

Ticker Symbol: 6248



# **TMP Steel Corporation**

## **2020 Annual Report**

**Website for inquiries about the Annual Report:**

**<http://www.tmpco.com.tw>**

**Website for declaring information designated by the Securities and  
Futures Bureau: <http://mops.twse.com.tw>**

**April 5, 2021**

I. Name, title, telephone, and email of the Company's spokesperson or acting spokesperson

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Title: President

Telephone: (02)2599-2838

Email: yeh@tmpco.com.tw

Acting Spokesperson: Yang Yunshi

Title: President of the Hardware Division

Telephone: (02)2599-2838

Email: cindy@tmpco.com.tw

II. Address and telephone of the main office/branch office/plant

Main Office: 2F, No. 132, Section 3, Chengde Road, Datong District, Taipei City

Telephone: (02)2599-2838

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V. Name of trading site for securities listed overseas and how to search for the said overseas securities: None

VI. Company website: [www.tmpco.com.tw](http://www.tmpco.com.tw)

## Table of Contents

<b>TABLE OF CONTENTS.....</b>	<b>1</b>
<b>I. LETTER TO SHAREHOLDERS .....</b>	<b>1</b>
I. 2020 BUSINESS ACCOMPLISHMENTS .....	1
II. OVERVIEW OF 2021 OPERATION PLAN.....	2
III. FUTURE COMPANY DEVELOPMENT STRATEGY, IMPACTS FROM EXTERNAL COMPETITION, REGULATORY ENVIRONMENT, AND OVERALL OPERATIONAL SETTING .....	4
<b>II. COMPANY PROFILE .....</b>	<b>5</b>
I. DATE ESTABLISHED.....	5
II. COMPANY HISTORY .....	5
<b>III. CORPORATE GOVERNANCE REPORT.....</b>	<b>9</b>
I. ORGANIZATIONAL SYSTEM .....	9
II. BACKGROUND INFORMATION OF DIRECTORS, SUPERVISORS, PRESIDENT, VICE PRESIDENT, ASSISTANT VICE PRESIDENT, AND HEADS OF VARIOUS DEPARTMENTS AND BRANCHES .....	11
III. Remuneration paid to directors, supervisors, the President, and Vice President in the past year..	15
IV. STATUS OF CORPORATE GOVERNANCE.....	19
V. INFORMATION ON PUBLIC EXPENDITURE ON CPAs .....	46
VI. INFORMATION ON REPLACEMENT OF CPAs:.....	48
VII. DISCLOSURE OF THE NAME, POSITION, AND DURATION OF SERVICE AT THE FIRMS OR THEIR AFFILIATES THAT THE COMPANY’S CHAIRMAN, PRESIDENT, OR MANAGERS IN CHARGE OF FINANCIAL OR ACCOUNTING AFFAIRS IN THE PAST YEAR, IF ANY: NONE.....	49
VIII. CHANGES IN THE TRANSFER AND PLEDGE OF EQUITY AMONG DIRECTORS, SUPERVISORS, MANAGERS, AND SHAREHOLDERS WITH A HOLDING RATIO EXCEEDING 10% IN THE PAST YEAR AND UP TO THE DATE THE ANNUAL REPORT WAS PRINTED: .....	50
IX. INFORMATION OF THE RELATIONSHIP AMONG TOP 10 SHAREHOLDERS WITH THE HIGHEST HOLDING RATIO WHO ARE RELATED, SPOUSES, OR RELATIVES WITHIN THE SECOND DEGREE OF KINSHIP OF EACH OTHER (ONE ANOTHER) AS DEFINED BY THE FINANCIAL ACCOUNTING STANDARD 6.....	50
X. NUMBER OF SHARES HELD BY THE COMPANY, THE COMPANY’S DIRECTORS, SUPERVISORS, MANAGERS, AND DIRECTLY OR INDIRECTLY CONTROLLED BUSINESSES AND THE CONSOLIDATED GENERAL HOLDING RATIO .....	52
<b>IV. FUND-RAISING .....</b>	<b>53</b>
I. CAPITAL AND SHARES.....	53
II. CORPORATE BONDS: .....	59
III. PREFERRED STOCK: NONE. ....	61
IV. GLOBAL DEPOSITARY RECEIPT: NONE.....	61

V.	EMPLOYEE SHARE SUBSCRIPTION WARRANT: NONE . . . . .	61
VI.	RESTRICTED STOCK AWARD: NONE.....	61
VII.	ISSUANCE OF NEW STOCK UPON M&A OR ASSIGNMENT OF SHARES FROM OTHER COMPANIES: NONE. ....	61
VIII.	IMPLEMENTATION OF THE FUNDS UTILIZATION PLAN: EACH ISSUANCE OF SECURITIES BY THE COMPANY WAS COMPLETED AND ABSENCE OF THE EFFICACY OF THE PLAN DID NOT HAPPEN. ....	61
<b>V.</b>	<b>BUSINESS OVERVIEW.....</b>	<b>62</b>
I.	SCOPE OF OPERATION .....	62
II.	MARKET AND PRODUCTION/DISTRIBUTION OVERVIEW .....	68
III.	NUMBER, MEAN SERVICE YEARS, MEAN AGE, AND EDUCATION DISTRIBUTION RATIO OF IN-SERVICE EMPLOYEES OF THE PAST TWO YEARS UP TO THE DATE THE ANNUAL REPORT WAS PRINTED .....	73
IV.	INFORMATION ON ENVIRONMENTAL PROTECTION EXPENDITURE .....	74
V.	LABOR-MANAGEMENT RELATIONS .....	75
VI.	IMPORTANT CONTRACT .....	76
<b>VI.</b>	<b>FINANCIAL OVERVIEW .....</b>	<b>77</b>
I.	CONDENSED BALANCE SHEET AND COMPREHENSIVE INCOME STATEMENT OF PAST FIVE YEARS AND AUDIT OPINIONS FROM THE CPAS .....	77
II.	FINANCIAL ANALYSIS OF THE PAST FIVE YEARS .....	79
III.	REVIEW REPORTS OF AUDIT COMMITTEE OF THE FINANCIAL STATEMENTS OVER THE PAST YEAR .....	82
IV.	FINANCIAL STATEMENT FROM LAST YEAR .....	83
V.	IMPACTS OF LATEST FINANCIAL DIFFICULTIES ENCOUNTERED BY THE COMPANY AND ANY OF ITS AFFILIATES ON THE COMPANY’S FINANCIAL STANDING OVER THE PAST YEAR UP TO THE DATE THE ANNUAL REPORT WAS PRINTED .....	83
<b>VII.</b>	<b>DISCUSSION AND ANALYSIS OF FINANCIAL STANDING AND FINANCIAL PERFORMANCE AND RISKS .....</b>	<b>84</b>
I.	FINANCIAL STANDING .....	84
II.	FINANCIAL PERFORMANCE .....	85
III.	CASH FLOWS .....	86
IV.	IMPACTS OF MAJOR CAPITAL EXPENDITURE ON FINANCIAL OPERATIONS IN THE MOST RECENT YEAR.....	86
V.	MAIN REASONS FOR PROFITS OR LOSSES OF LATEST REINVESTMENT POLICY, IMPROVEMENT PLAN, AND INVESTMENT PLAN FOR THE COMING YEAR .....	87
VI.	ANALYSIS AND EVALUATION OF RISK MATTERS IN THE MOST RECENT YEAR UP TO THE DATE THE ANNUAL REPORT, INCLUDING THE FOLLOWING .....	87
VII.	OTHER IMPORTANT MATTERS: NONE. ....	91

<b>VIII. SPECIAL NOTES.....</b>	<b>93</b>
I.    RELATED INFORMATION OF AFFILIATES .....	93
II.   PRIVATE PLACEMENT OF SECURITIES OVER THE PAST YEAR UP TO THE DATE THE ANNUAL REPORT WAS PRINTED: NONE. ....	93
III.  HOLDING OR DISPOSAL OF THE COMPANY’S SHARES BY ITS SUBSIDIARIES IN THE PAST YEAR UP TO THE DATE THE ANNUAL REPORT WAS PRINTED: NONE.....	93
IV.   OTHER MATTERS REQUIRING SUPPLEMENTARY INFORMATION: NONE.....	93
<b>IX.   MATTERS WITH IMPORTANT IMPACTS ON SHAREHOLDERS’ EQUITY OR       PRICES OF SECURITIES AS INDICATED IN ARTICLE 36 PARAGRAPH 3       SUBPARAGRAPH 2 OF THE SECURITIES AND EXCHANGE ACT OVER THE PAST       YEAR UP TO THE DATE THE ANNUAL REPORT WAS PRINTED .....</b>	<b>94</b>
<b>APPENDIX 1:  INDIVIDUAL FINANCIAL STATEMENTS OF THE COMPANY FROM       LAST YEAR AUDITED AND CERTIFIED BY CPAS.....</b>	<b>95</b>

## I. Letter to Shareholders

Dear Shareholders and Ladies and Gentlemen,

Hope everyone is well.

In 2020, we became part of the Taiwan Steel Group. Under the efforts from all staff, we rendered splendid results. The professional and outstanding team, with the superior financial standing of the Group, made the best of the unparalleled price negotiation ability and the mobile and quick allocation ability to provide steel bar customers with the best one-stop service, which has been widely recognized by customers. This is why we were able to provide such beautiful results. We, however, have been adhering to the management beliefs of “new, precise, quick, and substantial” and are not complacent with what we have achieved so far. Our goal is to become the most professional comprehensive building steel distributor, providing customers with all-around total solutions. The Taiwan Steel Group continued to maximize its collaboration with counterparts and seek cross-disciplinary alliance to provide customers with better quality all-around services with more diversified product combinations and promote quality of service as well as reduce the cost and improve profitability with a more specialized management system in order to give back to shareholders for their trust.

Looking into the future, despite the many uncertain and unfavorable factors, we will maximize our market share with a wider range of product combinations in order to manage and segment the target market with more precise goals and to ensure more efficient management to bring down the cost and accordingly enhance profitability. The following is a report of the 2020 business accomplishments and the 2021 operation plan.

### I. 2020 Business Accomplishments

#### (I) Accomplishments in Implementation of the Operation Plan

Unit: NTD thousands

Item	2020	%	2019	%	Growth rate (%)
Operating income	3,115,269	100.00	3,012,489	100.00	3.41
Operating gross profit	217,687	6.99	194,188	6.45	12.10
Operating expenditure	146,473	4.70	98,102	3.26	49.31
Operating profit (loss)	71,214	2.29	96,086	3.19	(25.89)
Pre-tax net profit (loss)	67,601	2.17	100,783	3.34	(32.92)
(Expenditure) Profit from Income Tax	(14,146)	0.45	(12,142)	(0.40)	(16.50)
Net profit (loss) of current term	53,455	1.72	88,641	2.94	(39.69)
Sum of combined profits or losses of current term	53,804	1.73	88,016	2.92	(38.87)
Basic earnings per share (\$)	1.74		2.89		

#### (II) Budget Implementation Status

This is not applicable as the Company does not disclose to the public its financial forecast of 2020.

### (III) Income and Expenditure and Profitability Analysis

Analysis Item		Year	2020	2019
Financial	Business income (in thousands)		3,115,269	3,012,489
Income and Expenditure	Operating gross profit (in thousands)		217,687	194,188
	Pre-tax net profit (in thousands)		67,601	100,783
Profitability	Return on assets (%)		4.65	8.28
	Return on equity (%)		13.04	23.99
	Pre-tax net profit to paid-in capital ratio (%)		22.04	32.85
	Net profit rate (%)		1.72	2.94
	Earnings per share (\$)		1.74	2.89

### (IV) Research and Development Overview

The Hardware Division was added in the fourth quarter of 2013 while the original product division became “Electronics Division”. Related products and planned developments are as follows:

Hardware Division: Products include steel bars and wire rods. The steel bar forming process and direct delivery to the construction site are planned to be developed.

## II. Overview of 2021 Operation Plan

### (I) Operation Policy:

Hardware Division:

The Company established the Hardware Division in the fourth quarter of 2013 and its major product is steel bar at the moment. The steel bar industry is the largest industry where a single steel product is produced in the country and it is meant primarily to be distributed domestically mostly for use in construction and public projects.

### (II) Expected Sales and Rationales

This is not applicable as the Company does not disclose to the public its financial forecast of 2021.

### (III) Important Production and Distribution Policies

Hardware Division:

(1) Production: A secondary processing plant is intended to be established. Transactions of steel bars occurred in the past primarily as raw materials. As Taiwan shifted towards being service-oriented, the industry will gradually evolve to feature post-secondary processing transactions. Compared to transactions of steel products in advanced countries, where the forming ratio is up to 85%, it is only about 20% in Taiwan now. In other words, there is still quite some room for secondary processing of steel products to grow in Taiwan.

(2) Sales: A. The Company targets primarily large construction companies and builders. This way orders may be taken at the minimum order quantity (MOQ) that is of an economic scale in

order to bring down the production cost and to stabilize and control quality.

B. The Company is positioned to be the distributor that serves throughout Taiwan and to provide large customers with thorough services through its collaborative steel bar plants in northern, central, and southern parts of Taiwan.

C. Post-secondary processing products can better meet customer demand while at the same time contributing higher profits and additional value to the Company.



### III. Future Company Development Strategy, Impacts from External Competition, Regulatory Environment, and Overall Operational Setting

#### (I) Future Development Strategy:

##### Hardware Division:

The steel bar automatic cutting and secondary processing plants were built in Central Taiwan in 2016 and in Northern Taiwan in 2018, respectively. In order to better reflect the needs of steel product consumers, supply points and market supply volumes were increased. The secondary processing plant was added to the Tainan plant in 2019. The ground was broken for the new plant in Changhua Coastal Industrial Park in January 2020. It is expected that a processing load of 20 thousand tons may be added in the future once it is completed and loss and consumption may be reduced through more efficient management and automated processing equipment was introduced to bring down the cost of manpower. The plan is to build, one after another, advantageous channels for our own steel products in northern, central, and southern parts of Taiwan and to add sufficient storage room for steel products. Meanwhile, collaboration and dealership with various steel bar plants are sought at the same time in order to address the issue of incomplete dimensions of a single steel bar product and to meet customers' demand in real time.

#### (II) Impacts from External Competition, Regulatory Environment, and Overall Operational Setting:

1. Devote to cost control and reduce expenditure.
2. Pay attention to market dynamics to cope with the operational risk brought about for the industry and by the overall economic and environmental changes.
3. Reinforce staff training while at the same time reviewing and revising the operational strategy and countermeasures.

Finally, on behalf of the TMP Steel Corporation team and all employees, I would like to thank all shareholders for your support and encourage over the past year. For the coming year, the Company will work even harder to reach the maximum internal consensus so that we can work better to deal with challenges in the future. It is also my hope that all of you can continue to provide us with guidance and advice. My most sincere gratitude and best wishes.

I wish everyone good health and the best in all of your endeavors.

**TMP Steel Corporation**

**Chairman: Yu-Yeh Tsai**

## II. Company Profile

### I. Date established

(I) Established on May 16, 1984

(II) Address and telephone of the main office/plant :

Address: 2 floors, No. 132, Section 3, Chengde Road, Datong District, Taipei City

Telephone: (02)2599-2838

### II. Company History

Year	Chronicle
1984	The Company was established in Xindian, Taipei County, with a capital size of NTD 5,000,000.00. In the early days, the products were primarily parts and components such as coils for switching power supply devices, inductors, and switching electronic transformers.
1986	The capital size was increased to NTD 7,500,000.00.
1988	The Zhunan facility was established; The capital size was increased to NTD 15,000,000.00.
1989	The capital size was increased to NTD 35,000,000.00; the sales broke NTD 100,000,000.00.
1990	Devoted to the research, development, and manufacturing of electronic ballasts to meet the demand on the US market and that of Taiwan Fluorescent Lamp Co., Ltd. domestically.
1991	The facility in Malaysia was established to produce a variety of transformers and the capital size was increased to NTD 87,400,000.00.
1992	Approved by the Ministry of Economic Affairs to be the manufacturer to receive assistance in upgrading the traditional industry; the research and development of diversified products and production automation and computerization were initiated. The subsidiary in the US was established to take charge of the sales of electronic ballasts.
1993	Taichang TMP Electronic Company Limited in China was established to produce a variety of transformers; the capital size was increased to NTD 126,870,000.00.
1994	The capital size was increased to NTD 152,910,000.00.
1995	The portfolio was expanded to include the production and sale of switching high-frequency transformers, SMT transformers, micro-inductors, and ultra-thin high-voltage transformers for computers and telecommunication products.
1996	Successfully developed the ultra-thin high-voltage transformer for notebook computers and devoted fully automated production equipment and mass production the delivery began.
1997	The capital size was reduced to NTD 80,000,000.00 in March in order to make up for the accumulated deficits from prior years. The capital size was again increased to NTD 136,980,000.00 in June. Ground

Year	Chronicle
1998	<p>was broken for the construction of the new facility in Taichang and ISO 9002 certification was obtained in June.</p> <p>Internal control audit began in October to set on the path to be TPEX-listed.</p> <p>The paid-in capital size was increased to NTD 213,080,000.00; public offering of shares was approved by the Securities and Futures Institute of the Ministry of Finance in June.</p>
1999	<p>Shijie TMP electronic plant was established in Dongguan.</p> <p>Mass production began in the Dongguan processing facility and it was ISO9002 certified.</p> <p>Transformers and inductors for digital cameras and mobile phones were successfully developed.</p>
2000	<p>The industrial workshops at the Fuxing section in Xindian were purchased; the goal of combining office and facility in one was completed.</p> <p>Organized capital increase in cash in July; the capital size after the increase came to NTD 253,080,000.00.</p> <p>Successfully developed the high-voltage transformer and the SMD inductor for PDAs.</p>
2000	<p>Successfully developed the CPU inductor of the minimum noise in the world.</p> <p>Successfully developed the thinnest high-voltage transformer for digital cameras in the world.</p>
2001	<p>Organized earnings and capital reserve transferred capital increase in July; the capital size after the increase came to NTD 304,727,000.00.</p> <p>Successfully developed the switching transformer suitable for digital cameras.</p> <p>Successfully developed the multi-tube balancing inductor for LCD monitors.</p> <p>Successfully developed the ADSL splitter and filter.</p> <p>Successfully developed the power inductor suitable for PDAs.</p>
2002	<p>Listed on the emerging stock market in May.</p> <p>Organized earnings and capital reserve transferred capital increase in July; the capital size after the increase came to NTD 325,220,000.00.</p> <p>Established the offshore TMP International Co., Ltd. and TMP Investment Limited in September, holding 100% of their shares.</p> <p>Submission for getting TPEX-listed in November.</p>
2003	<p>TPEX-listed on September 3; the stock was listed and started to be traded.</p> <p>Organized earnings and capital reserve transferred capital increase in September; the capital size after the increase came to NTD 361,380,000.00.</p>
2004	<p>The domestic convertible corporate bonds totaling NTD 150,000,000.00 were issued to enrich the operating capital in June.</p> <p>Organized earnings and capital reserve transferred capital increase in September; the capital size after the increase came to NTD 395,970,000.00.</p>

Year	Chronicle
2005	Organized earnings and capital reserve transferred capital increase in October; the capital size after the increase came to NTD 437,980,000.00.
2006	Organized conversion of corporate bonds into shares in January; the capital size after the increase came to NTD 443,870,000.00. Organized conversion of corporate bonds into shares in March; the capital size after the increase came to NTD 459,550,000.00. Organized conversion of corporate bonds into shares in July; the capital size after the increase came to NTD 460,900,000.00. Organized earnings transferred capital increase in September; the capital size after the increase came to NTD 477,870,000.00.
2007	Organized conversion of corporate bonds into shares in April; the capital size after the increase came to NTD 483,610,000.00. Organized conversion of corporate bonds into shares in July; the capital size after the increase came to NTD 484,240,000.00. Organized earnings transferred capital increase and conversion of corporate bonds into shares in October; the capital size after the increase came to NTD 510,360,000.00.
2008	Organized conversion of corporate bonds into shares in January; the capital size after the increase came to NTD 514,650,000.00. Wrote off 1000 shares of the treasury stock in October; the capital size after the write-off came to NTD 504,650,000.00.
2009	The directors and supervisors were comprehensively re-elected in November and the management team was replaced.
2010	TMP Electronic (South Korea) Co., Ltd. was established in March. The name was approved to be changed to “TMP International Co., Ltd.” in July. Wrote off 2000 shares of the treasury stock in November; the capital size after the write-off came to NTD 484,650,000.00.
2012	Wrote off 1000 shares of of the treasury stock in February; the capital size after the write-off came to NTD 474,650,000.00. The directors and supervisors were comprehensively re-elected in October and the management team was replaced. Organized capital reduction in November; the capital size after the reduction came to NTD 288,580,000.00.
2013	It was approved through the General Shareholders’ Meeting in June to indirectly dispose of the shares held of the reinvested company in Mainland China, TMP Electronic Co., Ltd. in Dongguan. Organized private placement of securities in October; the capital size after the increase came to NTD 538,580,000.00. In the special shareholders’ meeting in December, addition of the “Construction

