465
Net	$ 41,242			$ 36,087

	For the Year Ended December 31, 2020			
	Balance, Beginning of Year	Additions	Disposals	Balance, End of Year
Cost				
Building	$ 51,552	$ —	$ —	$ 51,552
Transportation equipment	1,599	—	(1,599)	—
Total	53,151	—	(1,599)	51,552
Accumulated depreciation & impairment				
Building	5,155	5,155	—	10,310
Transportation equipment	1,279	320	(1,599)	—
Total	6,434	$ 5,475	$ (1,599)	$ 10,310
Net	$ 46,717			$ 41,242

(2) Lease liabilities

	For the Year Ended December 31, 2021		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less 1 year	$ 5,439	$ 370	$ 5,069
Over 1 years	32,638	1,033	31,605
Total	$ 38,077	$ 1,403	$ 36,674

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

	For the Year Ended December 31, 2020		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less 1 year	$ 5,440	$ 426	$ 5,014
Over 1 years	38,077	1,403	36,674
Total	$ 43,517	$ 1,829	$ 41,688

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

(3) Other lease information

	2021	2020
Expenses relating to short-term leases	$ —	$ 136
Total cash (outflow) for all lease agreements	$ (5,014)	$ (5,417)

(4) Please see note 32 for the status of transactions with related parties.

16. Investment property, net

Item	Balance, Beginning of Year	Additions	Disposals	Impairment	Reclassification	Balance, End of Year
	For the Year Ended December 31, 2021					
Cost						
Land	$ 1,098,862	$ —	$ —	$ —	$ —	$ 1,098,862
Building	2,653,319	—	—	—	—	2,653,319
Total	3,752,181	—	—	—	—	3,752,181
Accumulated depreciation & impairment						
Land	227,637	—	—	1,215	—	228,852
Building	810,967	55,473	—	—	—	866,440
Total	1,038,604	$ 55,473	$ —	$ 1,215	$ —	1,095,292
Net	$ 2,713,577					$ 2,656,889
Fair value	$ 4,133,740					$ 4,451,589

Item	Balance, Beginning of Year	Additions	Disposals	Impairment	Reclassification	Balance, End of Year
	For the Year Ended December 31, 2020					
Cost						
Land	$ 1,091,843	$ 8,608	$ (1,589)	$ —	$ —	$ 1,098,862
Building	2,654,296	1,876	—	—	(2,853)	2,653,319
Total	3,746,139	10,484	(1,589)	—	(2,853)	3,752,181
Accumulated depreciation & impairment						
Land	224,160	—	—	3,477	—	227,637
Building	758,679	55,141	—	—	(2,853)	810,967
Total	982,839	$ 55,141	$ —	$ 3,477	$ (2,853)	1,038,604
Net	$ 2,763,300					$ 2,713,577
Fair value	$ 4,292,326					$ 4,133,740

(1) Details of land:

	Dec. 31, 2021		Dec. 31, 2020	
	Ping	Cost	Ping	Cost
Oiashui Section, Longtan	14,447	$ 42,643	14,447	$ 42,643
Dahu Section, Miaoli	230,253	473,971	230,253	473,971
Nankan Section, Taoyuan	14,696	265,779	14,696	265,779
Xinban Section, Banqiao	140	311,775	140	311,775
Zhuangjing Section, Xindian	53	4,694	53	4,694
Total		$ 1,098,862		$ 1,098,862

(2) The Company leases the real estate held for investment, with the lease period as January 1, 2008 to December 31, 2028. Provisions for the lessee to adjust the rent based on market rents when exercising the renewal rights. The lessee does not have a preferential purchase right for the real property at the end of the lease term.

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

	Dec. 31, 2021	Dec. 31, 2020
Year 1	$ 139,685	$ 175,060
Year 2	113,119	85,008
Year 3	77,166	65,813
Year 4	21,804	40,864
Year 5	11,166	22,531
Over 5 years	12,861	24,027
Total	$ 375,801	$ 413,303

(3) As of December 31, 2021 and December 31, 2020, the book value of the investment properties let out stood at NT$2,354,345 thousand and NT$2,409,818 thousand , respectively. The rent incomes during 2021 and 2020 totaled NT$191,080 thousand and NT$189,786 thousand, respectively.

(4) The fair value of investment properties is based on the transaction prices of adjacent assets, the economic environment and changes in the current land values published by the Taiwanese government. The assessment is based on market comparators and discounted cash flows. It is Level 3 fair value according to IFRS.

(5) As of December 31, 2021 and 2020, the land at Dahu Section of Miaoli accumulated losses of reduction were NT$228,852 thousand and NT$227,637 thousand respectively.

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

	Dec. 31, 2021	Dec. 31, 2020
Oiashui Section, Longtan	$ 35,100	$ 35,100
Dahu Section, Miaoli	94,241	94,241
Nankan Section, Taoyuan	17,631	17,631
Total	$ 146,972	$ 146,972

For the security measures of the aforementioned pieces of farm land, the Company has already periodically checked relevant land transcripts and dispatched its personnel to conduct investigation at any time in order to keep abreast of the use of the land. Part of the land has been pledged to the Company. Please see note 32 (2) C for the status of transactions with related parties.

(7) The situation of already providing to serve as loan guarantees from financial industries in detail is shown in Note 33.

17. Short-term borrowings

	Dec. 31, 2021	Dec. 31, 2020
Bank unsecured borrowings	$ 415,000	$ 350,000
Interest rate range %	0.52～0.99	0.72～1.00

18. Short-term notes and bills payable

	Dec. 31, 2021	Dec. 31, 2020
Commercial paper payable	$ 160,000	$ 10,000
Less: Unamortized discount	(116)	(8)
Net amount	$ 159,884	$ 9,992
Interest rate range %	0.5~0.79	0.36

The situation of pledge & guarantee in detail is shown in Note 33.

19. Employee pensions

(1) Defined contribution plans

The employee retirement plan established by the Company in accordance with "Labor Pension Act" belongs to a defined contribution plans. Concerning the above, the Company would contribute 6% of the monthly salaries of employees to the exclusive individual accounts of Labor Insurance Bureau. In accordance with the above related regulations, the pension costs recognized as expenses in the consolidated comprehensive income statement in 2021 and January 1 to December 31, 2020 are respectively NT$6,225 thousand and NT$6,188 thousand.

(2) Defined benefit plans

A. The employee retirement plan established by the Company in accordance with "Labor Standard Act" is a defined benefit plans. In accordance with the regulations of the said plan, the employee pensions are calculated by service years and the average wage of six months prior to retirement. For the above, the Company would contribute 2% of the total employee salaries as employee pension fund, to the Supervisory Committee of Workers' Pension Preparation Fund to be deposited into an exclusive account of Bank of Taiwan. Before the end of year, if it is estimated the balance in the exclusive account is insufficient to pay the estimated labors conforming to retirement conditions in the following year, the Company would contribute the differential amount at once before the end of March in the following year.

