

Ticker symbol: 2107



# Formosan Rubber Group Inc.

## 2021 Shareholders Regular Meeting

# Agenda Handbook

**Date:** June 11, 2021

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

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

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# **Meeting Procedure**

1. Call the Meeting to Order
2. Chairperson Remarks
3. Management Presentation
4. Recognitions
5. Discussions
6. Extraordinary Motions
7. Adjournment

# Meeting Agenda

**Time:** June 11, 2021 (Friday) 9:30a.m

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

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

## **2. Chairperson Remarks**

## **3. Management Presentation**

- (1) The Company's 2020 Business Report.
- (2) The Company's 2020 Audit Committee's Review Report.
- (3) Report of 2020 Remuneration Report for the Company's Employees and Directors.
- (4) The Company's Inventories.
- (5) The Company's Endorsements/Guarantees
- (6) The Company's Land Development

## **4. Recognitions**

- (1) Motion of the Company's 2020 Business Report and Financial Statements.
- (2) Motion of the Company's 2020 Earnings Distribution

## **5. Discussions**

- (1) Motion of amendments to part of the provisions of the Company's "Regulations Governing Election of Directors".
- (2) Amendments to part of the provisions of the Company's "Rules of Procedure for Shareholders Meetings".
- (3) Motion of amendments of part of the Company's "Operational Procedures for Acquisition or Disposal of Assets" has been approved.

## **6. Extraordinary Motions**

## **7. Adjournment**

# Management Presentation

1. The Company's 2020 Business Report. Please review.

Description: For the 2020 Business Report, please see details in Attachment 1 (of the Rules of Procedure for Shareholders Meetings, page xx o page xx).

2. The Company's 2020 Audit Committee's Review Report.

Description: For Review Report of the Audit Committee, please see details in Attachment 2 (of the Rules of Procedure for Shareholders Meetings, page xx o page xx).

3. 2020 Remuneration Report for the Company's Employees and Directors. Please review.

Description:

- (I) According to the provisions stipulated in the Company's Article of Incorporation: "If there is a profit within the Company in the year, no less than 1% of the profit shall be set aside for employees' remuneration and no less than 2% of the profit shall be set as remuneration for directors and supervisors. Where there is an accumulated loss, the profit shall be reserved to make up for the loss.
- (II) The profit before tax and remunerations of employees and directors is NTD 930,084,879 for 2020. It is resolved to distribute employees remuneration for NTD 9,491,000 ( $\cong$  1%), and directors remuneration for NTD 9,491,000 ( $\cong$  1%), both in cash. .

4. The Company's Inventories

Description:

## Repurchase of Shares

April, 2021

Repurchase period	24th time (period)
Repurchase purpose	To maintain the Company's credit and the right and interest of our shareholders
Buyback period:	March 23, 2020 to May 22, 2020
Repurchase range price	NT\$13 - NT\$18
Class and number of shares already repurchased	Common shares 7,674,000 shares
Amount of repurchased shares	129,617,839
Number of shares cancelled or transferred	7,674,000 shares
Accumulated number of shares held by the Company	0
Ratio of the accumulated number of shares held by the Company to the total number of issued shares (%)	0
Date of the cancellation completion and document number	June 22, 2020 Taiwan-Finance-Securities- 10901105320

## 5. The Company's Endorsements/Guarantees.

Description: (1) The aggregate endorsements/guarantees amount made by the Company shall be limited to 30% of the net worth of the Corporation. The amount of endorsement/guarantee for any single entity shall not exceed 15% of the net worth of the Company.

(2) The aggregate endorsements/guarantees amount made by the Company is NT\$3,354,678 thousand and the amount of endorsements/guarantees amount made amounted to NT\$1,677,339 thousand.

(3) As of December 31, 2020, endorsements/guarantees made by the Company amounted to NT\$341,440 thousand.

(Endorsement/guarantee entity: 950 Property LLC)

## 6. The Company's Land Development

Description: With the successful projects including "World Garden - Qiao-Feng" and "Qian-Yue", we are highly confident in the development and business in the real property market. After being resolved by our board of directors, we have been proactively acquiring on potential development projects. In 2012, we have acquired the prime land of the Xinyi Planning District and also teamed up with DSG Technology Ltd. (now KINGLAND Property Corporation Ltd.) in introducing the project of "Legend River" located in Xindian at the end of the same year. At the end of 2013, we began letting at Qiao-Feng Business Plaza and in 2014, the land for Taichung Phase 7 was acquired. In 2016, we cooperated with the mainland China construction company and introduced the projects of "55Timeless" in Taipei Xinyi Planning District, and "La Bella Vita" in Taichung Phase 7. In 2017, we have participated in the investment and construction of the San Francisco residential and hotel development. For the Company's projects currently in process, please see below:

### (I) Completed projects

"World Garden - Qiao-Feng", "Qian-Yue", "Legend River", "55Timeless", and "La Bella Vita" have been triumphantly completed. In the pre-sale, the Company especially kept a few of the 'elite' apartments for sale for after handing over the apartments. By presenting the high quality works, its value can be wholeheartedly felt by our customers.

There were only a few residential apartments remaining at "Qiao-Feng" and "Qian-Yue". By judging the real estate market, we entrusted the sales of the residential apartments and took steps gradually, allowing steady sales, and we have now sold out all the residential apartments.

For "Legend River", with the opening of the MRT Circular Line soon and the development of the Yangbei Replanning Area, the market has gradually recovered and the selling rate has stabilized.

For "55Timeless," with the building of high specifications and the public facilities of an art gallery, it has become one of the international-grade landmarks for luxury residential apartments. Its exceptional construction quality has been widely favored by our customers. Under the impact of the US-China trade war, we have seen a situation where funds have gradually returned to Taiwan. The sales for high price with large space residential apartments have increased compared to the previous year. With the Company's flexible use of strategies,

the apartments continued selling.

“La Bella Vita” has completed the delivery to customers who bought during the pre-sale period in 2020. The real estate market of the 7th Phase, Taichung City is very active, and thus the selling prices are stabilized. The major selling point of “La Bella Vita” is planned to be the real model house designed for “La Bella Vita” specifically by the architecture Antonio Citterio and renowned cabinet brand, to increase the sales synergy with cross-industry alliance.

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

Our subsidiary (FRG US Corp.) established in the US in 2017 participates in the construction investments; The subsidiary’s investment in the project is approximately 11.23%. The entire plan for the project consists of 242 luxury residential apartments, 10 retail stores, and a trendy hotel with 236 rooms. The completion is expected in Q3, 2021.

## **(III) FRG Bridge Upto Zenith Business Plaza**

FRG Qiao Feng Business Plaza is located on the first and second floors of No. 168-180, Section 1, Zhongshan Road, Banqiao, covering an area of 1,882 pings (6221 square meters). The first floor of the business plaza has been leased to E.SUN Commercial Bank; the second floor has been leased to Nan Shan Life Insurance Co., Ltd. and SinoPac Securities Corporation; the second floor of the business plaza at building B has been leased to the infant care center, Bell’s Home. The occupancy rate is 100%. FRG Qiao Feng Business Plaza has become an exquisite business center of Banqiao.

## Recognitions

Motion 1 (proposed by the board of directors)

Motion: The Company’s 2020 business report and financial statements.

Description: The Company’s 2020 financial statements (standalone financial report and consolidated financial submitted by the board of directors have been audited by CPAs Zhou Yin-Lai and Wu Xin-Liang of Baker Tilly. The business report has also been reviewed by the Audit Committee and the review report has been submitted. For more details, please see Attachment 1 and Attachments 3-4 (please refer to the Rules of Procedure for Shareholders Meetings page xx o page xx).

Resolution:

Motion 2 (proposed by the board of directors)

Motion: The Company’s 2020 earnings distribution



- (1) Description: (1)The Company's 2020 pre-tax income amounted to NT\$930,084,879, deducting the income tax of NT\$28,368,833 - the net income totaled NT\$901,716,046.
- (2) The net income after tax for the year is NT\$901,716,046. Per Article 29 and related laws and regulation, 10% is appropriated as the legal reserve, for NT\$86,172,622; the remaining balance with the accumulated undistributed earnings from previous years, the Board of Directors proposed the earnings distributions where the shareholders' bonus shall be no less than 5% of the accumulated distributable earnings, to the AGM for resolving the distribution of shareholders' bonus. The proposal is to distribute NT\$1.5 per share, and thus the cash dividends shall be distributed as NT\$513,489,000. Afterwards, the accumulated undistributed earnings totaled NT\$4,760,188,959.
- (3) The calculation method is the resultant amount rounded down to the new Taiwan Dollar and if the number is less than 1 dollar, it is adjusted from the decimal number from largest to smallest; the account number is adjusted from front to back in order to meet the total cash dividend distribution.
- (4) After gaining approval from the shareholders meeting for the motion of cash dividend distribution, the Chairperson shall be authorized to set the ex-dividend record date prior to the distribution.
- (5) After that, if the shares outstanding are affected due to the Company's repurchase of shares or other reasons which result in a change of shares held by shareholders, it is proposed that the Chairperson will be authorized to fully handle the matter.
- (6) Earnings Distribution Table has been attached, please see Attachment 5 for more details (please refer to the Rules of Procedure for Shareholders Meetings page xx).

Resolution:

# Discussions

## **Motion 1** **(proposed by the board of directors)**

**Motion: Amendments to part of the provisions of the Company’s “Regulations Governing Election of Directors”. Please proceed and discuss.**

Description:

- (1) Part of the provisions of the Company’s “Regulations Governing Election of Directors” has been amended according to Taiwan Stock Exchange (TWSE) Order No. Tai-Zheng-Zi 1090009468 issued on June 3, 2020.
- (2) For the comparison table of the Company’s “Regulations Governing Election of Directors” before and after amendments, please refer to Attachment 7 (Please refer to Page X to Y of the Agenda Handbook)

Resolution:

## **Motion 2** **(proposed by the board of directors)**

**Motion: Amendments to part of the provisions of the Company’s “Rules of Procedure for Shareholders Meetings”. Please proceed and discuss.**

Description:

- (1) Part of the provisions of the Company’s “Rules of Procedure for Shareholders Meetings” has been amended according to Taiwan Stock Exchange (TWSE) Order No. Tai-Zheng-Zi 1090009468 issued on June 3, 2020, and No. Tai-Zheng-Zi 1100001446, dated January 28, 2021.
- (2) For the comparison table of the Company’s “Rules of Procedure for Shareholders Meetings” before and after the amendments, please refer to Attachment 7 (of the “Rules of Procedure for Shareholders Meetings” page to page ).

Resolution:

## **Motion 3** **(proposed by the board of directors)**

**Motion: Motion of amendments of part of the Company’s “Operational Procedures for Acquisition or Disposal of Assets,” please discuss.**

Description:

- (1) For the better operation in the future, part of current the Company’s “Operational Procedures for Acquisition or Disposal of Assets” are amended.
- (2) For the comparison table of the Company’s “Operational Procedures for Acquisition or Disposal of Assets” before and after the amendments, please refer to Attachment 8 (Agenda Handbook page to page ).

Resolution:

# **Extraordinary Motions**

## **Adjournment**

## Attachment 1

### Formosan Rubber Group Inc. The 2020 Business Report

Dear Shareholders,

In 2020, the COVID-19 pandemic spread across the world. Countries around the world have adopted lockdowns or border controls, which not only crushed the economic growth each country, but also impacted global trade. The world is still in the worst economic recession. However, upon the completion, the “La Bella Vita” project in Taichung has been delivered and the incomes have been accounted; and other projects, including “55times” have been selling continuously. Therefore the operating revenue, operating margin, and profit or loss before of 2020 are able to outperformed for our shareholders.

Looking forward to 2021, the significant process of the COVID-19 vaccines have fuel the expectation of the global economic recovery. As the Company continuously sells the construction projects, we take cautiously steady view to the business outlook for 2021.

Meanwhile, the Company will continue to enforce expanding business scopes as follows: 1. Rubber manufacturing: through the investment and upgrade of equipment to improve the functions of products, while continuously developing new products and innovating the new market applications; 2. Warehousing: proactively developing the policy of “business expansion and professional services” by constantly seeking new customers in order to bring different types of businesses into the Park, increasing operating performance; 3. Construction and development: flexibly operating various strategies to sell the completed construction project steadily, and suitable individual projects and land with potential profits will be sought out for development actively.

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

#### One. 2020 Consolidated Business Results

##### I. Performance of business plan implementation

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

Unit: thousand

Item	2020	2019	Increase and decrease amount	Increase and decrease %
Operating income	3,282,255	2,701,777	580,478	21.49%
Operating margin	1,062,287	661,688	400,599	60.54%
Pre-Tax Income	930,134	552,687	377,447	68.29%

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

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

(III) Xindian “Legend River”

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

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

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

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

The use permit was obtained upon completion in January 2020. The handover to the customers bought in the pre-sale stage has been completed. The real estate market of the 7th Phase, Taichung City is very active, and thus the selling prices are stabilized. The major selling point of “La Bella Vita” is planned to be the real model house designed for “La Bella Vita” specifically by the architecture Antonio Citterio and renowned cabinet brand, to increase the sales synergy with cross-industry alliance.

(VI) FRG Bridge Upto Zenith Business Plaza

FRG Qiao Feng Business Plaza is located on the first and second floors of No. 168-180, Section 1, Zhongshan Road, Banqiao, covering an area of 1,882 pings (6221 square meters). The first floor of the business plaza has been leased to E.SUN Commercial Bank; the second floor has been leased to Nan Shan Life Insurance Co., Ltd. and SinoPac Securities Corporation; the second floor of the business plaza at building B has been leased to the infant care center, Bell’s Home. The occupancy rate is 100%. FRG Qiao Feng Business Plaza has become an exquisite business center of Banqiao.

(VII) San Francisco and Hotel Development Project

Our subsidiary (FRG US Corp.) established in the US in 2017 participates in the construction investments; The subsidiary’s investment in the project is approximately 11.23% The entire plan for the project consists of 242 luxury residential apartments, 10 retail stores, and a trendy hotel with 236 rooms. The completion is expected in Q3, 2021.

**II. Budget Execution:**Based on the norms stipulated in the “Regulations Governing the Publication of Financial Forecasts of Public Companies”, the Company does not need to prepare financial forecast for 2020.

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

Consolidated financial income and expenditure

Unit: NT\$ thousand

Year	2020	2019
Item		
Net cash inflow (outflow) from operating activities	2,073,605	1,783,085
Net cash inflow (outflow) from investments	(345,338)	132,000
Net cash inflow (outflow) from financing activities	(1,313,393)	(1,764,554)

Analysis Table of Consolidated Profitability

Year	2020	2019
Item		
Return on Asset (%)	7.20	4.09
Return on Equity (%)	8.20	5.09
Pre-Tax Income to Paid-In Capital (%)	27.17	15.79
Profit Margin (%)	27.47	19.95
EPS after tax	NT\$2.62	NT\$1.54

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

1. Based on the Company's business philosophy "research makes the difference" at its establishment in 1980, we have continued to strive for search and innovation. The R&D results of 2020 are as follows:

(1) In 2020, we have successfully acquired 2 patents:

[1]	ROC Patent for Flame Retardant Fabric and its Manufacturing Method
[2]	ROC Patent for Rubber Tarpaulin and their Preparing Method

(2) There are another 12 patent applications pending.