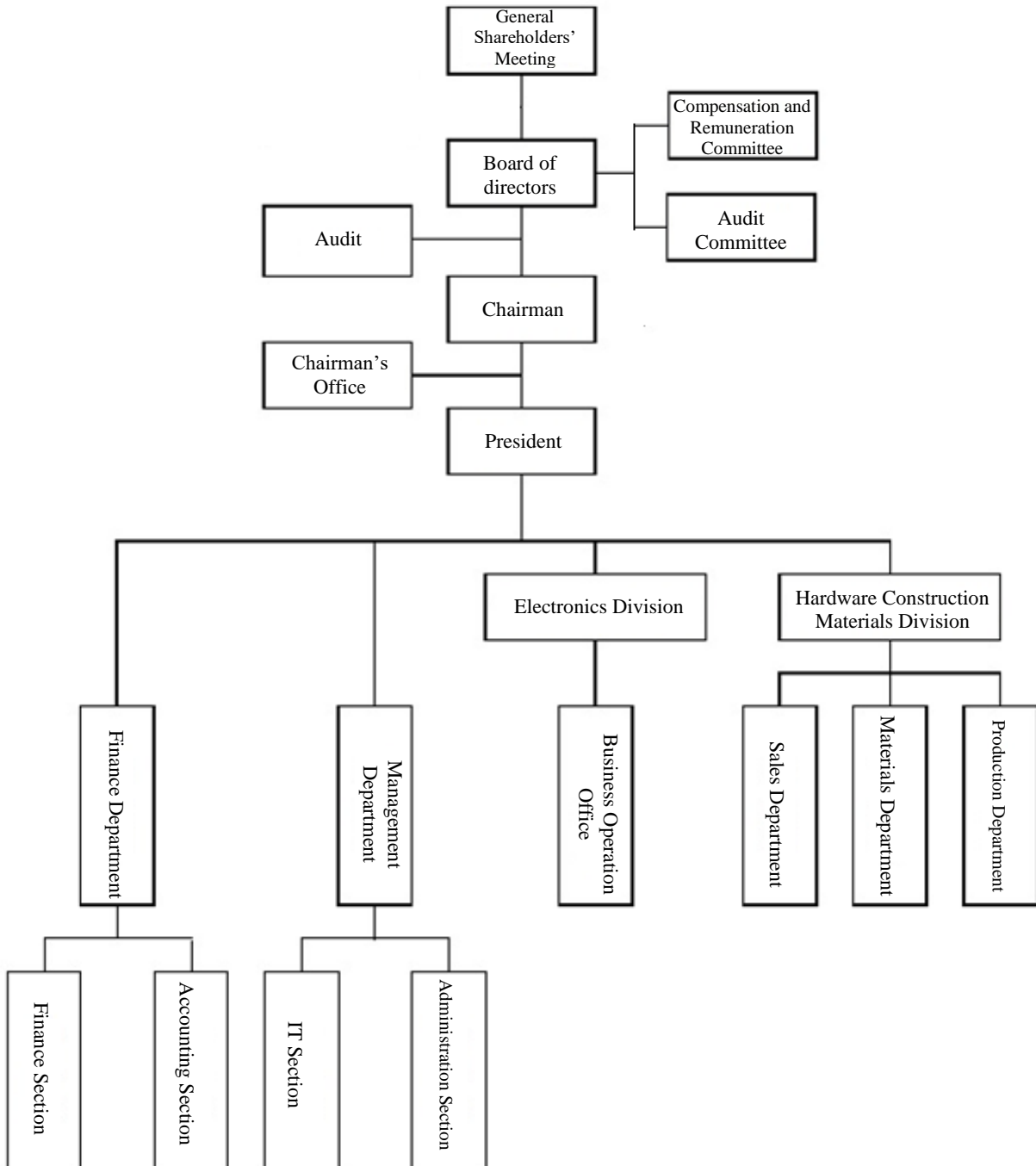
Year	Chronicle
2014	<p>Hardware Division”, revision of the scope of operation specified in the Articles of Incorporation, and disposal of the shares held of the offshore re-invested company TMP Corporation were approved.</p> <p>The disposal of the shares held of the overseas subsidiary TMP Corporation and the indirect disposal of the shares held of Taichang TMP Electronic Company Limited, the reinvested company in Mainland China were completed.</p> <p>Organized capital reduction in October; the capital size after the reduction came to NTD 161,570,000.00.</p>
2015	<p>Organized private placement of securities in April; the capital size after the increase came to NTD 341,570,000.00.</p> <p>The directors and supervisors were comprehensively re-elected in June and the management team was replaced.</p> <p>Organized capital reduction in October; the capital size after the reduction came to NTD 306,750,000.00.</p>
2016	<p>The name of the Company was changed in July from “TMP International Co, Ltd.” to “TMP Steel Corporation”.</p>
2018	<p>The common stock totaling 6,735,405 shares from the first private placement of in 2013 was TPEX-listed and traded accordingly in February.</p> <p>The plant in Pingzhen, Taoyuan, was established in June.</p>
2019	<p>The main office in Taipei was relocated in February from Neihu District to Datong District.</p> <p>To normalize the financial structure, domestic convertible corporate bonds totaling NTD 300,000,000.00 were issued in November.</p>
2020	<p>The common stock from the first private placement of 2013 and that from the first private placement of 2015 totaling 16,164,973 shares were TPEX-listed and traded accordingly in May.</p>

### III. Corporate Governance Report

#### I. Organizational System

##### (I) Organizational Structure

**TMP Steel Corporation  
Organizational Chart**



(II) Major Departments and Their Scope of Operation

Department	Scope of Operation
Audit Office	Takes charge of auditing the Company's implementation of the internal regulations and systems and providing advice on improvements.
Finance Department	Under it are the Finance Section and the Accounting Section that are responsible for financial planning and implementation, allocation of funds, and managing accounts in addition to providing related financial management information to high-ranking officials for the latter's reference during the decision-making process.
Management Department	<p>Under it are the Administration Section and the IT Section:</p> <p>Administration Section is responsible for coordinating, communicating with, and managing respective departments and helping the President implement respective operational decisions and tasks assigned to it. It is also responsible for payroll management and carrying out tasks related to human resources, legal affairs, and general affairs, among others.</p> <p>IT Section is responsible for installing, maintaining, and addressing abnormalities encountered of computer (hardware and software) equipment and for planning and implementing It-related projects.</p>
Electronics Division	<p>Under it is the Business Operation Office:</p> <p>Business Operation Office takes charge of promoting business and after-sales service, developing new customers and collecting market intelligence, and defining the annual business goals and plans for the Company.</p>
Hardware Construction Materials Division	<p>Under it are the Sales Department, Materials Department, and Production Department:</p> <p>Sales Department is responsible for promoting business and after-sales service, developing new customers and collecting market intelligence, and defining the annual business goals and plans for the Company.</p> <p>Materials Department is responsible for the purchase and warehousing of raw materials and supplies.</p> <p>Production Department is responsible for cutting and related management.</p>

II. Background Information of Directors, Supervisors, President, Vice President, Assistant Vice President, and Heads of Various Departments and Branches

(I) Directors and Supervisors

Date: April 5, 2021

Position	Nationality	Name	Gender	Date Elected (Inaugurated)	Term in office	Initial Date Elected (Inaugurated)	Shares held upon inauguration		Shares currently held		Shares currently held by the spouse and minor child(ren)		Shares held in someone else's name		Major Experience/Education	Position held in the Company and any other company at present	Other department heads, directors, or supervisors who are the spouse or a relative within the second degree of kinship			Remarks
							Quantity	Ratio	Quantity	Ratio	Quantity	Ratio	Quantity	Ratio			Position	Name	Relation	
Chairman	Taiwan	Representative of Tianchuan Investment Co., Ltd. Yu-Yeh Tsai	Female	4/23/2020	3 years	6/29/2015	6,493,303	21.17%	6,385,303	20.82%	0	0.00%	0	0.00%	EMBA, College of Management, National Chiayi University Fu Sheng Motors and Shipment Co., Ltd. Chairman	Chairman of YIH DAR LIH STEEL CORPORATION Director of OFCO INDUSTRIAL CORPORATION	Director President	Chun-Liang Yeh	Mother and Son	Note 1
Director	Taiwan	Tianchuan Investment Co., Ltd. Representative: Chun-Liang Yeh	Male	4/23/2020	3 years	3/17/2014	6,493,303	21.17%	6,385,303	20.82%	0	0.00%	0	0.00%	Master of Leisure Management, TOKO University Person in Charge of CHAU CHIUN STEEL CO., LTD.	President of TMP Steel Corporation President of YIH DAR LIH STEEL CORPORATION Person in Charge of CHAU CHIUN STEEL CO., LTD.	Chairman	Yu-Yeh Tsai	Mother and Son	Note 1
Director	Taiwan	Taiwan Steel Corporation Representative: Ching-Li Yen	Male	4/23/2020	3 years	4/23/2020	21,000	0.07%	21,000	0.07%	0	0.00%	0	0.00%	Department of Industrial Engineering, Feng Chia University Chairman of E-TOP METAL CO., LTD.	Chairman of E-TOP METAL CO., LTD. Chairman of E-SHENG STEEL CO., LTD. Quintain Steel Co., LTD. Director of Institutional Representative TSG TRANSPORT CORP. Supervisor of Institutional Representative Chairman of Taiyu Investment Co., Ltd. Chairman of Deli Investment Co., Ltd.	None	None	None	None
Director	Taiwan	Taiwan Steel Corporation Representative: Shih-Chieh Chao	Male	4/23/2020	3 years	4/23/2020	21,000	0.07%	21,000	0.07%	0	0.00%	0	0.00%	Department of Automation, Tsinghua University President of CNET Technology Inc.	President of E-TOP METAL CO., LTD. Consultant of SAPIDO TECHNOLOGY INC. E-SHENG STEEL CO., LTD. Director of Institutional Representative Taiyu Investment Co., Ltd. Director of Institutional Representative Deli Investment Co., Ltd. Director of Institutional Representative	None	None	None	None
Independent Director	Taiwan	Kuei-Mei Yang	Female	4/23/2020	3 years	6/29/2016	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Jinou Girls High School Consultant of HUMANISTIC CULTURE AND EDUCATION FOUNDATION Member of Taipei Film Commission Member of Taipei Culture Foundation	Director of the Motion Picture Foundation, R.O.C.	None	None	None	None



Position	Nationality	Name	Gender	Date Elected (Inaugurated)	Term in office	Initial Date Elected (Inaugurated)	Shares held upon inauguration		Shares currently held		Shares currently held by the spouse and minor child(ren)		Shares held in someone else's name		Major Experience/Education	Position held in the Company and any other company at present	Other department heads, directors, or supervisors who are the spouse or a relative within the second degree of kinship			Remarks
							Quantity	Ratio	Quantity	Ratio	Quantity	Ratio	Quantity	Ratio			Position	Name	Relation	
Independent Director	Taiwan	Ti-miao Wu	Female	4/23/2020	3 years	4/23/2020	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master of Business Administration, National Cheng Kung University NON SHENG CO., LTD. Chief Financial Officer Genesis Photonics Inc. Chief Financial Officer	Shin Nong Technology Corporation Chief Financial Officer	None	None	None	None
Independent Director	Taiwan	Yen-Te Wu	Male	4/23/2020	3 years	4/23/2020	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Washington University in St. Louis Juris Doctor College of Law, Chinese Culture University Professor at the Department of Law	College of Law, Chinese Culture University Professor at the Department of Law SUCCESS PRIME CORPORATION Independent Director	None	None	None	None

Note 1: When the President or someone charged with equivalent responsibilities (the highest-ranking manager) and the chairman of the Company are the same person, are each other's spouse, or are relatives of the first degree of kinship, the reason, legitimacy, necessity, and countermeasures (such as the increase

in the number of independent directors and a majority of the directors who are not employees or managers, for example) shall be stated.

The Chairman and the President of the Company are the relative of each other within the first degree of kinship mainly because of the substantial and professional managerial capabilities of Chairman Yu-Yeh Tsai in the steel sector and the fact that her leadership, decision-making, and industrial knowledge can be the important strategic guidelines for the Company. The Company does not have a majority of its directors who are also employees or managers.

Supervisor information: The Company has set up the Audit Committee. There are no supervisors.

Major shareholders of institutional shareholders

Date: April 5, 2021

Name of institutional shareholder	Major shareholder of the institutional shareholder
Tianchuan Investment Co., Ltd.	SAPIDO TECHNOLOGY INC. (100% of shares)
Taiwan Steel Corporation	Jinzhifu Asset Management Co., Ltd. (100% of shares)

Primary shareholder of any of the major shareholders that is a corporation

Date: April 5, 2021

Name of corporation	Major shareholder of the corporation
President of SAPIDO TECHNOLOGY INC.	E-TOP METAL CO., LTD. (100% of shares)
Jinzhifu Asset Management Co., Ltd.	Chun-Yi Huang (45% of shares), Chiung-Fen Wang (36% of shares), Baiyuanjia Co., Ltd. (19% of shares)

Checklist of work experience, qualifications, and independence of directors and supervisors

Date: April 5, 2021

Name	More than five years of work experience and the following professional qualifications			Fulfillment of independence (Note 1)												Number of other public offering companies serving as independent directors
	Qualification	Lecturer or higher ranking at the business, legal affairs, financial affairs, or accounting department, or other departments relating to corporate operation of public and private colleges and universities	Judge, prosecutor, lawyer, CPA, or other professionals and technicians that have taken and been approved in national exams required for corporate operation	Work experience required for commerce, legal affairs, financial affairs, accounting department, or corporate operations	1	2	3	4	5	6	7	8	9	10	11	
Tianchuan Investment Co., Ltd. Representative: Yu-Yeh Tsai	-	-	√	-	-	√	-	√	√	-	-	√	-	√	-	0
Tianchuan Investment Co., Ltd. Representative: Chun-Liang Yeh	-	-	√	-	-	√	-	√	√	-	-	√	-	√	-	0
Taiwan Steel Corporation Representative: Ching-Li Yen	-	-	√	-	-	√	√	-	√	√	-	√	√	√	-	0
Taiwan Steel Corporation Representative: Shih-Chieh Chao	-	-	√	-	-	√	√	-	√	√	-	√	√	√	-	0
Kuei-Mei Yang	-	-	√	√	√	√	√	√	√	√	√	√	√	√	√	0
Ti-miao Wu	-	-	√	√	√	√	√	√	√	√	√	√	√	√	√	0
Yen-Te Wu	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	1

Note 1: When any of the following conditions is met for each director or supervisor during the two years prior to and during their tenure, please put “√” in the box beneath the code for each condition.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates (The same does not apply, however, to independent directors set up by the Company and its parent company or subsidiary or a subsidiary that shares the same parent company according to the Act or the local laws and regulations.)
- (3) Not a natural person shareholder that holds by himself/herself or by his/her spouse or minor child in someone else's name more than 1% of all circulating shares of the Company or is on the Top 10 shareholding list.
- (4) Not the spouse, a relative within the second degree of kinship, or a direct blood relative within the third degree of kinship of the managers listed under (1) or those listed under (2) and (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder directly holding at least 5% of the circulating shares of the Company or that ranks Top 5 in shareholding ratio or that assigns a representative to serve as director or supervisor of the Company according to Article 27 Paragraph 1 or 2 of the Company act (The same does not apply, however, to independent directors set up by the Company and its parent company or subsidiary or a subsidiary that shares the same parent company according to the Act or the local laws and regulations.)
- (6) Not a director, supervisor, or employee of another company with the number of directors in the Company or shares entitled to votes accounting for a majority that is controlled by the same person (The same does not apply, however, to independent directors set up by the Company or its parent company or subsidiary or a subsidiary that shares the same parent company according to the Act or the local laws and regulations.)
- (7) Not a director, supervisor, or employee of another company or institution whose chairman, president, or someone assigned with similar responsibilities is the same person or the spouse of that of the Company (The same does not apply, however, to independent directors set up by the Company and its parent company or subsidiary or a subsidiary that shares the same parent company according to the Act or the local laws and regulations.)
- (8) Not a director, supervisor, or manager, or shareholder holding at least 5% of shares of a specific company or institution that is financially or commercially related to the Company (The same does not apply, however, if the said specific company or institution holds at least 20% yet less than 50% of the circulating shares of the Company and to independent directors set up by the Company and its parent company or subsidiary or a subsidiary that shares the same parent company according to the Act or the local laws and regulations.)
- (9) Not a professional providing services or consultations on business, legal affairs, financial affairs, and accounting at the Company or its associated enterprise such as auditing that have brought about rewards accumulatively yet to exceed NTD 500 thousand, or the owner, partner, director, supervisor, manager, and his/her spouse of a sole proprietorship or collaborative company or institution. This, however, does not apply to the Compensation and Remuneration Committee, the Public Acquisition Review Committee, or the Special Mergers and Acquisitions Committee fulfilling its duties in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act, among others.
- (10) Not the spouse or a relative within the second degree of kinship to any other director of the Company.
- (11) None of the conditions indicated under Article 30 of the Company Act.
- (12) Not a government agency, corporation, or its representative set forth in Article 27 of the Company Act.

## (II) Profile of President, Vice President, Assistant Vice President, and Heads of Respective Departments and Branches

Date: April 5, 2020

Position	Nationality	Name	Gender	Date Elected (Inaugurated)	Shares held		Shares currently held by the spouse and minor child(ren)		Shares held in someone else's name		Major Experience/Education	Position held in any other company at present	Manager who is the spouse or a relative within the second degree of kinship			Remarks
					Quantity	Ratio	Quantity	Ratio	Quantity	Ratio			Title	Name	Relationship	
President	Taiwan	Chun-Liang Yeh	Male	1/1/2014	0	0.00%	0	0.00%	0	0.00%	Master of Leisure Management, TOKO University Person in Charge of CHAU CHIUN STEEL CO., LTD.	President of TMP Steel Corporation President of YIH DAR LIH STEEL CORPORATION Person in Charge of CHAU CHIUN STEEL CO., LTD.	Chairman	Yu-Yeh Tsai	Mother and Son	Note 1
Sales Department President	Taiwan	Yun-Shi Yang	Female	3/24/2016	1,911	0.01%	0	0.00%	0	0.00%	Department of Accounting, Hsing Wu University TMP INTERNATIONAL CO., LTD. President of the Hardware Construction Materials Division	None	None	None	None	
Southern Taiwan Sales Department Assistant Vice President	Taiwan	Chun-Kuan Lu	Male	11/10/2017	0	0.00%	0	0.00%	0	0.00%	Kun Shan University Department of International Trade Vice Manager of WEI CHIH STEEL INDUSTRIAL CO., LTD. TMP Steel Corporation Assistant Vice President at the Hardware Construction Materials Division	None	None	None	None	
Northern Taiwan Sales Department Vice President	Taiwan	Han-Hsin Cheng	Male	1/2/2018	0	0.00%	0	0.00%	0	0.00%	Department of Business Administration, Chihlee University of Technology Sales Manager of CHINA METAL PRODUCTS CO., LTD. Sales Manager of CHIN LING STEEL CO., LTD.	None	None	None	None	
Finance Department Manager	Taiwan	Chia-Ling Li	Female	2/9/2017	0	0.00%	0	0.00%	0	0.00%	Department of Accounting, Chinese Culture University Ernst & Young Auditor Auditor of OCTEKCONN INCORPORATION	None	None	None	None	
Southern Taiwan Sales Department Vice President	Taiwan	Jie-Min Lin	Male	11/12/2020	0	0.00%	0	0.00%	0	0.00%	Section Head of WEI CHIH STEEL INDUSTRIAL CO., LTD. Manager of E-SHENG STEEL CO., LTD.	None	None	None	None	

Note 1: When the President or someone charged with equivalent responsibilities (the highest-ranking manager) and the chairman of the Company are the same person, are each other's spouse, or are relatives of the first degree of kinship, the reason, legitimacy, necessity, and countermeasures (such as the increase in the number of independent directors and a majority of the directors who are not employees or managers, for example) shall be stated.

The Chairman and the President of the Company are the relative of each other within the first degree of kinship mainly because of the substantial and professional managerial capabilities of Chairman Yu-Yeh Tsai in the steel sector and the fact that her leadership, decision-making, and industrial knowledge can be the important strategic guidelines for the Company. The Company does not have a majority of its directors who are also employees or managers.

III Remuneration paid to directors, supervisors, the President, and Vice President in the past year

Remuneration paid to directors (including independent directors)

December 31, 2020 Unit: NTD thousand

Position	Name	Remuneration to directors								Ratio of the sum of A, B, C, and D to after-tax net profit		Related remuneration to those who are also employees								Ratio of the sum of A, B, C, D, E, F, and G to after-tax net profit		Claim of remuneration from re-invested businesses other than subsidiaries
		Rewards (A)		Retirement and pension (B)		Remuneration to directors (C)		Operational expenditure (D)		The Company	All companies included in the financial statement	Salary, bonus, and special expenditure (E)		Retirement and pension (F)		Remuneration to employees (G)				The Company	All companies included in the financial statement	
		The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement			The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	Cash value	Stock value	Cash value	Stock value			
Director	Tianchuan Investment Co., Ltd. Representative: Yu-Yeh Tsai	0	0	0	0	300	300	30	30	0.62%	0.62%	2,769	2,769	0	0	0	0	0	0	5.80%	5.80%	None
Director	Tianchuan Investment Co., Ltd. Representative: Chun-Liang Yeh	0	0	0	0	300	300	35	35	0.63%	0.63%	4,140	4,140	108	108	250	0	250	0	9.04%	9.04%	None
Director	Taiwan Steel Corporation Representative: Ching-Li Yen (Note 1)	0	0	0	0	300	300	15	15	0.59%	0.59%	0	0	0	0	0	0	0	0	0.59%	0.59%	None
Director	Taiwan Steel Corporation Representative: Shih-Chieh Chao (Note 2)	0	0	0	0	300	300	20	20	0.60%	0.60%	0	0	0	0	0	0	0	0	0.59%	0.59%	None
Independent Director	Jian-Hua Shao (Note 3)	74	74	0	0	0	0	3	3	0.14%	0.14%	0	0	0	0	0	0	0	0	0.60%	0.60%	None
Independent Director	Kuei-Mei Yang	325	325	0	0	100	100	11	11	0.82%	0.82%	0	0	0	0	0	0	0	0	0.82%	0.82%	None
Independent Director	Ti-miao Wu	248	248	0	0	100	100	10	10	0.67%	0.67%	0	0	0	0	0	0	0	0	0.67%	0.67%	None
Independent Director	Yen-Te Wu	248	248	0	0	100	100	6	6	0.66%	0.66%	0	0	0	0	0	0	0	0	0.66%	0.66%	None

1. Please describe the payment policy, system, criteria, and structure of remuneration for independent directors and the association between factors such as responsibilities assigned, risks, and time spent, among others, and the value of the rewards paid: The Company may pay its directors for performing tasks of the Company. The Compensation and Remuneration Committee is to bring forth the rewards in the Board of Directors' meeting for them to be finalized.

2. Besides those disclosed in the above table, remuneration paid to directors in the most recent year for having provided services to all companies covered in the financial statement (such as working as a consultant who is not an employee): None.

Note 1: The original institutional director that Ching-Li Yen represented was Tianchuan Investment. After the comprehensive election on April 23, 2020, he switched to serve as the representative of the institutional director, Taiwan Steel Corporation.

Note 2: Newly inaugurated on April 23, 2020.

Note 3: Retired on April 23, 2020.

\* The remuneration disclosed herein differs from the idea of income as indicated in the Income Tax Act. Therefore, this table is meant for information disclosure only, not for taxation.

Remuneration to supervisors

December 31, 2020; Unit: NTD thousand; %

Position	Name	Remuneration to supervisors						Ratio of the sum of A, B and C to after-tax net profit		Claim of remuneration from re-invested businesses other than subsidiaries or the parent company
		Reward (A)		Remuneration (B)		Operational expenditure (C)		The Company	All companies included in the financial statement	
		The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement			
Supervisor (Note 1)	Yu-Ting Huang	-	-	-	-	5	5	0.01	0.01	-
Supervisor (Note 1)	Taiyu Investment Co., Ltd. Representative: Chen-Hsiu Yeh	-	-	-	-	-	-	-	-	-

Note 1: Retired on April 23, 2020. The Company established the Audit Committee on April 23, 2020 to replace the function of supervisor.

\* The remuneration disclosed herein differs from the idea of income as indicated in the Income Tax Act. Therefore, this table is meant for information disclosure only, not for taxation.