The retired pension cost amount in consolidated comprehensive income statement listed to expense related to defined benefit plan is as follows:

	2021	2020
Service cost	$ —	$ —
Net interest cost (income)	10	27
List to (profit) loss	$ 10	$ 27
Re-measurements		
Plan assets returns (excl. amount that covered in net interest income)	39	81
Actuarial profit (loss)-Change of the demographic assumption	(31)	1
Actuarial profit (loss)-Change of the financial assumption	223	(268)
Actuarial profit (loss)-Adjustment with experience	(83)	654
Listed to other comprehensive income	$ 148	$ 468

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

	2021	2020
Operating costs	$ 10	$ 27
Operating expenses	—	—
Total	$ 10	$ 27

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

	Dec. 31, 2021	Dec. 31, 2020
Defined benefit obligation present value	$ 5,632	$ 5,866
Plan asset fair value	(2,858)	(2,796)
Net defined benefit liability (assets)	$ 2,774	$ 3,070

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

	2021	2020
Beginning defined benefit obligation	$ 5,866	$ 6,206
Service cost current period	—	—
Interest expense	21	47
Benefits paid from plan assets	(146)	—
Re-measurements		
Actuarial (profit) loss- Change of the demographic assumption	31	(1)
Actuarial (profit) loss- Change of the financial assumption	(223)	268
Actuarial (profit) loss- Adjustment with experience	83	(654)
Ending defined benefit obligation	$ 5,632	$ 5,866

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

	2021	2020
Beginning plan asset fair value	$ 2,796	$ 2,518
Interest income	10	20
Re-measurements		
Plan assets returns (excl. amount that covered in net interest income)	39	81
Contribution by employer	159	177
Benefits paid from plan assets	(146)	—
Redemption or curtailments payment	—	—
Ending plan asset fair value	$ 2,858	$ 2,796

The assets of defined benefits held by our company are deposited in financial institutions and invested in equity securities in Taiwan and overseas within the percentages and absolute amounts stipulated by the Bank of Taiwan for the discretionary investment of the funds for specific years. The operation of the funds is under the oversight by the Labor Pension fund Supervisory Committee. The minimum yields on the funds p.a. shall not fall below the two-year time deposit rates offered by local banks. Any insufficiency shall be made up by the national treasury following the approval from competent authorities.

Classification of Fair Values for Planned Assets

	2021	2020
Cash and cash equivalents	$ 2,858	$ 2,796

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

	Dec. 31, 2021	Dec. 31, 2020
Discount rate	0.70%	0.35%
Expected increase in future salaries	2.00%	2.00%

The Company is exposed to the following risks due to the pension system stipulated by the Labor Standards Act:

a. The impact of the book value of the retirement pensions is as follows for any delta of each 0.25 basis points between the discount rate (or the expected increase in future salaries) and management estimates in 2021 and 2020.

	Effect on present value of defined benefit obligation	
Dec. 31, 2021	Actuarial assumption increased 0.25%	Actuarial assumption decreased 0.25%
Discount rate	$ (155)	$ 161
Expected increase in future salaries	$ 158	$ (153)

Dec. 31, 2020	Effect on present value of defined benefit obligation	
	Actuarial assumption increased 0.25%	Actuarial assumption decreased 0.25%
Discount rate	$ (170)	$ 177
Expected increase in future salaries	$ 173	$ (168)

Since actuarial assumptions may be mutually related, the possibility of change in an only one assumption is not high. Therefore, the above sensitivity analysis may be unable to reflect the actual change situation of the current value of defined benefits. Besides, in the above sensitivity analysis, the actuary of current value of defined benefits obligations at the end of the reporting period applies projected unit credit method, measured by the same basis of defined benefits liabilities listed in the consolidated balance sheet.

b. The Company expects to contribute the amount of NT$136 thousand to the defined benefit plans within one year after December 31, 2021; the weighted average duration of defined benefits obligations is 11 years.

20. Equity

(1) Share capital - common stock

	Dec. 31, 2021	Dec. 31, 2020
Authorized capital	$ 6,800,000	$ 6,800,000
Issued capital	$ 3,423,260	$ 3,423,260

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

Treasury stocks of NT$76,740 thousand was cancelled from January 1 to December 31, 2020.

(2) Capital surplus

	Dec. 31, 2021	Dec. 31, 2020
Premium on capital	$ 727	$ 727
Conversion premium of corporate bonds	450,718	450,718
Gains of disposal of assets	1,238	1,238
Equity net value change of associates by equity method	3,658	3,658
Total	$ 456,341	$ 456,341

In accordance with regulations in laws, the capital surplus shall not be used except for covering company losses, but concerning the overage obtained from issued stock over par value (including issuance of common stock above par value, the premium on capital stock of stock issued for merge, corporate bond conversion premium and treasury stocks transaction, etc.) and capital surplus generated from income of receiving gifts. In the absence of accumulated losses, the Company may issue cash dividends or bonus shares to existing shareholders on a pro rata basis. Per the requirements of the Securities and Exchange Act, the appropriation of capital surplus to share capital is limited to 10% of the paid-in capital.

(3) Retained earnings

A. In accordance with the Company's Articles of Incorporation, any earnings during the year should be used to pay all the due taxes and make up the prior losses before distributions as follows:

a. Provide 10% legal reserve, but it is not applicable to the case where the legal reserve already attains the total capital amount.

b. If necessary, in accordance with regulations of laws, allowance or reversal of special reserve shall be provided.

c. The earnings during the year available for distributions, along with the undistributed earnings from previous years, shall be distributed according to the proposal from the board. The distribution to shareholders shall be no less than 5% of the distributable accumulated earnings and shall be approved by the shareholders' meetings.

The enterprise life cycle of FRG belongs to "maturity period". However, in order to pursue business sustainable development, respond to the future market demands and consider the future capital expenditure budget of the Company as well as maintenance stable dividend allocation, in which cash dividend shall be no lower than 10% of the total amount of shareholders' dividend. But in case of fund requirements concerning any major investment plan, major operation change matters and productivity expansion or other major capital expenditures, etc., the board may propose it to be changed to distribution in stock dividend form in whole, and actions may be taken after a report to and consent from the shareholders' meeting

B. Legal reserve

Per the regulations set forth by the Company Act, the Company shall appropriate 10% of after-tax earnings as the legal reserve, until the amount of legal reserve is equivalent to that of paid-in capital, or use the earnings to reverse prior losses. In the absence of losses, the portion of reserves exceeding 25% of the paid-in capital can be used to issue cash dividends or bonus shares.

C. Special reserve

	Dec. 31, 2021	Dec. 31, 2020
The number of appropriation arising from the first adoption of IFRSs	$ 297,955	$ 304,771
Decrease in other equity items	—	—
Total	$ 297,955	$ 304,771

Official Letter "Securities Issue" No. 1010012865 and No. 1010047490 released by the Financial Supervisory Commission and the IFRS standards provide answers to the questions regarding the appropriation, utilization and reversal of special reserve. If there is any reversal of the reduction of shareholders' equity, the reserved portion may be used for earnings distributions.