2. For the Nankan Leasing and Logistics Center, as the COVID-19 pandemic has caused the shutdown or lockdown in many countries or cities, and thus the operation of international logistics supply chains has been impacted severely, as the response, FRG International Logistics continues to implement safety control in the park, and provides customers with continuous service without interruption. The corresponding solution this year: as the longer the impact of the pandemic is, the bigger the impact on the industrial supply chain. This wave will push the electronic semiconductors to a positive direction. It seeks to adjust the types of industry in the park, expand new logistics customers, and focus on recruiting the electronic semiconductor industry. We also plan to cultivate elites, hoping to set an example for integration of providing services including professional rental and leasing, and logistics.

## II. 2021 Business Plan Overview

### I. 2021 Management Policy

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

"Innovation": Applying the advantages of equipment and manufacturing process, leveraging the characteristics of raw materials, improving product specifications and physical properties, to lead the market and create a win-win situation.

"International": The distributors have been established widely, strengthening cooperation and development with brand customers in Europe, Americas, and Japan, while expanding the business scale in the Greater China and Southeast Asian markets.

"Service": Through technical services of professional teams, and quickly responding to fulfill customers' needs, we hope to be the most profitable company to our customers.

2. The leasing business will adjust the types of industries in the park, and actively introduce electronic semiconductor related industrial chains to enter the park this year, and developing new customers. In the future, the leasing business will be integrated with logistics services, providing customers with a one-stop service model, and improving the

operation mode through logistics system upgrades and the addition of automated equipment, so that customers feel the increase in efficiency. Upgrade personnel from repetitive tasks to managing customers and problem-solving talents, to secure the future talents. Meanwhile, the experience is extended to Longtan, and the creation of Nankan Logistics Park and Longtan Intelligent Park will become the best representative for the professional leasing and logistics integration service.

3. Real estate development and individual projects:

- (1) The account for “Modesty Home” has been included when the project completed in 2014; we have an ‘elite’ apartment for sale.
- (2) The reserved apartments of “Bridge Upto Zenith A<sup>+</sup>” are entrusted to gradually sell according to the market reaction in order to stabilize the selling rate with reasonable price.
- (3) The development of Xindian “Legend River” is located near the MRT Circular Line and the Yangbei Replanning Area have made the market together, and with the market gradually recovered, the sales have been stable.
- (4) The “55Timeless” in Xinyi Planning District, Taipei City continued to be featured with the outstanding construction quality and technologies in the advertisement campaign, and the international grade interior designer is retained to customize the real model apartment for this project, to providing a reference to the high-asset customers for buying properties. Seeking target customers with flexible operation of sales strategies.
- (5) The development of Taichung “La Bella Vita” was completed on January 7, 2020. A series of matters in relation to handing over the apartment to customers who have purchased the apartment in the pre-sale have been completed, followed by the sales of the completed apartment. The feature of the marketing campaign this year, is the real model apartment designed by Antonio Citterio and a renowned cabinet brand.
- (6) The development of the San Francisco residential apartments and hotel have begun its construction in 2018 which is estimated to complete in 2021 Q3. Residential products are already on sale in Taiwan, while in San Francisco, due to the local pandemic and real estate market conditions, the residential sales and hotel openings are planned to be commenced at the appropriate timing.

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

1. According to the long-term statistics of Germany, the total market of the global rubber and plastic demands will maintain its slow growth each year. Of which, the life-saving industry, medical industry, and environmental protection will outperform, and the first two are precisely within the Company’s technical strengths. Affected by the COVID-19 pandemic in 2020, the mobility of people in various countries was restricted, resulting in a severe shutdown of economic activities. However, as the rollout of vaccines mitigates the pandemic, and relief policies have worked, all economies are showing signs of recovery. However, in order to revitalize the economy, countries all over the world are expanding fiscal expenditures, causing the fiscal deficit to rise sharply. In the next few



years, the deleverage task faced by governments will be more challenging than ever. In case a sovereign debt crisis breaks out, it may quickly spread to other economies, and plunges the global economy into another larger debt crisis. In addition, the Sino-US trade dispute has not yet ended. The International Monetary Fund (IMF) believes that the Sino-US trade dispute will bring significant uncertainty to the global economy and hinder investment, severely hurt the trend of business and financial markets, and disrupt the global supply chain. Combining the above unfavorable elements, in 2021, we will do our utmost to surpass the Company's total target sales of rubber and plastic synthetic leather of 10,089 thousand yards which was reached in 2020.

2. Nankan warehousing, logistics and property management: FRG International Logistics has been established for more than 20 years. It has built a logistics park of more than 40,000 pings in Nankan. The park consists of six buildings. The business model is mainly logistics center and warehouse leasing business. The tenants of the park mainly are electronic distributors, publishing industry, boutique industry, apparel industry and e-commerce operators. In the park, warehousing leasing, packaging and tally, customs declaration and transportation, and bonded warehouse operations are provided. Up to now the occupancy of the park has been more than 90%, and most of the tenants are internationally well-known customers. FRG International Logistics has maintained good interaction with customers, and more than 70% of them have been our partners for more than five years. In the future, the leasing business and logistics services will be integrated, to provide customers with a one-stop service model, while actively upgrading logistics to innovative logistics. This year, through the upgrade of logistics systems and the addition of automated equipment, we will upgrade personnel from repetitive tasks to managing customers and problem-solving talents, to secure the future talents. And by improving the operation mode through system integration and investment in automation equipment, customers will feel that the efficiency is improved. In the future, we will continue to refine strategies such as customized services and expansion of the business types, hoping to make it a benchmark for the logistics leasing industry. The income generated from the warehouse rent and logistics in 2020 is estimated to increase slightly compared to 2019 by 1% to 2%.
3. The sales of the remaining reserved apartments: - The available completed apartments of “55Timeless and “La Bella Vita” are gradually being sold. Reserved units in “Bridge Upto Zenith,” “Modesty Home,” and “Legend River” are continuously sold.
4. Banqiao Qian-Feng Business Plaza: The first and second floors consist of 1,882 pings (6221 square meters). The occupancy rate of 2020 was to 100%. In the future we will continue to enforce customer services and plaza management, creating a new image of exquisite business center in Banqiao District.

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

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

“international” and “service”.

"Innovation": Applying the advantages of equipment and manufacturing process, leveraging the characteristics of raw materials, improving product specifications and physical properties, to lead the market and create a win-win situation.

"International": The distributors have been established widely, strengthening cooperation and development with brand customers in Europe, Americas, and Japan, while expanding the business scale in the Greater China and Southeast Asian markets.

“Service”: Through technical services of professional teams, and quickly responding to fulfill customers’ needs, we hope to be the most profitable company to our customers.

2. In response to the plant expansion of semiconductor manufacturers in Taiwan, both upstream and downstream companies will increase their volumes and capacities. The demand for warehouses has grown in response to the growth of electronic semiconductors. To cope with this trend, firstly the . First, the space released from the termination of publishing company’s lease, will be applied for the expansion of the logistic space to 2,000 pints to actively introduce players in the electronic semiconductor-related industry chain; on the other hand, the business formats will be diversified, and the number of customers will be increased, making Nankan Logistics the first choice for the electronics-related industries. Taoyuan Longtan Park is the positioning focus of the next stage. The logistics plants will be customized, to continuously upgrade the one-stop service for early deployment. As it meets the expectations of customers, the cooperation relationship will be gradually deepened, and we will become a high-quality vendor in the eyes of customers, as well as the excellent representative of smart park.

3. We acquired the prime land of the Xinyi Planning District in 2012, and in 2016, we cooperated with the mainland China construction company and introduced the projects of “55Timeless”; in the end of 2012, we cooperated with KINGLAND Property Corporation Ltd. and introduced the projects of “Legend River”, and in 2015, we acquired the land in Taichung for the projects of “La Bella Vita” which began its sales in 2016. We have truly excelled in our our expectations, allowing significant improvement in both profit or brand image.

### **III. The Company’s Future Development Strategy**

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

A. By signing annual sales contracts with major customers - ensuring stable performance of 60% or more.

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

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

New customers have been developed continuously for the Nankan leasing service business. The customer service demands have developed from the leasing relationship to acquisition of the partnership by winning customers' trust via assistance to customers of analysis and advices. To continue and extend the partnership with customers, in the future, the leasing business and logistics services will be integrated, to provide customers with a one-stop service model, while actively upgrading logistics to innovative logistics. This year, through the upgrade of logistics systems and the addition of automated equipment, we will upgrade personnel from repetitive tasks to managing customers and problem-solving talents, to secure the future talents. And by innovation, the operation mode of system integration and investment in automation equipment is improved, and customers will feel that the efficiency is improved. Taoyuan Longtan Park is the positioning focus of the next stage. The logistics plants will be customized. In this year, the strength of the service will be enhanced, to provide the customers with excellent service items, to make FRG as the best representative of professional leasing and logistic services.

## **III. Real Estate Development**

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

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

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

2020, the COVID-19 pandemic spread rapidly around the world, the momentum of global trade and investment fell sharply, and the global economy was severely shocked. However, with the development and production of the COVID-19 vaccine and large-scale vaccination, the global economy is expected to gradually improve and back to the track. However, the Sino-US trade dispute has not stopped, and the United States will cooperate with allies to contain China. Other the factor of the COVID-19 pandemic, Japan's economic activities have been affected by the Sino-US trade war and the Japan-South Korea trade dispute successively. Europe has implemented strict lockdown measures to control the pandemic. The emerging ASEAN economies have continued to suffer severe pandemics due to their weaker medical infrastructure. As a result, strict lockdown and quarantine measures have been expanded, and economic activities have suffered a severe impact. The path to global trade recovery is full of uncertainties, and it is expected that the economic prosperity will on be returned to the pre-pandemic level in 2022. Therefore, by continuously developing new products, improving quality and strictly controlling costs based on the market orientation, the sustainable development of the Company may be ensured

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

The COVID-19 has caused manufacturing capacity to move from China to Southeast Asia and Taiwan to set up plants. This has caused the regional stocks raised in upstream and downstream manufacturers out of China. Relatively, the sea and air freight costs continue to rise. This year, sea and air traffic congestion has also delayed the schedule of global supply. These factors have affected the entire supply chain positioning, and resulted in a reshuffle. To increase the willingness of customers to set up transshipment hub in Taiwan, Taiwanese logistics industry must find a better taxation plan, and the players must also invest in automation equipment and logistics systems, in order to move the warehouse of these internationally renowned brands to Taiwan, and keep on creating value for customers.

### **III. Land Developments**

The Company's construction products are all located in good locations, and the sales targets are mostly loyal customers who hold real estate for a long time. There are not many remaining reserved units, so the sales conditions and prices are very stable. The domestic real estate market has been consolidating for many years, with the continued low interest rate environment, foreign assets return to Taiwan or high-asset customers increasingly invest in Taiwan. Therefore, land prices have increased

significantly. However, the national policy seems to be adjusting the real estate market through the reform of the real estate tax system, which has made land development more uncertain and difficult. The Company will continue to insist the strategy of finding land with high potential of value raising and reasonable profits in high-quality urban areas, and make investment cautiously to ensure the Company's profits.

Today, I am honored to present to all shareholders our 2020 business overview and 2021 business outlook. On behalf of all my colleagues, I thank each and every shareholder's support and loyalty. In the future, we will strive toward excellence and hope to share with our shareholders yet another outstanding year.

Person in Charge:

Managerial Officer:

Accounting Chief:

## Attachment 2

### Audit Committee's Review Report

The Company's 2020 business report, financial statements (including consolidated and standalone financial statements) and the motion for earnings distribution; among these, the financial statements have been audited by CPAs Zhou Yin-Lai and Wu Xin-Liang of Baker Tilly, and the audit report has been submitted.

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

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2021 Shareholders Regular Meeting of Formosan Rubber Group Inc.

Formosan Rubber Group Inc.

Convener of Audit Committee: Xiao Sheng-Xian

March 19, 2021

### **Attachment 3**

## **INDEPENDENT AUDITORS' REPORT**

NO.00111090EA

To: Formosan Rubber Group Inc.

### **Opinions**

We have audited the accompanying parent company only balance sheet of Formosan Rubber Group Inc. as of December 31, 2020 and 2019 and the parent company only comprehensive income statement, statement of changes in equity, statement of cash flows and notes to the parent company only financial statements (including summary of material accounting policies) for the January 1 to December 31, 2020 and 2019.

According to the opinion of this CPA, based on our CPA's audited result, the major aspects of the accompanying parent company only financial statements as stated in the above are prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, interpretations as well as interpretation announcements recognized and announced effective by the Financial Supervisory Commission, sufficiently expressing the financial status of Formosan Rubber Group Inc. as of December 31, 2020 and December 31, 2019, and its parent company only financial performance and its parent company only cash flow of from January 1 to December 31, 2020 and 2019.

### **Basis of opinion**

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

the basis of our audit opinions.

### **Key audit matters**

The key audit item refers to the most crucial element of our professional judgment about the audit conducted for the 2020 the parent company only financial statements of Formosan Rubber Group Inc. The item has been reflected in our overall audit of the parent company only financial statements and in the process to form our audit opinions, in which we do not individually express our opinion on the item.

Below is the list of key audit issues on the 2020 the parent company only financial statements of Formosan Rubber Group Inc.:

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

##### Summary of key issues for auditing

As of December 31, 2020, the value of real estate for sale on the parent company only balance sheet was NT\$ 2,931,616 thousand primarily reflective of the completed properties and land held for sale. These items accounted for approximately 24% of the parent company only total assets. Please refer to Notes 4, 5 and 11 of the parent company only financial statements for detailed information. Formosan Rubber Group Inc. uses the lower of the cost or net realizable value for the valuation of real estate for sale. 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, 2020, the value of property investments on the parent company only balance sheet was NT\$2,713,577 thousand accounting for approximately 22% of the parent company only total assets. Please refer to Notes 4, 5 and 16 of the parent company only financial statements for detailed information. Management complies with IAS 36 "Impairment of Assets" by evaluating whether there are any signs indicating the investment properties may be impaired on each balance sheet date. Given the numerous assumptions involved, and the high uncertainty of accounting estimates, it was listed as one of the audit priorities this year.

#### Audit procedures

The audit procedures were carried out by CPAs as follows:

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

### **Responsibility of the management and governance unit for the parent company only financial statements**

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

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

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

### **Auditor's responsibilities for the audit of the parent company only financial statements**

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

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

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

rationality of the accounting estimation and relevant disclosures.

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

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

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

According to the items communicated with the governance unit, we have determined the key item of our audit of Formosan Rubber Group Inc.' 2020 the parent

company only financial statements, in which we have described the item in our audit report. Except for the specific items which are not allowed to be publicly disclosed as prescribed by laws and regulations or under a rare situation, we have decided not to communicate specific matters in our audit report because we have reason to believe that the negative influence of the communication is greater than the positive influence on the public interest.

BAKER TILLY CLOCK & CO.