Remuneration to the President and Vice President

December 31, 2020 Unit: NTD thousand

Position	Name	Salary (A)		Retirement and pension (B)		Bonus and special expenditure (C)		Remuneration to employees (D)				Ratio of the sum of A, B, C, and D to after-tax net profit (%)		Claim of remuneration from re-invested businesses other than subsidiaries
		The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company		All companies included in the financial statement		The Company	All companies included in the financial statement	
								Cash value	Stock value	Cash value	Stock value			
President	Chun-Liang Yeh	2,940	2,940	108	108	1,200	1,200	250	0	250	0	8.41%	8.41%	None
President	Yun-Shi Yang	1,530	1,530	95	95	1,053	1,053	150	0	150	0	5.29%	5.29%	None
Vice President	Han-Hsin Cheng	1,050	1,050	66	66	400	400	90	0	90	0	3.00%	3.00%	None
Vice President (Note 1)	Jie-Min Lin	200	200	12	12	3	3	30	0	30	0	0.46%	0.46%	None
Vice President (Note 2)	Chun-Kuan Lu	612	612	37	37	5	5	0	0	0	0	1.22%	1.22%	None

Note 1: Newly inaugurated on November 12, 2020.

Note 2: Position adjusted to be Assistant Vice President in November 2020.

\* The remuneration disclosed herein differs from the idea of income as indicated in the Income Tax Act. Therefore, this table is meant for information disclosure only, not for taxation.

Remunerations of Top 5 officials with the highest remuneration among TWSE/TPEX-listed companies

December 31, 2020 Unit: NTD thousand

Position	Name	Salary (A)		Retirement and pension (B)		Bonus and special expenditure (C)		Remuneration to employees (D)				Ratio of the sum of A, B, C, and D to after-tax net profit (%)		Claim of remuneration from re-invested businesses other than subsidiaries
		The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company		All companies included in the financial statement		The Company	All companies included in the financial statement	
								Cash value	Stock value	Cash value	Stock value			
President	Chun-Liang Yeh	2,940	2,940	108	108	1,200	1,200	250	0	250	0	8.41%	8.41%	None
President	Yun-Shi Yang	1,530	1,530	95	95	1,053	1,053	150	0	150	0	5.29%	5.29%	None
Vice President	Han-Hsin Cheng	1,050	1,050	66	66	400	400	90	0	90	0	3.00%	3.00%	None
Assistant Vice President	Chun-Kuan Lu	612	612	37	37	5	5	0	0	0	0	1.22%	1.22%	None
Head of Accounting	Chia-Ling Li	1,044	1,044	63	63	424	424	100	0	100	0	3.05%	3.05%	None

\* The remuneration disclosed herein differs from the idea of income as indicated in the Income Tax Act. Therefore, this table is meant for information disclosure only, not for taxation.

Names of managers assigned with employee remuneration and the distribution

December 31, 2020; Unit: NTD thousand

Position	Name	Stock value	Cash value	Total	Ratio of sum to after-tax net profit (%)
President	Chun-Liang Yeh	0	620	620	1.16%
President of the Sales Department	Yun-Shi Yang				
Vice President of the Southern Taiwan Business Department (Note 1)	Jie-Min Lin				
Vice President of the Northern Taiwan Business Department	Han-Hsin Cheng				
Manager of Finance Department	Chia-Ling Li				

Note 1: Newly inaugurated on November 12, 2020.

Analysis of ratios of total remunerations paid to directors, supervisors, the President, and the Vice President of the Company over the past two years to the after-tax net profit and information on the policy, criteria, and combination of remunerations paid, the procedure to define the remuneration, and the correlation with business performance

Unit: NTD thousand

Position	2020			2019		
	Total remuneration	After-tax net profit	Ratio of total remuneration to after-tax net profit %	Total remuneration	After-tax net loss	Ratio of total remuneration to after-tax net profit %
Director	2,525	53,455	4.72	1,899	88,641	2.14%
Supervisor	5	53,455	0.01	460	88,641	0.52%
President and Vice President	9,831	53,455	18.39	9,813	88,641	11.07%
Total	12,361	53,455	23.12	12,172	88,641	13.73%

For tasks performed on behalf of the Company, directors and supervisors may be compensated. Their compensation is to be proposed by the Compensation and Remuneration Committee and finalized through the meeting of the Board of Directors. For the President and Vice President, the compensation is to be paid according to their involvement in corporate operations and the value of their contribution; it is also to be proposed by the Compensation and Remuneration Committee and finalized through the meeting of the Board of Directors. In addition, Article 19 of the Company's Articles of Incorporation stipulates that with profits, the Company shall set aside 1% to 10% to be remunerations to its employees. The Board of Directors shall decide whether it is to be distributed in stock or in cash. The remuneration may to distributed to employees of the controlling or subordinate company that meets certain criteria. With the above-mentioned profits, the Company may, with prior finalization by the Board of Directors, set aside no higher than 4%, inclusive, to be the remuneration to directors and supervisors, which will not pose risk for the future.

The salary and compensation for the Company's directors (including independent directors) and managers is based on the overall considerations of their involvement in corporate operations and their performance. Domains considered include the implementation of the Company's core values and the operational and managerial capabilities, the financial and sales and operational performance indicators and comprehensive management indicators, continuing education, and involvement in sustainable operation as well as other special contributions or major negative events (details are provided in the table below). They are included in the performance evaluation and considered for the distribution of compensation.

Measure	Description
Implementation of core corporate values and operational and managerial capabilities	Ethical practice, approval, and commitment are the prerequisites plus the fulfillment of operational beliefs, corporate culture, and demonstration of leadership and managerial capabilities
Financial and sales and managerial performance indicators and comprehensive management indicators	Financial and sales benchmarks: Financial and sales performance, including profitability, growth rate, leadership on the market, and quality of product, etc. Comprehensive management indicators: innovation and integration, risk management and information security, etc.
Continuing education and involvement in sustainable operation	Do the directors and managers follow regulatory requirements for continuing education and acquisition of new knowledge and are they devoted to sustainable corporate operation and the developmental activities, etc.?
Other special contributions or major negative events	International certifications or awards obtained by the Company, for example. Major negative news, improper internal management, staff frauds, etc.

#### IV. Status of Corporate Governance

##### (I) Operational Status of the Board of Directors

###### Information on the Operational Status of the Board of Directors

Seating and attendance of directors in the 7 (A) meetings of the Board of Directors over the past year (2020) are as follows:

Position	Name (Note 1)	Actual attendance (seated) frequency (B)	Attendance through proxy	Actual attendance (seated) rate (%) (B/A) (Note 2)	Remarks
Chairman	Tianchuan Investment Co., Ltd. Representative: Yu-Yeh Tsai	6	1	86%	Served a second term after the re-election through the general shareholders' meeting on April 23, 2020.
Director	Tianchuan Investment Co., Ltd. Representative: Ching-Li Yen	0	2	0%	Retired after the re-election through the general shareholders' meeting on April 23, 2020. (Attendance of at least twice is expected for the current intake)
Director	Tianchuan Investment Co., Ltd. Representative: Chun-Liang Yeh	7	0	100%	Served a second term after the re-election through the general shareholders' meeting on April 23, 2020.
Director	Taiwan Steel Corporation Representative: Ching-Li Yen	3	2	60%	Newly elected after the re-election through the general shareholders' meeting on April 23, 2020. (Attendance of at least five times is expected for the current intake)
Director	Taiwan Steel Corporation Representative: Shih-Chieh Chao	4	1	80%	Newly elected after the re-election through the general shareholders' meeting on April 23, 2020. (Attendance of at least five times is expected for the current intake)
Independent Director	Jian-Hua Shao	2	0	100%	Retired after the re-election through the general shareholders' meeting on April 23, 2020. (Attendance of at least twice is expected for the current intake)
Independent Director	Kuei-Mei Yang	7	0	100%	Served a second term after the re-election through the general shareholders' meeting on April 23, 2020.
Independent Director	Ti-miao Wu	5	0	100%	Newly elected after the re-election through the general shareholders' meeting on April 23, 2020. (Attendance of at least five times is expected for the current intake)
Independent Director	Yen-Te Wu	3	2	60%	Newly elected after the re-election through the general shareholders' meeting on April 23, 2020. (Attendance of at least five times is expected)



					for the current intake)
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Other details to be documented:

I. For matters listed in Article 14-3 of the Securities Exchange Act and other resolutions reached in Board of Directors' meetings objected to or with reservations expressed by independent directors that are recorded or documented in written statements rectors in a written statement, the date, session No., details of proposals, opinions of all independent directors, and how the Company addressed opinions of independent directors in the Board of Directors' meeting shall be stated: This did not happen.

II. For the enforcement of recusal upon conflicts of interest among directors, the name of the director, details of the proposal, reason for the recusal, and participation in the voting process or not shall be described:

Date	Name of director	Contents of the proposal	Reason for the recusal	Participation in voting
2/3/2020	Chun-Liang Yeh	2019 important managerial salary adjustment	Conflicting interest	The individual excused himself and did not take part in discussions and voting.
2/3/2020	Yu-Yeh Tsai Chun-Liang Yeh	Adjustment of transportation reimbursement for directors	Conflicting interest	The individual excused himself and did not take part in discussions and voting.
2/3/2020	Jian-Hua Shao Kuei-Mei Yang	Adjustment of transportation reimbursement for independent directors	Conflicting interest	The individual excused himself and did not take part in discussions and voting.
2/3/2020	Yu-Ting Huang	Adjustment of transportation reimbursement for supervisors	Conflicting interest	The individual excused himself and did not take part in discussions and voting.
3/10/2020	Chun-Liang Yeh	2019 Managerial year-end bonus	Conflicting interest	The individual excused himself and did not take part in discussions and voting.
3/10/2020	Yu-Yeh Tsai Chun-Liang Yeh	Nomination and review of the list of director and independent director	Conflicting interest	The individual excused himself and did not take part in discussions and

	Kuei-Mei Yang	candidates		voting.
5/8/2020	Kuei-Mei Yang Ti-miao Wu Yen-Te Wu	Hiring of Compensation and Remuneration Committee members	Conflicting interest	The individual excused himself and did not take part in discussions and voting.
11/12/2020	Kuei-Mei Yang Ti-miao Wu Yen-Te Wu	Retroactive adjustment of the remuneration to independent directors	Conflicting interest	The individual excused himself and did not take part in discussions and voting.

III. TWSE/TPEX-listed companies shall disclose the evaluation cycle and duration, and scope, approach, and content of the evaluation, among other information, of the reviews performed independently by the Board of Directors or peer reviews and complete the implementation status of Board of Directors reviews(2):

IV. Reinforced assessments of functional objectives (such as setting up the Audit Committee, promoting information transparency, etc.) of the Board of Directors and implementation status of the objectives of the specific year and over the past year:

1. The Company has the Rules of Procedure for Board of Directors' Meetings in place to be followed for the operation of the Board of Directors.
2. Important financial and sales information of the Company are announced periodically or from time to time as required by law.
3. The Company set up the Audit Committee on April 23, 2020 to exercise the function as required.

(2) Board of Directors Evaluation

Implementation of Board of Directors Evaluations

Evaluation Cycle (Note 1)	Evaluated period (Note 2)	Scope of evaluation (Note 3)	Evaluation method (Note 4)	Highlights of evaluation (Note 5)
Once a year	April 23, 2020~ December 31, 2020	Board of Directors Performance Evaluation	Internal assessment of the Board of Directors and self- assessment of board members	Involvement in corporate operation

Note 1: The cycle by which the Board of Directors evaluation is performed is to be provided, such as once a year.

Note 2: The period covered in the Board of Directors evaluation is to be provided. Example: The performance of the Board of Directors between January 1, 2019 and December 31, 2019 was evaluated.

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

Note 4: The evaluation method includes internal assessment of the Board of Directors, self-assessment of Board members, and outsourced performance evaluations by external professional institutions, experts, or in other appropriate ways.

Note 5: The highlights of evaluation include at least the following according to the scope of evaluation.

- (1) Board of Directors performance evaluation shall at least cover the involvement in corporate operations, decision-making quality of the Board of Directors, the composition and structure of the Board of Directors, the election and continuing education of directors, internal control, etc.
- (2) Individual Board member performance evaluation shall at least cover keeping track of the Company's goals and missions, awareness of the duties of directors, involvement in the Company's operation, internal relations management and communication, professional and continuing education for directors, internal control, etc..
- (3) Functional committee performance evaluation includes the involvement in the Company's operation, awareness of the duties of the functional committee, decision-making quality of the functional committee, composition of the functional committee and the election of its members, internal control, etc.

(II) Operational Status of the Audit Committee and Participation of Supervisors in the Operations of the Board of Directors

### Information on the Operational Status of the Audit Committee

The Committee met 4 times in total over the past year (A) and seating of independent directors in the meetings is as follows:

Position	Name	Actual attendance frequency (B)	Attendance through proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Committee member	Kuei-Mei Yang	4	0	100%	Newly inaugurated on April 23, 2020. The Company established the Audit Committee to replace the function of supervisor.
Convener	Ti-miao Wu	4	0	100%	Newly inaugurated on April 23, 2020. The Company established the Audit Committee to replace the function of supervisor.
Committee member	Yen-Te Wu	3	1	75%	Newly inaugurated on April 23, 2020. The Company established the Audit Committee to replace the function of supervisor.

#### Responsibilities of the Audit Committee

Primary purposes include the supervision over the following matters:

- I. Adequate expressions in the Company's financial statements
- II. Delegation (Dismissal) and independence and performance of CPAs
- III. Continuous implementation of internal control
- IV. Compliance with applicable laws, regulations, and rules.
- V. Control over existing or potential risks of the Company

The Audit Committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be convener, and at least one of whom shall have accounting or financial expertise. The exercise of the function of Audit Committee and its independent directors and related matters shall be based on the Securities and Exchange Act, the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, and the requirements of the Taiwan Stock Exchange.

Operational status of the Audit Committee in 2020 is as follows:

Date	Contents of the proposal	Decisions made	How the Company addressed opinions from the Audit Committee
5/8/2020	Referral of the convener of the Audit Committee of the first intake	It was approved as is by all members.	It was submitted to the Board of Directors and was approved by all attending directors.
8/7/2020	Approval of the Company's Financial Statement for the second quarter of 2020.	It was approved as is by all members.	It was submitted to the Board of Directors and was approved by all attending directors.

9/25/2020	1. Approval of the budget for building workshops and engineering and equipment 2. Approval the financing limits to be applied for building workshops and engineering and equipment	It was approved as is by all members.	It was submitted to the Board of Directors and was approved by all attending directors.
11/12/2020	1. Approval of the 2021 Audit Plan 2. Approval of the amended Authorization Chart 3. Approval of the established "Risk Management Policy and Procedure" 4. Approval of the change of the CPAs for auditing the Company's financial statements	It was approved as is by all members.	It was submitted to the Board of Directors and was approved by all attending directors.

#### Highlights of Tasks Throughout the Year

The Audit Committee consists of three independent directors and aims to help the Board of Directors fulfill its obligation to supervise over the quality and integrity of applicable accounting, audit, and financial reporting procedures and financial control.

The Audit Committee met 4 times in 2020 and matters deliberated primarily include:

1. Audit of financial statements and the accounting policy and procedure
2. Compliance
3. Corporate Risk management
4. Delegation or dismissal of CPAs and their compensation
5. Fulfillment of responsibilities of Audit Committee
6. Audit Committee performance evaluation self-assessment questionnaire

Other details to be documented:

- I. When the operation of the Audit Committee is found with one of the following conditions, the date, session No., details of proposals, decisions made by the Audit Committee, and how the Company addressed opinions from the Audit Committee in the Board of Directors' meeting shall be stated:
  - (I) Matters listed in Article 14-5 of the Securities and Exchange Act: Refer to the Operational Status of the Audit Committee in 2020.
  - (II) Besides those mentioned in the foregoing, other resolutions with approval by two-thirds and more of all directors despite the failure to be approved by the Audit Committee: This did not happen.
- II. For the recusal upon conflicts of interest among independent directors, the name of the independent director, details of the proposal, reason for the recusal, and participation in the voting process or not shall be described: This did not happen.
- III. Communication among the independent directors, the head of internal audit, and the CPAs (important matters communicated, method, and results of the communication over the financial standing and business operation of the Company, etc.).
  1. The Company's head of internal audit submits the audit report to independent directors on a monthly basis.
  2. The Company's head of internal audit prepares the internal audit report before and during the quarterly meeting of the Audit Committee; in case of any special condition, it will be reported to the independent directors in real time, too.
  3. For issues to be discussed among the head of audit, the CPAs, and the independent directors, they contact one another as needed; communications have been optimal.

Summary of the communications between independent directors and internal audit:

The Company's head of internal audit prepares the internal audit report before and during the quarterly meeting of the Audit Committee; in case of any special condition, it will be reported to the independent directors in real time, too. No special condition as mentioned above occurred in 2020.

Summary of communications between independent directors and the CPAs:

For issues to be discussed between the CPAs and the independent directors, they contact one another as needed; no issues were discussed in 2020.

**Supervisors' Involvement in Board of Directors' Operations**

Seating and attendance of supervisors in the 7 (A) meetings of the Board of Directors over the past year (2020) are as follows:

Position	Name	Actual seated frequency(B)	Attendance through proxy	Actual seated rate (%) (B/A)	Remarks
Supervisor	Yu-Ting Huang	1	0	50%	Retired on April 23, 2020. The Company established the Audit Committee to replace the function of supervisor. (Seating of at least twice is expected for the current intake)
Supervisor	Taiyu Investment Co., Ltd. Representative: Chen-Hsiu Yeh	0	0	0%	Retired on April 23, 2020. The Company established the Audit Committee to replace the function of supervisor. (Seating of at least twice is expected for the current intake)
<p>Other details to be documented:</p> <p>I. Composition and Responsibilities of Supervisors:</p> <p>(I) Communications between supervisors and employees and shareholders of the Company: Supervisors may contact and speak with employees and shareholders directly if necessary.</p> <p>(II) Communications between supervisors and the head of internal audit and CPAs: The head of audit submits the audit report to the supervisors for review periodically and is seated in the Board of Directors' meetings to give presentations. If it is considered necessary, supervisors will communicate with the CPAs.</p> <p>II. If supervisors seated in Board of Directors' meetings state opinions, the date of the Board of Directors meeting, session number, details of the proposal, and decision made by the Board of Directors, and how stated opinions of the supervisors are handled by the Company shall be specified: This did not happen to the Company in 2020.</p>					

(III) Corporate Governance Implementation Status and Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons

Evaluation item	Operational status (Note)			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
I. Does the Company establish and disclose its corporate governance best-practice principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	√		The Company has established its Corporate Governance Best-Practice Principles and discloses them on the Company's website.	No significant difference
<b>II. Shareholding Structure and Shareholder Equity</b>				
(I) Does the company establish internal operating procedures for handling shareholder suggestions, questions, disputes or lawsuits and implement the procedures?	√		The Company has spokespersons to address suggestions from or disputes involving shareholders and discloses the contact person and phone number on its official website to protect the rights of shareholders.	No significant difference
(II) Does the company have a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders?	√		The Company outsources shareholder-related affairs to a shareholder service agency and keeps track of its major shareholders and the ultimate controller according to the roster of shareholders prepared by the agency and periodically declares changes in shares held by directors, managers, and Top 10 shareholders with a holding ratio of 10% and above.	No significant difference
(III) Has the company established and implemented risk management and firewall mechanisms with its affiliates?	√		Respective affiliates function independently. In addition, the Company has established the Regulations Governing Transactions with Related Parties, Specific Companies, and Enterprises within the Group that are followed in all transactions with affiliates.	No significant difference
(IV) Has the company established internal rules against insiders trading of securities taking advantage of information yet to be disclosed on the market?	√		The Company has established the Anti-insider Trading Management Regulations to prevent its insiders from trading securities taking advantage of the information yet to be released on the market and communicates to remind insiders from time to time of not violating laws in this regard.	No significant difference
<b>III. Composition and Responsibilities of the Board of Directors</b>				
(I) Has the Board of Directors developed and implemented a diversified policy for the composition of its members?	√		The Company has set up 7 directors (including independent directors) reflective of its current operational scale and developmental demand. They are experts and professionals specializing in the industry, law, or operation, among others to fulfill its policy on diversified composition of the Board of Directors. Primary policy goals include: 1. Diversification shall be taken into consideration for the composition of the Board of Directors and a suitable diversification policy is prepared reflective of its function, operational pattern, and developmental demand. It shall include, without limitation, the following criteria: (1) Basic requirements and values: gender, age, nationality, and culture, etc. (2) Professional knowledge and skills: Professional background (such as law, accounting, industry, finance, marketing, or technology), professional skills, and industrial experience, etc. 2. The Board members shall possess the general knowledge, skills, and attainments required for fulfilling	No significant difference

Evaluation item	Operational status (Note)			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>their duties. The desired capabilities as a whole are shown below:</p> <p>(1) Operational judgment  (2) Accounting and financial analyses  (3) Operation and management  (4) Crisis management  (5) Industrial knowledge  (6) International market views  (7) Leadership  (8) Decision-making</p> <p>3. Among the Board members, independent directors account for 43% and directors who are also employees account for 29%. For the time being, the two independent directors have served for less than 3 years and 1 independent director has served for 4 to 6 years. In order to fulfill gender equity in the composition of the Board of Directors, the goal is to have at least one female director. A goal for the future is to have no more than 9 years served continuously by any independent director that is re-elected and serves subsequent terms and have at least one female director. For the diversification in the composition of the Board of Directors, refer to Note 1 for details.</p>	
(II) Does the company voluntarily establish other functional committees in addition to the Compensation and Remuneration Committee and the Audit Committee that are established as required by laws?	√		The Company has set up the Compensation and Remuneration Committee and the Audit Committee as required by law. The other corporate governance operations are taken care of by respective departments according to their function. A variety of other functional committees will be set up in the future as required by law and reflective of the actual developmental needs of the Company.	No significant difference
(III) Has the Company established standards and method for evaluating the performance of the Board of Directors, and does the Company implement the performance evaluation periodically and submit results of the performance evaluation to the Board of Directors, and use them for reference while deciding compensation and rewards for individual directors and nominating them for a second term in office?	√		The Company has established the Board of Directors Performance Evaluation Guidelines and the evaluation method. The Compensation and Remuneration Committee will establish and discuss related policies, systems, criteria, and structures for the performance of the Board of Directors and the managers and their salary and compensation and the advice will be submitted to the Board of Directors to be discussed further.	No significant difference
(IV) Does the company regularly evaluate the independence of CPAs?	√		The Company evaluates the independence and adequacy of CPAs at least once a year and has the CPAs and their firm to provide related data and declarations regarding indicators such as the scale and reputation of the accounting firm, the number of consecutive years where the audit service has been provided, the nature and extent of non-audit service provided, the audit certification public expenditure, peer review, absence of lawsuits or cases corrected or investigated by the competent authority or not, quality of audit service, periodic continuing education or not, and the interaction between the management and the head of internal audit, etc. so that the Board of Directors may perform assessments accordingly. The evaluation results over the past two years were completed on March 10, 2020 and March 11, 2021.	No significant difference
IV. For TWSE/TPEX-listed companies, is there an exclusive (combined) unit or person for corporate governance to take charge of related matters	√		It was approved by the Board of Directors on March 11, 2021 that Manager Chia-Ling Li would be the head of corporate governance in order to protect the rights of shareholders and to reinforce the function of the Board of Directors. Manager Chia-Ling Li is qualified with her	No significant difference