D. FRG's earnings distributions for 2020 and 2019 were approved by the annual general meetings on August 5, 2021 and June 12, 2020, respectively, as proposed by the board.

	2020		2019	
	Amount	Dividend per share (TWD)	Amount	Dividend per share (TWD)
Legal reserve	$ 86,173		$ 53,895	
Cash dividend	513,489	$ 1.5	280,000	$ 0.8
Total	$ 599,662		$ 333,895	

E. The status for the board of the Company proposed to approve the 2021 earnings allocation proposal on March 18, 2022 is as follows:

	2021	
	Amount	Dividend per share (TWD)
Legal reserve	$ 78,839	
Cash dividend	410,791	$ 1.2
Total	$ 489,630	

The Company's earnings distribution for 2021 is still pending for the approval from the annual general meeting in 2022.

(4) Other equity interest-

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance on Jan. 1, 2021	$ (26,658)	$ 84,011	$ 57,353
Exchange differences on translation of foreign financial statements	(9,713)	—	(9,713)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	—	311,821	311,821
Share of loss (profit) of associates accounted for using equity method	—	188,874	188,874
Disposal of financial assets at fair value through other comprehensive income - equity instrument	—	(3,501)	(3,501)
Balance on Dec. 31, 2021	$ (36,371)	$ 581,205	$ 544,834

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance on Jan. 1, 2020	$ (7,448)	$ 174,790	$ 167,342
Exchange differences on translation of foreign financial statements	(19,210)	—	(19,210)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	—	(117,884)	(117,884)
Share of loss (profit) of associates accounted for using equity method	—	21,320	21,320
Disposal of financial assets at fair value through other comprehensive income - equity instrument	—	5,785	5,785
Balance on Dec. 31, 2020	$ (26,658)	$ 84,011	$ 57,353

(5) Treasury stocks

	Number of shares (thousand shares)	Amount
Balance on Jan. 1, 2020	—	$ —
Acquired in this period	7,674	129,618
Cancellation in this period	(7,674)	(129,618)
Balance of Dec. 31, 2020	—	—

A. FRG in accordance with the regulations of Article 28-2 of Securities Exchange Act, in order to maintain company credit and shareholders' equity, purchased back treasury stocks through resolutions of the board.

B. The quantity percentage of a company in purchase back outstanding shares in accordance with the regulations of Securities Exchange Act shall not exceed 10% of the total number of shares issued by a company, and the total amount of purchase shares shall not exceed the retained earnings adding the premium of issued shares and the amount of realized capital surplus.

C. The treasury stocks held by FRG in accordance with the regulations of Securities Exchange Act shall not be pledged, nor shall it enjoy such rights as dividend allocation and voting right, etc.

(6) Non-controlling interests

	2021	2020
Balance, beginning of year	$ —	$ (1,017)
Net income	—	—
Increase (decrease) in this period	—	1,017
Balance of Dec. 31	$ —	$ —

21. Operating revenue

	2021	2020
Net sales revenue	$ 912,233	$ 844,836
Construction revenue	1,637,012	2,206,748
Rental and logistics revenue	245,639	230,671
Total	$ 2,794,884	$ 3,282,255

The amount of revenue recognized at the beginning from the contractual liabilities for the period from January 1 to December 31, 2021 and 2020 are respectively NT$197,159 thousand and NT$384,715 thousand.

22. Operating costs

	2021	2020
Cost of sales	$ 726,945	$ 692,630
Cost of construction sales	1,078,791	1,430,062
Cost of rental and logistics	105,484	97,276
Total	$ 1,911,220	$ 2,219,968

23. Other income

	2021	2020
Dividend income	$ 206,140	$ 149,075
Gain on disposal of investments	839	4,069
Other	12,325	5,519
Total	$ 219,304	$ 158,663

24. Other gains and losses

	2021	2020
Loss (gain) on disposal of investment properties	$ —	$ (1,589)
Foreign currency exchange gain (loss)	(37,825)	(40,142)
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	4,046	1,870
Miscellaneous expense	(587)	(898)
Impairment loss	(1,215)	(3,477)
Total	$ (35,581)	$ (44,236)

25. Finance costs

	2021	2020
Interest of bank loan	$ 3,595	$ 7,746
Interest of lease liabilities	426	481
Total	$ 4,021	$ 8,227

26. Extra information on the items with the expense characteristics

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

	2021			2020		
	Operating costs	Operating expense	Total	Operating costs	Operating expense	Total
Salary expense	$ 93,726	$ 77,673	$ 171,399	$ 90,220	$ 77,820	$ 168,040
Labor and health insurance expenses	7,115	4,862	11,977	6,568	4,234	10,802
Pension expense	4,079	2,156	6,235	4,155	2,060	6,215
Other Personnel expense	2,732	1,484	4,216	3,006	1,560	4,566
Personnel expense	$ 107,652	$ 86,175	$ 193,827	$ 103,949	$ 85,674	$ 189,623
Depreciation expense	$ 91,991	$ 15,795	$ 107,786	$ 94,302	$ 17,578	$ 111,880

The compensations to employees and the remunerations to directors and supervisors determined by the board on March 18, 2022 for the year 2021 and on March 19, 2020 for the year 2020 are as follows:

	2021		2020	
	Amount	Estimated proportion	Amount	Estimated proportion
Compensations to employees	$ 8,402	1%	$ 9,491	1%
Remunerations to directors and supervisors	8,402	1%	9,491	1%

FRG shall allocate from annual profits no less than 1% for compensations to employees and no more than 2% for remunerations to directors and supervisors. However, annual profits should be prioritized for the reversal of cumulated losses if any.

The abovementioned compensations to employees may be paid with cash or shares. The employees include the employees of subsidiaries which meet the criteria set by the board. However, the remunerations to directors and supervisors shall be paid in cash only.

Any changes to the published consolidated financial statements shall be treated as changes to accounting estimates and adjusted during the following year. There was no difference between the distributed amount of compensations to employees and remunerations to directors and supervisors for 2019 and 2020, the recognized amount on the consolidated financial statements for 2019 and 2020.

Please refer to the details published on TSE Market Observation Post System for the information regarding the decisions by the board and annual general meetings on compensations to employees and remunerations to directors and supervisors.