March 19 , 2021

#### Notes to Readers

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

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

Formosan Rubber Group Inc.  
Parent Company Only Balance Sheet  
Dec. 31, 2020 and 2019

Unit: In Thousands of NTD

Assets	Note	Dec. 31, 2020		Dec. 31, 2019	
Accounting item		Amount	%	Amount	%
Current assets		\$ 7,325,060	60	\$ 7,927,109	61
Cash and cash equivalents	6	1,352,167	11	900,150	7
Financial assets at fair value through profit or loss-current	7	72,280	1	—	—
Financial assets at fair value through other comprehensive income - current	8	2,315,451	19	2,123,296	17
Notes receivable, net	9	40,765	—	35,082	—
Accounts receivable, net	9	198,669	2	92,861	1
Other receivables		6,849	—	1,044	—
Current tax assets		9,751	—	9,751	—
Inventories	10	219,446	2	257,247	2
Real estate for sale and real estate under construction	11	2,931,616	24	4,305,695	33
Prepayments		61,215	—	35,667	—
Other financial assets-current	12	115,653	1	165,214	1
Other current assets-other		1,198	—	1,102	—
Non-current assets		4,931,614	40	5,050,381	39
Financial assets at fair value through other comprehensive income - non-current	8	98,999	1	109,791	1
Investments accounted for using equity method	13	1,148,623	10	1,173,434	9
Property, plant and equipment	14	848,439	7	891,585	7
Right-of-use assets	15	41,242	—	46,717	1
Investment property, net	16	2,713,577	22	2,763,300	21
Deferred tax assets	27	56,375	—	34,090	—
Prepayments for equipment		170	—	822	—
Refundable deposits		2,291	—	8,322	—
Other financial assets - non-current	12	20,000	—	20,000	—
Other non-current assets, others		1,898	—	2,320	—
Total assets		\$ 12,256,674	100	\$ 12,977,490	100

(The attached notes constitute a part of the parent company only financial statements.)

Formosan Rubber Group Inc.  
Parent Company Only Balance Sheet (Continued)

Dec. 31, 2020 and 2019

Unit: In Thousands of NTD

Liabilities & equity	Note	Dec. 31, 2020		Dec. 31, 2019	
Accounting item		Amount	%	Amount	%
Current liabilities		\$ 817,900	7	\$ 1,912,550	15
Short-term borrowings	17	350,000	3	860,000	7
Short-term notes and bills payable	18	9,992	—	399,548	3
Contract liabilities	11、21	197,159	2	395,698	3
Notes payable		57,581	1	87,820	1
Accounts payable		34,372	—	20,144	—
Other payables		136,242	1	126,725	1
Current tax liabilities		10,472	—	—	—
Lease liabilities-current	15	5,014	—	5,281	—
Other current liabilities		17,068	—	17,334	—
Non-current liabilities		256,515	2	258,301	2
Deferred tax liabilities	27	173,308	1	166,455	1
Non-current lease liabilities	15	36,674	—	41,688	—
Net defined benefit liability	19	3,070	—	3,688	—
Guarantee deposits received		43,463	1	42,401	1
Credit balance of investments accounted for using equity method	13	—	—	4,069	—
Total liabilities		1,074,415	9	2,170,851	17
Share capital	20	3,423,260	28	3,500,000	27
Capital surplus	20	456,341	4	466,463	4
Retained earnings	20	7,245,305	59	6,672,834	51
Legal reserve		1,580,683	13	1,526,788	12
Special reserve		304,771	2	358,637	2
Unappropriated retained earnings		5,359,851	44	4,787,409	37
Other equity interest	20	57,353	—	167,342	1
Exchange differences on translation of foreign financial statements		(26,658)	—	(7,448)	—
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income		84,011	—	174,790	1
Treasury stocks	20	—	—	—	—
Total equity		11,182,259	91	10,806,639	83
Total liabilities & equity		\$ 12,256,674	100	\$ 12,977,490	100

(The attached notes constitute a part of the parent company only financial statements.)

Formosan Rubber Group Inc.

Parent Company Only Comprehensive Income Statement

From Jan. 1 to Dec. 31, 2020 and 2019

Unit: In Thousands of NTD

Accounting item	Note	2020		2019	
		Amount	%	Amount	%
Operating revenue	21	\$ 3,282,315	100	\$ 2,701,837	100
Operating costs	22	(2,219,968)	(68)	(2,040,089)	(76)
Gross profit		1,062,347	32	661,748	24
Operating expenses		(249,763)	(8)	(234,831)	(8)
Selling expenses		(96,091)	(3)	(92,754)	(3)
General and administrative expenses		(143,755)	(5)	(128,980)	(5)
Research and development expenses		(9,917)	—	(13,097)	—
Operating profit		812,584	24	426,917	16
Non-operating income and expenses		117,501	4	123,093	4
Interest income		10,728	—	20,596	—
Other income	23	120,534	4	123,904	5
Other gains and losses	24	(44,236)	(1)	(34,290)	(1)
Finance costs	25	(8,227)	—	(19,630)	(1)
Expected credit impairment (loss) gain		(532)	—	—	—
Shares of profit (loss) of subsidiaries and associates		39,234	1	32,513	1
Income before income tax		930,085	28	550,010	20
Income tax (expense) profit	27	(28,369)	(1)	(11,053)	—
Net income		901,716	27	538,957	20
Other comprehensive income		(116,478)	(3)	184,067	7
Items that will not be reclassified subsequently to profit or loss		(97,049)	(3)	177,251	7
Remeasurements of defined benefit plans	19	468	—	2,542	—
Unrealized gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income		(54,434)	(2)	55,676	2
Shares of other comprehensive (loss) income of subsidiaries and associates		(41,240)	(1)	119,490	5
Income tax benefit related to items that will not be reclassified subsequently	27	(1,843)	—	(457)	—
Items that may be reclassified subsequently to profit or loss		(19,429)	—	6,816	—
Exchange differences arising on translation of foreign operations		(24,013)	—	(11,050)	—
Unrealized loss on valuation of investments in debt instruments measured at fair value through other comprehensive income		(419)	—	19,570	—
Income tax related to items that may be reclassified subsequently	27	5,003	—	(1,704)	—
Total comprehensive income for the year		\$ 785,238	24	\$ 723,024	27
Earnings per share (NT dollars)	28				
Basic earnings per share		\$ 2.62		\$ 1.54	
Diluted earnings per share		\$ 2.61		\$ 1.54	

(The attached notes constitute a part of the parent company only financial statements.)

Formosan Rubber Group Inc.

Parent Company Only Statement of Changes in Equity

From Jan. 1 to Dec. 31, 2020 and 2019

Unit: In Thousands of NTD

Item	Capital	Capital surplus	Retained earnings			Other equity interest		Treasury stocks	Total equity
			Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		
Balance of Jan. 1, 2019	\$ 3,700,000	\$ 492,836	\$ 1,505,207	\$ 319,584	\$ 4,648,289	\$ 1,392	\$ (46,003)	\$ (261,373)	\$ 10,359,932
Legal reserve appropriated	—	—	21,581	—	(21,581)	—	—	—	—
Cash dividend	—	—	—	—	(238,000)	—	—	—	(238,000)
Special reserve appropriated	—	—	—	44,610	(44,610)	—	—	—	—
Reversal of special reserve	—	—	—	(5,557)	5,557	—	—	—	—
Net income in 2019	—	—	—	—	538,957	—	—	—	538,957
Other comprehensive income for 2019, net of income tax	—	—	—	—	2,034	(8,840)	190,873	—	184,067
Total comprehensive income (loss) in 2019	—	—	—	—	540,991	(8,840)	190,873	—	723,024
Purchase of treasury share	—	—	—	—	—	—	—	(38,317)	(38,317)
Retirement of treasury share	(200,000)	(26,373)	—	—	(73,317)	—	—	299,690	—
Disposal of financial assets at fair value through other comprehensive income - equity instruments	—	—	—	—	(29,920)	—	29,920	—	—
Balance of Dec. 31, 2019	3,500,000	466,463	1,526,788	358,637	4,787,409	(7,448)	174,790	—	10,806,639
Legal reserve appropriated	—	—	53,895	—	(53,895)	—	—	—	—
Cash dividend	—	—	—	—	(280,000)	—	—	—	(280,000)
Reversal of special reserve	—	—	—	(53,866)	53,866	—	—	—	—
Net income in 2020	—	—	—	—	901,716	—	—	—	901,716
Other comprehensive income for 2020, net of income tax	—	—	—	—	(704)	(19,210)	(96,564)	—	(116,478)
Total comprehensive income (loss) in 2020	—	—	—	—	901,012	(19,210)	(96,564)	—	785,238
Purchase of treasury share	—	—	—	—	—	—	—	(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	—	—
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

(The attached notes constitute a part of the parent company only financial statements.)



Formosan Rubber Group Inc.

Parent Company Only Statement of Cash Flows

From Jan. 1 to Dec. 31, 2020 and 2019

Unit: In Thousands of NTD

Item	From Jan. 1 to Dec. 31, 2020	From Jan. 1 to Dec. 31, 2019
	Amount	Amount
Cash flows from operating activities:		
Income before income tax	\$ 930,085	\$ 550,010
Adjustments for:		
Depreciation expense	111,880	123,648
Expected credit impairment loss (gain)	817	(1,556)
Net loss (gain) on financial assets and (liabilities) at fair value through loss (profit)	(1,870)	(1,240)
Interest expense	8,227	19,630
Interest income	(10,728)	(20,596)
Dividend income	(110,983)	(115,727)
Share of loss (profit) of subsidiaries and associates	(39,234)	(32,513)
Loss (gain) on disposal of property, plant and equipment	—	(388)
Loss (gain) on disposal of investment properties	1,589	(696)
Loss (gain) on disposal of investments	(4,069)	29,998
Impairment loss on non-financial assets	3,477	1,494
Unrealized foreign exchange loss (gain)	1,907	—
Changes in operating assets and liabilities		
Notes receivable	(5,606)	(4,329)
Accounts receivable	(106,170)	60,025
Other receivables	(4,897)	9,474
Inventories	37,801	182,075
Real estate for sale and real estate under construction	1,374,079	1,001,097
Prepayments	(25,548)	29,154
Other current assets	(96)	96
Contract liabilities	(198,539)	(61,257)
Notes payable	(30,239)	(35,790)
Accounts payable	14,228	(24,982)
Other payables	9,517	(19,279)
Receipts in advance	292	(464)
Other current liabilities	(558)	(8)
Net defined benefit liability	(149)	(498)
Cash generated from operations	1,955,213	1,687,378

Formosan Rubber Group Inc.

Parent Company Only Statement of Cash Flows (Continued)

From Jan. 1 to Dec. 31, 2020 and 2019

Unit: In Thousands of NTD

Item	From Jan. 1 to Dec. 31, 2020	From Jan. 1 to Dec. 31, 2019
	Amount	Amount
Interest received	9,903	19,590
Dividends received	110,983	115,727
Interest paid	(8,227)	(20,090)
Income tax paid	(30,170)	(47,133)
Net cash generated by operating activities	2,037,702	1,755,472
Cash flows from investing activities:		
Cash paid for acquisition of financial assets at fair value through other comprehensive income	(340,657)	(109,305)
Proceeds from financial assets at fair value through other comprehensive income	97,418	34,518
Return of capital from financial assets at fair value through other comprehensive income	4,500	8,000
Cash paid for financial assets at fair value through profit or loss	(70,410)	—
Proceeds from financial assets at fair value through profit or loss	—	17,281
Acquisition of investments accounted for using equity method	(1,207)	(238,918)
Acquisition of property, plant and equipment	(8,118)	(11,753)
Proceeds from disposal of property, plant and equipment	—	687
(Increase) refundable deposits	6,031	3,062
Acquisition of investment properties	(10,484)	—
Proceeds from disposal of investment properties	—	1,008
Decrease in notes and accounts receivable	—	828
Decrease in other financial assets	49,561	469,145
Decrease in other non-current assets	422	422
(Increase) decrease in prepayments for equipment	652	(774)
Net cash (used in) generated by investing activities	(272,292)	174,201
Cash flows from financing activities:		
(Decrease) in short-term borrowings	(510,000)	(1,160,000)
(Decrease) in short-term notes and bills payable	(389,556)	(320,095)
Increase (decrease) in guarantee deposits received	1,062	(1,960)
Payments of lease liabilities	(5,281)	(6,182)
Cash dividends paid	(280,000)	(238,000)
Payments to acquire treasury shares	(129,618)	(38,317)
Net cash (used in) financing activities	(1,313,393)	(1,764,554)
Net Increase in cash and cash equivalents	452,017	165,119
Cash and cash equivalents at beginning of year	900,150	735,031
Cash and cash equivalents at end of year	\$ 1,352,167	\$ 900,150

(The attached notes constitute a part of the parent company only financial statements.)

## Attachment 4

### REPRESENTATION LETTER

The Companies required to be included in the consolidated financial statements of Formosan Rubber Group Inc. as of and for the year ended December 31, 2020, 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 19 , 2021

# INDEPENDENT AUDITORS' REPORT

NO.00111090ECA

To: Formosan Rubber Group Inc.

## **Opinions**

We have audited the consolidated balance sheet of Formosan Rubber Group Inc. and its subsidiaries as of December 31, 2020 and 2019 and consolidated comprehensive income statement, consolidated statement of changes in equity, consolidated statement of cash flows and notes to consolidated financial statements (including summary of material accounting policies) for the January 1 to December 31, 2020 and 2019.

According to the opinion of this CPA, based on our CPA's audited result, the major aspects of the consolidated financial statements as stated in the above are prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, interpretations as well as interpretation announcements recognized and announced effective by the Financial Supervisory Commission, sufficiently expressing the financial status of Formosan Rubber Group Inc. and its subsidiaries as of December 31, 2020 and December 31, 2019, and the consolidated financial performance and consolidated cash flow of from January 1 to December 31, 2020 and 2019.

## **Basis of opinion**

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

## **Key audit matters**

The key audit item refers to the most crucial element of our professional judgment about the audit conducted for the 2020 consolidated financial statements of Formosan Rubber Group Inc. and its subsidiaries. The item has been reflected in our overall audit of the consolidated financial statements and in the process to form our audit opinions, in which we do not individually express our opinion on the item.

Below is the list of key audit issues on the 2020 consolidated financial statements of Formosan Rubber Group Inc. and its subsidiaries:

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

##### Summary of key issues for auditing

As of December 31, 2020, the value of real estate for sale on the consolidated balance sheet was NT\$ 2,931,616 thousand primarily reflective of the cost with completed properties and land held for sale. These items accounted for approximately 24% 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, 2020, the value of property investments on the consolidated balance sheet was NT\$ 2,713,577 thousand accounting for approximately 22% of the consolidated total assets. Please refer to Notes 4, 5 and 16 of the consolidated financial statements for detailed information. Management complies with IAS 36 “Impairment of Assets” by evaluating whether there are any signs indicating the investment properties may be impaired on each balance sheet date. Given the numerous assumptions involved, and the high uncertainty of accounting estimates, it was listed as one of the audit priorities this year.

#### Audit procedures

The audit procedures were carried out by CPAs as follows:

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

#### **Miscellaneous**

Formosan Rubber Group Inc. has prepared its individual financial statements for 2020 and 2019, and the auditors have issued an unqualified opinion. Both the statements and the Auditors’ Report are provided for reference.

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

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

Unless that the management plan to liquidate Formosan Rubber Group Inc. and its subsidiaries or stop the business or there are no other practical and feasible measures except liquidation or business closure, the responsibility of the management for

preparing the financial statements includes assessment of Formosan Rubber Group Inc. and its subsidiaries' competence in continuing business operation, disclosure of relevant items and adoption of the business continuation accounting basis.