Evaluation item	Operational status (Note)			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(including without limitation providing directors and supervisors with materials required for them to carry out their tasks, taking care of Board of Directors' meetings and shareholders' meetings as required by law, registering the company and changing registered information, preparing minutes of Board of Directors' meetings and shareholders' meetings)?			<p>position as head of finance in public offering companies for more than three years. The head of corporate governance is primarily responsible for organizing matters relating Board of Directors' and shareholders' meetings, preparing the Board of Directors' and shareholders' meeting minutes, helping directors with inauguration and continuing education, providing directors with materials needed for them to perform tasks, and helping the directors with compliance.</p> <p>Operational status in 2021 is provided below:</p> <ol style="list-style-type: none"> <li>1. Help independent directors and general directors perform their function by providing the required materials and arrange continuing education for them.</li> <li>2. Help with the procedures, resolutions, and compliance of the Board of Directors' meetings and shareholders' meetings.</li> <li>3. Prepare the Board of Directors' meeting agenda and notify directors of it seven days in advance. Convene the meeting and provide meeting materials. If recusal of interest is required, remind the specific director in advance and complete the meeting minutes within 20 days after the meeting.</li> <li>4. Register the date of the shareholders' meeting in advance as required by law, prepare the notice, the rules of procedure, and the meeting minutes within the regulatory timeframe and complete change registration after the Articles of Incorporation are revised or after the directors are re-elected.</li> </ol> <p>The head of corporate governance was elected and inaugurated on March 11, 2021; no continuing education has not been completed yet.</p>	
V. Has the company established a communication channel and build a designated section on its website for stakeholders (including, without limitation, shareholders, employees, customers, and suppliers, etc.) and properly respond to corporate social responsibility issues that stakeholders are concerned about?	√		<p>The Company has already set up a section for stakeholders on its official website; <a href="https://www.tmpco.com.tw/list/cate-56402.htm">https://www.tmpco.com.tw/list/cate-56402.htm</a>. Respective stakeholders can give the Company advice or communicate with the Company through this section about issues concerning them. The Company will adequately address them and respond positively as soon as possible.</p>	No significant difference

Evaluation item	Operational status (Note)			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
VI. Does the company designate a professional shareholder service agency to deal with affairs relating to shareholders meetings?	√		The Company authorizes the Registrar of Yuanta Securities to address respective shareholder-related affairs of the Company.	No significant difference
VII. Disclosure of Information				
(I) Has the company established a corporate website to disclose information regarding its financial, business and corporate governance status?	√		The Company has set up a website where information about financial operations and corporate governance is disclosed; it is: <a href="https://www.tmpco.com.tw/">https://www.tmpco.com.tw/</a>	No significant difference
(II) Does the Company adopt other ways of	√		For the other information, please go to the Market	No significant

disclosing information (e.g., maintaining an English website, appointing responsible people to handle information collection and disclosure, creating a spokesperson system, webcasting investor conference on company website)?		Observation Post System of Taiwan Stock Exchange. The website is: <a href="https://mops.twse.com.tw/mops/web/index">https://mops.twse.com.tw/mops/web/index</a>	difference
(III) Does the Company announce and declare its Annual Financial Statement within two months after a fiscal year ends and announce and declare the financial statements for the first, second, and third quarters and operational status of each month earlier than the required deadline?	v	The Company announces and files its annual financial report within two months after the fiscal year ends and announces and files the financial statements for the first, second, and third quarters and operational status in each month as required by law. Please go to the Market Observation Post System of Taiwan Stock Exchange. The website is: <a href="https://mops.twse.com.tw/mops/web/index">https://mops.twse.com.tw/mops/web/index</a>	No significant difference
VIII. Is there any other important information available to facilitate a better understanding of the company's corporate governance operational status (including without limitation employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	v	<ol style="list-style-type: none"> <li>1. The Company recruits and hires employees not based on their gender, ethnicity, or nationality and spares no effort in protecting the rights of employees. Each employee is enrolled in the Labor Insurance and National Health Insurance programs as required by law and pension is set aside as required by law to protect their benefits. Meanwhile, there are the Employee Welfare Committee and an optimal workplace for the employees.</li> <li>2. In honor of the belief in co-prosperity and co-existence, the Company maintains good interactions and partnerships with suppliers and other stakeholders and exchange information with them. Optimal channels to ensure effective communications are available. The goal is to create long-term collaboration.</li> <li>3. For continuing education of directors and supervisors, refer to the table below.</li> <li>4. The Company signs contracts with customers in compliance with regulatory requirements in order to protect mutual rights and obligations.</li> <li>5. The Company has its directors and supervisors covered by liability insurance in order to protect them against risks deriving from the tasks they perform.</li> </ol>	No significant difference
<p>IX. Please explain the improvements already made by the Company according to the governance evaluation results released in the past year by the corporate governance center of Taiwan Stock Exchange and matters and measures to be prioritized.</p> <p>Improvements made according to the corporate governance findings of the seventh intake (2020):</p> <p>Improvements that have been made or to be made in 2021 or reinforcements and measures introduced if no improvements are made yet:</p> <p>1.14 Disclosure of decisions made through the general shareholders' meeting in the preceding year and their implementation</p>			

status in the Annual Report.

2.11 The Company truthfully disclosed in the Annual Report discussions and decisions made by the Compensation and Remuneration Committee and how the Company addressed opinions from the members.

2.15 The Company discloses the communications between independent directors and the head of internal audit and the CPAs on its official website.

Note 1: For the diversification in the composition of the Board of Directors, refer to the table below:

Fulfillment of the diversification policy regarding the composition of the Board of Directors:

Poly-element core item		Gender	Operational judgment	Accounting and financial analyses	Operational management	Crisis management	Industrial knowledge	International market views	Leadership	Decision-making
Name of director										
Chairman	Tianchuan Investment Co., Ltd.	Female	√	√	√	√	√	√	√	√
	Representative: Yu-Yeh Tsai									
Chairman	Tianchuan Investment Co., Ltd.	Male	√	√	√	√	√	√	√	√
	Representative: Chun-Liang Yeh									
Director	Taiwan Steel Corporation	Male	√	√	√	√	√	√	√	√
	Representative: Ching-Li Yen									
Director	Taiwan Steel Corporation	Male	√	√	√	√	√	√	√	√
	Representative: Shih-Chieh Chao									
Independent Director	Kuei-Mei Yang	Female	√	√		√	√	√	√	√
Independent Director	Ti-miao Wu	Female	√	√	√	√	√	√	√	√
Independent Director	Yen-Te Wu	Male	√	√		√	√	√	√	√

**Continuing education of directors and supervisors**

Position	Name	Date		Organizer	Course title	Hours involved	Compliance with requirement	Remarks
		Start	End					
Director	Representative of Tianchuan Investment Co., Ltd.: Yu-Yeh Tsai	8/28/2020	8/28/2020	Taiwan Corporate Governance Association	Group Taxation Trends in the Post-pandemic Era	3	Yes	
		8/28/2020	8/28/2020	Taiwan Corporate Governance Association	Management fight and case analysis	3	Yes	
Director	Representative of Tianchuan Investment Co.: Chun-Liang Yeh	3/16/2020	3/16/2020	Association of Taiwan Listed Companies	Something about Environmental Protection in Taiwan	2	Yes	
		6/16/2020	6/16/2020	Association of Taiwan Listed Companies	National governance in Taiwan during the Post-pandemic Era	2	Yes	
		9/3/2020	9/3/2020	Association of Taiwan Listed Companies	Challenges and Opportunities for Taiwan in the New International Situation	2	Yes	
Director	Representative of Taiwan Steel Corporation: Ching-Li Yen	6/23/2020	6/23/2020	Taiwan Securities Association	Global Economy and Macroeconomic Indicators Interpretation and Wealth Management Strategy	3	Yes	
		6/23/2020	6/23/2020	Taiwan Securities Association	Insights of New Acts Against Money Laundering and Case Study	3	Yes	
Director	Representative of Taiwan Steel Corporation: Shih-Chieh Chao	10/20/2020	10/20/2020	Taiwan Corporate Governance Association	Something about Ethical Corporate Management, Corporate Governance, and Corporate Social Responsibility as Three Major Principles and Practical Cases	3	Yes	
		10/28/2020	10/28/2020	Taiwan Corporate Governance Association	Examples of Violations of Securities Laws and Responsibilities of Directors and Supervisors	3	Yes	
Independent Director	Kuei-Mei Yang	11/24/2020	11/24/2020	The Institute of Internal Auditors	Analysis of Corporate Policy on Improving the Ability to Independently Prepare Financial Statements and Practical Highlights of Internal Audit and Internal Control	6	Yes	
Independent Director	Ti-miao Wu	9/25/2020	9/25/2020	R.O.C. Accounting Research and Development Foundation	Common Deficiency in Corporate Governance and Analysis of Related Laws and Regulations	3	Yes	
		11/16/2020	11/16/2020	Taipei Exchange and Taiwan Stock Exchange	2020 Communication Forum to Directors and Supervisors on Corporate Governance and Ethical Corporate Management	3	Yes	
Independent Director	Yen-Te Wu	6/10/2020	6/10/2020	R.O.C. Accounting Research and Development Foundation	Corporate Procurement Process Audit Practical Seminar	6	Yes	
		6/11/2020	6/11/2020	R.O.C. Accounting Research and Development Foundation	Introduction and Adoption of Artificial Intelligence and Block Chain for Improved Operational Efficacy	3	Yes	
		6/16/2020	6/16/2020	R.O.C. Accounting Research and Development Foundation	Common Deficiency in Corporate Governance and Analysis of Related Laws and Regulations	3	Yes	

(IV) Composition, Responsibilities, and Operations of the Compensation and Remuneration Committee,  
If Available:

1. Membership of Compensation and Remuneration Committee

Status (Note 1)	Qualification  Name	More than five years of work experience and the following professional qualifications			Fulfillment of independence (Note 2)										Number of other public offering companies with membership in their Compensation and Remuneration Committee	Remarks	
		Lecturer or higher ranking at the business, legal affairs, financial affairs, or accounting department, or other departments relating to corporate operation of public and private colleges and universities	Judge, prosecutor, lawyer, CPA, or other professionals and technicians that have taken and been approved in national exams required for corporate operation	Work experience required for commerce, legal affairs, financial affairs, accounting department, or corporate operations	1	2	3	4	5	6	7	8	9	10			
Independent Director	Kuei-Mei Yang	-	-	√	√	√	√	√	√	√	√	√	√	√	√	0	
Independent Director	Ti-miao Wu	-	-	√	√	√	√	√	√	√	√	√	√	√	√	0	
Independent Director	Yen-Te Wu	√	√	√	√	√	√	√	√	√	√	√	√	√	√	1	

Note 1: Provide "director, independent director, or other" for "Status."

Note 2: When any of the following conditions is met for each member during the two years prior to and during their tenure, please check "√" in the box underneath each conditional code.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates (The same does not apply, however, to independent directors set up by the Company and its parent company or subsidiary or a subsidiary that shares the same parent company according to the Act or the local laws and regulations.)
- (3) Not a natural person shareholder that holds by himself/herself or by his/her spouse or minor child in someone else's name more than 1% of all circulating shares of the Company or is on the Top 10 shareholding list.
- (4) Not the spouse, a relative within the second degree of kinship, or a direct blood relative within the third degree of kinship of the managers listed under (1) or those listed under (2) and (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder directly holding at least 5% of the circulating shares of the Company or that ranks Top 5 in shareholding ratio or that assigns a representative to serve as director or supervisor of the Company according to Article 27 Paragraph 1 or 2 of the Company act (The same does not apply, however, to independent directors set up by the Company and its parent company or subsidiary or a subsidiary that shares the same parent company according to the Act or the local laws and regulations.)
- (6) Not a director, supervisor, or employee of another company with the number of directors in the Company or shares entitled to votes accounting for a majority that is controlled by the same person (The same does not apply, however, to independent directors set up by the Company or its parent company or subsidiary or a subsidiary that shares the same parent company according to the Act or the local laws and regulations.)
- (7) Not a director, supervisor, or employee of another company or institution whose chairman, president, or someone assigned with similar responsibilities is the same person or the spouse of that of the Company (The same does not apply, however, to independent directors set up by the Company and its parent company or subsidiary or a subsidiary that shares the same parent company according to the Act or the local laws and regulations.) .
- (8) Not a director, supervisor, or manager, or shareholder holding at least 5% of shares of a specific company or institution that is financially or commercially related to the Company (The same does not apply, however, if the said specific company or institution holds at least 20% yet less than 50% of the circulating shares of the Company and to independent directors set up by the Company and its parent company or subsidiary or a subsidiary that shares the same parent company according to the Act or the local laws and regulations.)
- (9) Not a professional providing services or consultations on business, legal affairs, financial affairs, and accounting at the Company or its associated enterprise such as auditing that have brought about rewards accumulatively yet to exceed NTD 500 thousand, or the owner, partner, director, supervisor, manager, and his/her spouse of a sole proprietorship or collaborative company or institution. This, however, does not apply to the Compensation and Remuneration Committee, the Public Acquisition Review Committee, or the Special Mergers and Acquisitions Committee fulfilling its duties in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act, among others. .
- (10) None of the conditions indicated under Article 30 of the Company Act.

2. Information on the Operational Status of the Compensation and Remuneration Committee

(1) The Company's Compensation and Remuneration Committee has 3 members in total.

II. Tenure of members of the current intake: From April 23, 2020 to April 22, 2023. The Compensation and Remuneration Committee met 2 times last year (2020). Qualification and attendance of members are as follows:

Position	Name	Actual attendance frequency (B)	Attendance through proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Convener	Jian-Hua Shao	1	0	100.00%	Retired following the re-election on April 23, 2020. (Attendance of at least once is expected for the current intake)
Committee member	Kuei-Mei Yang	2	0	100.00%	Served a second term after re-election on on April 23, 2020.
Committee member	Chuan-Hua Chen	1	0	100.00%	Retired following the re-election on April 23, 2020. (Attendance of at least once is expected for the current intake)
Convener	Ti-miao Wu	1	0	100.00%	Served a second term after re-election on on April 23, 2020. (Attendance of at least once is expected for the current intake)
Committee member	Yen-Te Wu	1	0	100.00%	Served a second term after re-election on on April 23, 2020. (Attendance of at least once is expected for the current intake)

Responsibilities of Committee and Remuneration Committee

The Company's Compensation and Remuneration Committee evaluates the Company's salary and compensation policy for directors and managers from a professional and objective perspective and provides the Board of Directors with advice for the latter's reference while making a decision. In addition, with due diligence as good-will manager, it truthfully fulfills the following responsibilities and provides advice to the Board of Directors for discussion.

1. Responsibilities of the Company's Compensation and Remuneration Committee

- (1) Defines and regularly reviews policies, systems, standards, and structures related to the performance evaluation and the salary and compensation of directors, supervisors, and managers.
- (2) Periodically evaluates and determines the salary and compensation of directors, supervisors, and managers .

2. While performing duties, the Compensation and Remuneration Committee follows the criteria below

- (1) Director, supervisor, and managerial performance evaluation and compensation and remuneration shall take reference of the general criteria for the payment in the industry and take into consideration the legitimate correlation with personal performance, operational performance of the Company, and risks in the future.
- (2) Directors and managers shall not be misled to engage in behavior that exceeds the risk appetite of the Company for the pursuit of their compensation and remuneration.
- (3) The ratio of the bonus issued to directors and senior managers for their short-term performance and the payment schedule of some of the variable compensation and remuneration shall take into consideration the characteristics of the industry and the nature of operation of the Company before a decision is made.

Operational status of the Compensation and Remuneration Committee in 2020 is as follows:

Date	Contents of the proposal	Decisions made	How the Company addressed opinions from the Compensation and Remuneration Committee
3/10/2020	1. Deliberation of the 2019 year-end bonus for managers 2. Discussion of the distribution of the remuneration to employees and that to directors and supervisors	It was approved as is by all members.	It was submitted to the Board of Directors and was approved by all attending directors.
11/12/2020	1. Referral and election of the convener of the Compensation and Remuneration Committee 2. Revision of the salary bracket table of the Company 3. Change of manager and payment criteria	It was approved as is by all members.	It was submitted to the Board of Directors and was approved by all attending directors.

Other details to be documented:

- I. In the event that the Board of Directors does not adopt or revises advice from the Compensation and Remuneration Committee, the date, session number, details of proposals, decisions made by the Board of Directors, and how the Company addressed opinions from the Compensation and Remuneration Committee shall be stated (in the event that the compensation and remuneration approved by the Board of Directors are better than as advised by the Compensation and Remuneration Committee, the difference and the reason shall be specified): This did not happen.
- II. For decisions made by the Compensation and Remuneration Committee, as long as there are members objecting or having their reservations that are recorded or stated in writing, the date of the Compensation and Remuneration Committee meeting, the session number, contents of the proposal, and how opinions from all members and from opposing members are handled should be described: This did not happen.

(1) In the event that members of the Compensation and Remuneration Committee resign before the end of a fiscal year, the date of resignation shall be indicated in the remarks field. The actual attendance rate (%) is calculated by the number of Compensation and Remuneration Committee meetings held during service and the actual attendance frequency in the meetings.

(2) In the event that members of the Compensation and Remuneration Committee are re-elected before the end of a fiscal year, both the new and old members of the Compensation and Remuneration Committee shall be listed and whether one is new or old or is serving a second term and the date of the re-election shall be indicated in the remarks field. The actual attendance rate (%) is calculated by the number of Compensation and Remuneration Committee meetings held during service and the actual attendance frequency in the meetings.

(V) Fulfillment of Social Responsibilities and Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons

Evaluation item	Operational status			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary	
I. Does the Company perform risk assessments when dealing with environmental, social, and corporate governance-related issues that concern the Company's operations according to the materiality principle and define related risk management policies or strategies?	√		The Company performs related risk assessments of major issues according to the material principle of corporate social responsibilities and has established related risk management policies or strategies as follows according to the risks determined. Refer to Note 1 for details.	No significant difference
II. Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management as authorized by the Board of Directors and reports its progress to the Board of Directors?	√		The Company has assigned the Administration Section to also take care of CSR practices to make CSR part of the Company's operational strategy in order to fulfill the corporate social responsibilities with a purpose, systematically, and in an organized way over the long term. Refer to Note 1 for details.	No significant difference
<b>III. Environmental Issues</b>				
(I) Has the company developed an appropriate environmental management system reflective of its distinctive characteristics?	√		The Company follows applicable domestic laws and regulations on environment, safety, and health when it comes to environmental management.	No significant difference
(II) Has the Company endeavored to improve the efficiency of resource utilization and used recycled materials that impact the environment minimally?	√		The Company practices trash classification and recycling of reusable resources in order to reduce environmental pollution and impacts.	No significant difference
(III) Does the Company evaluate potential risks and opportunities now and in the future brought about by climate change for the corporation and adopts responsive measures to climate-related issues?	√		The Company is devoted to energy conservation and carbon reduction. For illumination equipment, low-consuming and high-brightness light bulbs are used, for example.	No significant difference
(IV) Does the Company tally the total greenhouse gas emissions, water usage, and waste generated over the past two years and have energy conservation and carbon reduction, greenhouse gas reduction, water reduction, or other waste management policies in place?	√		The Company reflects upon consumption and waste of water, electricity, oil, and raw materials on a monthly basis in order to reduce unnecessary waste of energy and to fulfill the purpose of energy conservation, carbon reduction, and greenhouse gas reduction.	No significant difference
<b>IV. Social Issues</b>				
(I) Has the Company developed related management policies and procedures in accordance with applicable laws and regulations and the International Bill of Human Rights?	√		The Company has set up a section meant exclusively for its policy on human rights. The website is: <a href="https://www.tmpco.com.tw/list/cate-264988.htm">https://www.tmpco.com.tw/list/cate-264988.htm</a> . The Company strictly follows local laws and regulations at operation sites around the world and other internationally acceptable human rights standards such as the International Bill of Human Rights, the International Labor Organization - Declaration of Fundamental Principles and Rights at Work, and the Ten Principles of the United Nations Global Compact and has been taken action consistent with the RBA (Responsible Business Alliance) Code of Conduct. It treats and respects all employees, contractors and temporary staff, and interns with dignity. The Company follows and enforces policies and puts human rights policy into action. This applies to all levels throughout the Company. Meanwhile, efforts are continued in the promotion and improvement of the management of human rights-related issues in order to reduce the risk of human rights incidents. For the policies and the management solutions to help address related human rights issues, refer to Note 2 for details.	No significant difference
(II) Does the Company define and enforce reasonable employee welfare measures (including compensation, leave, and other	√		Besides the Employee Welfare Committee that has been established as required by law and the implementation of the pension system, the Company has also established the Performance Incentive	No significant difference



benefits, among others) and the operational performance or accomplishments are adequately reflected in the employees' compensation?			Management Guidelines to reward its employees.	
(III) Does the Company provide employees with a safe and healthy work environment as well as periodic safety and health education?	√		Employee training courses are arranged for new hires to reinforce their awareness of hazards and ideas about how to prevent against hazards.	No significant difference
(IV) Has the Company established an effective training program that helps employees develop skills over the course of their career?	√		The Company has established the Educational Training Guidelines and encourages employees to improve their professional knowledge and skills and to subsidize employees for the diversified courses and workshops they attend in order to effectively help with employees' career planning.	No significant difference
(V) Does the Company comply with laws and international standards concerning customer health and safety, customer privacy, marketing, and labeling of products and services and define related policies and complaint-filing procedures to protect the rights of consumers?	√		The Company markets products and services in compliance with applicable laws and regulations and international standards. The Company does not sell directly to ordinary consumers. For corporate customers, the Company has a specialized after-sales service unit to provide customers with after-sales service and to address respective inquiries from customers in the use of products and handles customer complaints.	No significant difference
(VI) Does the Company define supplier management policies and require that suppliers follow applicable regulations in issues such as environmental protection, occupational safety and health, or human rights of workers and how are they implemented?	√		The Company has not defined related provisions yet now. If suppliers violate its corporate social policy, however, the collaboration may be terminated at any time. In order to protect public interest, in case of any untruthfulness indicated in the contract with suppliers, the Company may determinate it at any time and demand compensations.	No significant difference
V. Does the Company prepare the Corporate Social Responsibility Report or other reports disclosing non-financial information of the Company by referring to international general principles or guidelines in the preparation of reports? Are there opinions from a third-party qualification unit to validate or guarantee the said reports?		√	The Company has yet to prepare its Corporate Social Responsibility Report.	The disclosure of related corporate social responsibilities will be reinforced in the future reflective of the systems established.
VI. If the Company has established its own CSR principles according to the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, please describe the differences between its implementation and the established principles: The stipulation and preparation of the Company's Corporate Social Responsibility Best Practice Principles and related regulations are ongoing.				
VII. Other Important Information to Help Understand Utilization of Corporate Social Responsibilities: None.				