27. Income tax

(1) Income tax recognized in profit & loss

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

	2021	2020
Income tax current period:		
Occurred in current year	$ (2,864)	$ (49)
Additionally imposed undistributed earnings	(15,254)	(11,367)
Paid for land value increment tax	(25,323)	(29,274)
	(43,441)	(40,690)
Deferred income tax:		
Occurred in current year	(1,954)	12,272
Income tax expense listed as profit & loss	$ (45,395)	$ (28,418)

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

	2021	2020
Income tax calculated according to the regulated tax rate of before-tax net income	$ 171,250	$ 193,367
The effect of tax in reconciliation items of income tax:		
When determining taxable income, adjustments should be made to increase (decrease)	(20,402)	(11,896)
Exemption of domestic securities transaction income	562	798
Tax-exempt income	(149,805)	(182,220)
Previous years adjustments	1,259	—
Income tax expense (gain) current period	$ 2,864	$ 49

(2) Income tax expense recognized in other comprehensive income

	2021	2020
Remeasurement of defined benefit plans	$ (30)	$ (1,172)
Unrealized loss on valuation of investments in equity instruments measured at fair value through other comprehensive income	1,893	(671)
Exchange differences on translation of foreign financial statements	2,428	4,803
Unrealized loss on valuation of investments in debt instruments measured at fair value through other comprehensive income	(251)	200
Income tax related to other comprehensive income	$ 4,040	$ 3,160

(3) Deferred tax assets and liabilities

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

	2021			
	Balance, beginning of year	Recognized in profit (loss)	Recognized in other comprehensive income	Balance, end of year
Net defined benefit liability	$ 1,973	$ —	$ (30)	$ 1,943
Unrealized loss on valuation of investments in equity instruments measured at fair value through other comprehensive income	—	—	1,489	1,489
Exchange differences on translation of foreign financial statements	6,665	—	2,428	9,093
Unrealized loss on valuation of investments in debt instruments measured at fair value through other comprehensive income	200	—	(200)	—
Unrealized exchange loss	1,821	(1,613)	—	208
Other	28,756	4,833	—	33,589
Tax loss carry forwards	15,966	(9,373)	—	6,593
Investment credits	994	(318)	—	676
Deferred income tax assets	$ 56,375	$ (6,471)	$ 3,687	$ 53,591
Net defined benefit asset	(1,359)	(30)	—	(1,389)
Unrealized loss on valuation of investments in equity instruments measured at fair value through profit or loss	(404)	—	404	—
Unrealized loss on valuation of investments in debt instruments measured at fair value through other comprehensive income	—	—	(51)	(51)
Unrealized exchange gain	—	(278)	—	(278)
Other	(5,188)	4,825	—	(363)
Land value increment tax	(166,357)	—	—	(166,357)
Deferred income tax (liabilities)	$ (173,308)	$ 4,517	$ 353	$ (168,438)

	2020			
	Balance, beginning of year	Recognized in profit (loss)	Recognized in other comprehensive income	Balance, end of year
Net defined benefit liability	$ 3,145	$ —	$ (1,172)	$ 1,973
Unrealized loss on valuation of investments in equity instruments measured at fair value through other comprehensive income	267	—	(267)	—
Exchange differences on translation of foreign financial statements	1,862	—	4,803	6,665
Unrealized loss on valuation of investments in debt instruments measured at fair value through other comprehensive income	—	—	200	200
Unrealized exchange loss	4,002	(2,181)	—	1,821
Other	12,699	16,057	—	28,756
Tax loss carry forwards	12,115	3,851	—	15,966
Investment credits	—	994	—	994
Deferred income tax assets	$ 34,090	$ 18,721	$ 3,564	$ 56,375
Net defined benefit asset	(98)	(1,261)	—	(1,359)
Unrealized loss on valuation of investments in equity instruments measured at fair value through profit or loss	—	—	(404)	(404)
Other	—	(5,188)	—	(5,188)
Land value increment tax	(166,357)	—	—	(166,357)
Deferred income tax (liabilities)	$ (166,455)	$ (6,449)	$ (404)	$ (173,308)

(4) Information on Unused Loss Carryforwards

Loss carryforwards as at December 31, 2021 are as follows:

	Balance of unused loss carryforwards	Final deductible year
Loss carryforwards	$ 6,593	2029

(5) The year of the company’s income tax settlement application cases approved by the competent authority are as follows:

FRG has been approved to 2019.

Ban Chien company has been approved to 2020.

28. EPS

(1) Basic earnings per share

	2021	2020
Net income for the period attributable to owners of the Corporation	$ 777,956	$ 901,716
Weighted average number of ordinary shares (in thousand shares)	342,326	344,377
Basic EPS (NT dollars)	$ 2.27	$ 2.62

(2) Diluted earnings per share

	2021	2020
Net income for the period attributable to owners of the Corporation	$ 777,956	$ 901,716
Weighted average number of ordinary shares (in thousand shares)	342,326	344,377
Potentially ordinary stock-Employee bonus (in thousand shares)	459	488
Number of shares of diluted EPS (in thousand shares)	342,785	344,865
Diluted EPS (NT dollars)	$ 2.27	$ 2.61

If the Company can choose to distribute stocks or cash as the bonus for the employees, when calculating the earnings per share, the distribution of shares to the employees should be taken into consideration. In addition, the potential common shares which will dilute the earnings should be added into the weighted average number to calculate the diluted earnings per share. The distributed number of shares is estimated by the closing price of the common shares at the end of the reporting period (the effect of exclude right and exclude dividends is considered). The dilutive effect of the potential shares distributed to the employees will be taken into consideration when calculating the diluted EPS before the resolution concerning the number of shares to be delivered as bonus for employees is made in the shareholder meeting the following year.

29. Disposal of Subsidiary

Da-Guan Recreation Company passed the dissolution and liquidation at the temporary shareholders meeting on October 22, 2020, and FRG lost control of Da-Guan Recreation Company.

(1) Analysis of assets and liabilities for loss of control

	Oct. 22, 2020
Non-current assets	
Investment property	$ 1,232
Current liabilities	
Other payables	(6,318)
Net assets disposed of	$ (5,086)

(2) Gain on disposal of subsidiary

	2020
Fair value of remaining investments at the date of loss of control	$ —
Net assets disposed of	5,086
Non-controlling interests at the date of loss of control	(1,017)
Gain on disposal	$ 4,069

30. Capital Management

The enterprise life cycle of the Company belongs to "maturity period". However, in order to pursue business sustainable development, respond to the future market demands and consider the future capital expenditure budget of the Company as well as maintenance stable dividend allocation, on the whole, the Company applies a prudent risk management policy.

31. Financial instruments

(1) The types of financial instruments

	Dec. 31, 2021	Dec. 31, 2020
Financial assets		
Financial assets at fair value through profit or loss	$ 18,953	$ 72,280
Financial assets at fair value through other comprehensive income	4,813,752	3,442,575
Amortized cost		
Cash and cash equivalents	2,012,367	1,371,090
Trade receivables	145,815	246,283
Other financial assets	47,620	135,653
Refundable deposits	39,626	2,291
Total	$ 7,078,133	$ 5,270,172
Financial liabilities		
Amortized cost		
Short-term loans	$ 415,000	$ 350,000
Short-term bills payable	159,884	9,992
Trade payables	264,472	228,586
Guarantee deposits received	44,523	43,463
Total	$ 883,879	$ 631,041

(2) Fair values of financial instruments

A. Financial instruments not measured with the fair value

The financial assets and financial liabilities not measured by fair values of this company include cash and equivalent cash, accounts receivable, other financial assets, short-term loan, short-term bonds payable and accounts payable. The maturity dates of this kind of financial products are rather short that their book values should belong to a reasonable foundation of estimating fair values. The above financial products shall not include refundable deposits and deposit received either, because their repayment dates are uncertain; therefore, their fair values are evaluated by the book values in balance sheets.