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

#### **Auditor's responsibilities for the audit of consolidated financial statements**

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

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

1. Recognize and assess the risk of the material misstatement resulting from corruption or errors; design and take the appropriate coping strategy for the assessed risk; obtain sufficient and pertinent audit evidence as the basis of the audit opinions. Given that corruption may involve conspiracy, falsification, deliberate omission, misstatement or transgression of the internal control, the risk in the failure in detecting the material misstatement resulting from corruption is higher than that resulting from errors.
2. Understand the necessity for obtaining the internal control associated with the audit, so as to design the audit procedure appropriate under the condition at the time. However, the purpose of it is not to express the opinion on the efficacy of Formosan Rubber Group Inc. and its subsidiaries' internal control.
3. Assess the propriety of the accounting policy adopted by the management and the rationality of the accounting estimation and relevant disclosures.
4. Conclude if the business continuation accounting basis adopted by the management is proper, and whether the material doubtful event or circumstance likely incurred

from the competence of Formosan Rubber Group Inc. and its subsidiaries' continuing business operation has any material uncertainty according to the acquired audit evidence. If we consider material uncertainty existent in such event or circumstance, we shall remind the user of the consolidated financial statements to pay attention to the relevant disclosures of the consolidated financial statements through our audit report, or modify the audit opinion when such disclosures are not applicable. Our conclusion is made according to the audit evidence acquired until the audit report day. However, the development of future events or circumstances is also likely to bring about Formosan Rubber Group Inc. and its subsidiaries' incompetence to continue its business operation.

5. Assess the overall representation, structure and content of the consolidated financial statements (including the relevant notes) and check if the related transactions and events are adequately represented in the consolidated financial statements.
6. Acquire sufficient and pertinent audit evidence from the financial information of individual entities composed in the Formosan Rubber Group Inc. and its subsidiaries, so as to express opinions on the consolidated financial statements. We are responsible for the guidance, supervision and execution of the Group's audit cases, and form the Formosan Rubber Group Inc. and its subsidiaries audit opinions.

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

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

According to the items communicated with the governance unit, we have determined the key item of our audit of Formosan Rubber Group Inc. and its subsidiaries' 2020 consolidated financial statements, in which we have described the item in our audit report. Except for the specific items which are not allowed to be



publicly disclosed as prescribed by laws and regulations or under a rare situation, we have decided not to communicate specific matters in our audit report because we have reason to believe that the negative influence of the communication is greater than the positive influence on the public interest.

BAKER TILLY CLOCK & CO.

March 19 , 2021

#### 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, 2020 and 2019

Unit: In Thousands of NTD

Assets Accounting item	Note	Dec. 31, 2020		Dec. 31, 2019	
		Amount	%	Amount	%
Current assets		\$ 7,948,387	65	\$ 8,575,654	66
Cash and cash equivalents	6	1,371,090	11	956,286	8
Financial assets at fair value through profit or loss-current	7	72,280	1	—	—
Financial assets at fair value through other comprehensive income - current	8	2,919,805	24	2,715,634	21
Notes receivable, net	9	40,765	—	35,082	—
Accounts receivable, net	9	198,669	2	92,861	1
Other receivables		6,849	—	1,044	—
Current tax assets		9,783	—	9,807	—
Inventories	10	219,446	2	257,247	2
Real estate for sale and real estate under construction	11	2,931,616	24	4,305,695	33
Prepayments		61,233	—	35,682	—
Other financial assets-current	12	115,653	1	165,214	1
Other current assets-other		1,198	—	1,102	—
Non-current assets		4,308,728	35	4,403,780	34
Financial assets at fair value through other comprehensive income - non-current	8	522,770	4	557,828	4
Investments accounted for using equity method	13	101,966	1	77,564	1
Property, plant and equipment	14	848,439	7	891,585	8
Right-of-use assets	15	41,242	—	46,717	—
Investment property, net	16	2,713,577	22	2,764,532	21
Deferred tax assets	27	56,375	1	34,090	—
Prepayments for equipment		170	—	822	—
Refundable deposits		2,291	—	8,322	—
Other financial assets - non-current	12	20,000	—	20,000	—
Other non-current assets, others		1,898	—	2,320	—
<b>Total assets</b>		<b>\$ 12,257,115</b>	<b>100</b>	<b>\$ 12,979,434</b>	<b>100</b>

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

Formosan Rubber Group Inc. and Its Subsidiaries

Consolidated Balance Sheet (Continued)

Dec. 31, 2020 and 2019

Unit: In Thousands of NTD

Liabilities & equity Accounting item	Note	Dec. 31, 2020		Dec. 31, 2019	
		Amount	%	Amount	%
Current liabilities		\$ 818,341	7	\$ 1,919,580	15
Short-term borrowings	17	350,000	3	860,000	7
Short-term notes and bills payable	18	9,992	—	399,548	3
Contract liabilities	11、21	197,159	2	395,698	3
Notes payable		57,581	1	87,820	1
Accounts payable		34,372	—	20,144	—
Other payables		136,633	1	133,717	1
Current tax liabilities		10,488	—	—	—
Lease liabilities-current	15	5,014	—	5,281	—
Other current liabilities		17,102	—	17,372	—
Non-current liabilities		256,515	2	254,232	2
Deferred tax liabilities	27	173,308	2	166,455	2
Non-current lease liabilities	15	36,674	—	41,688	—
Net defined benefit liability	19	3,070	—	3,688	—
Guarantee deposits received		43,463	—	42,401	—
Total liabilities		1,074,856	9	2,173,812	17
Equity attributable to owners of parent	20	11,182,259	91	10,806,639	83
Share capital		3,423,260	28	3,500,000	27
Capital surplus		456,341	4	466,463	4
Retained earnings		7,245,305	59	6,672,834	51
Legal reserve		1,580,683	13	1,526,788	12
Special reserve		304,771	2	358,637	2
Unappropriated retained earnings		5,359,851	44	4,787,409	37
Other equity interest		57,353	—	167,342	1
Exchange differences on translation of foreign financial statements		(26,658)	—	(7,448)	—
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income		84,011	—	174,790	1
Treasury stocks		—	—	—	—
Non-controlling interests	20	—	—	(1,017)	—
Total equity		11,182,259	91	10,805,622	83
Total liabilities & equity		\$ 12,257,115	100	\$ 12,979,434	100

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

Formosan Rubber Group Inc. and Its Subsidiaries

Consolidated Comprehensive Income Statement

From Jan. 1 to Dec. 31, 2020 and 2019

Unit: In Thousands of NTD

Accounting item	Note	2020		2019	
		Amount	%	Amount	%
Operating revenue	21	\$ 3,282,255	100	\$ 2,701,777	100
Operating costs	22	(2,219,968)	68	(2,040,089)	(76)
Gross profit		1,062,287	32	661,688	24
Operating expenses		(251,725)	(8)	(237,875)	(8)
Selling expenses		(96,091)	(3)	(92,754)	(3)
General and administrative expenses		(145,717)	(5)	(132,024)	(5)
Research and development expenses		(9,917)	—	(13,097)	—
Operating profit		810,562	24	423,813	16
Non-operating income and expenses		119,572	4	128,874	5
Interest income		10,822	—	20,904	1
Other income	23	158,663	5	154,614	6
Other gains and losses	24	(44,236)	(1)	(34,290)	(1)
Finance costs	25	(8,227)	—	(19,630)	(1)
Expected credit impairment (loss) gain		(532)	—	—	—
Shares of (loss) profit of associate		3,082	—	7,276	—
Income before income tax		930,134	28	552,687	21
Income tax (expense) profit	27	(28,418)	(1)	(13,737)	(1)
Net income		901,716	27	538,950	20
Other comprehensive income		(116,478)	(3)	184,067	6
Items that will not be reclassified subsequently to profit or loss		(97,049)	(3)	177,251	6
Remeasurements of defined benefit plans	19	468	—	2,542	—
Unrealized gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income		(116,994)	(4)	165,092	6
Shares of other comprehensive (loss) income of associates		21,320	1	10,074	—
Income tax benefit related to items that will not be reclassified subsequently	27	(1,843)	—	(457)	—
Items that may be reclassified subsequently to profit or loss		(19,429)	—	6,816	—
Exchange differences arising on translation of foreign operations		(24,013)	—	(11,050)	—
Unrealized loss on valuation of investments in debt instruments measured at fair value through other comprehensive income		(419)	—	19,570	—
Shares of other comprehensive (loss) income of associates		—	—	—	—
Income tax related to items that may be reclassified subsequently	27	5,003	—	(1,704)	—
Total comprehensive income for the year		\$ 785,238	24	\$ 723,017	26
Net income attributable to:					
Shareholders of the parent		\$ 901,716	27	\$ 538,957	20
Non-controlling interests		—	—	(7)	—
Total comprehensive income attributable to:					
Shareholders of the parent		\$ 785,238	24	\$ 723,024	26
Non-controlling interests		—	—	(7)	—
Earnings per share (NT dollars)	28				
Basic earnings per share		\$ 2.62		\$ 1.54	
Diluted earnings per share		\$ 2.61		\$ 1.54	

(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, 2020 and 2019

Unit: In Thousands of NTD

Item	Equity attributable to owners of the parent										Non-controlling interests	Total equity
	Capital	Capital surplus	Retained earnings			Other equity interest		Treasury stocks	Subtotal			
			Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income					
Balance of Jan. 1, 2019	\$ 3,700,000	\$ 492,836	\$ 1,505,207	\$ 319,584	\$ 4,648,289	\$ 1,392	\$ (46,003)	\$ (261,373)	\$ 10,359,932	\$ (1,010)	\$ 10,358,922	
Legal reserve appropriated	—	—	21,581	—	(21,581)	—	174,790	—	—	—	—	
Cash dividend	—	—	—	—	(238,000)	—	—	—	(238,000)	—	(238,000)	
Special reserve appropriated	—	—	—	44,610	(44,610)	—	—	—	—	—	—	
Reversal of special reserve	—	—	—	(5,557)	5,557	—	—	—	—	—	—	
Net income in 2019	—	—	—	—	538,957	—	—	—	538,957	(7)	538,950	
Other comprehensive income for 2019, net of income tax	—	—	—	—	2,034	(8,840)	190,873	—	184,067	—	184,067	
Total comprehensive income (loss) in 2019	—	—	—	—	540,991	(8,840)	190,873	—	723,024	(7)	723,017	
Purchase of treasury share	—	—	—	—	—	—	—	(38,317)	(38,317)	—	(38,317)	
Retirement of treasury share	(200,000)	(26,373)	—	—	(73,317)	—	—	299,690	—	—	—	
Disposal of financial assets at fair value through other comprehensive income - equity instruments	—	—	—	—	(29,920)	—	29,920	—	—	—	—	
Balance of Dec. 31, 2019	3,500,000	466,463	1,526,788	358,637	4,787,409	(7,448)	174,790	—	10,806,639	(1,017)	10,805,622	
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	

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

Formosan Rubber Group Inc. and Its Subsidiaries

Consolidated Statement of Cash Flows

From Jan. 1 to Dec. 31, 2020 and 2019

Unit: In Thousands of NTD

Item	From Jan. 1 to Dec. 31, 2020	From Jan. 1 to Dec. 31, 2019
	Amount	Amount
Cash flows from operating activities:		
Income before income tax	\$ 930,134	\$ 552,687
Adjustments for:		
Depreciation expense	111,880	123,648
Expected credit impairment loss (gain)	817	(1,556)
Net loss (gain) on financial assets and (liabilities) at fair value through loss (profit)	(1,870)	(1,240)
Interest expense	8,227	19,630
Interest income	(10,822)	(20,904)
Dividend income	(149,075)	(146,399)
Share of loss (profit) of associates	(3,082)	(7,276)
Loss (gain) on disposal of property, plant and equipment	—	(388)
Loss (gain) on disposal of investment properties	1,589	(696)
Loss (gain) on disposal of investments	(4,069)	29,998
Impairment loss on non-financial assets	3,477	1,494
Unrealized foreign exchange loss (gain)	1,907	—
Changes in operating assets and liabilities		
Notes receivable	(5,606)	(4,329)
Accounts receivable	(106,170)	60,025
Other receivables	(4,897)	9,474
Inventories	37,801	182,075
Real estate for sale and real estate under construction	1,374,079	1,001,097
Prepayments	(25,551)	29,152
Other current assets	(96)	96
Notes payable	(30,239)	(35,790)
Accounts payable	14,228	(24,982)
Other payables	9,234	(19,539)
Contract liabilities	(198,539)	(61,257)
Receipts in advance	292	(464)
Other current liabilities	(562)	(19)
Net defined benefit liability	(149)	(498)
Cash generated from operations	1,952,938	1,684,039

Formosan Rubber Group Inc. and Its Subsidiaries

Consolidated Statement of Cash Flows (Continued)

From Jan. 1 to Dec. 31, 2020 and 2019

Unit: In Thousands of NTD

Item	From Jan. 1 to Dec. 31, 2020	From Jan. 1 to Dec. 31, 2019
	Amount	Amount
Interest received	9,997	19,910
Dividends received	149,075	146,399
Interest paid	(8,227)	(20,090)
Income tax paid	(30,178)	(47,173)
Net cash generated by operating activities	2,073,605	1,783,085
Cash flows from investing activities:		
Cash paid for acquisition of financial assets at fair value through other comprehensive income	(414,910)	(390,424)
Proceeds from financial assets at fair value through other comprehensive income	97,418	34,518
Return of capital from financial assets at fair value through other comprehensive income	4,500	8,000
Cash paid for financial assets at fair value through profit or loss	(70,410)	—
Proceeds from financial assets at fair value through profit or loss	—	17,281
Acquisition of property, plant and equipment	(8,118)	(11,753)
Proceeds from disposal of property, plant and equipment	—	687
(Increase) refundable deposits	6,031	3,062
Acquisition of investment properties	(10,484)	—
Proceeds from disposal of investment properties	—	1,008
Decrease in notes and accounts receivable	—	828
Decrease in other financial assets	49,561	469,145
Decrease in other non-current assets	422	422
(Increase) decrease in prepayments for equipment	652	(774)
Net cash (used in) generated by investing activities	(345,338)	132,000
Cash flows from financing activities:		
(Decrease) in short-term borrowings	(510,000)	(1,160,000)
(Decrease) in short-term notes and bills payable	(389,556)	(320,095)
Increase (decrease) in guarantee deposits received	1,062	(1,960)
Payments of lease liabilities	(5,281)	(6,182)
Cash dividends paid	(280,000)	(238,000)
Payments to acquire treasury shares	(129,618)	(38,317)
Net cash (used in) financing activities	(1,313,393)	(1,764,554)
Effect of exchange rate changes on cash and cash equivalents	(70)	(6,419)
Net Increase in cash and cash equivalents	414,804	144,112
Cash and cash equivalents at beginning of year	956,286	812,174
Cash and cash equivalents at end of year	\$ 1,371,090	\$ 956,286

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

## Attachment 5

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

2020

Unit: NT\$

Item	Amount
Undistributed earnings at the beginning of the period	4,498,124,363
Add: Current net income	901,716,046
Add: Reversal of IFRS accounts and special reserve of related unrealized revaluation increments	9,255,604
Less: Treasury stock write-off due to capital reduction	(42,755,681)
Disposal of equity instruments investment measured at fair value through other comprehensive income	(5,785,374)
Less: Other comprehensive income (actuarial gains and losses of defined benefit plans)	( 704,377)
<b>The net profit after tax of the period, plus items other than The net profit after tax of the period, accounted into the undistributed earnings of the year</b>	861,726,218
Undistributed earnings after adjustment	5,359,850,581
Less: 10% provision for legal reserve	(86,172,622)
<b>Subtotal</b>	(86,172,622)
Distributable net profit	5,273,677,959
Distributable items:	
<b>1. Shareholder Dividends (342,326,000 shares x cash dividend NT\$1.5)</b>	<b>(513,489,000)</b>
<b>Subtotal</b>	(513,489,000)
Accumulated undistributed earnings at the end of the period	4,760,188,959

Note 1: The amount of earnings are distributed with priority of 2020 net.