Note 1: The Company has assigned the Administration Section to also take care of CSR practices and combine CSR as part of the Company's operational strategy in order to fulfill the corporate social responsibilities with a purpose, systematically, and in an organized way over the long term. As part of the material principle for corporate social responsibilities, related risk assessments are performed on important issues and related risk management policies or strategies are defined as follows on the basis of the determined risks:

Major issue	Risk assessment item	Risk management policy or strategy
Environment	Environmental protection	Define the energy conservation and carbon reduction solution and the action plan each year and discuss and follow up on the progress of each goal periodically
Society	Safe and Healthy Workplace	(1) Create respective occupational safety protection measures and strictly demand that all employees follow them in order to proactively prevent against occupational hazards. (2) Periodically check the safety measures at all office locations and organize emergency evacuation drills to prevent against fires or earthquakes, etc.
Corporate governance	Compliance	Ensure that the Company strictly follows applicable regulatory requirements in respective processes by consolidating the internal control mechanism and creating the governance organization.

Note 2: The Company's action plans and management solutions to help address human rights-related issues are as follows:

Action plan	Management solutions of the Company to address human rights-related issues
Provide a Safe and healthy workplace	Create a safe and healthy workplace to prevent against accidents and to protect the safety of employees.
Eradicate illegal discrimination and protect equal employment	Do not treat someone differently or discriminate against someone in any way because of ethnicity, class, language, thought, religion, partisanship, nationality, birthplace, gender, sexual orientation, age, marriage, appearance, five senses, disability, constellation, blood type, or prior union membership to realize respect for diversification in the workplace.
No child labor	Absolutely do not hire child labor. As of the end of December 2020, there had been zero child workers.
No forced labor	When it is necessary for the Company to extend the working hours beyond normal ones, such an extension is only allowed with prior consent obtained from the employees.
Create an environment where everyone loves to communicate and build an open-ended management model	Diversify the communication channels such as the employee suggestion box and periodic managerial meetings for harmonious labor-management relations.
Help employees stay healthy physically and mentally and balance between work and life	Provide benefits, periodically organize employee tours and Employee Welfare Committee events to help employees stay healthy physically and mentally.
Periodic review and evaluation of related systems and actions	Responsible units are to perform reviews and evaluations periodically and make adequate adjustments as needed.

(VI) Fulfillment of Ethical Corporate Management and Deviation from Ethical Corporate Management  
Best Practice Principles for TWSE/GTSM Listed Companies and Reasons

Evaluation item	Operational status (Note)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
I. Establishment of Ethical Corporate Management Policy and Proposal				
(I) Has the Company defined ethical corporate management policies approved by the Board of Directors and declared its ethical corporate management policies and procedures as well as the commitment of its Board of Directors and high-ranking management to implementing the management policies in its rules and external documents?	√		The Company establishes its policy on ethical corporate management reflective of its operational status.	No significant difference
(II) Has the Company established an evaluation mechanism for unethical behavioral risks that helps periodically analyze and evaluate business activities of relatively high unethical behavioral risks within the scope of operation and defined a solution to prevent against unethical behaviors accordingly that covers at least the preventive measures against respective acts under Article 7 Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	√		The Company establishes its policy on ethical corporate management reflective of its operational status and periodically analyzes and evaluates business activities at relatively high risk of unethical behaviors within the scope of its operation.	No significant difference
(III) Has the Company specified the operating procedures, behavioral guide, and the disciplinary and complaint-filing system in case of violation its solution to prevent against unethical behaviors, and enforced them, and periodically reflected upon and amended the foregoing solution?	√		The Company establishes its policy on ethical corporate management, the operating procedure for ethical corporate management, and the behavioral guide reflective of its operational status and periodically reflects upon and amends them.	No significant difference
II. Consolidation of Ethical Corporate Management	√			
(I) Has the Company evaluated the ethical records of parties it does business with and stipulated ethical conduct clauses in business contracts?	√		Parties that the Company does business with are first evaluated over prior records of unethical behaviors, if any, and compliance with ethical corporate management will be included as part of the contract terms and conditions.	No significant difference
(II) Has the Company established a dedicated unit under the Board of Directors to promote ethical corporate management and report its ethical management policy and solution to prevent against unethical behaviors and the status of implementation to the Board of Directors periodically (at least once a year)?	√		The Company has assigned the Administration Section to be the exclusive unit that takes care of revising, enforcing, and explaining the operating procedure for ethical corporate management and the behavioral guide and the consultation service and registering and archiving reported details, among other processes and supervising their implementation and reporting to the Board of Directors any unethical behavior, the management, and subsequent improvement measures. The implementation of ethical corporate management reported in 2020 is as follows: 1. Organization of policy communication trainings on the ethical policy. In 2020, because of the pandemic, to go with the government's policy and advice on reduced clustering, the communication trainings were done through internal communication and presentation on issues concerning ethical corporate management (including compliance and internal control): a headcount of 50 people took part. 2. Establishment of a whistleblowing system: The Company has established the Ethical Corporate Management Best-Practice Principles and the Ethical Corporate Management Operating Procedure and Behavioral Guide and has set up the internal suggestion box, hotline, and exclusive email to facilitate whistleblowing (the information is released on the Company website). The identity of the whistleblower and the reported contents are precisely kept confidential. 3. Enforce preventive measures defined for ethical corporate	No significant difference

Evaluation item	Operational status (Note)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
			management and make sure that they are valid and functional. There is the exclusive section for stakeholders on the Company's website for employees, shareholders, and related stakeholders to communicate illegal and unethical behaviors. 4. No violations of ethical corporate management were found in 2020 and no internal or external whistle-blowing letters or legal cases concerning the ethical corporate management of the Company were received.	
(III) Has the Company established policies to prevent against conflicts of interest, provided appropriate channels for filing related complaints and implemented the policies accordingly?	√		The Company prepares its policy on the prevention against conflicts of interest and provides suitable channels for directors and managers to spontaneously explain whether there are potential conflicts between them and the Company. For proposals to be discussed by the Board of Directors that concern themselves or the corporations they represent and accordingly harm the interest of the Company, they may state their opinions and answer inquiries but may not join the discussions and voting and they shall be excused during discussion and voting and may not exercise voting rights on behalf of any other director(s).	No significant difference
(IV) Has the Company created effective accounting and internal control systems to consolidate ethical corporate management and does the internal audit unit stipulates related audit plans according to the evaluation results of unethical behavioral risks and inspect compliance with the solution to prevent against unethical behaviors or authorize the CPAs to perform inspections?	√		The Company already established applicable regulations governing its accounting system and internal control system, among others, and they are functioning effectively. The Audit Office periodically inspects compliance with the internal control system and reports to the Board of Directors. CPAs also review implementation of the internal control system of the Company on a yearly basis.	No significant difference
(V) Does the Company hold internal and external educational trainings on ethical management regularly?	√		The Company communicates ideas about ethical corporate management from time to time in respective meetings. In the future, related educational trainings on ethical corporate management will be held periodically or from time to time as actually needed.	No significant difference
<b>III. Whistle-blowing System of the Company</b>				
(I) Does the Company have substantial reporting and incentive systems in place, provide convenient reporting channels, and assign appropriate specialists investigate reported matters?	√		The Company has established the Personnel Management Regulations. If employees are found with violations of applicable requirements for ethical corporate management, they may be reported through the employee suggestion box disclosed on the Company's official website; once confirmed to be true, they will be disciplined according to the Company's disciplinary system.	No significant difference
(II) Has the Company established any standard operating procedures, subsequent measures to be adopted after the investigation is completed, or confidentiality mechanisms for handling reported matters?	√		Upon discovery or receipt of a report on unethical behavior involving the staff of the Company, if it is confirmed to be true, the Company will ask the violator to stop any behavior immediately and impose proper dispositions. If necessary, damages may be requested through legal proceedings in order to protect the reputation and rights of the Company.	No significant difference
(III) Does the Company assure employees who reported on malpractices that they will not be improperly treated for making such reports?	√		The Company will keep the details about the investigation and the findings strictly confidential and make sure that the rights of related people are not undermined and will take appropriate protective measures to avoid retaliation against the whistleblower.	No significant difference
<b>IV. Reinforced Information Disclosure</b> Has the company disclosed information regarding its ethical corporate management principles and implementation status on its website and the MOPS.?	√		The Company will continue to reinforce the disclosure of related information. The Company has assigned someone to take charge of the disclosure of information on the website.	No significant difference
V. If the company has its own Ethical Management Principles established according to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe the differences between its implementation and the principles: None significant difference.				
VI. Other important information that helps understand the implementation of ethical corporate management of the company: None.				

(VII) How they may be found shall be disclosed if the company has established Corporate Governance Principles and related regulations:

1. The Company has established the following applicable regulations and guidelines:
  - (1) Rules of Procedure for Board of Directors' Meetings
  - (2) Board Directors and Supervisors Election Regulations
  - (3) Procedure for the Acquisition or Disposal of Assets
  - (4) Endorsement and Guarantee Operating Procedure
  - (5) Operating Procedure for Lending to the Others
  - (6) Guidelines for the Supervision and Management of Subsidiaries
  - (7) Operating Procedure for Trading with Enterprises within the Group, Specific Companies, and Related Parties
  - (8) Regulations Governing Financial and Non-financial Information
  - (9) Self-discipline Regulations for Disclosure of Information about Mergers and Acquisitions
  - (10) Operating Procedure for Handling Major Internal Information
  - (11) Risk Policy Management and Procedure
  - (12) Corporate Governance Best-Practice Principles
  - (13) Board of Directors Performance Evaluation Guidelines
  - (14) Ethical Corporate Management Best-Practice Principles
  - (15) Ethical Corporate Management Operating Procedure and Behavioral Guide
  - (16) Audit Committee Organic Rules
  - (17) Compensation and Remuneration Committee Organic Rules
  - (18) Internal Audit Enforcement Rules
  - (19) Rules of Procedure for Shareholders' Meetings
  - (20) Anti-insider Trading Management Regulations

2 How they may be found: There is the exclusive section for corporate governance on the Company's website within "Investors" where investors can search for and download related regulations on corporate governance. The Company's website is:

[http : //www.tmpco.com.tw](http://www.tmpco.com.tw)

(VIII) Other important information that is sufficient to boost knowledge of corporate governance may also be disclosed:

1. The Operating Procedure for Handling Major Internal Information that is established for the sake of managing major internal information of the Company has been made known to all directors, managers, and employees. This procedure, system, and precautions are placed in "Announcements" of the Intranet, too, to be followed by all employees in order to avoid violations or insider trading.
2. For information about corporate governance, you may search the Company's website:  
<http://www.tmpco.com.tw> "Investors".

(IX) Implementation of Internal Control System:

1. Internal Control System Declaration

TMP Steel Corporation

Internal Control System Declaration

Date: March 11, 2021

For the Company's internal control system of 2020, it is hereby declared as follows according to self-assessment findings:

- I. The Company knows that establishing, enforcing, and maintaining an internal control system is the responsibility of the Company's Board of Directors and managers and has such a system in place already. It is meant to reasonably ensure fulfillment of the operational efficacy and efficiency (including profits, performance, and protection of asset security), reporting reliability, timeliness, transparency, and compliance with applicable regulations and laws and regulatory requirements, among other goals.
- II. The internal control system has its inherited restrictions that cannot be overcome with improved design. An effective internal control system can also only reasonably ensure the fulfillment of the three goals stated above and its effectiveness may change as the environment or situation changes. There is a self-surveillance mechanism, however, built inside the internal control system of the Company that helps the Company take a corrective action against deficiencies confirmed.
- III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The items adopted in the Governing Regulations for determining the internal control system are the five constitutional elements of the internal control system divided according to the management and control process: 1. control environment, 2. risk assessment, 3. control process, 4. information and communication, and 5. supervision. Each element further encompasses several items. For the above-mentioned items, refer to the requirements in the "Governing Regulations".
- IV. The Company has already adopted the aforesaid items to evaluate the effectiveness in the design and implementation of its internal control system.
- V. Pursuant to the results of the above-mentioned evaluations, the Company is of the view that the design and implementation of its internal control system as of December 31, 2020 (including its supervision and management of subsidiaries), including its awareness of the extent by which the operating effects and efficiency goals are fulfilled, reliability of reports, and compliance with relevant laws and regulations, are such that it is effective and capable of reasonably ensuring that the aforementioned goals can be achieved.
- VI. This declaration constitutes a major part of the Company's Annual Report and the Company's Prospectus that are made available to the public. In case of falsification or concealment, among other illegal conditions, with the above-mentioned released contents, liabilities under Articles 20, 32, 171, and 174 of the Securities and Exchange Act will be sought.
- VII. This Declaration was approved at the meeting of the Company's Board of Directors on March 11, 2021 with no directors expressing dissent out of the 7 Directors in attendance.

TMP Steel Corporation

Chairman: Yu-Yeh Tsai Signature/Seal

President: Chun-Liang Yeh Signature/Seal

2. If review of the internal audit system is outsourced to CPAs as an exception, the CPA Review Report shall be disclosed: Not applicable.

(X) Any legal sanctions against the Company or its internal personnel, or any disciplinary action taken by the Company against its internal personnel for violating internal control requirements in the past year up to the date the Annual Report was printed: None.

(XI) Important decisions reached in shareholders' meetings and made by the Board of Directors in the past year up to the date the Annual Report was printed:

1. 2020 General Shareholders' Meeting

Date of meeting	Important decision
4/23/2020	<p>1. Ratification of 2019 Business Report and Financial Statements Implementation status: The 2019 Business Report and Financial Statements were ratified on April 23, 2020.</p> <p>2. Ratification of 2019 Earnings Distribution Proposal Implementation status: September 14, 2020 was set to be the ex-dividend base date and distribution took place on September 28, 2020. (Cash dividends per share were distributed at NTD 2.20)</p> <p>3. Approval of the revision to some provisions of the Company's "Articles of Incorporation" Implementation status: The Articles of Incorporation were changed according to the decision and the registration was approved by the competent authority on May 19, 2020 and they were announced on the Company's website.</p> <p>4. Approval of the revision to some provisions of the Company's Procedure for the Acquisition or Disposal of Assets Implementation status: The revision of the Procedure for the Acquisition or Disposal of Assets was completed on April 23, 2020 and took effect after it was finalized through the shareholders' meeting and took effect. It was announced on the Company's website on the same day.</p> <p>5. Approval of the revision to some provisions of the Company's Rules of Procedure for Shareholders' Meetings. Implementation status: The revision of the Rules of Procedure for Shareholders' Meetings was completed on April 23, 2020 and took effect after it was finalized through the shareholders' meeting and took effect. It was announced on the Company's website on the same day.</p> <p>6. Approval of the revision to some provisions of the Company's Board Directors and Supervisors Election Regulations Implementation status: The revision of the Board Directors and Supervisors Election Regulations was completed on April 23, 2020 and took effect after it was finalized through the shareholders' meeting and took effect. It was announced on the Company's website on the same day.</p>

2. Important decisions made by Board of Directors throughout 2020 and up to the date the Annual Report was printed

Date	Important decision
2/3/2020	<p>1. Approval of the ratification of 2019 important managerial salary adjustment</p> <p>2. Approval of the adjustment of transportation reimbursement for directors, independent directors, and supervisors</p> <p>3. Approval of the revision to some provisions of the Company's Articles of Incorporation</p>



Date	Important decision
	<ol style="list-style-type: none"> <li>4. Approval of the revision to the Regulations Governing the Acquisition and Disposal of Assets.</li> <li>5. Approval of the revision to the Operating Procedure for Lending of Funds to Others and Endorsement/Guarantee.</li> <li>6. Approval of the revision to the Rules of Procedure for Shareholders' Meetings</li> <li>7. Approval of the revision to the Rules of Procedure for Board of Directors' Meetings</li> <li>8. Approval of the revision to the Board Directors and Supervisors Election Regulations</li> <li>9. Approval of the setup of the Audit Committee and the establishment of the Audit Committee Organic Rules</li> <li>10. Approval of the establishment of the Ethical Corporate Management Best-Practice Principles and the Ethical Corporate Management Operational Procedure and Behavioral Guide of Ethical Corporate Management Best Practice</li> <li>11. Approval of the establishment of the Ethical Code of Conduct</li> <li>12. Approval of the election of Board directors</li> <li>13. Approval of the ratification of Professional Liability Insurance for directors, supervisors, and important staff</li> <li>14. Approval of the Business Strife Limitation Clause for new directors</li> <li>15. Approval of the setup of the date, location, and agenda for the General Shareholders' Meeting and acceptance of proposals from 1% and above shareholders and related nominations</li> </ol>
3/10/2020	<ol style="list-style-type: none"> <li>1. Approval of discussion of 2019 Business Report and Financial Statements</li> <li>2. Approval of 2019 Earnings Distribution Proposal</li> <li>3. Approval of remuneration to employees and that to directors/supervisors</li> <li>4. Approval of the 2019 internal control system validity evaluation and issuance of the Internal Control System Declaration</li> <li>5. Approval of 2019 managerial year-end bonus</li> <li>6. Approval of delegation and independence evaluation of CPAs</li> <li>7. Approval of the nomination and review of the list of director and independent director candidates.</li> <li>8. Approval of the addition of borrowings from the Taiwan Cooperative Bank</li> <li>9. Approval of the supplementary public offering for the private placement of common stock and the application for being traded on the market of 2015</li> </ol>
4/23/2020	<ol style="list-style-type: none"> <li>1. Approval of the referral of Chairman</li> </ol>
5/8/2020	<ol style="list-style-type: none"> <li>1. Approval of hiring Compensation and Remuneration Committee members</li> <li>2. Approval of the appointment of the head of audit</li> <li>3. Approval of the intended second secured conversion of corporate bonds and third</li> </ol>

Date	Important decision
	unsecured conversion of corporate bonds within the nation
8/7/2020	<ol style="list-style-type: none"> <li>1. Approval of extension of contract upon expiration of line of credit for loans with Mega International Commercial Bank</li> <li>2. Approval of extension of contract upon expiration of line of credit for loans with Taiwan Cooperative Bank</li> <li>3. Approval of extension of contract upon expiration of line of credit for loans with Taiwan Shin Kong Commercial Bank</li> <li>4. Approval of extension of contract upon expiration of line of credit for loans with Hua Nan Bank</li> <li>5. Approval of extension of contract upon expiration of line of credit for loans with Chang Hwa Bank</li> </ol>
9/25/2020	<ol style="list-style-type: none"> <li>1. Approval of the budget for building workshops and engineering and equipment</li> <li>2. Approval of the revision to some provisions of the Company's Procedure for the Acquisition or Disposal of Assets</li> </ol>
11/12/2020	<ol style="list-style-type: none"> <li>1. Approval of the 2021 Audit Plan</li> <li>2. Approval of the amended Authorization Chart</li> <li>3. Approval of the Salary Bracket Table</li> <li>4. Approval of the review of change of manager and payment criteria</li> <li>5. Approval of the retroactive adjustment of the remuneration to independent directors.</li> <li>6. Approval of the establishment of provisions for the Company's Board of Directors Performance Evaluation Guidelines</li> <li>7. Approval of the provisions for the Risk Management Policy and Procedure</li> <li>8. Approval of the establishment of provisions for the Company's Corporate Governance Best-Practice Principles</li> <li>9. Approval of the ratification of Professional Liability Insurance for directors, supervisors, and important staff</li> <li>10. Approval of the change of the CPAs for auditing the Company's financial statements</li> </ol>

(XII) Main contents of different opinions of directors or supervisors that are recorded and stated in writing on important decisions made by the Board of Directors over the past year up to the date the Annual Report was printed: None.

(XIII) Summary of resignations and dismissals of the Company's Chairman, President, accounting heads, financial heads, internal audit heads, and R&D heads over the past year up to the date the Annual Report was printed: None.

## V. Information on Public Expenditure on CPAs

### (I) Public Expenditure on CPAs:

Name of Accounting Firm	Name of CPA	Duration of audit	Remarks
Deloitte Taiwan	Shiuh-Ran Cheng	1/1/2020~9/30/2020	Note 1
	Li-Chi Chen		
Deloitte Taiwan	Shiuh-Ran Cheng	1/1/2020~12/31/2020	
	Yuang-Shiang Chao		

Note 1: Due to internal job rotation of Deloitte Taiwan, the CPAs to audit the Company's financial statements have been changed from Shiuh-Ran Cheng and Li-Chi Chen to Shiuh-Ran Cheng and Yuang-Shiang Chao since April 2020.

Unit: NTD thousand

Public expenditure Value bracket		Audit public expenditure	Non-audit public expenditure	Total
1	Below \$2,000,000.00	√	√	√
2	\$2,000,000.00 (inclusive) ~ \$4,000,000.00			
3	\$4,000,000.00 (inclusive) ~ \$6,000,000.00			
4	\$6,000,000.00 (inclusive) ~ \$8,000,000.00			
5	\$8,000,000.00 (inclusive) ~ \$10,000,000.00			
6	Above \$10,000,000.00 (inclusive)			

(II) When the non-audit public expenditure paid to CPAs, their firms, and their associated enterprises accounts for more than one-fourth of the audit public expenditure, the values of both audit and non-audit public expenditures and contents of non-audit services shall be disclosed:

Unit: NTD thousands

Name of Accounting Firm	Name of CPA	Audit public expenditure	Non-audit public expenditure					Duration of audit	Remark
			System design	Business registration	Human resources	Other	Subtotal		
Deloitte Taiwan	Shiuh-Ran Cheng	1,820	None	None	None	253	253	1/1/2020 ~ 12/31/2020	The others were mainly the transfer of pricing of public expenditure on the statements and the review of related documentation for public offering to be supplemented for private placement of stock.
	Yuang-Shiang Chao								

(III) When the accounting firm is changed and the audit public expenditure in the year of replacement is reduced compared to that in the preceding year, the audit public expenditures before and after the replacement and the reasons shall be disclosed: This did not happen.

(IV) When the audit public expenditure is reduced by more than 15% from the preceding year, the value reduced and its ratio and cause shall be disclosed: This did not happen.