B. Fair value measurement of recognitions in balance sheet

The following table provides related analysis of financial instruments measured by fair values after original recognition, and the observable levels of fair values are divided into the first to the third level.

a. The first-level fair value measurement refers to an open offer of the same asset or liability from an active market (without being adjusted).

b. The second-level fair value measurement refers to a derived fair value of an observable input value belong to the said asset or liability either directly (i.e., price) or indirectly (i.e., to be derived from price) in addition to a first-level open offer.

c. The third-level fair value measurement refers to a derived fair value of an input value of asset or liability not based on observable market data (non-observable input value) as the evaluation technique.

C. Concerning the financial instruments measured by fair values, the basic classification analysis of the Company in accordance with the nature, characteristics and risk as well as fair value level of asset and liability shall be as follows:

a. The financial asset and liability measured by fair value on repeatable foundation:

	Dec. 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Fund	$ 18,953	$ —	$ —	$ 18,953
Financial assets at fair value through other comprehensive income				
Stock of Listed (OTC) companies	$ 4,270,187	$ —	$ —	$ 4,270,187
Stock of emerging companies	—	14,893	—	14,893
Stock not classified to listed (OTC) and emerging companies	—	—	109,212	109,212
Financial bond	13,512	—	—	13,512
Stock of foreign companies	—	—	405,948	405,948
Total	$ 4,283,699	$ 14,893	$ 515,160	$ 4,813,752

	Dec. 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Fund	$ 72,280	$ —	$ —	$ 72,280
Financial assets at fair value through other comprehensive income				
Stock of Listed (OTC) companies	$ 2,855,344	$ —	$ —	$ 2,855,344
Stock of emerging companies	—	6,887	—	6,887
Stock not classified to listed (OTC) and emerging companies	—	—	92,112	92,112
Financial bond	64,461	—	—	64,461
Stock of foreign companies	—	—	423,771	423,771
Total	$ 2,919,805	$ 6,887	$ 515,883	$ 3,442,575

b. The financial asset and liability measured by fair value on non-repeatable foundation: none

D. The first-level fair value measurement item applies a market offer as the fair value input value, with breakdown as follows:

Item	Market quoted
Stock of Listed (OTC) companies	Close price
Fund and Financial bond	The net assets

E. The second-level fair value measurement item applies the observable input values of recent transaction price and offer data of GreTai Securities Market, to serve as the foundation of evaluating fair values.

F. There was no change between Level 1 and Level 2 fair value measurements in 2021 and 2020.

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

	2021	2020
Beginning balance	$ 515,883	$ 554,092
Purchases	—	1,846
Capital return due to disinvestment	(9,000)	(4,500)
Listed to other comprehensive income of this year	8,277	(35,555)
Ending balance	$ 515,160	$ 515,883

H. Level 3 fair value measurement is based on net asset values. The Company takes great caution in the selection of valuation models and valuation parameters for the key, non-observable values. Therefore, the measurement of fair values should be reasonable. The use of different valuation models or valuation parameters may result in different numbers. For example, If the evaluation parameter's share price net multiplier increases, the market liquidity discount decreases, and the weighted average capital cost discount rate decreases, the fair value of the investment will be increased.

(3) Objective of financial risk management

The financial risk management of the Company is to manage currency exchange rate risk, interest rate risk, credit risk and liquidity risk related to operation activities. In order to reduce related financial risks, the Company has devoted to identification, evaluation and avoiding uncertainty of market, to reduce any potential unfavorable impact of market changes on the corporate financial performance.

The important financial activities of the Company are specified by the board and in accordance with related specifications and double checked through an internal control system. During the execution period of financial planning, the Company shall scrupulously observe the related financial operation procedures concerning comprehensive financial risk management and division of authority and responsibility.

(4) Market risk

The Company mainly exposes to such market risks as changes in foreign currency exchange rate and changes in interest rate, etc.

A. Foreign currency exchange rate risk

The foreign currency exchange rate risk of the Company mainly comes from Cash and cash equivalents, accounts receivable, other payables priced by foreign currency exchange, Financial assets at fair value through profit or loss as fund, Financial assets at fair value through other comprehensive income as overseas company stock and financial bond, and foreign currency time deposit with maturity period above three months.

The information concerning foreign currency financial assets and liabilities under material impacts of foreign currency exchange rate fluctuation shall be as follows:

	Dec. 31, 2021			Dec. 31, 2020		
	foreign currency	Exchange rate	Amount	foreign currency	Exchange rate	Amount
Financial assets						
Monetary items						
USD	38,545	27.62	1,064,615	25,672	28.43	729,846
HKD	14,338	3.521	50,485	8,352	3.595	30,025
JPY	423,910	0.2385	101,103	210,548	0.2746	57,817
RMB	51,408	4.32	222,083	35,553	4.355	154,834
Non-monetary items						
USD	2,685	27.62	74,169	1,276	28.43	36,280
Financial liabilities						
Monetary items						
USD	123	27.72	3,410	113	28.53	3,221
HKD	1	3.581	4	4	3.655	13
JPY	147	0.2426	36	10	0.2787	3
RMB	32	4.37	142	315	4.405	1,389

The sensitivity analysis concerning foreign currency exchange rate risk is calculated mainly for the monetary items of foreign currency at the end of the financial reporting period. When the appreciation/ depreciation of NT Dollar vs. foreign currency reaches 1%, the pre-tax profit and loss of the Company from January 1 to December 31, 2021 and 2020 would separately increase/decrease by NT$14,347 thousand and NT$9,679 thousand, respectively.

Due to a large variety and volumes of foreign currency transactions, the Company discloses the exchange gains/losses for the summary of monetary items. The recognized foreign currency gain/loss (realized and unrealized) was NT$37,825 thousand for 2021 and NT$40,142 thousand for 2020.

B. Interest rate risk

The interest rate risk refers to the risk in fair values of non-derivative financial instruments cause by changes of market interest rate. The interest rate risk of the Company mainly comes from short-term loans and short-term bonds payable.

Concerning the sensitivity analysis of interest rate risk, it is calculated on basis of the fixed interest rate loan at the end of the financial reporting period, and it is assumed to be held for one year. In case the interest rate rises/drops 1%, the pre-tax profit and loss of the Company from January 1 to December 31, 2021 and 2020 would separately increase/ decrease by NT$5,749 thousand and NT$3,600 thousand, respectively.

C. Other price risks

The price risk of equity instruments of the Company mainly comes from the investment classified as Financial assets at fair value through other comprehensive income; and all major equity instrument investments may only be conducted after the approval of the board of the Company.