## Attachment 6

### Formosan Rubber Group Inc.

#### Attachment 6. Comparison table of the “Regulations Governing Election of Directors” before and after amendment.

Article Number	Amended Provision	Article Number	Amended Provision	Reason of Amendment
Article 1	To ensure a just, fair, and open election of directors, these Procedures are adopted pursuant to Article 21 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and Article 21 of the Company’s Article 21 of the Corporate Governance Best-Practice Principles.		Newly added	Requirement added based on Article 1 of the Sample Template.
Article 2	Except as otherwise provided by law and regulation or by this Corporation's articles of incorporation, elections of directors shall be conducted in accordance with these Procedures.	Article 1	The election of the directors of the company shall be conducted in accordance with the “Regulations Governing Election of Directors.”	The article number is adjusted, and wording is revised by referring to Article 2 of the Sample Template.
Article 3	<p>More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.</p> <p>In case some among the elected directors who do not meet the aforesaid conditions, the election of the director receiving the lowest number of votes among those not meeting the conditions shall be deemed invalid.</p> <p>The board of directors of the Company shall consider adjusting its composition based on the results of performance evaluation.</p>	Article 4	<p>More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director. (Item 1)</p> <p>In case some among the elected directors who do not meet the aforesaid conditions, the election of the director receiving the lowest number of votes among those not meeting the conditions shall be deemed invalid. (Item 2)</p>	The article number is adjusted, and requirement is added by referring to Article 2 of the Sample Template. Requirement 1 and 2 in Article 4 of the current Regulations are the requirements in the Paragraph 3 and Item 1, Paragraph 5 of Article 26-3, the Securities and Exchange Act; therefore these provisions stay.
Article 4	<p>The qualifications for the independent directors of the Company shall comply with Articles 2, 3, and 4 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.</p> <p>The election of independent directors of this Corporation shall comply with Articles 5, 6, 7, 8, and 9 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and shall be conducted pursuant to Article 24 of the Corporate Governance Best</p>		Newly added	Words added based on Article 4 of the Sample Template.

Article Number	Amended Provision	Article Number	Amended Provision	Reason of Amendment
	Practice Principles for TWSE/TPEX Listed Companies, and Article 24 of the Company's Corporate Governance Best-Practice Principles.			
Article 5	<p>Elections of directors at this Corporation shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.</p> <p>When the number of directors falls below five due to the dismissal of a director for any reason, the company shall hold a director by-election at the next following shareholders meeting. When the number of directors falls short by one-third of the total number prescribed by the articles of incorporation, the company shall convene a special shareholders meeting within 60 days of the occurrence of that fact to hold a director by-election.</p> <p>When the number of independent directors falls below that required under the proviso of Article 14-2, paragraph 1 of the Securities and Exchange Act, an independent director by-election shall be held at the next shareholders meeting. When all independent directors have been dismissed, the company shall convene a special shareholders meeting to hold a by-election within 60 days from the date on which the fact occurred.</p>		Newly added	Words added based on Article 5 of the Sample Template.
Article 6	The cumulative voting method shall be used for election of the directors at this Corporation. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates.	Article 2	The election of the Company's directors adopts accumulated voting system. Each share has the voting rights equal to the seats of directors to be elected; these rights may be voted to one candidate or allocated to several candidates.	The article number is adjusted, and wording is revised by referring to Article 6 of the Sample Template.
Article 7	The board of directors shall prepare separate ballots for directors in numbers corresponding to the directors or supervisors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.	Article 5	The board of directors shall prepare separate ballots for directors in numbers corresponding to the directors or supervisors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.	Article number is adjusted. Pursuant to Order Jin-Guan-Zheng-Jiao-Zhi No. 1080311451 dated April 25, 2019, issued by FSC, the director election of TWSE-listed companies shall adopt the candidate

Article Number	Amended Provision	Article Number	Amended Provision	Reason of Amendment
		Article 7	<p>Shall a candidate be a shareholder, voters shall indicate the candidate's account name and number in the "Candidate" column on the ballot; if a candidate is not a shareholder, his/her name and identity document number shall be specified.</p> <p>When the government or corporate shareholder is a candidate, the title of the government or corporate should be filled in the "Candidate" column of the ballot with the name of its representative stated. If there is more than one representative appointed, the names of representatives shall be filled in respectively.</p>	<p>nomination system from 2021. Shareholders shall elect from the director candidate list. Before the shareholders' meeting, shareholders will learn the name, educational/industrial background of each candidate, and thus the identification through shareholder's account number or ID number is not required anymore. Article 7 is deleted thus.</p>
Article 8	<p>The number of directors will be as specified in the Company's Articles of Incorporation, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.</p>	Article 3	<p>The number of directors will be as specified in the Company's Articles of Incorporation, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. Independent directors and non-independent directors shall be elected together and the number of elected seats should be counted separately. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.</p>	<p>The article number is adjusted, and wording is revised by referring to Article 8 of the Sample Template.</p>
Article 9	<p>Before the election begins, the chair shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting personnel. The ballot boxes shall be prepared by the board of directors and publicly checked by the vote monitoring personnel before voting commences.</p>	<p>Article 6</p> <p>Article 9</p>	<p>The chair, before the beginning of the election, shall appoint a number of monitoring and counting personnel to perform the respective duties of vote. The monitoring personnel shall be shareholders.</p> <p>The ballot boxes shall be prepared by the board of directors and publicly checked by the vote monitoring personnel before voting commences.</p>	<p>Combining the requirements in Articles 6 and 9 of the current Regulations, and adjusting the article number; wording is revised by referring to Article 9 of the Sample Template.</p>

Article Number	Amended Provision	Article Number	Amended Provision	Reason of Amendment
Article 10	<p>A ballot is invalid under any of the following circumstances:</p> <ol style="list-style-type: none"> <li>1. The ballot was not prepared by a person with the right to convene.</li> <li>2. A blank ballot is placed in the ballot box.</li> <li>3. The writing is unclear and indecipherable or has been altered.</li> <li>4. The candidate whose name is entered in the ballot does not conform to the director candidate list.</li> <li>5. Other words or marks are entered in addition to the number of voting rights allotted.</li> </ol>	Article 8	<p>A ballot is invalid under any of the following circumstances:</p> <ol style="list-style-type: none"> <li>(1) The ballot is not the specified one by the Regulations</li> <li>(2) A blank ballot is placed in the ballot box.</li> <li>(3) Other than the account name (name), account number (ID number), and allocated votes to the candidate, other words or marks are entered.</li> <li>(4) Two or more candidates were voted in one ballot.</li> <li>(5) The writing is unclear and indecipherable or has been altered.</li> <li>(6) The candidate whose name is entered in the ballot is a shareholder and his/her account name and shareholder account number does not conform to the shareholder registry, or the candidate whose name is entered in the ballot is not a shareholder and does not conform to the name and identity card number provided.</li> <li>(7) The entered name of candidate is identical to the shareholder(s) or disputable, but no other identification, such as account number or identity document number is provided to identify.</li> </ol>	<p>The article number is adjusted, and wording is revised by referring to Article 10 of the Sample Template.</p> <p>Pursuant to Order Jin-Guan-Zheng-Jiao-Zhi No. 1080311451 dated April 25, 2019, issued by FSC, the director election of TWSE-listed companies shall adopt the candidate nomination system from 2021. Shareholders shall elect from the director candidate list. Therefore Article 7 is deleted.</p>
Article 11	<p>The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation, including the list of persons elected as directors and the numbers of votes with which they were elected, shall be announced by the chair on the site.</p> <p>The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.</p>	Article 10	<p>The voting rights shall be calculated on-site immediately after the end of the poll; and the list of elected directors shall be announced by the chair on the site.</p>	<p>The article number is adjusted, and requirement is added, and wording is revised by referring to Article 11 of the Sample Template.</p>
Article 12	<p>The board of directors of the Company shall issue notifications to the persons elected as directors. The elected directors shall provide the Consent to Act as Director</p>	Article 11	<p>The board of directors of the Company shall issue notifications to the persons elected as directors. The elected directors shall provide the Consent to Act as Director</p>	<p>Article number is adjusted.</p>
Article 13	<p>Matters not specified in the “Regulations” shall be handled in accordance with the provisions of the Company Act, and relevant law and regulations.</p>	Article 12	<p>Matters not specified in the “Regulations” shall be handled in accordance with the provisions of the Company Act, and relevant law and regulations.</p>	<p>Article number is adjusted.</p>

Article Number	Amended Provision	Article Number	Amended Provision	Reason of Amendment
Article 14	These Regulations, and any amendments hereto, shall be implemented from the date it is adopted by the Shareholders' Meeting.	Article 13	These Regulations, and any amendments hereto, shall be implemented from the date it is adopted by the Shareholders Meeting.	Article number is adjusted.

**Attachment 7**

**Formosan Rubber Group Inc.  
Comparison table of amendments to the “Rules of Procedure for Shareholders Meetings”**

Article Number	Amended Provision	Article Number	Amended Provision	Reason of Amendment
Article 1	To establish a strong governance system and sound supervisory capabilities for the Company's shareholders meetings, and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.		Newly added	Requirement added based on Article 1 of the Sample Template.
Article 2	The rules of procedures for the Company's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.	Article 1	Unless otherwise prescribed, the Company's shareholders meetings shall be handled in accordance with these Rules.	The article number is adjusted, and wording is revised by referring to Article 2 of the Sample Template.
Article 3	<p>The Company's shareholders meetings shall, unless otherwise provided for in this Act, be convened by the Board of Directors.</p> <p>The Company shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting. The Company shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. In addition, before 15 days before the date of the shareholders meeting, the Company shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the Company and</p>		Newly added	Requirement added based on Article 3 of the Sample Template.

Article Number	Amended Provision	Article Number	Amended Provision	Reason of Amendment
	<p>the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place.</p> <p>The cause(s) or subject(s) of a meeting of shareholders to be convened shall be indicated in the individual notice and announcement to be given to shareholders; and the notice may, as an alternative, be given by means of electronic transmission, after obtaining a prior consent from the recipient(s) thereof.</p> <p>Election or dismissal of directors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities Exchange Act, Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out and the essential contents explained in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.</p> <p>Where re-election of all directors and supervisors as well as their inauguration date is stated in the notice of the reasons for convening the shareholders meeting, after the completion of the re-election in said meeting such inauguration date may not be altered by any extraordinary motion or otherwise in the same meeting.</p> <p>A shareholder holding one percent or more of the total number of issued shares may submit to this Corporation a proposal for discussion at a regular shareholders meeting. The number of items so proposed is limited to one only, and no proposal containing more than one item will be included in the meeting agenda. When the circumstances of any subparagraph of Article 172-1, paragraph 4 of the</p>			

Article Number	Amended Provision	Article Number	Amended Provision	Reason of Amendment
	<p>Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda. A shareholder may propose a recommendation for urging the corporation to promote public interests or fulfill its social responsibilities, provided procedurally the number of items so proposed is limited only to one in accordance with Article 172-1 of the Company Act, and no proposal containing more than one item will be included in the meeting agenda.</p> <p>Prior to the date on which share transfer registration is suspended before the convention of a regular shareholders' meeting, the company shall give a public notice announcing acceptance of proposal in writing or by way of electronic transmission, the place and the period for shareholders to submit proposals to be discussed at the meeting; and the period for accepting such proposals shall not be less than ten (10) days.</p> <p>Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.</p> <p>The company shall, prior to preparing and delivering the shareholders' meeting notice, inform, by a notice, all the proposal submitting shareholders of the proposal screening results, and shall list in the shareholders' meeting notice the proposals conforming to the requirements set out in this Article. With regard to the proposals submitted by shareholders but not included in the agenda of the meeting, the cause of exclusion of such proposals and explanation shall be made by the board of directors at the shareholders' meeting to be convened.</p>			
Article 4	<p>For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.</p> <p>A shareholder may issue only one proxy form and</p>		Newly added	Requirement added based on Article 4 of the Sample Template.



Article Number	Amended Provision	Article Number	Amended Provision	Reason of Amendment
	<p>appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to the Company before five days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.</p> <p>After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Companyn before two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.</p>			
Article 5	<p>The venue for a shareholders meeting shall be the premises of this Corporation, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.</p>	Article 4	<p>The venue for a shareholders meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.</p>	<p>The article number is adjusted, and wording is revised by referring to Article 5 of the Sample Template.</p>
Article 6	<p>The Company shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.</p> <p>The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.</p> <p>Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented</p>	Article 2	<p>The Company shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention. (Item 1)</p> <p>The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations. (Item 2)</p> <p>Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented</p>	<p>The article number is adjusted, and requirement is added by referring to Article 6 of the Sample Template.</p>

Article Number	Amended Provision	Article Number	Amended Provision	Reason of Amendment
	<p>by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.</p> <p>The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.</p> <p>The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.</p> <p>When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.</p>		<p>by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification. (Item 3)</p> <p>The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in. (Item 4)</p>	
Article 7	<p>If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair.</p> <p>Where the chairperson does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair.</p> <p>When a managing director or a director serves as chair, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for six months or more and who understands the financial and business conditions of</p>	Article 5	<p>If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairperson does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair. (Item 1)</p> <p>When a managing director or a director serves as chair, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a</p>	Combining the requirements in Articles 5 and 6 of the current Rules of Procedure, and adjusting the article number; wording is revised, and requirements are added by referring to Article 7 of the Sample Template.

Article Number	Amended Provision	Article Number	Amended Provision	Reason of Amendment
	<p>the company. The same shall be true for a representative of a juristic person director that serves as chair.</p> <p>It is advisable that shareholders meetings convened by the board of directors be chaired by the chairperson of the board in person and attended by a majority of the directors, at least one supervisor in person, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.</p> <p>If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.</p> <p>The Company may appoint its attorneys, certified public accountants, or related persons to attend the meeting in a non-voting capacity.</p>		<p>representative of a juristic person director that serves as chair. (Item 2)</p> <p>If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. (Item 3)</p>	
		Article 6	The Company may appoint its attorneys, certified public accountants, or related persons to attend the meeting in a non-voting capacity. (Item 1)	
Article 8	<p>The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the meeting and the voting and vote counting procedures.</p> <p>The recorded materials shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.</p>	Article 7	Proceedings of a board meeting shall be recorded in their entirety in audio or video, and the recording shall be retained for a minimum of 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.	The article number is adjusted, and wording is revised by referring to Article 8 of the Sample Template.
Article 9	<p>Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.</p> <p>The chair shall call the meeting to order at the scheduled meeting time. Also, the information of the shares with voting rights and without rights should</p>	Article 3	The presence of shareholders in a shareholders meeting and their voting thereof shall be calculated in accordance with the number of shares. (Item 1)	Combining the requirements in Articles 2, 3, and 8 of the current Rules of Procedure, and adjusting the article number; wording is revised by referring to Article 9 of the Sample Template.
		Article 2	The number of shares represented by the participating shareholders shall be calculated based on the sign-in book or the submitted sign-in cards, added with the number of shares with voting rights that are exercised in writing or in electronic means. (Item 5)	
		Article 8	The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may	

Article Number	Amended Provision	Article Number	Amended Provision	Reason of Amendment
	<p>be announced at the same time.</p> <p>However, the chair may have the meeting postponed if the attending shareholders do not represent more than half of the total shares issued. The meeting postponement is limited to 2 times for a total of less than 1 hour. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.</p> <p>If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month.</p> <p>When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.</p>		<p>announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned. (Item 1)</p> <p>If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month. (Item 2)</p> <p>When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act. (Item 3)</p>	
Article 10	<p>If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. Votes shall be cast on each separate proposal in the agenda (including extraordinary motions and amendments to the original proposals set out in the agenda). The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.</p> <p>The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors.</p> <p>The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including</p>	Article 9	<p>If a shareholders' meeting is convened for by the Board of Directors, the meeting agenda is to be set by the Board of Directors. Relevant motions (including extraordinary motions and amendments to original motions) should be decided by voting on each separate proposal, and the meeting shall be held according to the agenda; without a decision made through a shareholders' meeting, it may not be changed. (Item 1)</p> <p>The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors. (Item 2)</p> <p>The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including</p>	Combining the requirements in Articles 9 and 14 of the current Rules of Procedure, and adjusting the article number; wording is revised by referring to Article 10 of the Sample Template.