## VI. Information on Replacement of CPAs:

### I. About the Former CPA(s)

Date replaced	Approved by the Board of on November 12, 2020		
Reason for Replacement and Description	Due to internal job rotation of Deloitte Taiwan, the CPAs to audit the Company's financial statements have been changed from Shih-Ran Cheng and Li-Chi Chen to Shih-Ran Cheng and Yuang-Shiang Chao since April 2020.		
Explain if the appointee or accountant is terminated or does not accept the appointment	Affected party	Certified Public Accountant	Authorizer
	Situation		
	Spontaneous termination of appointment	Not applicable	Not applicable
	Does not accept (continue with) appointment	Not applicable	Not applicable
Opinions expressed in audit reports other than no reservations issued within the most recent two years and the reason	Not applicable		
Different opinions from those of the publisher	Yes		Accounting principles or practice
			Disclosure of financial statements
			Scope or steps of inspection
			Other
	None <sup>v</sup>		
	Description		
Other Matters (Those that should be disclosed as indicated in Article 10 Subparagraph 6 Items 1-4 to 1-7 of these Guidelines)	Not applicable		

## II. About the Succeeding CPA(s)

Name of Firm	Deloitte Taiwan
Name of CPA	Shiuh-Ran Cheng and Yuang-Shiang Chao
Date Delegated	Approved by the Board of on November 12, 2020
Consultations and findings about opinions possibly signed off on the accounting approach of specific transactions and financial statements prior to authorization.	Not applicable
Written opinions of succeeding CPAs that differ from those of former CPAs	Not applicable

III. Replies of former CPAs to Article 10 Paragraph 6 Item 1 and Item 2 Matter 3 of the Guidelines: None.

VII. Disclosure of the name, position, and duration of service at the firms or their affiliates that the Company's Chairman, President, or managers in charge of financial or accounting affairs in the past year, if any: None.

VIII. Changes in the transfer and pledge of equity among directors, supervisors, managers, and shareholders with a holding ratio exceeding 10% in the past year and up to the date the Annual Report was printed:

(I) Changes in the Equity of Directors, Supervisors, Managers, and Major Shareholders

Unit: Share

Position	Name	2020		As of April 5, 2021	
		Increase/Decrease in the number of shares held	Increase/Decrease in the number of shares pledged	Increase/Decrease in the number of shares held	Increase/Decrease in the number of shares pledged
Chairman	Tianchuan Investment Co., Ltd.	0	0	(108,000)	0
Major Shareholders	Representative: Yu-Yeh Tsai	0	0	0	0
Director	Tianchuan Investment Co., Ltd.	0	0	(108,000)	0
President	Representative: Chun-Liang Yeh	0	0	0	0
Major Shareholders					
Director (Note 1)	Taiwan Steel Corporation	0	0	0	0
	Representative: Ching-Li Yen	0	0	0	0
Director (Note 1)	Taiwan Steel Corporation	0	0	0	0
	Representative: Shih-Chieh Chao	0	0	0	0
Independent Director	Kuei-Mei Yang	0	0	0	0
Independent Director (Note 1)	Ti-miao Wu	0	0	0	0
Independent Director (Note 1)	Yen-Te Wu	0	0	0	0
Independent Director (Note 2)	Jian-Hua Shao	0	0	0	0
Supervisor (Note 3)	Yu-Ting Huang	0	0	0	0
Supervisor (Note 4)	Taiyu Investment Co., Ltd.	0	0	(108,000)	0
	Representative: Ying-Chih Shen	0	0	0	0
Supervisor (Note 5)	Taiyu Investment Co., Ltd.	0	0	(108,000)	0
	Representative: Chen-Hsiu Yeh	0	0	0	0
Hardware Construction Materials Sales Department President	Yun-Shi Yang	0	0	0	0
Hardware Construction Materials Sales Department Vice President	Chun-Kuan Lu	0	0	0	0
Hardware Construction Materials Sales Department Vice President	Han-Hsin Cheng	0	0	0	0
Manager	Chia-Ling Li	0	0	0	0
Hardware Construction Materials Sales Department Vice President (Note 1)	Jie-Min Lin	0	0	0	0
Major Shareholders	Deli Investment Co., Ltd.	0	0	(108,000)	0
Major Shareholders	Taiyu Investment Co., Ltd.	0	0	(108,000)	0

Note 1: Newly inaugurated as director on April 23, 2020.

Note 2: Retired as director on April 23, 2020.

Note 3: Retired as supervisor on April 23, 2020.

Note 4: Retired as supervisor on September 17, 2019.

Note 5: Newly inaugurated as supervisor on September 17, 2019; retired as supervisor on April 23, 2020.

Note 6: Newly inaugurated as Hardware Construction Materials Vice President on November 8, 2020.

(II) Information of the counterparty for the transfer of the equity of directors, supervisors, managers with a holding ratio exceeding 10% who is a related party: None.

(III) Information of the counterparty for the pledge of the equity of directors, supervisors, managers with a holding ratio exceeding 10% who is a related party: None.

IX. Information of the relationship among Top 10 shareholders with the highest holding ratio who are related, spouses, or relatives within the second degree of kinship of each

other (one another) as defined by the Financial accounting Standard 6

Date: April 5, 2021

Unit: Share

Name	Shares held by the shareholder		Shares currently held by the spouse and minor child(ren)		Total shares held in someone else's name		The title or name and relationship among shareholders in the Top shareholding list who are related, spouse to each other, or relatives within the second degree of kinship		Remarks
	Quantity	Ratio	Quantity	Ratio	Quantity	Ratio	Name	Relation	
Deli Investment Co., Ltd.	7,076,432	23.07	0	0	0	0	Taiyu Investment Co., Ltd.	Same representative	None
Representative: Ching-Li Yen	0	0	0	0	0	0	None	None	None
Taiyu Investment Co., Ltd.	7,076,432	23.07	0	0	0	0	Deli Investment Co., Ltd.	Same representative	
Representative: Ching-Li Yen	0	0	0	0	0	0	None	None	None
Tianchuan Investment Co., Ltd.	6,385,303	20.82	0	0	0	0	None	None	None
Representative: Cheng-Chiang Sun	0	0	0	0	0	0	None	None	None
Hsiu-Lan Chen	1,025,873	3.34	0	0	0	0	None	None	None
Wen-Ching Chen	898,054	2.93	0	0	0	0	None	None	None
Kuang-Nan Huang	552,842	1.80	0	0	0	0	None	None	None
GOLDEN WIN STEEL INDUSTRIAL CORPORATION	357,000	1.16	0	0	0	0	None	None	None
Representative: Hui-Chang Shao	0	0	0	0	0	0	None	None	None
Hsin-Kuei Pan	313,000	1.02	0	0	0	0	None	None	None
Te-Yen Chan	259,000	0.84	0	0	0	0	None	None	None
Cheng-Feng Wu	146,382	0.48	0	0	0	0	None	None	None



X. Number of shares held by the Company, the Company's directors, supervisors, managers, and directly or indirectly controlled businesses and the consolidated general holding ratio

Date: December 31, 2020; Unit: Share

Re-invested business	Investment made by the Company		Investment by the directors, supervisor, manager, and directly or indirectly controlled business		Comprehensive investment	
	Shares	Holding Ratio	Shares	Holding Ratio	Shares	Holding Ratio
TMP Electronic (South Korea) Co., Ltd.	-	50.00%	-	-	-	50.00%

## IV. Fund-raising

### I. Capital and Shares

#### (I) Source of Capital Stock

1. Types of shares already issued by the Company over the last year up to the date the Annual Report was printed

Unit: Share, NTD

MM/YYYY	Issue price	Approved capital stock		Paid-in capital stock		Remarks		
		Quantity	Value	Quantity	Value	Source of capital stock	Using properties other than cash to write off	Other
May 1984	1,000	10,000	10,000,000	5,000	5,000,000	Established 5,000,000	-	
October 1986	1,000	10,000	10,000,000	7,500	7,500,000	Capital increase in cash 2,500,000	-	
October 1988	1,000	20,000	20,000,000	15,000	15,000,000	Capital increase in cash 7,500,000	-	
June 1989	10	3,500,000	35,000,000	3,500,000	35,000,000	Capital increase in cash 20,000,000	-	
April 1991	10	8,740,000	87,400,000	8,740,000	87,400,000	Capital increase in cash 38,500,000 Debt payment 13,900,000	-	
April 1993	10	10,550,000	105,500,000	10,550,000	105,500,000	Capital increase in cash 18,100,000	-	
December 1993	10	12,687,000	126,870,000	12,687,000	126,870,000	Capital increase in cash 17,000,000 Earnings transferred capital increase 4,370,000	-	
November 1994	10	15,291,100	152,911,000	15,291,100	152,911,000	Capital increase in cash 20,264,000 Earnings transferred capital increase 5,777,000	-	
April 1997	10	8,000,000	80,000,000	8,000,000	80,000,000	Capital reduction 72,911,000	-	
June 1997	10	13,698,000	136,980,000	13,698,000	136,980,000	Capital increase in cash 56,980,000	-	
June 1998	10	42,600,000	426,000,000	21,308,000	213,080,000	Capital increase in cash 76,100,000	-	Note 1
July 2000	10	42,600,000	426,000,000	25,308,000	253,080,000	Capital increase in cash 40,000,000	-	Note 2
July 2001	10	42,600,000	426,000,000	30,472,700	304,727,000	Earnings transferred capital increase 26,339,000 Capital reserve transferred capital increase 25,308,000	-	Note 3
July 2002	10	47,600,000	476,000,000	32,522,000	325,220,000	Earnings transferred capital increase 14,398,460 Capital reserve transferred capital increase 6,094,540	-	Note 4
September 2003	10	47,600,000	476,000,000	36,138,000	361,380,000	Earnings transferred capital increase 19,899,000 Capital reserve transferred capital increase 16,261,000	-	Note 5
September 2004	10	76,000,000	760,000,000	39,596,740	395,967,400	Earnings transferred capital increase 34,587,400	-	Note 6
October 2005	10	76,000,000	760,000,000	43,979,994	437,979,940	Earnings transferred capital increase 20,884,370 Conversion of corporate bonds to shares 21,128,170	-	Note 7
January 2006	10	76,000,000	760,000,000	44,387,182	443,871,820	Conversion of corporate bonds to shares 5,891,880	-	Note 8
April 2006	10	76,000,000	760,000,000	45,954,741	459,547,410	Conversion of corporate bonds to shares 15,675,590	-	Note 9
July 2006	10	76,000,000	760,000,000	46,089,876	460,898,760	Conversion of corporate bonds to shares 1,351,350	-	Note 10
September 2006	10	76,000,000	760,000,000	47,787,218	477,872,180	Earnings transferred capital increase 16,973,420	-	Note 11
April 2007	10	76,000,000	760,000,000	48,360,644	483,606,440	Conversion of corporate bonds to shares 5,734,260	-	Note 12
July 2007	10	76,000,000	760,000,000	48,423,581	484,235,810	Conversion of corporate bonds to shares 629,370	-	Note 13
October 2007	10	76,000,000	760,000,000	49,351,254	493,512,540	Earnings transferred capital increase 9,276,730	-	Note 14
October 2007	10	76,000,000	760,000,000	51,036,567	510,365,670	Conversion of corporate bonds to shares 16,853,130	-	Note 15
January 2008	10	76,000,000	760,000,000	51,465,138	514,651,380	Conversion of corporate bonds to shares 4,285,710	-	Note 16
November 2008	10	76,000,000	760,000,000	50,465,138	504,651,380	Write-off of treasury stock 1,000,000	-	Note 17
November 2010	10	76,000,000	760,000,000	48,465,138	484,651,380	Write-off of treasury stock 2,000,000	-	Note 18
March 2012	10	76,000,000	760,000,000	47,465,138	474,651,380	Write-off of treasury stock 1,000,000	-	Note 19
November 2012	10	76,000,000	760,000,000	28,857,972	288,579,720	Capital reduction to make up for deficits 18,607,166	-	Note 20
October 2013	10	76,000,000	760,000,000	53,857,972	538,579,720	Private placement of cash for capital increase 25,000,000	-	Note 21
October 2014	10	76,000,000	760,000,000	16,157,392	161,573,920	Capital reduction to make up for deficits 37,700,580	-	Note 22
April 2015	10	76,000,000	760,000,000	34,157,392	341,573,920	Private placement in cash for capital increase 18,000,000	-	Note 23
October 2015	10	76,000,000	760,000,000	30,675,184	306,751,840	Capital reduction to make up for deficits 34,822,081	-	Note 24
May 2020	10	150,000,000	1,500,000,000	30,675,184	306,751,840	-	-	Note 25

Note 1: The capital increase in cash was approved through the (1998) Taiwan Finance Certificate (I) No. 48033 letter dated June 8, 1998 from the Securities and Futures Bureau, Ministry of Finance, with records on file.

Note 2: The capital increase in cash was approved through the (2000) Taiwan Finance Certificate (II) No. 59275 letter dated July 11, 2000 from the Securities and Futures Bureau, Ministry of Finance, with records on file.

Note 3: The earnings and capital reserve transferred capital increase was approved through the (2001) Taiwan Finance Certificate (I) No. 144109 letter dated July 9, 2001 from the Securities and Futures Bureau, Ministry of Finance, with records on file.

- Note 4: The earnings and capital reserve transferred capital increase was approved through the (2002) Taiwan Finance Certificate (I) No. 0910137373 letter dated July 8, 2002 from the Securities and Futures Bureau, Ministry of Finance, with records on file.
- Note 5: The earnings and capital reserve transferred capital increase was approved through the (2003) Taiwan Finance Certificate (I) No. 0920128875 letter dated June 30, 2003 from the Securities and Futures Bureau, Ministry of Finance, with records on file.
- Note 6: The earnings and capital reserve transferred capital increase was approved through the (2004) TPEX Listing No. 29397 Letter dated October 1, 2004 from Taipei Exchange, with records on file.
- Note 7: The earnings transferred capital increase and conversion of corporate bonds into shares were approved through the MOEA Authorization SMEA No. 09433010840 Letter dated October 24, 2005 from the Ministry of Economic Affairs, with records on file.
- Note 8: The conversion of corporate bonds into shares was approved through the MOEA Authorization SMEA No. 09531589850 Letter dated January 18, 2006 from the Ministry of Economic Affairs, with records on file.
- Note 9: The conversion of corporate bonds into shares was approved through the MOEA Authorization SMEA No. 09532010150 Letter dated April 12, 2006 from the Ministry of Economic Affairs, with records on file.
- Note 10: The conversion of corporate bonds into shares was approved through the MOEA Authorization SMEA No. 09532549330 Letter dated July 21, 2006 from the Ministry of Economic Affairs, with records on file.
- Note 11: The earnings transferred capital increase was approved through the TPEX Supervision No. 0950027231 Letter dated October 11, 2006 from Taipei Exchange, with records on file.
- Note 12: The conversion of corporate bonds into shares was approved through the MOEA Authorization SMEA No. 09632013460 Letter dated April 24, 2007 from the Ministry of Economic Affairs, with records on file.
- Note 13: The conversion of corporate bonds into shares was approved through the MOEA Authorization SMEA No. 09632457160 Letter dated July 19, 2007 from the Ministry of Economic Affairs, with records on file.
- Note 14: The earnings transferred capital increase was approved through the TPEX Supervision No. 0960203192 Letter dated October 2, 2007 from Taipei Exchange, with records on file.
- Note 15: The conversion of corporate bonds into shares was approved through the MOEA Authorization SMEA No. 09601254950 Letter dated October 18, 2007 from the Ministry of Economic Affairs, with records on file.
- Note 16: The conversion of corporate bonds into shares was approved through the MOEA Authorization SMEA No. 09701001580 Letter dated January 7, 2008 from the Ministry of Economic Affairs, with records on file.
- Note 17: The write-off of treasury stock was approved through the MOEA Authorization Business No. 09701292590 Letter dated November 14, 2008 from the Ministry of Economic Affairs, with records on file.
- Note 18: The write-off of treasury stock was approved through the Taipei Economic Registration No. 0993179247 Letter dated December 29, 2010 from the Taipei City Government, with records on file.
- Note 19: The write-off of treasury stock was approved through the Taipei Economic Registration No. 1015012279 Letter dated March 6, 2012 from the Taipei City Government, with records on file.
- Note 20: The capital reduction to make up for deficits was approved through the FSC Securities Issue No. 1010047370 Letter dated November 6, 2012 from the Financial Supervisory Commission, Executive Yuan, with records on file.
- Note 21: The private placement in cash for capital increase was approved through the MOEA Authorization Business No. 10201217700 Letter dated October 25, 2013 from the Ministry of Economic Affairs, with records on file.
- Note 22: The capital reduction to make up for deficits was approved through the FSC Securities Issue No. 1030028983 Letter dated August 12, 2014 from the Financial Supervisory Commission, with records on file.
- Note 23: The private placement in cash for capital increase was approved through the Taipei Industry Commerce No. 10483300600 Letter dated May 4, 2015 from the Taipei City Government, with records on file.
- Note 24: The capital reduction to make up for deficits was approved through the FSC Securities Issue No. 10400391631 Letter dated October 19, 2015 from the Financial Supervisory Commission, with records on file.
- Note 25: The finalization of shares was approved through the Taipei Industry Commerce No. 10949313600 Letter dated May 19, 2020 from the Taipei City Government, with records on file.

Unit: Share

Type of share	Approved capital stock			Remark
	Outstanding shares	Shares yet to be issued	Total	
Common stock	30,675,184	119,324,816	150,000,000	Main Board stock

2. When it is approved to place and issue securities through self-registration, the value approved and related information of the securities expected to be issued or already issued shall be disclosed:

None.

(II) Shareholder Structure

April 5, 2021

Shareholder Structure	Government agency	Financial institution	Other corporations	Individual	Foreign institution and alien	Total
Quantity						
Number of people			16	3,520	5	3,541
Shares held			21,063,592	9,478,902	132,690	30,675,184
Holding ratio (%)			68.66	30.91	0.43	100.00

(III) Decentralization of equity

April 5, 2021

Holding classification	Number of shareholders	Shares held	Holding ratio (%)
1~ 999	2,573	320,039	1.04
1,000~ 5,000	730	1,515,207	4.94
5,001~ 10,000	107	829,511	2.70
10,001~ 15,000	33	414,747	1.35
15,001~ 20,000	22	390,281	1.27
20,001~ 30,000	22	551,294	1.80
30,001~ 40,000	15	505,869	1.65
40,001~ 50,000	6	283,515	0.92
50,001~ 100,000	19	1,279,487	4.17
100,001~ 200,000	5	641,298	2.09
200,001~ 400,000	3	929,000	3.03
400,001~ 600,000	1	552,842	1.80
600,001~ 800,000	0	0	0
800,001~ 1,000,000	1	898,054	2.93
1,000,001 Shares and above	4	21,564,040	70.31
Total	3,541	30,675,184	100

## (IV) List of Major Shareholders

April 5, 2021

Unit: Share

Name of major shareholder	No. of shares held	Holding Ratio
Deli Investment Co., Ltd.	7,076,432	23.07%
Taiyu Investment Co., Ltd.	7,076,432	23.07%
Tianchuan Investment Co., Ltd.	6,385,303	20.82%
Hsiu-Lan Chen	1,025,873	3.34%
Wen-Ching Chen	898,054	2.93%
Kuang-Nan Huang	552,842	1.80%
GOLDEN WIN STEEL INDUSTRIAL CORPORATION	357,000	1.16%
Hsin-Kuei Pan	313,000	1.02%
Te-Yen Chan	259,000	0.84%
Cheng-Feng Wu	146,382	0.48%

## (V) Related information of market price per share, net value, earnings, and dividends for the past two years

Unit: NTD/Thousand shares

Item	Year	2019	2020	2021 As of February 28 (Note 5)	
Market value per share	Maximum	36.00	30.00	29.1	
	Minimum	13.00	21.40	24.3	
	Mean	27.81	27.08	26.35	
Net worth per share	Before distribution	13.58	13.14	13.50	
	After distribution	11.38	Not applicable	-	
Earnings per Share	Weighted average number of shares	30,675	30,675	30,675	
	Earnings per Share	Before adjustment	2.89	1.74	0.39
		After adjustment	2.89	Not applicable	Not applicable
Dividends per share	Cash dividends	2.2	1.2 (Note)	Not applicable	
	Free share assignment	Before adjustment	-	Not applicable	Not applicable
		After adjustment	-	Not applicable	Not applicable
	Accumulated unpaid dividend	-	-	-	
Analysis of Return on Investment	Price earnings ratios	9.56	Not applicable	Not applicable	
	Price to dividend ratio	12.56	Not applicable	Not applicable	
	Cash dividend yield	7.96	Not applicable	Not applicable	

Note: The 2020 Earnings Distribution Proposal is yet to be approved through the shareholders' meeting.

Note 1: List the highest and lowest market prices of common stock shares each year and calculate the mean market price of each year according to the annual trading value and trading volume.

Note 2: Price-to-earning ratio = mean closing price per share of the year/earnings per share.

Note 3: Price-to-dividend ratio = mean closing price per share of the year/cash dividends per share.

Note 4: Cash dividends yield rate = cash dividends per share/mean closing price per share of the year.

Note 5: For the net worth per share and earnings per share, the data from the latest quarter up to the date the Annual Report was printed that have been audited (reviewed and approved) by CPAs shall be provided; for the other fields, the data of the current year up to the date the Annual Report was printed should be provided.

## (VI) Company's Dividend Policy and Implementation

## 1. Dividend policy:

In order to normalize the financial structure and to protect the rights of investors, the Company takes into consideration factors such as retained earnings, capital reserve, financial

structure, capital budget, and operational condition as a whole in its dividend policy and decides the most appropriate way to distribute dividends. Given the fact that the industry that the Company is in is at a growing stage now, there are plans to expand operations and needs for funds for several years in the future. As such, the distribution of earnings is based on the following requirements.

The earnings rendered after the end of a year shall be used to pay all taxes and then be prioritized for offsetting prior deficits, followed by appropriation of 10% to be the legal reserve unless the cumulative legal reserve has reached the total capital size of the Company. For the remainder, the special reserve is appropriated or reversed as required by Article 41 of the Securities and Exchange Act. In case of any further balance, together with the accumulated undistributed earnings, the Board of Directors is to prepare the earnings distribution proposal and submit it for a decision in the shareholders' meeting prior to distribution.

For the Company's dividend policy, current and future development plans, the investment environment, the demand for funds, and domestic and international competition as well as shareholder' interest, among others, are taken into consideration. Each year, with the distributable earnings for the year, no less than 1% will be set aside to be the shareholder dividend bonus. If the accumulated distributable earnings are less than 1% of the paid-in capital stock, however, it is allowed not to distribute the earnings. The distribution of shareholder dividend bonus may be done in cash or in stock. Cash dividends, in particular, are no less than 10% of the total value of dividends available. The type and ratio of such earnings distributed, however, may be adjusted as decided through the shareholders' meeting depending on the actual profitability and funding status of the year.