Concerning the sensitivity analysis of equity instrument price risks, it is calculated on basis of the changes in fair values at the end of the financial reporting period. In case the price equity instruments rises/drops 1%, the profit and loss of the Company from January 1 to December 31, 2021 and 2020 would separately increase/decrease by NT$48,002 thousand and NT$33,781 thousand, respectively.

(5) Credit risk management

The credit risk management refers to the opposing party of trade violates contract obligations and causes risks of financial loss to the Company. The credit risk of the Company comes mainly from the accounts receivable generated from operation activities, and bank deposits generated from investment activities and other financial instruments. Operation related credit risks and financial credit risks are under separate management.

A. Operation related credit risks

In order to maintain the quality of accounts receivable, the Company already establishes the procedures of operation related credit risks. The risk evaluation of an individual customer considers such numerous factors with potential impacts on customer payment abilities as the financial status of the said customer, internal credit ratings of the Company, historical trade record and current economic status, etc. The Company would also in due time uses certain credit enhancement tools, such as sales revenue received in advance and credit insurance, etc., to reduce credit risks of specific customers.

Up to December 31, 2021 and December 31, 2020, the accounts receivable balances of the top 10 major customers account for the accounts receivable balances of the Company respectively as 61% and 56%; the risk concentration risks of the rest accounts receivable are relatively not major.

B. Financial credit risk

The credit risks of bank deposit and other financial instruments are measured and supervised by the Finance Department of the Company. Since the trade parties of the Company are all domestic banks with commendable credit, there is no suspicion of major contract performance; therefore, there is no major credit risk.

(6) Liquidity risk management

The object of liquidity risk management of the Company is to maintain cash and equivalent cash required for operation, securities with high liquidity, and sufficient bank financing quota, etc., to ensure the Company to possess sufficient financial flexibility, operation fund sufficient to cope up with the financial liabilities with agreed repayment periods.

A. The liquidity of non-derivative financial assets and liabilities

	Dec. 31, 2021				
	Less than 1 year	2～3 years	4～5 years	Over 5 years	Total
Non-derivative financial liabilities					
Short-term borrowing	$ 415,000	$ —	$ —	$ —	$ 415,000
Short-term notes and bills payable	159,884	—	—	—	159,884
Trade payables	264,472	—	—	—	264,472
Lease liabilities	5,439	10,879	10,879	10,880	38,077
Guarantee deposits received	16,760	19,469	8,020	274	44,523
Total	$ 861,555	$ 30,348	$ 18,899	$ 11,154	$ 921,956

	Dec. 31, 2020				
	Less than 1 year	2～3 years	4～5 years	Over 5 years	Total
Non-derivative financial liabilities					
Short-term borrowing	$ 350,000	$ —	$ —	$ —	$ 350,000
Short-term notes and bills payable	9,992	—	—	—	9,992
Trade payables	228,586	—	—	—	228,586
Lease liabilities	5,440	10,879	10,879	16,319	43,517
Guarantee deposits received	26,274	9,005	6,230	1,954	43,463
Total	$ 620,292	$ 19,884	$ 17,109	$ 18,273	$ 675,558

B. Loan commitments

	Dec. 31, 2021	Dec. 31, 2020
Unsecured bank overdraft limit		
-Amount used	$ —	$ —
-Amount unused	90,000	90,000
	$ 90,000	$ 90,000

	Dec. 31, 2021	Dec. 31, 2020
Unsecured bank loan limit		
-Amount used	$ 575,000	$ 360,000
-Amount unused	2,370,000	2,580,000
	$ 2,945,000	$ 2,940,000
Secured bank loan limit		
-Amount used	$ —	$ —
-Amount unused	170,000	170,000
	$ 170,000	$ 170,000

32. Related party transaction

(1) Name and relation ship with related parties

Name of related parties	Relationship with the Company
Formosan Construction Corp. (Taiwan)	Investee company accounted for using the equity method
Eurogear Corporation	The Company's institutional director
Chen Hsi Investment CO, LTD	The president is the spouse of the general manager of the Company
Hung He Development CO, LTD	The president is the spouse (1st degree of kinship) of the Company's president
Ascend Gear International Inc.	The president is the spouse of the Company's president
FRG Charity Foundation	Its president is the same as president of the Company
HSU, ZHEN-TSAI	President of the Company
HSU, ZHEN-JI	The general manager of the Company
Hsu Mei-Zhi	2nd degree of kinship of the Company's president

(2) Major transaction with related parties

A. Operating revenue -Rental

	2021	2020
Other	$ 1,125	$ 1,126

	Dec. 31, 2021	Dec. 31, 2020
Guarantee deposits received	$ 274	$ 274

The related enterprise leases the office to the Company, and the lease content is determined by the agreement between the two parties, and the rent is collected monthly.

B. Lease agreement

Lease agreement signed by the Company with Formosan Construction Corp. (Taiwan), Eurogear Corporation, Chen Hsi Investment CO, LTD., Ltd. and Hung He Development CO, LTD in December 2018., with the lease period as of January 1, 2018 to December 31, 2028. The lease agreement is based on the Consumer Price Index (CPI) in the sixth, and it adjusts the rent according to the accumulated average CPI increase in the previous year. The Company does not have a preferential purchase right for the real property at the end of the lease term. The rent is the monthly payment.

lease liabilities	Dec. 31, 2021	Dec. 31, 2020
Formosan Construction Corp. (Taiwan)	$ 7,281	$ 8,277
Eurogear Corporation	6,982	7,937
Chen Hsi Investment CO, LTD	14,826	16,853
Hung He Development CO, LTD	7,585	8,621
Total	$ 36,674	$ 41,688

	Dec. 31, 2021	Dec. 31, 2020
Refundable deposits	$ 1,167	$ 1,167

	2021	2020
Interest expense	$ 426	$ 480
Depreciation expense	$ 5,155	$ 5,155

C. As of December 31, 2021 and 2020, the farmland of investment property held in the name of the major management of FRG amount to NT$109,204 thousand. Its ownership certificate is under custody of FRG, and its pledge is set to FRG for security purpose.

D. Sale of real estate

In 2021, the Company sales the real estate and parking space of the 55 TIMELESS Project in Taipei City to Ascend Gear International Inc., which is jointly developed and constructed with Continental Development Corporation. The total contract price (including tax) is NT$310,500 thousand. Base on the capital contribution ratio, the transaction price of the Company is NT$62,100 thousand and the disposition benefit is NT$12,794 thousand.

In 2020, the Company sales the real estate and parking space of the La Bella Vita Project in Taichung City to Hsu Mei-Zhi, which is jointly developed and constructed with Continental Development Corporation. The total contract price (including tax) is NT$37,200 thousand. Base on the capital contribution ratio, the transaction price of the Company is NT$10,137 thousand and the disposition benefit is NT$3,529 thousand.