Article Number	Amended Provision	Article Number	Amended Provision	Reason of Amendment
	<p>extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.</p> <p>The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed, call for a vote, and schedule sufficient time for voting.</p>		<p>extraordinary motions), except by a resolution of the shareholders meeting. (Item 3)</p> <p>After the said meeting is adjourned, shareholders shall not elect another chair to hold another meeting at the same place or at any other place. (Item 4)</p>	
		Article 14	<p>If the said proposals and amendments have fulfilled regulatory requirements and may be submitted for voting, it may be announced that discussions shall stop and voting shall begin.</p>	
Article 11	<p>Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.</p> <p>A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.</p> <p>A shareholder may not speak more than twice on the same proposal, except with the chair's consent, and a single speech may not exceed 5 minutes. However, if the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.</p> <p>When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.</p> <p>When a juristic person shareholder appoints two or more representatives to attend a shareholders</p>	Article 10	<p>Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair. (Item 1)</p> <p>A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail. (Item 2)</p> <p>When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation. (Item 3)</p>	<p>Combining the requirements in Articles 10, 11, 12 and 13 of the current Rules of Procedure, and adjusting the article number; wording is revised by referring to Article 11 of the Sample Template.</p>
		Article 11	<p>Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. the speech. (Item 1)</p> <p>If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech. (Item 2)</p>	
		Article 12	<p>When a juristic person is appointed to attend as proxy, it may designate only one person to represent</p>	

Article Number	Amended Provision	Article Number	Amended Provision	Reason of Amendment
	meeting, only one of the representatives so appointed may speak on the same proposal.  After an attending shareholder has spoken, the chair may respond or direct relevant personnel to respond.		it in the meeting. When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.  After an attending shareholder has spoken, the chair may respond or direct relevant personnel to respond.	
		Article 13		
Article 12	Votes at shareholders meetings shall be calculated based on numbers of shares.  The shares held by shareholders having no voting right shall not be counted in the total number of issued shares while adopting a resolution at a meeting of shareholders.  A shareholder who has a personal interest in the matter under discussion at a meeting, which may impair the interest of the Company, shall not vote nor exercise the voting right on behalf of another shareholder.  The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.  Except for trust enterprises or stock agencies approved by the competent authority, when a person who acts as the proxy for two or more shareholders, the number of voting power represented by him/her shall not exceed 3% of the total number of voting shares of the company, otherwise, the portion of excessive voting power shall not be counted.	Article 3	The presence of shareholders in a shareholders meeting and their voting thereof shall be calculated in accordance with the number of shares. (Item 1)  The shares held by shareholders having no voting right shall not be counted in the total number of issued shares while adopting a resolution at a meeting of shareholders. (Item 2)  A shareholder who has a personal interest in the matter under discussion at a meeting, which may impair the interest of the Company, shall not vote nor exercise the voting right on behalf of another shareholder. (Item 3)  The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders. (Item 4)	Combining the requirements in Articles 3 and 17 of the current Rules of Procedure, and adjusting the article number; wording is revised by referring to Article 12 of the Sample Template.
		Article 17	With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation. (Item 6)	
Article 13	Each shareholder has one voting right per share, except for those who are restricted or have no voting rights according to paragraph 2 of Article 179 stipulated in the Company Act.  Voting rights may be exercised in writing or by using the electronic method when the Company's	Article 17	Each shareholder has one voting right per share, except for those who are restricted or have no voting rights according to paragraph 2 of Article 179 stipulated in the Company Act. (Item 1)  Voting rights may be exercised in writing or by using the electronic method when the Company's shareholders meeting is being held. Instructions for exercising voting rights, whether in writing or using	Combining the requirements in Articles 15, 10, and 18 of the current Rules of Procedure, and adjusting the article number; wording is revised by referring to Article 13 of

Article Number	Amended Provision	Article Number	Amended Provision	Reason of Amendment
	<p>shareholders meeting is being held. Instructions for exercising voting rights, whether in writing or using the electronic form, and it must be clearly stated on the shareholders' meeting advice. A shareholder exercising voting rights in writing or by electronic means will be deemed to have attended the meeting in person. However, to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company shall avoid the submission of extraordinary motions and amendments to original proposals.</p> <p>A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company before 2 days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail. Unless an explicit statement to revoke the previous declaration is made in the declaration which comes later.</p> <p>After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, before 2 business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.</p> <p>Except as otherwise provided in the Company Act and in this Corporation's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by</p>		<p>the electronic form, and it must be clearly stated on the shareholders' meeting advice. A shareholder exercising voting rights in writing or by electronic means will be deemed to have attended the meeting in person. However, to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company shall avoid the submission of extraordinary motions and amendments to original proposals. (Item 2)</p> <p>A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company before 2 days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail. Unless an explicit statement to revoke the previous declaration is made in the declaration which comes later. (Item 3)</p> <p>After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, before 2 business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail. (Item 4)</p> <p>Except as otherwise provided in the Company Act and in this Corporations articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of</p>	<p>the Sample Template.</p>

Article Number	Amended Provision	Article Number	Amended Provision	Reason of Amendment
	<p>the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.</p> <p>When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.</p> <p>Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.</p> <p>Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.</p>		<p>abstentions, shall be entered into the MOPS. (Item 5)</p> <p>When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.</p> <p>Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company. (Item 1)</p> <p>Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote. (Item 2)</p>	
Article 14	<p>The election of directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected, and these who are not elected and their votes.</p> <p>The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.</p>	Article 15	<p>The election of directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected. (Item 3)</p> <p>The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation. (Item 4)</p>	The article number is adjusted, and wording is revised by referring to Article 14 of the Sample Template.



Article Number	Amended Provision	Article Number	Amended Provision	Reason of Amendment
Article 15	<p>Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the company within twenty (20) days after the close of the meeting. The preparation and distribution of the minutes of shareholders' meeting as required in the preceding Paragraph may be effected by means of electronic transmission.</p> <p>The Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.</p> <p>The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their voting results (including the number of voting rights), and disclose the number of voting rights won by each candidate in the event of an election of directors or supervisors. The minutes shall be retained for the duration of the existence of the Company.</p>		Newly added	Requirement added based on Article 15 of the Sample Template.
Article 16	<p>On the day of a shareholders meeting, this Corporation shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders meeting.</p> <p>If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation (or GreTai Securities Market) regulations, this Corporation shall upload the content of such resolution to the MOPS within the prescribed time period.</p>		Newly added	<p>Requirement added based on Article 16 of the Sample Template.</p> <p>The Company is a TWSE listed company, and thus the requirements announced by Taiwan Stock Exchange Corporation (TWSE) shall be observed. Therefore the wording of Taipei Exchange (TPEX) is deleted.</p>
Article 17	Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.	Article 6	Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands. (Item 2)	Combining the requirements in Articles 6 and 19 of the current Rules of Procedure, and adjusting the article number; wording is revised, and requirements
	The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help	Article 19	The chair may direct the proctors (or security personnel) to help maintain order at the meeting place. When proctors (or security personnel) help	

Article Number	Amended Provision	Article Number	Amended Provision	Reason of Amendment
	<p>maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."</p> <p>At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from so doing.</p> <p>When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.</p>		<p>maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor." (Item 1)</p> <p>At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from so doing. (Item 2)</p> <p>When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting. (Item 3)</p>	are added by referring to Article 17 of the Sample Template.
Article 18	<p>When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.</p> <p>If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.</p> <p>A resolution may be adopted at a shareholders meeting to defer or resume the meeting within five days in accordance with Article 182 of the Company Act.</p>	Article 16	<p>When a meeting is in progress, the chair may announce a break based on time considerations.</p>	The article number is adjusted, and requirement is added, and wording is revised by referring to Article 18 of the Sample Template.
Article 19	<p>The handling matters not disclosed in these Rules, other than the laws and regulations stipulated in the Company Act and the Company's Articles of Incorporation, they are handled under the chair's instructions.</p>	Article 20	<p>The handling matters not disclosed in these Rules, other than the laws and regulations stipulated in the Company Act and the Company's Articles of Incorporation, they are handled under the chair's instructions.</p>	Article number is adjusted.
Article 20	<p>These Rules, and any amendments hereto, shall be implemented from the date it is adopted by the Shareholders' Meeting.</p>	Article 21	<p>These Rules, and any amendments hereto, shall be implemented from the date it is adopted by the Shareholders' Meeting.</p>	Article number is adjusted.

**Attachment 8**

**Formosan Rubber Group Inc.**  
**Comparison table of amendments to the “Operational Procedures for “Acquisition or Disposal of Assets”**

After the amendments	Before the amendments	Description
<p>Article 5: Total amounts of real property and right-of-use assets thereof or securities acquired by the company and each subsidiary for business use, and limits on individual securities, set forth as following:</p> <p>(1) Total amount of <u>the Company’s</u> real properties not for operation, and their right-of-use assets, shall not exceed 15% of the net worth. <u>Total amount of each subsidiary of the Company’s real properties not for operation, and their right-of-use assets, shall not exceed 15% of the net worth.</u></p> <p>(2) Total amount of <u>the Company’s</u> investments in negotiable securities, shall not exceed 50% of the net worth. <u>Total amount of each subsidiary of the Company’s investments in negotiable securities, shall not exceed 150% of the net worth.</u></p> <p>(3) Total amount of <u>the Company’s</u> investments in single negotiable security, shall not exceed 25% of the net worth. <u>Total amount of each subsidiary of the Company’s investments in single negotiable security, shall not exceed 100% of the net worth.</u></p>	<p>Article 5: Total amounts of real property and right-of-use assets thereof or securities acquired by the company and each subsidiary for business use, and limits on individual securities, set forth as following:</p> <p>(1) Total amount of real properties not for operation, and their right-of-use assets, shall not exceed 15% of the net worth.</p> <p>(2) Total amount of investments in negotiable securities, shall not exceed 50% of the net worth.</p> <p>(3) Total amount of investments in single negotiable security, shall not exceed 25% of the net worth.</p>	<p>To correspond to the particularity when each subsidiary engages investments, the current regulations do not cope with their individual operation, and thus the limits of the parent company and subsidiaries are set separately</p>
<p>Article 7: Procedures for the acquisition or disposal of real properties, equipment, and their right-</p>	<p>Article 7: Procedures for the acquisition or disposal of real properties, equipment, and their right-</p>	<p>1. With reference to the procedures of acquiring or disposing of assets set by other listed construction companies, it is found that the</p>

<p>of-use assets</p> <ol style="list-style-type: none"> <li>1. Evaluation and operational procedures For the acquisition or disposal of real properties, equipment, and their right-of-use assets, the Company's fixed asset circulation procedures under the internal control system shall be complied with.</li> <li>2. Determining procedures for transaction conditions and authorized limits.</li> </ol> <p>(1) For the acquisition or disposal of real properties, equipment, and their right-of-use assets, the announced current value, appraised value, actual transaction prices of properties in the neighborhood, negotiated transaction conditions and transaction prices shall be referred to, and either price inquiry, price comparison, price negotiation, or tender shall be adopted. If the amount is under <u>NTD three hundred million (inclusive)</u>, the Chairperson's approval is required and the transaction shall be <u>submitted to the next board meeting after the transaction for ratification</u>. These transactions of more than <u>NTD three hundred million</u>, the Chairperson's and the Board of directors' approval are required before conducting. <u>Or, the Board of Directors may first approve a designated area or within a certain amount, authorize the chairman of the board to deal with it at full power, and then report to the Board of Directors for ratification. The above-mentioned certain amount should not exceed 50% of the net worth of the most recent financial statements.</u></p> <p>(Omitted hereafter)</p>	<p>of-use assets</p> <ol style="list-style-type: none"> <li>1. Evaluation and operational procedures For the acquisition or disposal of real properties, equipment, and their right-of-use assets, the Company's fixed asset circulation procedures under the internal control system shall be complied with.</li> <li>2. Determining procedures for transaction conditions and authorized limits.</li> </ol> <ol style="list-style-type: none"> <li>1. For the acquisition or disposal of real properties, equipment, and their right-of-use assets, the announced current value, appraised value, actual transaction prices of properties in the neighborhood, negotiated transaction conditions and transaction prices shall be referred to, and either price inquiry, price comparison, price negotiation, or tender shall be adopted. If the amount is under <u>NTD ten million (inclusive)</u>, the <u>Chairperson and President</u> is authorized to determine; for these transactions of more than <u>NTD ten million</u>, the <u>President's</u> and the Board of directors' approval are required before conducting.</li> </ol> <p>(Omitted hereafter)</p>	<p>Company is significantly lower than the industry standard after comparing the authorized amount.</p> <ol style="list-style-type: none"> <li>2. The domestic high-quality land development competition is fierce, and transactions within reasonable prices are often under pressure with time. In order to increase the company's flexibility, it is advisable to adjust the authorized limit to increase transaction opportunities.</li> <li>3. Pursuant to paragraph 4 of this Article, in acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser</li> <li>4. Therefore, it is proposed to use the amount of professional valuation as the basis and comprehensively compare the limits of other peers. It is proposed to amend the authorized amount to NTD three hundred million.</li> </ol>
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## Appendix 1

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

Amended on June 8th, 2018

- Article 1: The election of the directors of the company shall be conducted in accordance with the “Regulations Governing Election of Directors.”
- Article 2: The cumulative voting method shall be used for election of the directors at this Corporation. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates.
- Article 3: The number of directors will be as specified in the Company’s Articles of Incorporation, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. Independent directors and non-independent directors shall be elected together and the number of elected seats should be counted separately. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.
- Article 4: More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director. In case some among the elected directors who do not meet the aforesaid conditions, the election of the director receiving the lowest number of votes among those not meeting the conditions shall be deemed invalid.
- Article 5: The board of directors shall prepare separate ballots for directors in numbers corresponding to the directors or supervisors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.
- Article 6: The chair, before the beginning of the election, shall appoint a number of monitoring and counting personnel to perform the respective duties of vote. The monitoring personnel shall be shareholders.
- Article 7: Shall a candidate be a shareholder, voters shall indicate the candidate’s account name and number in the “Candidate” column on the ballot; if a candidate is not a shareholder, his/her name and identity document number shall be specified. When the government or corporate shareholder is a candidate, the title of the government or corporate should be filled in the “Candidate” column of the ballot with the name of its representative stated. If there is more than one representative appointed, the names of representatives shall be filled in respectively.