Finalization of the distribution of earnings mentioned above still needs to be based on the requirements of the Articles of Incorporation. The Board of Directors is to prepare the dividend and bonus distribution proposals and submit them for a decision during the shareholders' meeting prior to distribution.

## 2. Distribution of shareholder dividends proposed (decided) for the year

It was approved by the Board of Directors on March 11, 2021 that NTD 1.2 per share would distributed in cash as the dividends for shareholders, that is, NTD 36,810,221 in total; it will be decided in the 2021 General Shareholders' Meeting.

(VII) Impacts of free share assignment intended through the current shareholders' meeting on the Company's operational performance and earnings per share: None.

(VIII) Remuneration to employees, directors, and supervisors:

### 1. Percentage or range of remuneration for employees and directors/supervisors as stated in the Company's Articles of Incorporation

(1) If the Company has profits for the year, 1% to 10% shall be set aside to be the remuneration to employees. The Board of Directors shall decide whether they will be distributed in stock or in cash. It may be distributed to employees of any subordinated company meeting certain criteria. The Company may submit the above-mentioned profits to the Board of Directors for a decision over appropriating no greater than 4%, inclusive, of it to

be the remuneration to directors and supervisors.

In cases of accumulated deficits, however, the Company shall first retain those needed to write off the said deficits before the remuneration to employees and that to directors and supervisors are to be set aside by the ratios indicated in the preceding paragraph.

2. Accounting measures adopted in case of any difference between the basis for estimating the amount of remuneration for employees, directors, and supervisors, basis for calculating the number of shares included in the distribution of remuneration for employees, and the actual value distributed and their estimates of the current term:

In case of any difference between the values estimated for the current term of remunerations to employees and to directors and supervisors and those actually distributed, the difference will be recognized under profits or losses for the coming year.

3. Approval of distribution of remuneration by the Board of Directors:

The remunerations to directors and to director and supervisors of the Company were approved by the Board of Directors on March 11, 2021. NTD 1,500,000.00 to employees and NTD 1,500,000.00 to directors and supervisors will be distributed as the remuneration, which were identical to the estimates made in 2020.

4. For the remuneration actually distributed to employees, directors, and supervisors for the preceding year (including the number of shares distributed, the value, and the share price), in case of any difference from that recognized, the difference, the cause and how it is handled shall be specified:

For 2019, NTD 1,800,000.00 to employees and NTD 1,800,000.00 to directors and supervisors were actually distributed as the remuneration in cash, which were identical to the estimates made for 2019.

(IX) Buyback of the Company's Shares: None.

## II. Corporate Bonds:

Type corporate bond	Second secured conversion of corporate bonds	Third unsecured conversion of corporate bonds
Date of issue	11/8/2019	11/11/2019
Face value	NTD 100,000.00	NTD 100,000.00
Issue and trading site	Taiwan	Taiwan
Issue price	Issued at 100.5% of the face value	Issued fully at face value
Total	NTD 150,750,000.00	NTD 150,000,000.00
Interest rate	Coupon rate 0%	Coupon rate 0%
Duration	3 Years Expiration date: 2022/11/08	3 Years Expiration date: 2022/11/11
Guarantee institution	Entie Commercial Bank, Ltd.	None
Trustee	Trust Department, Shin Kong Commercial Bank Co., Ltd.	Trust Department, Shin Kong Commercial Bank Co., Ltd.
Underwriter	IBF Securities Co., Ltd.	IBF Securities Co., Ltd.
Certified Attorney	Attorney Ya-Wen Chiu, HANDSOME ATTORNEYS-AT-LAW	Attorney Ya-Wen Chiu, HANDSOME ATTORNEYS-AT-LAW
Certified Public Accountant (CPA)	Deloitte Taiwan CPAs Shiuh-Ran Cheng and Li-Chi Chen	Deloitte Taiwan CPAs Shiuh-Ran Cheng and Li-Chi Chen
Repayment method	Lump-sum payment upon expiration	Lump-sum payment upon expiration
Principal yet to be paid back	NTD 150,750,000.00 (As of April 5, 2021)	NTD 150,000,000.00 (As of April 5, 2021)
Redemption or early settlement clause	Refer to the Company's Guidelines to the Issuance and Conversion for the Second Domestic Secured Conversion of Corporate Bonds	Refer to the Company's Guidelines to the Issuance and Conversion for the Third Domestic Unsecured Conversion of Corporate Bonds
Restrictions (Note 4)	Refer to the Issuance and Conversion Guidelines	Refer to the Issuance and Conversion Guidelines
Name of credit rating agency, date of rating, and rating outcome of corporate bonds	Not applicable	Not applicable
Other additional rights	The value of converted (swapped or subscribed) common stock shares, global depository receipts, or other marketable securities as of the date the Annual Report was printed	As of April 5, 2021, a total of 0 common stock shares had been converted.
	Issuance and Conversion (Swapping or Subscription) Guidelines	Refer to the Company's Guidelines to the Issuance and Conversion for the Second Domestic Secured Conversion of Corporate Bonds
Possible dilution of equity and impacts on current shareholders' rights of the Issuance and Conversion, Swapping or Subscription Guidelines and the issuance criteria	Refer to Pages 33 to 35 of the Company's Prospectus on the Issuance and Conversion for the Second Domestic Secured and the Third Domestic Unsecured Conversions of Corporate Bonds.	Refer to the Company's Guidelines to the Issuance and Conversion for the Third Domestic Unsecured Conversion of Corporate Bonds
Name of authorized depository	None	None



## Information on the conversion of corporate bonds

Type of corporate bond		Second domestic secured conversion of corporate bonds		
Year		2019	2020	The year up to April 5, 2021
Price of bond to be converted or swapped	Maximum	108.95	117.00	119.00
	Minimum	104.00	105.00	112.00
Mean	106.41	110.34	115.87	
Conversion price		NTD 30.20	NTD 27.80 (Note)	NTD 27.80
Date of issue and conversion price at issue		Date of issue: 11/8/2019 Conversion price at issue: NTD 30.20		
How to fulfill the conversion obligation		To be delivered in new stock issued		

Note: Due to the distribution of cash dividends on September 14, 2020, the conversion price was adjusted from NTD 30.2 to NTD 27.8.

Type of corporate bond		Third domestic unsecured conversion of corporate bonds		
Year		2019	2020	The year up to April 5, 2021
Price of bond to be converted or swapped	Maximum	97.70	104.95	100.40
	Minimum	95.50	94.00	104.55
Mean	96.69	99.45	106.72	
Conversion price		NTD 29.90	NTD 27.50 (Note)	NTD 27.50
Date of issue and conversion price at issue		Date of issue: 11/11/2019 Conversion price at issue NTD 29.90		
How to fulfill the conversion obligation		To be delivered in new stock issued		

Note: Due to the distribution of cash dividends on September 14, 2020, the conversion price was adjusted from NTD 29.9 to NTD 27.5.

- III. Preferred Stock: None.
- IV. Global Depositary Receipt: None.
- V. Employee Share Subscription Warrant: None. .
- VI. Restricted Stock Award: None.
- VII. Issuance of New Stock upon M&A or Assignment of Shares from Other Companies:  
None.
- VIII. Implementation of the Funds Utilization Plan: Each issuance of securities by the  
Company was completed and absence of the efficacy of the plan did not happen.

## **V. Business Overview**

### **I. Scope of Operation**

#### **(I) Scope of Operation:**

1. Main scope of operation:
  1. Manufacture of Power Generation, Transmission and Distribution Machinery
  2. Lighting Equipment Manufacturing
  3. Wired Communication Mechanical Equipment Manufacturing
  4. Wireless Communication Mechanical Equipment Manufacturing
  5. Electronics Components Manufacturing
  6. Computer and Peripheral Equipment Manufacturing
  7. Other Electrical Engineering and Electronic Machinery Equipment Manufacturing
  8. Wholesale of Computers and Clerical Machinery Equipment
  9. Retail Sale of Computers and Clerical Machinery Equipment
  10. Retail Sale of Other Products
  11. Retail sale of Other Integrated
  12. Retail Sale No Storefront
  13. Rental and Leasing
  14. Performing Arts Activities
  15. International Trade
  16. Wholesale of Building Materials
  17. Wholesale of Hardware
  18. Retail Sale of Building Materials
  19. Retail Sale of Hardware
  20. Steel Secondary processing
  21. Wholesale of Machinery
  22. Wholesale of Electrical Appliances
  23. Wholesale of Telecommunication Apparatus
  24. Recreational Activities Venue
  25. Housing and Building Development and Rental
  26. Industrial Factory Development and Rental
  27. Investment, Development and Construction in Public Construction
  28. Real Estate Business
  29. Real Estate Leasing
  30. General Advertisement Service
  31. All business items that are not prohibited or restricted by law, except those that are subject to special approval.

## 2. Scope of operation by the weight:

The weight of each product included in the Company's statements of 2020 is shown below:

Unit: NT thousand

Item \ Year	2020	
	Value	%
Electronics	0	0.00
Hardware		
Construction	3,115,269	100.00
Materials		
Total	3,115,269	100.00

## 3. Current products and new products planned to be developed:

### (1) Current products and services of the Company

#### ● Hardware and Construction Division:

- a. Steel reinforcing bar: for use in the structures of houses, buildings, and public works or constructions.
- b. Rod: for use in construction steel, screws and nuts, and automotive parts.

### (2) New products and services planned to be developed:

#### ● Hardware and Construction Division:

Steel reinforcing bar forming and direct delivery throughout Taiwan. Special steel reinforcing bar processing and forming (hooping)

## (II) Industrial Overview:

### 1. Current Status and Development of the Industry

#### ● Hardware and Construction Division:

Steel reinforcing bars are the product in the largest quantity in the domestic steel and iron industry. The product is known for its bulky size and heavy weight, which makes long-term transport not cost-effective and hence it is meant primarily for the domestic market. Exports account for less than 1%. According to the data of the Taiwan Steel & Iron Industries Association, 92% of locally produced steel reinforcing bars are used in the construction industry and 17% of them in public constructions and 75% in private ones. In other words, the outlook of the steel reinforcing bar industry is highly positively correlated with that of the domestic public and private construction sectors.

May and June are the rainy season and July and August the typhoon season, which often delays the construction progress. In addition, high electricity charge and electricity rationing, among other measures, during the summer time, relatively restrict the operations of steel-making furnaces and increase the production volume. As such, the low season for the steel reinforcing industry falls in May through September. The high season, on the other hand, is from October to around the Chinese New Year vacation of the coming year.

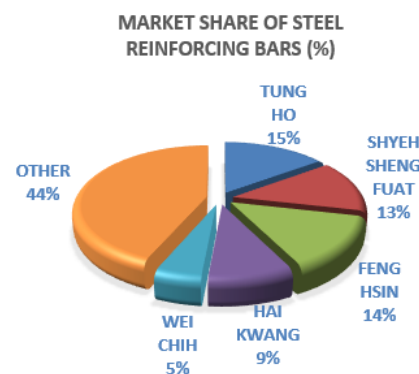
The steel reinforcing bar is manufactured generally in two ways:

One-stop process for refining and rolling: Waste steel is the primary raw material. It is

heated and melted into steel water through the electric furnace and then cast to be billets, followed by rolling and then becomes steel reinforcing bar.

Rolling-alone production: Billets are purchased and heated, rolled, and made into steel reinforcing bar.

Domestic rolling-alone plants are not self-sufficient with the billets purchased from the one-stop furnace plants and need to rely on imports. As such, it is difficult to control the raw materials. Their operating cost and risk are relatively high compared to those of furnace plants. One-stop furnace plants keep track of the source and cost of waste steel, refines and rolls it into billets and then produces steel reinforcing bars, which makes them relatively competitive.



When compared by the relatively objective throughput, the overall market share of SHYEH SHENG FUAT STEEL & IRON WORKS CO., LTD., FENG HSIN STEEL CO., LTD., HAI KWANG ENTERPRISE CORPORATION, and WEI CHIH STEEL INDUSTRIAL CO.,LTD. combined account for nearly 50% of the domestic throughput. When observed by the ratio of the maximum throughput to actual output, on the other hand, the five major manufacturers have around 11.9% idle throughput on average, which may have been the result of regulation of products to keep the gross profit under control.

	Tung Ho Steel Enterprise Corp.	SHYEH SHENG FUAT STEEL & IRON WORKS CO., LTD.	FENG HSIN STEEL CO., LTD.	HAI KWANG ENTERPRISE CORPORATION	WEI CHIH STEEL INDUSTRIAL CO.,LTD.
Maximum throughput of steel reinforcing bars (ton/month)	100,000	70,000	70,000	40,000	35,000
Estimated throughput of steel reinforcing bars (ton/month)	96,000	70,000	65,000	40,000	30,000
Actual sales of steel reinforcing bars (ton/month)	95,000	60,000	65,000	35,000	28,000
Market share of steel reinforcing bars (%)	15%	13.50%	14%	9%	5%
	December 2018	December 2018	December 2018	December 2018	December 2018
Steel reinforcing bar production model	One-stop process at the furnace plant				

Domestically, the steel reinforcing bars are known for their high self-sufficiency rate. The fact that the overall throughput is sufficient has been defined. In the future, when steel reinforcing bars and steel products that are relatively competitive in terms of their price are imported from Mainland China, the domestic market will be impacted. As a result, the gross profit from the manufacturing and trading of steel reinforcing bars will be squeezed.

This year on the supply side of steel reinforcing bars on the market, there are the following factors to be considered.

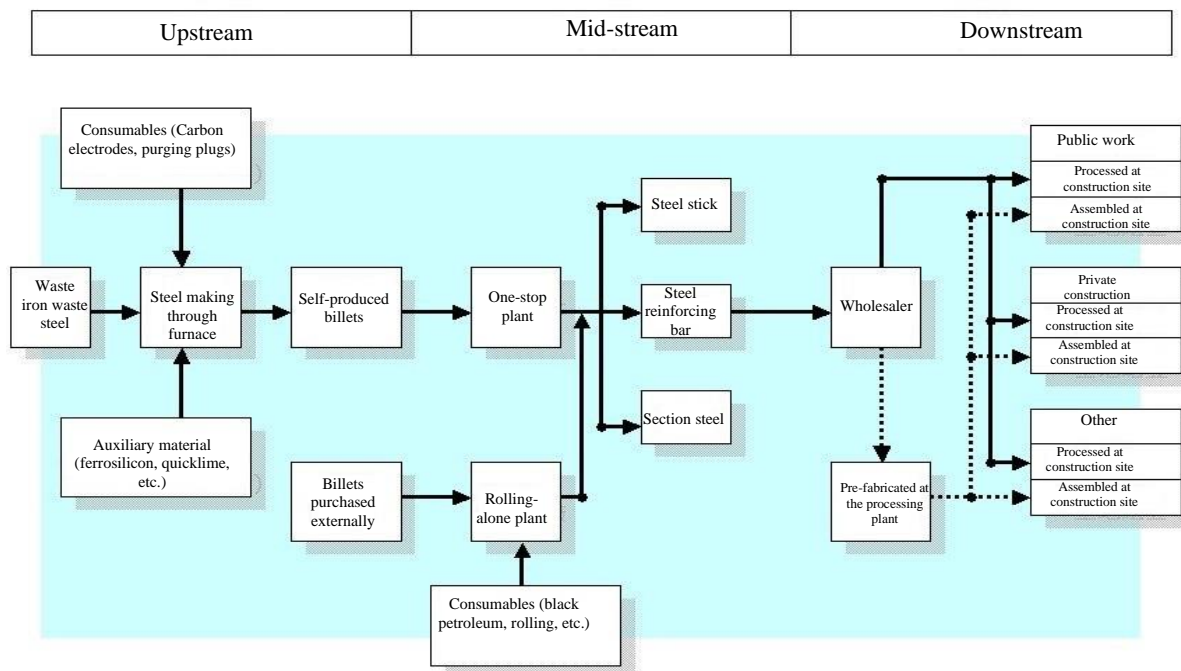
1. The latest forecast made by the International Monetary Fund (IMF) says that the global economic growth will be 3.5% in 2021, a slight decrease of 0.2% from the estimate in October last year. The force by which the economy grows slows down somewhat primarily because of international political and economic events such as the US-China trade dispute and Brexit, that added to the uncertainties. The growing stream as a whole of the US and EU economies and the interest rate increase cycle of the FED gradually coming to an end, however, are in favor of the financial stability on emerging markets in Southeast Asia. Despite the slow growth in Mainland China, besides the continuous effort to release funds, the government is promoting large-scale tax cuts to bring down costs, which is likely to bring the economy back to stability. The US Government officially announced the delay in increasing tariffs for commodities worth USD 200 billion from China. The clashes between these two powers have survived the worst time and light appears at the end of the tunnel. It is hopeful that enterprises around the

world will regain their confidence and investments and consumptions will return to normal. As the demand for replenishing inventories surfaces with the arrival of the high season, it is expected that the rising momentum for the price of steel will continue for the second quarter. The global steel market will continue to spiral up.

2. On the market in Taiwan, as public constructions begin one after another and new housing projects are introduced in addition to the new plants set up by returning Taiwanese businessmen, the demand for construction-related steel will grow on a quarterly basis. With the temporary remission of the US-China trade clash, the downstream contractors in the steel and iron industry of Taiwan play key roles in the global supply chain and it helps with the buying spree and returning demand on the market.

## 2. Correlation among Upstream, Mid-stream, and Downstream of the Industry

### ●Hardware and Construction Division:



## 3. Product...

### Hardware Division:

- (1) The processing and delivery services of the professional steel reinforcing bar team of the Taiwan Steel Group meet the expectations of construction business practitioners. For the time being, the ratio of steel reinforcing bars that are prefabricated and processed at construction sites is roughly less than 30%, which is relatively low compared to the industrial division of labor in advanced countries and regions such as the Europe and Japan. As urbanization grows, the steel reinforcing bar forming industry of Taiwan may follow the European or Japanese model. As such, 50% of professional processing and processing at construction site should be a conservative goal for the mid-term of 3 to 5 years from now.
- (2) Steel reinforcing bar processing models
  - a. Traditional model:  
Steel reinforcing bar plant → wholesaler → processing at the construction site or block house → field assembly
  - b. Outsourcing model:  
Steel reinforcing bar plant → wholesaler → processing at the external contractor's plant → delivery to construction site → field assembly
  - c. One-stop integrated model:  
Steel reinforcing bar plant → Forming plant → Delivery to construction site → Field assembly  
(Group Businesses)

## 4. Product Competition

- Hardware and Construction Division:

For the time being, construction sites in Taiwan follow the forming plant and delivery to construction site model for steel reinforcing bars. The demand on the market is gradually climbing now, with a limited number of competitors. As such, the room for growth is huge for steel reinforcing bar forming plants.

(III) Technical and Research and Development Overview

1. R&D expenses devoted over the last year up to the date the Annual Report was printed: The Company primarily distributes products now. As such, there are no R&D expenses.
2. Products successfully developed over the past year up to the date the annual report was printed:

- Hardware and Construction Division:

The distribution of steel reinforcing bars and rods, among other steel products, is vertically integrated throughout the Group to shorten the lead time and to advance in processing and manufacturing, with both the quality and service satisfying to customers.

(IV) Long-and-short-term Business Development Plans

1. Short-term Development Plan

- Hardware and Construction Division:

- (1)Marketing strategy

The marketing service mechanism covers construction plants and projects in northern, central, and southern parts of Taiwan. With support from steel plants within the Group, the steel reinforcing bars and brands distributed by the Company need to be more diversified.

- (2) Production strategy

Integration of upstream, mid-stream, and downstream: steel reinforcing bar plant → wholesaler (the Company)→ processing at the external contractor's plant (the Company, that in northern, central, and southern parts of Taiwan) → delivery to construction site →field assembly.

- (3) Product strategy

Add steel products, compositions, and choices available for customers to the dealership/distribution to decentralize the risk and to ensure profits and growths. Set up processing plants in northern, central, and southern parts of Taiwan to serve the customers directly.

- Shared Short-term Business Development Plan

- (1) Managerial and operational strategy

Continue to legitimize and computerize the operation and management at the Company and improve the Company's overall efficiency and capability in enterprise resources management and planning.

- (2) Financial planning strategy

- A. Reinforce the Company's financial management and operation.
- B. Strengthen risk control.

2. Long-term Development Plan

- Hardware and Construction Division:

- (1)Marketing strategy

Build self-owned distribution networks and sufficient warehousing spaces for steel products in the nation and work with respective heavyweight steel plants in order to provide heavyweight customers with total solutions consisting of complete steel reinforcing bar options and packages.

The minimum economic-scale purchase volume (MOQ) is adopted in order-taking to ensure reduced production cost and steady quality control throughout the production process.

(2) Production strategy

Consolidate self-owned automatic forming plants with the required technologies for steel reinforcing bars by introducing automated production equipment. Self-production and outsourced processing take place concurrently to reduce manpower and labor cost and to stabilize product quality. The following two operational models work with each other concurrently. Internal production and outsourced processing are regulated according to properties such as order, customer, gross profit, and delivery destination. Secondary processing orders may also be accepted from other wholesalers to fill up idle throughput.

a. Outsourcing model:

Steel reinforcing bar plant →wholesaler (the Company)→processing at the external contractor's plant→delivery to construction site →field assembly

b. One-stop (upstream-midstream-downstream) integrated model:

Steel reinforcing bar plant → wholesaler (the Company → forming plants in northern, central, and southern parts of Taiwan)→Delivery to construction site →Field assembly (Group Businesses)

(3) Product Development strategy

There are complete choices of products of steel reinforcing bar packages for construction and customized pre-fabricated products for customers to choose and purchase in the Company.



- Shared Long-term Business Development Plan

(1) Managerial and operational strategy

A. Continue to promote respective educational trainings for employees that help employees acquire professional skills, which is also conducive to the optimal corporate image and culture of the Company.

B. Grow towards exquisite operation and management to make the Company one of the leading companies around the world in the industry and seek favorable cooperative opportunities such as strategic alliance.

(I) Have a thorough understanding of prices of iron ores, waste iron, and billets and their historical highs and lows in order to make the most valid judgment with regard to the future trends.

(II) Get to know the operational cost and strategy and order-taking status of respective upstream steel plants and compare prices of their products.

(III) Keep track of the future needs of all customers and their purchasers and supervisors and build long-term relations with them.

(IV) Collect payments online and correctly.

(V) Constantly develop new customers.

(VI) Deliver goods and serve customers online to bring customer complaints to zero.

(VII) Enforce the OEM plans at respective plants.

(2) Financial planning strategy

Reinforce comprehensive financial planning and risk control capabilities and perform the feasibility assessment of investment items in order to make adequate investments and to fulfill the goal of bringing down corporate risks and improving competitiveness for the ultimate goal of consolidating and creating corporate profits, giving back to shareholders and society.

## II. Market and Production/Distribution Overview

(I) Market Analysis

1. Where product/services are primarily sold or provided

For sales, after the Hardware Construction Materials Division was added in 2013, sales have turned primarily domestically.