E. Donation expense

	2021	2020
FRG Charity Foundation	$ 10,000	$ 10,000

(3) Reward to major management

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

	2021	2020
Short-term benefits	$ 56,001	$ 57,459
Retirement benefit	503	613
Total	$ 56,504	$ 58,072

33. Pledged assets

The following assets are already provided to serve for guarantee of financial industry loans, material purchase and international logistics business, with the book amounts as follows:

	Dec. 31, 2021	Dec. 31, 2020
Other financial assets	$ 20,000	$ 20,000
Property, plant and equipment	287,640	287,640
Investment property - house and land	186,501	190,148
Total	$ 494,141	$ 497,788

34. Material contingent liabilities and unrecognized contract promise: None

35. Important disaster loss: None

36. Important subsequent events: None

37. Additional disclosed items

(1) Information regarding the material transaction items

A. The status of lending capital to others:

The status of lending capital to others

No. (Note 1)	Financing company	Counterparty	Financial statement account	Related party	Maximum balance for the Period	Ending balance (Note 2)	Amount actually drawn	Interest rate	Nature for financing	Transaction amounts	Reason for financing	Allowance for bad debt	Collateral		Financing limits for each borrowing company (Note 3)	Financing company's total financing amount limits (Notes 3)
													Item	Value		
0	The Company	FRG US Corp.	Other receivables	Yes	$ 82,860 (US$ 3,000)	$ 82,860 (US$ 3,000)	$ 82,860 (US$ 3,000)	0.35%	Short-term financing	—	Replenish working capital (Purchase of real estate)	—	—	—	4,775,130	4,775,130

Note 1: The explanation for the number column is as follows:

(1) Put “0” for the company.

(2) Put the serial No. starting from 1 for the investees by company category.

Note 2: The ending balance was approved by the Board of Directors.

Note 3: According to the Operation procedures of lending capital to others, the Company’s lending capital total amount should be no more than 40% of this Company’s net value, and its lending capital amount to an individual enterprise should be no more than 40% of the Company’s net value.

Note 4：US$1＝NT$27.62

B. The status of endorsement and guarantee for others:

No. (note 1)	Company name of the endorsement / guarantee provider	Recipient of the endorsement/ guarantee		Endorsement / guarantee quota for a individual enterprise (note 3)	Max. balance of the endorsement/ guarantee this period	Ending balance of the endorsement/ guarantee	Actual drawing amount	The endorsement / guarantee amount guaranteed by properties	Percentage of accumulated endorsement / guarantee amount in net value of the latest financial statements	Max. limit of the endorsement / guarantee (note 3)	Endorsement / guarantee from parent company to subsidiary	Endorsement / guarantee from subsidiary to parent company	Endorsement / guarantee to Mainland China
		Company name	Relation										
0	The Company	950 Property LLC	Note 2	$ 1,790,674	$ 744,612 (USD26,054)	$ 722,206 (USD26,054)	$ 469,578 (USD16,940)	—	6.05%	$ 3,581,348	—	—	—

Note 1: The explanation for the number column is as follows:

(1) Put “0” for the company.

(2) Put the serial No. starting from 1 for the investees by company category.

Note 2: The relationships between endorsement/ guarantee provider and recipient: A company that is endorsed by each of the contributing shareholders in accordance with their shareholding ratio because of the joint investment relationship.

Note 3: According to the Operating procedures of endorsement and guarantee for others, the Company’s endorsement/ guarantee total amount should be no more than 30% of this company’s net value, and its endorsement/ guarantee amount to an individual enterprise should be no more than 15% of the Company’s net value.

Note 4：US$1＝NT$27.72

C. The status of securities held at the end of the period

Name of this Company	Type and name of securities	Relation with securities issuer	Item listed on book	The end of the period				Remarks
				Share / unit numbers	Book value	Ratio of share holding %	Fair value	
	Fund							
FRG	Allianz Global Investors Preferred Securities and Income Fund		Financial assets at fair value through profit or loss - current	997,009	$ 9,950	—	$ 9,950	
	NN(L) US Credit X Cap USD		〃	202	9,003	—	9,003	
	Stock							
	Taiwan Cement Corporation		Financial assets at fair value through other comprehensive income - current	1,240,000	59,520	0.02	59,520	
	Formosa Plastics Corporation		〃	583,000	60,632	0.01	60,632	
	Nan Ya Plastics Corporation		〃	3,847,900	328,611	0.05	328,611	Note
	Formosa Chemicals & Fibre Corporation		〃	4,599,170	371,613	0.08	371,613	Note
	Far Eastern New Century Corporation		〃	4,101,761	120,181	0.08	120,181	
	ASUSTeK Computer Inc.		〃	760,000	285,760	0.10	285,760	
	Huaku Development Co., Ltd.		〃	3,552,000	324,653	1.28	324,653	
	E. SUN Financial Holding Co., Ltd.		〃	1,730,057	48,528	0.01	48,528	
	Shin Kong Financial Holding Co., Ltd.		〃	2,000,000	22,100	0.01	22,100	
	Shin Kong Financial Holding Co., Ltd. -Preferred Shares B		〃	666,000	28,538	0.01	28,538	
	SinoPac Financial Holdings Company Limited		〃	35,969,700	580,911	0.32	580,911	
	Far Eastern Group		〃	5,656,447	121,331	0.40	121,331	Note
	WPG Holdings		〃	1,916,600	100,813	0.10	100,813	Note
	Continental Holdings Corp. (CHC)		〃	4,269,000	107,365	0.52	107,365	Note
	Far Eas Tone Telecommunications Co., Ltd.		〃	2,210,000	142,766	0.07	142,766	Note
	Pegatron Corporation		〃	1,894,000	130,875	0.07	130,875	
	Farglory Land Development Co., Ltd.		〃	3,552,000	219,514	0.45	219,514	
	Chong Hong Construction Co., Ltd.		〃	2,593,000	189,289	0.89	189,289	
	Grand Fortune Securities Co., Ltd.		〃	728,293	16,678	0.24	16,678	
	Formosa Petrochemical Corp.		〃	1,678,000	160,920	0.02	160,920	Note
	Shine More Technology Materials Corporation., Ltd.		〃	579,125	3,967	1.22	3,967	

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

Name of this Company	Type and name of securities	Relation with securities issuer	Item listed on book	The end of the period				Remarks
				Share / unit numbers	Book value	Ratio of share holding %	Fair value	
FRG	Citigroup Inc.		Financial assets at fair value through other comprehensive income - current	1,000	1,668	—	1,668	
	Ford Motor Company		〃	1,000	574	—	574	
	Brightek Optoelectronic Co., Ltd.		Financial assets at fair value through other comprehensive income – non-current	267,241	14,893	0.39	14,893	
	Formosan Chemical Industrial Co.		〃	22,516	14,991	2.25	14,991	
	Formosan Glass & Chemical Industrial Co.		〃	9,795	3,379	5.02	3,379	
	Tai Yang Co., Ltd.		〃	111,395	7,014	1.24	7,014	
	Formosan Rubber Group Inc. (Ningpo)	Chairman of Formosan Rubber Group Inc. (Ningpo) is the brother to Chairman of Formosan Rubber Group Inc.	〃	—	34,088	12.86	34,088	
	Eslite Corporation			1,604,379	14,397	1.65	14,397	
	Yu Chi Venture Investment Co., Ltd.			1,350,000	19,143	10.00	19,143	
	Tashee Golf & Country Club -preferred stock		〃	1	16,200	—	16,200	
	<u>Corporate Bond</u>							
	Dialine Compamy		Financial assets at fair value through other comprehensive income - current	480,000	13,512	—	13,512	