Article 8: A ballot is invalid under any of the following circumstances:

- (1) The ballot is not the specified one by the Regulations
- (2) A blank ballot is placed in the ballot box.
- (3) Other than the account name (name), account number (ID number), and allocated votes to the candidate, other words or marks are entered.
- (4) Two or more candidates were voted in one ballot.
- (5) The writing is unclear and indecipherable or has been altered.
- (6) The candidate whose name is entered in the ballot is a shareholder and his/her account name and shareholder account number does not conform to the shareholder registry, or the candidate whose name is entered in the ballot is not a shareholder and does not conform to the name and identity card number provided.
- (7) The entered name of candidate is identical to the shareholder(s) or disputable, but no other identification, such as account number or identity document number is provided to identify.

Article 9: The ballot boxes shall be prepared by the board of directors and publicly checked by the vote monitoring personnel before voting commences.

Article 10: The voting rights shall be calculated on-site immediately after the end of the poll; and the list of elected directors shall be announced by the chair on the site.

Article 11: The board of directors of the Company shall issue notifications to the persons elected as directors. The elected directors shall provide the Consent to Act as Director

Article 12: Matters not specified in the "Regulations" shall be handled in accordance with the provisions of the Company Act, and relevant law and regulations.

Article 13: These Regulations, and any amendments hereto, shall be implemented from the date it is adopted by the Shareholders' Meeting.

## Appendix 2

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

Amended on June 12, 2020

1. Unless otherwise prescribed, the Company's shareholders meetings shall be handled in accordance with these Rules.

2. The Company shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.

Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

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

The number of shares represented by the participating shareholders shall be calculated based on the sign-in book or the submitted sign-in cards, added with the number of shares with voting rights that are exercised in writing or in electronic means.

3. The presence of shareholders in a shareholders meeting and their voting thereof shall be calculated in accordance with the number of shares.

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

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

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

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

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

When a managing director or a director serves as chair, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for six months or more and who

understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chair.

If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting.

6. The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.

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

7. Proceedings of a board meeting shall be recorded in their entirety in audio or video, and the recording shall be retained for a minimum of 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

8. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month.

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

9. If a shareholders' meeting is convened for by the Board of Directors, the meeting agenda is to be set by the Board of Directors. Relevant motions (including extraordinary motions and amendments to original motions) should be decided by voting on each separate proposal, and the meeting shall be held according to the agenda; without a decision made through a shareholders' meeting, it may not be changed.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting.

After the said meeting is adjourned, shareholders shall not elect another chair to hold another meeting at the same place or at any other place.

10. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

11. Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. the speech.



If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

12. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting. When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.
13. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.
14. If the said proposals and amendments have fulfilled regulatory requirements and may be submitted for voting, it may be announced that discussions shall stop and voting shall begin.
15. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.

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

The election of directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected.

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

16. When a meeting is in progress, the chair may announce a break based on time considerations.
17. Each shareholder has one voting right per share, except for those who are restricted or have no voting rights according to paragraph 2 of Article 179 stipulated in the Company Act.

Voting rights may be exercised in writing or by using the electronic method when the Company's shareholders meeting is being held. Instructions for exercising voting rights, whether in writing or using the electronic form, and it must be clearly stated on the shareholders' meeting advice. A shareholder exercising voting rights in writing or by electronic means will be deemed to have attended the meeting in person. However, to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company shall avoid the submission of extraordinary motions and amendments to original proposals. A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company before 2 days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail. Unless an explicit statement to revoke the previous declaration is made in the declaration which comes later.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, before 2 business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in this Corporations articles of incorporation,

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

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

18. When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.
19. The chair may direct the proctors (or security personnel) to help maintain order at the meeting place. When proctors (or security personnel) help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."  
At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from so doing.  
When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.
20. The handling matters not disclosed in these Rules, other than the laws and regulations stipulated in the Company Act and the Company's Articles of Incorporation, they are handled under the chair's instructions.
21. These Rules are proceeded after being approved by the shareholders. The same applies to any change made thereto.

## Appendix 3

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

Amended on June 5th, 2019

#### Article 1: Purpose

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

#### Article 2: Basis of Laws

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

#### Asset 3: Applicable Assets

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

#### Article 4: Definition

1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.
3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
5. The term of “Date of occurrence” described in these Procedures: refers to the date of contract signing, date of payment, date of commissioned transaction concluding, date of transfer, dates of boards of directors’ resolutions, or other date that can confirm the

counterparty and monetary amount of the transaction, whichever date is earlier. However, the investment requiring approvals from competent authorities, the earlier date between the aforesaid dates, or the dates receiving approvals from competent authorities prevails.

6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

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

- (1) Total amount of real properties not for operation, and their right-of-use assets, shall not exceed 15% of the net worth.
- (2) Total amount of investments in negotiable securities, shall not exceed 50% of the net worth.
- (3) Total amount of investments in single negotiable security, shall not exceed 25% of the net worth.

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

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

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:

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

1. Evaluation and operational procedures

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

2. Determining procedures for transaction conditions and authorized limits.

- (1) For the acquisition or disposal of real properties, equipment, and their right-of-use assets, the announced current value, appraised value, actual transaction prices of properties in the neighborhood, negotiated transaction conditions and transaction prices shall be referred to, and either price inquiry, price comparison, price negotiation, or tender shall be adopted. If the amount is under NTD ten million (inclusive), the Chairperson and President is authorized to determine; for these transactions of more than NTD ten million, the President's and the Board of directors' approval are required before conducting.
- (2) With respect to the Company's acquisition or disposal of assets that is subject to the approval of the board of directors under the company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written

statement, the company shall submit the director's dissenting opinion to the Audit Committee.

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

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

### 3. Execution unit

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

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

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

- (1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
- (2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.

The CPAs providing opinion are not limited to the Company's certifying CPAs.

- (4) The date of the report issued by the professional appraiser and the date of contract establishment shall not exceed three months. However, if the announced current value in the same period is applicable, within six months, the original professional appraiser may issue an opinion.
- (5) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

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

Article 8: Procedure of Acquiring or Disposing Negotiable Securities

1. Evaluation and operational procedures

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

2. Determining procedures for transaction conditions and authorized limits.

(1) The trading of securities in the centralized trading market or OTC venue provided by securities firm shall be determined by the responsible unit based on market conditions. For these transaction with amount under NT\$ten million (inclusive) , they shall be approved by the chairman and submitted to the next meeting of the board of directors as reference, while providing an analysis report on the unrealized benefits or losses of financial assets; if the amount exceeds NT\$ten million, the transaction must be submitted to the board of directors for approval before conducting.

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

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

3. Execution unit

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

4. Obtaining experts' opinions

(1) The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company

shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission.

- (2) Pursuant to the proviso to Article 10 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, a public company acquiring or disposing of securities may be exempted from the requirement of obtaining the financial statements of the issuing company for the most recent period, audited or reviewed by a certified public accountant (CPA) and the requirement of additionally engaging a CPA to provide an opinion regarding the reasonableness of the transaction price when the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, prior to the date of occurrence of the transaction, if it fulfills any of the conditions listed below:
1. Securities acquired through cash contribution in an incorporation by promotion or by public offering in accordance with the Company Act, with the further requirement that the rights represented by the acquired securities be commensurate with the proportion of capital contributed.
  2. Participation in subscription to an issue of securities issued at face value by an issuing company
  3. Participation in subscription to securities issued by a 100 percent owned subsidiary that is carrying out a cash capital increase.
  4. Securities listed and traded on the Taiwan Stock Exchange or the Taipei Exchange or emerging stocks.
  5. Government bonds, or bonds under repurchase or reverse purchase agreements.
  6. Onshore or offshore publicly offered funds.
  7. TWSE or TPEX listed stocks acquired or disposed of in accordance with the TWSE or TPEX rules governing the purchase of listed securities by reverse auction or rules governing the auction of listed securities.
  8. Participation in subscription to shares issued by a public company for a cash capital increase or domestic subscription to corporate bonds (including financial debentures), with the further requirement that the securities acquired are not privately placed securities.
  9. Subscription to a domestic privately placed fund before the establishment of the fund in accordance with Article 11, paragraph 1 of the Securities Investment Trust and Consulting Act, or subscription to or redemption of a domestic privately placed fund, provided that the trust agreement for the fund specifies an investment strategy in which, aside from securities margin transactions and open positions held in securities-related products, the investment scope of the remaining portion is the same as that of a publicly offered fund.
- (3) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal

report or CPA opinion.

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

1. Evaluation and operational procedures

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

2. Determining procedures for transaction conditions and authorized limits.

- (1) To acquire or dispose of a membership certificate, the fair market price shall be referred to, to determine the transaction conditions and transaction prices, and prepare an analysis report and submit it to the president. If the amount is less than NT\$three million, approval from the president is required, and the transaction shall be submitted to the next board meeting for reference; if it exceeds NT\$three million, it must be submitted to the board of directors for approval before conducting.
- (2) To acquire or dispose intangible assets or their right-of-use assets, the expert evaluation reports or market fair market prices shall be referred to, to determine transaction conditions and transaction prices, prepare an analysis report and submit it to the chairperson. If the amount of which is less than NT\$ then million, the approval of the chairperson is required, and the transaction shall be submitted to the next board meeting for reference; if it exceeds NT\$ten million, it must be submitted to the board of directors for approval before conducting.
- (3) With respect to the Company's acquisition or disposal of assets that is subject to the approval of the board of directors under the company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to the Audit Committee. When proposal transactions of acquiring or disposing assets to the Board of Directors per this Article, the opinions of each independent directors shall be fully considered. When an independent director has a dissenting opinion or qualified opinion, it shall be noted in the minutes of board of directors' meeting.

3. Execution unit

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

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

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



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

Article 10: Procedures of Handling Transactions with Related Parties

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

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

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

2. Evaluation and operational procedures

For the acquisition and disposal of property or use-of-right assets with the related party, or the acquisition and disposal of assets other than the property or right-of-right assets for an amount exceeding 20% of the company's paid-in capital, 10% of the total assets, or NT\$300 million, except for the trade of domestic bonds, R/P and R/S bonds, subscription, or R/P of monetary fund issued by domestic securities investment trusts industry, the following information submitted to the Audit Committee for the approval of a majority of the members and the board of directors for approval before having the trade contract signed and payment made.

- (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (2) The reason for choosing the related party as a transaction counterparty.
- (3) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Item 3, Paragraph (1) and (4) of this Article.
- (4) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.
- (5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- (6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the first item.
- (7) Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amount stated in the preceding paragraph should be handled in accordance with Paragraph 2 of Article 14, and the so-called "within one year" should be retroactively calculated for one year based on the date of occurrence. These parts approved by the Board of Directors according to the provision of the "Procedures" are exempted from being incorporated into the retroactive calculation.

With respect to the types of transactions listed below, when to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company's board of directors may pursuant to Article 7, paragraph 2, subparagraph 1 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting:

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

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

on the company's own land or on rented land.

4. The real property right-of-use assets for business use are acquired by the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.
- (7) When a public company obtains real property or right-of-use assets thereof from a related party, it shall also comply with the (5), Paragraph 3 of this Article, if there is other evidence indicating that the acquisition was not an arms length transaction.

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

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

Article 12: Procedure of acquiring or disposing derivatives

1. Principles and guidelines of transactions

(1) Transaction types

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

(2) Operation (hedging) strategy

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

(3) Authority and duty division

1. Finance Department

(1) Traders

- A. Responsible for the formulation of the whole Company's financial product trading strategy.
- B. Traders should regularly calculate positions every two weeks, collect market information, conduct trend judgments and risk assessments, and formulate operating strategies, which will be used as the basis for trading after being approved by the one with authority.
- C. Execute transactions in accordance with authorized authority and established strategies.
- D. When there are major changes in the financial market and the traders determine that the established strategy is no longer applicable, an evaluation report shall be submitted at any time, and the strategy shall be re-drawn. After approval by the president, it shall be used as the basis for

trading.

(2) Accounting personnel

A. Confirm transaction .

B. Review whether the transaction is conducted in accordance with the authorized authority and the established strategy.

C. Perform monthly evaluations and submit the evaluation report to the president for his review.

D. Handle accounting and accounts

E. Filing and announcement in accordance with the regulations of the Securities and Futures Commission

(3) Delivery personnel: perform delivery tasks.

(4) Approval authorities for derivatives

A. Approval authorities for hedging transactions

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

B. Approval of the Board of Directors is required for other transactions with particular purpose.

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

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

2. Audit Department

Responsible for understanding the adequacy of the internal control of derivative transactions and checking the compliance of the trading department with the operating procedures, analyzing the transaction circulation, preparing an audit report, and reporting to the Board of Directors when there are major deficiencies. The Board of Directors should have independent directors attend and express their opinions.

3. Performance Evaluation

(1) Hedging transactions

- A. The performance evaluation is based on the exchange rate cost on the Company's book and the profit and loss arising from engaging in derivative transactions.
- B. In order to fully grasp and express the evaluation risk of the transaction, the Company adopts the monthly settlement evaluation method to evaluate the profit and loss.
- C. The Finance Department should provide the president with the evaluation of foreign exchange positions and foreign exchange market movement, and market analysis as reference for management and instructions.

(2) Transactions with particular purpose

The performance evaluation is based on the actual profit and loss, and the accounting personnel must prepare reports on a regular basis to provide management as reference.

4. Establishment of total amount of contract and maximum loss

(1) Total amount of contract

A. Limits for hedging transactions

The Finance Department should control the Company's overall position to avoid transaction risks. The amount of hedging transactions should not exceed two-thirds of the Company's overall net position. If it exceeds two-thirds, it should be reported to the president for approval.

B. Transactions with particular purpose

Based on the forecast of market changes, the Finance Department may formulate a strategy as needed, and submit it to the president and chairperson for approval before proceeding. The total contract amount of the Company's transactions with particular purpose in the Company's net cumulative position is limited to US\$5 million. If the amount exceeds the above amount, the board of directors must approve it and follow the policy instructions.

(2) Establishment of maximum loss

A. As the hedging transaction is to avoid risks, so there is no need to set a loss limit.

B. If it is a transaction contract for a particular purpose, after the position is established, a stop loss point should be set to prevent excess loss. The stop loss point is set at the maximum not exceeding 10% of the transaction amount. If the loss exceeds 10% of the transaction amount, it must be reported to the president immediately and reported to the board of directors to discuss necessary countermeasures.

C. The maximum loss amount of individual contract is the is less one of under US\$ 20,000 or 5% of the transaction contract amount.

D. The maximum annual loss limit of the Company's operations for transaction with particular purposes is US\$300,000.

2. Risk management measures

(1) Credit risk management

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

Transaction counterparts: Mainly famous domestic and overseas financial

institutions.

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

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

(2) Market risk management

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

(3) Liquidity risk management

In order to ensure market liquidity, the choice of financial products is based on high liquidity (that is, they can be squared off in the market any time). Financial institutions entrusted with transactions must have sufficient information and the ability to trade in any market at any time.

(4) Cash flow risk management

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

(5) Operational risk management

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

(6) Product risk management

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

(7) Legal risk management

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

3. Internal audit system.

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

to the competent authority before the end of February of the following year, and report the improvement of abnormal matters to the competent authority for reference by the end of May of the following year.

4. Regular valuation method

- (1) The Board of Directors should authorize senior executives to regularly supervise and evaluate whether derivative commodity transactions are indeed handled in accordance with the company's trading procedures, and whether the risks assumed are within the tolerance, and when there are abnormalities in the market price evaluation report (if the held position has exceeded the loss limit), it should be reported to the board of directors immediately, and appropriate measures should be taken.
- (2) Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedg trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.