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

Name of this Company	Type and name of securities	Relation with securities issuer	Item listed on book	The end of the period				Remarks
				Share / unit numbers	Book value	Ratio of share holding %	Fair value	
Ban Chien Development Co., Ltd.	Stock							
	SinoPac Financial Holdings Company Limited		Financial assets at fair value through other comprehensive income - current	42,062,322	679,307	0.37	679,307	
	Chong Hong Construction Co., Ltd.		〃	904,000	65,992	0.31	65,992	
	Taiwan Cement Corporation		〃	720,006	34,560	0.01	34,560	
	MiTAC Holdings Corporation		〃	224,000	7,885	0.02	7,885	
	Farglory Land Development Co., Ltd.		〃	380,000	23,484	0.05	23,484	
	Yuanta Financial Holding Co., Ltd.		〃	208,000	5,262	—	5,262	
	Wistron Corporation		〃	70,000	2,041	—	2,041	
	Yuanta Taiwan Dividend Plus ETF		〃	740,000	24,849	—	24,849	
FRG US Corp.	Stock							
	TRIMOSA HOLDINGS LLC		Financial assets at fair value through other comprehensive income - non-current	—	405,948	14.67	405,948	

D. The same securities in which the accumulated amount of buying or selling reached NT$300 million or was more than 20% of the paid-up capital: None

E. The amount acquiring real estate which reached NT$300 million or was over 20% of the paid-up capital: None

F. The amount disposing property which reached NT$300 million or was over 20% of the paid-up capital: None

G. The amount of purchases or sales from or to related parties which reached NT$100 million or was over 20% of the paid-up capital: None

H. The amount of related party receivables which reached NT$100 million or was more than 20% of the paid-up capital: None

I. Information regarding transactions of derivative financial products: None

(2) Related information to re-investment businesses

Investing company	Investee	Area	Business items	Original investment amount		Holding at the end of the period			Investee's profit (loss) of current period	Investment profit (loss) recognized current period	Remarks
				End of period for current period	End for last year	Share	Ratio (%)	Book value			
The Company	Ban Chien Development Co., Ltd.	Taiwan	Consign a contractor to build residential and commercial building for lease and sale	$ 560,000	$ 560,000	56,000,000	100.00	$ 854,763	$ 32,809	$ 32,809	Subsidiary
	FRG US Corp.	U.S.A.	Real estate investment, development and rental and sales of premises.	461,349	461,349	7,526,000	100.00	406,322	(445)	(445)	Subsidiary
	KINGSHALE INDUSTRIAL LIMITED	Hong Kong	Investment	34	34	9,999	99.99	—	—	—	Subsidiary
	Formosan Construction Corp. (Taiwan)	Taiwan	Consign a contractor to build commercial building and public housing for lease and sale	75,979	75,979	7,597,927	26.20	61,540	21,646	5,935	
	Fenghe Development Co., Ltd.	Taiwan	Consign a contractor to build residential and commercial building for lease and sale	59,850	59,850	3,990,000	39.90	32,570	2,292	915	
	Rueifu Development Co., Ltd.	Taiwan	International trade, investment consultancy, office building for lease and building/land brokerage.	483	483	48,260	48.26	8,465	475	229	

(3) Information of the investment in China: None

(4) Information on major shareholders

Shareholding / Name of major shareholder	Number of shares	Percentage of ownership
Ruifu Construction Co., Ltd.	34,070,754	9.95％
Chen Hsi Investment CO, LTD	17,387,989	5.07％
Ascend Gear International Inc.	17,315,047	5.05%

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

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

38. Department information

(1) Operating department

A. The operation departments required to be reported include Rubber, Construction and Warehousing Departments; Rubber Department engages in manufacture & sale of such products as rubber sheets, plastic sheets, plastic foam sheets and PVC resin sheets, etc.; Construction Department engages in constructing residential & commercial buildings for lease & sale; Warehousing Department engages in management of logistics storage.

B. The department profit and loss refer to the profit earned by each department, excluding director/supervisor remuneration and investment profit & loss recognized by equity method. These measurement amounts shall be provided to the major operation decision makers, to be sued to distribute resources to departments and evaluate their performance. Besides, there is no major discrepancy between the accounting policies used by Operation Department and the summary description of important accounting policies described in Note 4.

(2) Departments income and operating result

	2021					
	Rubber	Construction	Warehousing	Other	Adjustment and write-off	Total
Revenue from external customers	$ 913,617	$ 1,637,012	$ 226,884	$ 17,371	$ —	$ 2,794,884
Revenue from inter-departments	$ —	$ —	$ 60	$ —	$ (60)	$ —
Profit (loss) of departments	$ 110,508	$ 558,221	$ 100,338	$ 3,393	$ —	$ 772,460
Unclassified profit (loss)						(145,218)
Non-operating income and expenses						196,109
Profit before income tax						$ 823,351
Income tax (expense) profit						$ (45,395)

	2020					
	Rubber	Construction	Warehousing	Other	Adjustment and write-off	Total
Revenue from external customers	$ 846,049	$ 2,206,748	$ 215,968	$ 13,490	$ —	$ 3,282,255
Revenue from inter-departments	$ —	$ —	$ 60	$ —	$ (60)	$ —
Profit (loss) of departments	$ 76,857	$ 776,686	$ 91,969	$ 10,767	$ —	$ 956,279
Unclassified profit (loss)						(145,717)
Non-operating income and expenses						119,572
Profit before income tax						$ 930,134
Income tax (expense) profit						$ (28,418)

(3) Regional information:

	Revenue from external customers		Non-current assets	
Region	2021	2020	2021	2020
Asia	$ 2,565,159	$ 3,056,339	$ 3,608,884	$ 3,707,292
Europe	155,361	136,752	—	—
United States-Canada	68,012	87,534	—	—
Other region	6,352	1,630	—	—
Total	$ 2,794,884	$ 3,282,255	$ 3,608,884	$ 3,707,292

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

(4) Products information

Products	2021	2020
Rubber	$ 912,233	$ 844,836
Real property	1,637,012	2,206,748
Other	245,639	230,671
Total	$ 2,794,884	$ 3,282,255

(5) Important customer information: The customers whose net incomes accounting for more than 10% of the income in the Rubber Department of 2021 and 2020 are as follows:

Rubber Enterprise Dept.					
2021			2020		
Customer	Amount	Proportion to operating income	Customer	Amount	Proportion to operating income
Customer A	107,906	12%	Customer C	$ 100,868	12%
Customer B	94,119	10%	Customer B	91,442	11%