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

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

The management principles are as following:

1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Regulations and the procedures for engaging in derivatives trading formulated by the company.
2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; independent directors shall be present at the meeting and express an opinion.

- (2) Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.
- (3) The Company shall report to the soonest meeting of the board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for engaging in derivatives trading.
- (4) The Company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to be carefully evaluated under paragraph 4, subparagraph (2), paragraph 5, subparagraph (1) 1. and (2) of this Article shall be recorded in detail in the log book.

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

1. Evaluation and operational procedures

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

However, the requirement of obtaining an aforesaid opinion on reasonableness



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

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

2. Other matters to be paid attention to

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

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

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days counting inclusively from the

date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

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

- (2) **Prior NDA:** Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
- (3) **Principles of altering the share exchange ratio or acquisition price:** The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the shareholders' meeting for deliberation and passage. The share exchange ratio or acquisition price shall not be altered as a principle, but if there are terms/conditions that the contract stipulates may be altered and that have been publicly disclosed, this restriction is not applicable. Circumstances where the share exchange ratio or acquisition price may be altered are as following:
  1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
  2. An action, such as a disposal of major assets, that affects the company's financial operations.
  3. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
  4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
  5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
  6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- (4) **Terms to be specified in contents:** for the contracts of merger, demerger, acquisition, or transfer of shares, other than the requirements set forth in Article 317-1 of the Company Act and Article 22 of Business Mergers And Acquisitions Act, the followings shall be specified.
  1. Handling of breach of contract.
  2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
  3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the

principles for handling thereof.

4. The manner of handling changes in the number of participating entities or companies.
  5. Preliminary progress schedule for plan execution, and anticipated completion date.
  6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- (5) When the numbers of companies participating the merger, demerger, acquisition, or share transfer changes: After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
- (6) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Paragraph 2 (1) date of convening board meeting; (2) Prior NDA, and (5) numbers of companies participating the merger, demerger, acquisition, or share transfer changes for the latter to comply with.

#### Article 14: Procedure of Information Disclosure

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

1. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
2. Merger, demerger, acquisition, or transfer of shares.
3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.
4. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria: NTD 500 million or more.
5. Acquisition or disposal in the construction business of real property or right-of-use assets thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million
6. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is

not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.

7. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
  1. Trading of domestic government bonds.
  2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

The amount of transactions above shall be calculated as follows:

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

"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.

The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

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

The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.

Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:

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

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

1. A subsidiary shall establish its "Operational Procedures for Acquisition or Disposal of Assets" pursuant to these Regulations. After the procedures have been approved by the

board of directors, they shall be submitted to a shareholders' meeting for approval; the same applies when the procedures are amended.

2. When acquiring or disposing assets, subsidiaries shall follow the established procedures.
3. Information required to be publicly announced and reported in accordance with the provisions of the Regulations on acquisitions and disposals of assets by the Company's subsidiary that is not itself a public company in Taiwan shall be reported by the Company.
4. The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary referred to in the preceding paragraph in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing under Article 14, paragraph 1.
5. If the subsidiary acquires or disposes of assets, at least the quarterly audit for the acquisition or disposition of assets and its implementation shall be conducted and documented. If a material violation is found, the Company's audit unit should be notified in writing immediately; the Company's audit unit should also submit written information to the audit committee.
6. When the Company's audit unit conducts an audit on a subsidiary based on the annual audit plan, the implementation of the subsidiary's operating procedures for acquiring or disposing of assets shall be understood altogether. If any deficiency is found, the improvement should be tracked continuously, and a report should be prepared and submitted to the Audit Committee.

#### Article 16: Penalties

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

#### Article 17: Enforcement and Amendment

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

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

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

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

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

positions.

Article 18: By-laws

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

## Appendix 4

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

#### Chapter General Principles

- Article 1: The Company adheres to its philosophy of ‘making a contribution to the society’ and the corporate spirit of ‘research makes the difference’, we follow the 7 principles of Formosan Rubber’s and aim to achieve the target of providing the society with supplies and services needed accordingly. The Company has been established in accordance with the requirements stipulated in the Company Act and it has been named as “Formosan Rubber Group Inc.”
- Article 2: The Company’s business consists of:
- (1) C801100 Synthetic Resin & Plastic Manufacturing
  - (2) C804020 Industrial Rubber Products Manufacturing
  - (3) C805010 Plastic Sheets, Pipes and Tubes Manufacturing
  - (4) C802120 Industrial Catalyst Manufacturing
  - (5) C804990 Other Rubber Products Manufacturing
  - (6) C805070 Strengthened Plastic Products Manufacturing
  - (7) C805990 Other Plastic Products Manufacturing
  - (8) CB01010 Machinery and Equipment Manufacturing
  - (9) CC01080 Electronic Parts and Components Manufacturing
  - (10) CD01060 Aircraft and Parts Manufacturing
  - (11) D101050 Steam and Electricity Paragenesis
  - (12) F104110 Wholesale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products
  - (13) F114030 Wholesale of Motor Vehicle Parts and Supplies
  - (14) F204110 Retail sale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products
  - (15) F214030 Retail Sale of Motor Vehicle Parts and Supplies
  - (16) F301010 Department Stores
  - (17) F301020 Supermarkets
  - (18) F401010 International Trade
  - (19) G801010 Warehousing and Storage
  - (20) H701040 Specialized Field Construction and Development
  - (21) H701060 New County and Community Construction and Investment
  - (22) H703100 Real Estate Rental and Leasing
  - (23) IZ06010 Cargoes Packaging
  - (24) J701010 Electronic Game Arcades
  - (25) J701040 Recreational Activities grounds and Facilities
  - (26) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 2-1: Due to business needs, the Company makes guarantees externally.
- Article 2-2: Due to business needs, the Company makes investments in other industries, and is not limited to the restrictions in Article 13 of the Company Act.
- Article 3: The Company’s headquarters are located in Taipei City. When necessary, after being resolved by the board of directors, the Company may establish branches or plants domestically or overseas.
- Article 4: The Company’s method for making public announcements is in accordance with the requirements stipulated in Article 28 of the Company Act.

#### Chapter 2 Shares

- Article 5: The Company’s total capital is amounted to NT\$6.8 billion which is divided into NT\$680 million shares with a par value of NT\$10 per share. Among these,

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

### **Chapter 3 Shareholders Meeting**

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



- Article 16: Resolutions at a shareholders' meeting shall, unless otherwise provided for in the Company Act, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.
- Article 17: The resolutions reached in the shareholders' meeting must be documented in the minutes of meeting, and shall be handled in accordance with Article 183 of the Company Act.

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

- Article 18: The Company has 5 to 9 directors. The candidates of the by-election are nominated. Shareholders shall elect from the candidates.
- Among the number of directors mentioned above, the independent directors may not be less than 3 people and no less than one fifth of the number of directors.
- Both independent directors and non-independent directors shall be elected at the same time and the number of elected dependent directors shall be separated from the number of elected non-independent directors for purpose of election.
- Article 18-1: The Company has established the Audit Committee to replace the duties of the supervisor and is composed of by all of the independent directors who are responsible for duties such as the execution of the Company Act, Securities and Exchange Act and other laws and regulations in relation to supervisors. Audit Committee members, exercise of powers and other matters for compliance shall be handled according to laws and regulations; its organizational procedures are prescribed by the board of directors. According to laws and regulations, the Company is required to establish Remuneration and Compensation Committee or other functional committees.
- Article 18-2: When the Company's board of directors calls for a meeting, the cause or subject of a meeting shall be indicated and each director must be notified 7 days prior to the meeting. In the case of emergency, a meeting of the board of directors may be convened at any time. When the Company's board of directors calls for a meeting, each director may be notified by ways of written, E-mail or fax.
- Article 19: The term of office of a director is three years; and he/she may be eligible for re-election.
- The aggregate amount of shares held by all directors shall be handled in accordance with the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies" prescribed by the competent authority.
- Article 20: When the number of vacancies in the board of directors of a company equals to one third of the total number of directors and the independent directors are dismissed, the board of directors shall call, within 60 days, a special meeting of shareholders to elect succeeding directors to fill the vacancies.
- Article 21: When the directors organize a board of directors' meeting, it shall be attended by 2 third of the total number of directors of a company, and with an approval by a majority of directors, they shall select from among themselves one person to serve as the chairperson.
- The chairperson represents the Company externally and executes all affairs relating to the Company by following these Articles and resolutions approved by the shareholders and board of directors. The duties of the board of the board of directors are as follows:
1. Calling for shareholders' meetings and executing their resolutions.
  2. Reviewing the Company's organizational articles and the enforcement rules.

3. Proposing to amend the Articles of Incorporation.
4. Preparing and reviewing investments of other businesses, establishment of branches and abolitions.
5. Appointment/dismissal remuneration of managerial officers.
6. Approving the Company's employee establishment, salary standards.
7. Reviewing important contracts.
8. Reviewing business plans and supervising their executions.
9. Reviewing budgets and settlements.
10. Proposing for earnings distribution.
11. Proposing for capital increase/decrease.
12. Reviewing the issuance of special shares.
13. Approving of the Company's property pledge, rights setting and matters relating to dispositions.
14. Approving of significant capital expenditure.
15. Approving the matters when the Company applies for financing, guarantee, acceptance from a financial institution, or makes advances, loans and debts from the third party.
16. Approving endorsements/guarantees and acceptance in the name of the Company.
17. Approving of major transactions by the company and related parties.
18. Appointment of CPAs and legal consultants. /Other relevant business shall be carried out except for matters decided by the shareholders meeting in accordance with laws and regulations or the company's articles of association.
19. Except for provisions stipulated in laws and regulations or in the Company's Articles of Incorporation, other related business shall be resolved by the shareholders' meeting.

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

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

Article 24: (omitted)

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

## **Chapter 5 Managerial Officer**

Article 26: The Company has several managerial officers, their appointment, dismissal and

remuneration are handled in accordance with Article 29 of the Company Act. The Company may set up an executive vice president in accordance with the resolution of the board of directors.

Article 27: (the article has been deleted)

### **Chapter 6 Final Earnings Distribution**

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

1. Business report
2. Financial statements
3. Earnings distribution or loss off-setting proposals.

Article 29: If there is a profit within the Company in the year, no less than 1% of the profit shall be set aside for employees' remuneration and no less than 2% of the profit shall be set as remuneration for directors. Where there is an accumulated loss, the profit shall be reserved to make up for the loss.

The employee remuneration may be determined by shares or cash and its receiving parties must include its serving employees in accordance with the requirements established by the Board of Directors.

The directors' remuneration of the preceding paragraph is determined by cash. The preceding 2 paragraphs are enforced after the Board of Directors' resolution, and the shareholders must be reported to.

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

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

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

Article 30: (the article has been deleted)

### **Chapter 7 Additional Provisions**

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

Article 32: The Company's Organizational Rules and Enforcement Rues are determined

by the board of directors.

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

The 1st amendment was made on December 20, 1962.

The 2nd amendment was made on August 28, 1964.

The 3rd amendment was made on August 20, 1966.

The 4th amendment was made on October 15, 1968.

The 5th amendment was made on January 12, 1969.

The 6th amendment was made on June 25, 1970.

The 7th amendment was made on August 7, 1971.

The 8th amendment was made on October 15, 1972.

The 9th amendment was made on January 12, 1973.

The 10th amendment was made on January 1, 1974.

The 11th amendment was made on December 17, 1974.

The 12th amendment was made on September 28, 1975.

The 13th amendment was made on December 19, 1975.

The 14th amendment was made on August 4, 1977.

The 15th amendment was made on September 16, 1978.

The 16th amendment was made on October 9, 1979.

The 17th amendment was made on October 1, 1980.

The 18th amendment was made on September 8, 1983.

The 19th amendment was made on December 19, 1983.

The 20th amendment was made on January 30, 1984.

The 21th amendment was made on March 9, 1984.

The 22th amendment was made on March 5, 1985.

The 23th amendment was made on March 11, 1985.

The 24th amendment was made on November 20, 1985.

The 25th amendment was made on May 23, 1986.

The 26th amendment was made on October 3, 1986.

The 27th amendment was made on June 26, 1987.

The 28th amendment was made on June 3, 1988.

The 29th amendment was made on June 12, 1989.

The 30th amendment was made on December 14, 1989.

The 31th amendment was made on April 11, 1990.

The 32th amendment was made on March 9, 1991.

The 33th amendment was made on June 3, 1991.

The 34th amendment was made on April 30, 1992.

The 35th amendment was made on May 25, 1993.

The 36th amendment was made on April 29, 1994.

The 37th amendment was made on May 4, 1995.

The 38th amendment was made on September 19, 1995.

The 39th amendment was made on May 29, 1996.

The 40th amendment was made on May 28, 1997.

The 41th amendment was made on April 28, 1998.

The 42th amendment was made on April 30, 1999.

The 43th amendment was made on May 18, 2000.

The 44th amendment was made on June 20, 2001.

The 45th amendment was made on June 21, 2002.

The 46th amendment was made on June 11, 2004.

The 47th amendment was made on June 17, 2005.  
The 48th amendment was made on June 14, 2006.  
The 49th amendment was made on June 17, 2010.  
The 50th amendment was made on June 18, 2012.  
The 51th amendment was made on June 12, 2015.  
The 52th amendment was made on June 7, 2015.  
The 53th amendment was made on June 5, 2019.  
The 54th amendment was made on June 12, 2020.

Chairperson Hsu Zhen-Tsai

## Appendix 5

### **Formosan Rubber Group Inc. Numbers of Shares Held by All Shareholders and the Minimum Number of shares Required to be held**

As of the day of the suspension of share transfer (April 13, 2021), the Company's paid-in capital amounted to NT\$3,423,260,000 with issued shares of 342,326,000 shares.

All of the directors held the minimum percentage of stock totaling 13,693,040 shares (must not be less than 5% of the total issued shares)

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

Title	Name	Juristic person	Shareholding at the time of suspension of share transfer (April 14, 2020)	
			Shares	%
Chairperson	Hsu Zhen-Tsai		3,389,588 shares	0.99
Director	Hsu Zhen-Ji		1,947,781 shares	0.57
Director	Hsu Zhen-Xin	Hallmark Int'l Co., Ltd.	2,161,988 shares	0.63
Director	Hsu Wei-Zhi	Ruifu Construction Co., Ltd.	34,070,754 shares	9.95
Director	Lin Kun-Rong	Hohe Construction Co., Ltd.	13,586,726 shares	3.97
Director	He Min-Chuan		3,405,274 shares	0.99
Independent director	Xiao Sheng-Xian		0 shares	0
Independent director	Chen Zhu-Sheng		0 shares	0
Independent director	Wu Chun-Lai		0 shares	0
<b>Total shareholding of all directors</b>			<b>58,562,111 shares</b>	<b>17.11</b>

## Appendix 6

### Other Matters

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

Description:

1. According to the provisions stipulated in Article 172-1 of the Company Act, Shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of a company may propose to the company a proposal for discussion at a regular shareholders' meeting in writing, provided that only one matter shall be allowed in each single proposal with a maximum of 300 words per proposal. The Company has set the duration of April 1, 2021 to April 12, 2021 as the acceptance period for the shareholders proposals.
2. The Company has made public announcements on MOPS.
3. The Company has not received any shareholders' proposals.