2. Market share

Based on its beliefs, namely “New - Innovative and revolutionary”, “Fine - Fine and professional”, “Fast - Fast and enthusiastic”, and “Practical - Practical and solid”, the Company proactively maximizes product application and improves its market share reflective of the developments on the market in the future.

3. Future supply and demand and growth on market

- Hardware and Construction Division:

As a company under the Taiwan Steel Group, the upstream, mid-stream, and downstream are integrated while products from a greater variety of manufacturers are included in the portfolios for increased options.

4. Competitive niche and advantageous and disadvantageous factors for future developments and countermeasures

●Hardware and Construction Division:

(1) Advantageous factors:

- A. Imports from Mainland China, regardless of their price, will impact the market share and gross profit of the manufacturing sector yet the impacts on the processing and delivery as well as wholesale distribution business of the Company are limited.
- B. Secondary steel reinforcing bar processing and delivery business features delivery directly to the construction plants and sites to reduce the footage of block houses and costs of utilities and manpower/labor cost for the customers as well as the construction management and distribution expenditure. The OEM and service provided are converted to be the additional profit for the Company.
- C. Bring down the warehousing risk exposure fund for customers.
- D. Shorten the manufacturing and transport process and reduce additional waste during transport.
- E. The Group businesses include those for billets, manufacturing of steel reinforcing bars, steel reinforcing bar processing, and distribution of steel reinforcing bars that the Company is currently in charge of; it forms a rare high-efficiency system on the market with the integration of the upstream, mid-stream, and downstream.
- F. Reduced competitive advantages of the rolling-alone plant and the wholesaler, which relatively increases the competitive advantages of the Company.

(2) Disadvantageous factors:

- A. The labor intensive industries are relocated overseas. The economy is sluggish. There are reduced investments and plant construction projects. The demand for construction hardware does not appear to be increasing.

(3) Countermeasures:

- A. Seek distribution and dealership of steel products from Mainland China domestically to ensure flexible regulation of the cost of base sheets, to respond to international trade agreements that lead to reshuffling on the market, to bring down the operational risk, and to remain competitive in operation.
- B. Combine the strengths of the Steel Product Division of the Group, integrate the upstream, the mid-stream, and the downstream, seek approval on the market, and create a one-stop service chain consisting of steel refining, casting, customized processing, and delivery, etc. and differential innovative value from counterparts.
- C. Maximize the operational deployment of steel reinforcing bar forming plants in northern, central, and southern parts of Taiwan, particularly the northern and central parts of Taiwan known for their higher densities.

(II) Important purposes and production processes of main products

1. Important purposes of main products:

Business Division	Main product	Purpose
Hardware Construction Materials Division	Steel reinforcing bars and secondary forming process	For use in the structures of houses, buildings, and public works or constructions.
	Rods	For use in construction steel, screws and nuts, and automotive parts.

2. Production/preparation processes of main products

●Hardware and Construction Division:

Steel reinforcing bars secondary forming process

Finished starting steel reinforcing bars → inventory → cut to length → bending → bundling of finished products → quality assurance → shipment

(III) Supply of Main Raw Materials

The Company mainly deals with the trading business now. Related products are supplied as follows:

Main Raw Materials	Main supplier	Supply status
Steel reinforcing bar	E-TOP, E-Sheng	Good, normal

(IV) Names of customers with 10% or more purchases (sales) and the current value and ratio of the purchases (sales) in any of the past two years. Please also describe the reason for the increase or decrease. When the names of customers or counterparts may not be disclosed as agreed in contracts are individuals and non-related parties, however, they may be replaced with a code.

Information of suppliers accounting for 10% and more of overall purchases over the past two years

Unit: NTD 1,000; %

Item	2019				2020				2021 (as of February 28)			
	Name	Value	Percentage in net purchases throughout the year (%)	Relationship with the issuer	Name	Value	Percentage in net purchases throughout the year (%)	Relationship with the issuer	Name	Value	Percentage in net purchases throughout the year (%)	Relationship with the issuer
1	E-TOP	1,817,055	67.14	Significant impacts on the Company	E-TOP	2,159,404	78.10	Significant impacts on the Company	E-TOP	315,956	68.62	Significant impacts on the Company
2					E-Sheng	358,739	12.97	Other related parties	E-Sheng	127,531	27.70	Other related parties
3					YIH DAR LIH	134,791	4.87	Substantial related parties	YIH DAR LIH	863	0.19	Substantial related parties
4									TSG TRANSPORT CORP.	626	0.14	Other related parties
5	Other	889,182	32.86	None	Other	112,095	4.06	None	Other	15,496	3.35	None
	Total	2,706,237	100.00		Total	2,765,029	100.00		Total	460,472	100%	

Information of customers accounting for 10% and more of overall sales over the past two years

Unit: NTD 1,000; %

Item	2019				2020				2021 (as of February 28)			
	Name	Value	Percentage in net sales throughout the year (%)	Relationship with the issuer	Name	Value	Percentage in net sales throughout the year (%)	Relationship with the issuer	Name	Value	Percentage in net sales throughout the year (%)	Relationship with the issuer
1	A company	247,530	5.22	None	A company	341,565	10.96	None	A company	49,378	9.36	None
2												
3												
4	Other	2,764,959	91.78	None	Other	2,773,704	89.04	None	Other	478,242	90.64	None
	Total	3,012,489	100.00		Total	3,115,269	100.00		Total	527,620	100.00	

## (V) Production volumes/values over the past two years

Unit: NTD thousand; 1,000; ton

Main product \ Year	2019				2020			
	Importation		Exportation		Importation		Exportation	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Electronics	-	-	-	-	-	-	-	-
Hardware			-	-			-	-
Construction	172,303	2,818,301			182,372	2,897,582		
Materials								
Total	172,303	2,818,301			182,372	2,897,582		

## (VI) Sales volumes/values in the past two years

Unit: NTD thousand; 1,000; ton

Main product \ Year	2019				2020			
	Importation		Exportation		Importation		Exportation	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Electronics	-	-	-	-	-	-	-	-
Hardware	172,303	3,012,489	-	-	204,352	3,115,269	-	-
Construction								
Materials								
Total	172,303	3,012,489			204,352	3,115,269		

III. Number, mean service years, mean age, and education distribution ratio of in-service employees of the past two years up to the date the Annual Report was printed

Year		2019	2020	As of February 28, 2021
Number of employees	Technicians	20	22	20
	Managers	30	37	38
	Operators	0	0	0
	Total	50	59	58
Mean age		40.22	41.81	41.20
Mean years in service		3.28	3.36	3.49
Ratio of education distribution	Ph.D	0%	0%	0%
	Master	0%	2%	2%
	University and college degree	59%	57%	57%
	Senior high school diploma	37%	33%	34%
	Below senior high school	4%	8%	7%

#### IV. Information on Environmental Protection Expenditure

Losses (including damages) from environmental pollutions and total value of penalties over the past year up to the date the Annual Report was printed and the countermeasures and possible expenses in the future:

Throughout 2020 up to the date the Annual Report was printed, the Company did not suffer major losses from polluting the environment and impacts from the EU ROHS. Meanwhile, the production and manufacturing of main products available at present do not lead to environmental pollutions. Except for normal environmental protection expenses from the disposal of waste, no major environmental protection-related capital expenditure is expected in the coming years.

## V. Labor-management Relations

### (I) Employee Benefits:

1. The Company established its Employee Welfare Committee on March 22, 1989. Employee welfare funds are set aside from the overall operating income and employee travels are organized periodically. There is the annual leave system in place, too.
2. Employees of the Company are entitled to benefits such as Labor Insurance and National Health Insurance coverage and payment of the pension fund. Benefits provided by the Company include the Chinese New Year prize, Labor Day prize, Dragon Boat Festival prize, Moon Festival prize, wedding and funeral subsidies, reimbursements for educational trainings, year-end party and birthday celebrations, employee bonus, and share subscription, etc.

### (II) Continuing education and training for employees:

1. The Company plans related training programs reflective of the function of employees at each department to improve their professionalism and overall attainments.

#### 2. Employee training statement:

Item	No. of classes opened per course	Total headcount of people	Total hours	Total cost (NTD)
Professional occupational training	11	6	77	38,948
Managerial skill training +	0	0	0	0
Self-inspiring training	0	0	0	0
Total	11	6	77	38,948

### (III) Employees Retirement System and Implementation:

1. The Company has established its employee retirement guidelines in compliance with the Labor Standards Act. Retirement of in-service personnel follows the requirements and the Guidelines of the Company.
2. The Company applied for the establishment of the Labor Pension Reserve Supervisory Committee with the competent authority on February 10, 1987 and sets aside the pension reserve according to the pension fund actuarial report. Employee pension reserve at 2% of the overall salary per month is set aside and deposited in the exclusive account with the Central Trust of China. Employees who have worked for 15 years and above and are 50 years old or have worked for 20 years and above may apply for retirement.
3. The Labor Pension Act has been enforced since July 1, 2005. According to the Act, the Company shall set aside 6% of each employee's monthly salary to be the labor pension fund. By requirement, those who were hired before June 30, 2005 and were in service on July 1 could choose to continue to apply applicable requirements about pension fund under the Labor Standards Act or to apply the pension system under the Labor Pension Act and retain the years having worked prior to applicability of the said Act. New employees from July 1, 2005, on the other hand, could only choose to apply the pension system under the Labor Pension Act.



(IV) Labor-management Agreement: None.

(V) Losses as a result of employer-employee disputes over the last year up to the date the Annual Report was printed, current values and estimates that are likely to occur in the future and the countermeasures:

Since the Company was established in 1984, labor-management relations have been harmonious; no losses have occurred because of labor-management disputes and no such conditions are expected in the future.

(VI) Employee Code of Conduct and Ethical Norms:

The Company has the Employee Code of Conduct, Sexual Harassment Preventive Measures and Disciplinary Regulations in place and also detailed regulations governing the discipline and rewards/penalties for employees.

(VII) Working environment and protective measures for the personal safety of employees

1. The access surveillance system is in place and it is linked to the security company in addition to the existing Access Control Rules and Regulations Governing the Use of Employee Ids in order to protect employees' safety and management.
  2. The Labor Safety and Health Work Rules are established to govern the maintenance and inspection of equipment, safety at work and health criteria, educational trainings, first aid and rescue, accident reporting, and presentations, etc.
  3. Have employees covered in the Group Insurance.
  4. No smoking is allowed in the workplace and environmental disinfection takes place periodically.
  5. Wearing a helmet is strictly enforced in the workplace.
  6. Wearing safety shoes is strictly enforced in the workplace.
  7. Firefighting drills take place regularly each year.
- (One fire prevention workshop and hands-on training with the firefighting equipment were held in 2020. A total headcount of 35 people attended 70 person-hours of such trainings.

## VI. Important Contract

Nature of contract	Affected party	Contract start/end date	Main contents	Restrictions
Supply contract	E-TOP METAL CO., LTD.	1/1/2021-12/31/2021	Supply contract for steel reinforcing bars	None
Facility rent	Lien Xing Asset Management Co., Ltd.	2/1/2020-9/30/2023	Facility lease	None
Office rent	CHUN YU WORKS & CO., LTD.	3/1/2019-2/28/2022	Office lease	None
Borrowings contract	Taiwan Cooperative Bank	10/4/2018-10/1/2023	Mid-term secured loans	With the Certificate of Deposit as the collateral

## VI. Financial Overview

### I. Condensed Balance Sheet and Comprehensive Income Statement of Past Five Years and Audit Opinions from the CPAs

#### (I) Condensed Balance Sheet and Comprehensive Income Statement

##### Condensed Balance Sheet

Unit: NTD thousands

Item	Year	Financial data of the past 5 years					As of MM/DD/YYYY of the specific year Financial data (Note 1)
		2016	2017	2018	2019	2020	
Current assets		708,000	675,024	941,564	1,123,999	1,001,754	For 2021 up to the date the Annual Report was printed, no financial data reviewed and approved by the CPAs were available yet.
Property, plant, and equipment		13,398	10,768	23,679	32,459	267,325	
Intangible assets		2,014	2,024	2,289	1,587	1,819	
Other assets		2,142	5,262	6,337	77,418	123,890	
Total assets		725,554	693,078	973,869	1,235,463	1,394,788	
Current liabilities	Before distribution	377,182	346,861	626,343	459,112	650,280	
	After distribution	401,722	325,388	626,343	391,627	(Note 2)	
Non-current liabilities		1,707	1,918	25,028	359,720	341,558	
Total liabilities	Before distribution	378,889	348,779	651,371	818,832	991,838	
	After distribution	403,429	327,306	651,371	751,347	(Note 2)	
The equity that belongs to the client of the parent company		346,665	344,299	322,498	416,631	402,950	
Capital stock		306,752	306,752	306,752	306,752	306,752	
Capital reserve		0	0	0	6,117	6,117	
Retained earnings	Before distribution	39,913	41,000	16,379	104,683	90,213	
	After distribution	15,373	19,527	16,379	37,198	(Note 2)	
Other equities		0	(3,453)	(633)	(921)	(132)	
Treasury stock		0	0	0	0	0	
Non-controlling interests		0	0	0	0	0	
Total equity	Before distribution	346,665	344,299	322,498	416,631	402,950	
	After distribution	322,125	322,826	322,498	349,146	(Note 2)	

Note 1: As of the date when the Annual Report was printed, financial data of companies that are listed or whose stocks are already being traded at the business locations of securities dealers, if they have been audited, certified, reviewed, or approved by the CPAs, shall be disclosed as well.

Note 2: The Earnings Distribution Proposal has not been approved through the shareholders' meeting yet.

Condensed Comprehensive Income Statement

Unit: NTD thousand yet earnings per share is NTD

Item	Year	Financial data of the past 5 years					As of MM/DD/YYYY of the specific year Financial data (Note 1)
		2016	2017	2018	2019	2020	
Operating income		1,749,925	1,660,395	2,432,772	3,012,489	3,115,269	For 2021 up to the date the Annual Report was printed, no financial data reviewed and approved by the CPAs were available yet.
Operating gross profit		70,305	76,210	72,287	194,188	217,687	
Operating profits or losses		20,218	24,057	3,574	96,086	71,214	
Non-operating income and expenditure		8,453	2,231	(2,812)	4,697	(3,613)	
Pre-tax net profit		28,671	26,288	762	100,783	67,601	
Net profit (loss) of current term		28,190	25,633	278	88,641	53,455	
Other combined profits or losses of current term (After-tax net value)		(2,684)	(3,459)	(606)	(625)	349	
Sum of combined profits or losses of current term		25,506	22,174	(328)	88,016	53,804	
Net profit attributable to the owner of the parent company		28,190	25,633	278	88,641	53,455	
Net profit attributable to non-controlling interests		0	0	0	0	0	
The sum of comprehensive income attributable to the owner of the parent company		25,506	22,174	(328)	88,016	53,455	
The sum of comprehensive income attributable to non-controlling interests		0	0	0	0	0	
Earnings per Share		2.01	0.84	0.01	2.89	1.74	

Note 1: As of the date when the Annual Report was printed, financial data of companies that are listed or whose stocks are already being traded at the business locations of securities dealers, if they have been audited, certified, reviewed, or approved by the CPAs, shall be disclosed as well.

(II) Names of CPAs for the past 5 years and their audit opinions:

Year	Name of Accounting Firm	Name of CPA	Audit Opinions
2015	BDO Taiwan	Shu-Cheng Chang, Ke-	Unqualified opinion
2016	Deloitte Taiwan	Shiuh-Ran Cheng, Li-	Modified unqualified opinion
2017	Deloitte Taiwan	Shiuh-Ran Cheng, Li-	Unqualified opinion
2018	Deloitte Taiwan	Shiuh-Ran Cheng, Li-	Unqualified opinion
2019	Deloitte Taiwan	Shiuh-Ran Cheng, Li-	Unqualified opinion
2020	Deloitte Taiwan	Shiuh-Ran Cheng,	Unqualified opinion

Note: Due to the fact that the audit for the preceding term was performed by other CPAs, the modified unqualified opinion was provided.

## II. Financial Analysis of the Past Five Years

### (I) Financial Analysis

Analysis Item		Year	Financial data of the past 5 years					As of MM/DD/YYYY of the specific year Financial data (Note 1)
		2016	2017	2018	2019	2020		
Financial structure (%)	Liability-to-asset ratio	52.22	50.32	66.88	66.28	71.11	For 2021 up to the date the Annual Report was printed, no financial data reviewed and approved by the CPAs were available yet.	
	Ratio of long-term capital to property, plant, and equipment	2,600.18	3,215.24	1,467.65	2,391.79	278.50		
Solvency (%)	Current ratio	187.71	194.61	150.33	244.82	154.05		
	Quick ratio	170.08	174.33	126.79	213.37	130.76		
	Interest Protection Multiples	-	36,110.96	224.92	2,984.46	802.13		
Management ability	Receivable turnover ratio (frequency)	4.89	4.42	5.33	4.94	4.82		
	Average collection days	75	83	68	74	76		
	Inventory turnover ratio (frequency)	44.07	31.42	25.48	22.95	22.23		
	Payable turnover ratio (frequency)	5.83	4.96	6.87	9.02	13.81		
	Average sales days	8	12	14	16	16		
	Real estate, plants and equipment turnover ratio (frequency)	152.83	137.42	141.25	107.32	20.78		
	Total asset turnover ratio (frequency)	2.62	2.34	2.92	2.73	2.37		
Profitability	Return on assets (%)	4.22	3.62	0.09	8.28	4.65		
	Return on equity (%)	8.20	7.42	0.08	23.99	13.04		
	Pre-tax net profit to paid-in capital size ratio (%)	9.35	8.57	0.25	32.85	22.04		
	Net profit rate (%)	1.61	1.54	0.01	2.94	1.72		
	Earnings per share (NTD)	0.92	0.84	0.01	2.89	1.74		
Cash flow (%)	Cash flow ratio	17.92	9.55	Note 1	Note 1	2.11		
	Cash flow adequacy ratio	Note 1	Note 1	Note 1	Note 1	Note 1		
	Cash re-investment ratio	13.47	2.42	Note 1	Note 1	Note 1		
Leverage	Operating leverage	1.13	1.12	2.17	1.27	1.50		
	Financial leverage	1.00	1.00	1.21	1.04	1.16		

	<p>Please explain reasons the changes in respective financial ratios over the past two years. (The analysis may be waived if the increase/decrease falls short of 20%.)</p> <ol style="list-style-type: none"> <li>1. The ratio of long-term capital to property, plant, and equipment was mainly the result of the acquisition of the land in the Changhua Coastal Park and the purchase of machinery and equipment in 2020.</li> <li>2. The current ratio and the quick ratio were mainly the results of the increase in current liabilities from the adjustment of the timing for sell-back of some payable corporate bonds that were due within a year to be within one year.</li> <li>3. The interest protection multiples were mainly the result of the increased financial cost from the convertible corporate bonds issued in the fourth quarter of 2019.</li> <li>4. Payable turnover ratio: The Company's criteria for purchases is shipment after advance payment, settlement of 10 days, and payment of 20 days, and monthly settlement of 60 days. The reduction in payables was primarily the result of the fact that most of the payment terms now are settlement of 10 days and payment of 20 days.</li> <li>5. The property, plant, and equipment turnover ratio was mainly the result of the significant increase in the mean net value of property, plant, and equipment in 2020 from the acquisition of the land in the Changhua Coastal Park from the Industrial Development Bureau of the Ministry of Economic Affairs in 2020 for the long-term development of the Company.</li> <li>6. Return on assets, the return on equity, the ratio of pre-tax net profit to paid-in capital, the net profit rate, and the earnings per share:  The operational expenditure of the Company in 2020 continued to increase because of business expansion and rose compared to 2019 because of the impossibility to collect accounts receivable from some customers, which were accordingly recognized as expected losses from credit impairment. Meanwhile, the Company issued convertible corporate bonds in the fourth quarter of 2019 to bring up the financial cost and the non-operating income and expenditure hence dropped to accordingly lead to the year-on-year decline in pre-tax net profit and post-tax net profit.</li> </ol>
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Note 1: Cash flows and leverage are negative and hence it is not applicable.

The calculation formula is provided below:

1. Financial structure

(1) Liability-to-asset ratio = total liabilities/ total assets

(2) Long-term funds to fixed assets ratio = (net value of shareholder equity + long-term liabilities)/  
net value of fixed assets.

2. Solvency

(1) Current ratio = Current assets/ Current liabilities.

(2) Quick ratio = (Current assets - Inventory - Advance payments)/Current liabilities.

(3) Interest protection multiples = Income tax and net profit before interest/Interest expenditure of  
current term

3. Management ability

(1) Receivables (including accounts receivable and receivable notes from operations) turnover ratio =  
Net sales value/ mean balance of receivables of each term (including accounts receivable and  
receivable notes from operations).

(2) Average collection days = 365/Receivable turnover ratio

(3) Inventory turnover ratio = Sales cost/mean inventory

(4) Payables (including accounts payable and payable notes from operations) turnover ratio = Net  
sales value/ mean balance of payables of each term (including accounts payable and payable notes  
from operations).

(5) Average sales days = 365/Inventory turnover ratio

(6) Fixed asset turnover ratio = Net sales value/Mean net value of fixed assets

(7) Total asset turnover ratio = Net sales value/Mean total assets

4. Profitability

(1) Return on assets = [after-tax income + interest × (1-tax rate)]/gross assets on average

(2) Return on shareholder equity = after-tax profit or loss/mean net value of shareholder equity

(3) Net profit rate = After-tax profits and losses/Net sales value

(4) Earnings per share = (After-tax net profit - Preferred stock dividend)/Weighted average number  
of shares already issued

5. Cash flow

(1) Cash flow ratio = Net cash flow from operating activities/Current liabilities

(2) Net cash flow adequacy ratio = Net cash flow from business activities over the past five  
years/(capital expenditure + increase in inventory + cash dividend) over the past five years.

(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends)/(gross value of  
fixed assets + long-term investment + other assets + working capital)

6. Leverage:

(1) Operating leverage = (Net operating income - Change in operating costs and  
expenses)/Operating profit.

(2) Financial leverage = Operating profit/(Operating profit - interest expenditure).

### III. Review Reports of Audit Committee of the Financial Statements over the Past Year

TMP Steel Corporation  
Audit Committee's Audit Report

The Board of Directors prepared and submitted 2020 Business Report, Standalone Financial Statement, and the Earnings Distribution Proposal. The Standalone Financial Statement, in particular, was completely audited by CPA Shih-Ran Cheng and CPA Yuang-Shiang Chao of Deloitte Taiwan and this Audit Report was issued.

The above-mentioned Business Report, Standalone Financial Statement, and Earnings Distribution Proposal have been reviewed by the audit Committee and no inconsistency has been found, Therefore, according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, the report is prepared as above.

To  
2021 General Shareholders' Meeting of TMP Steel Corporation

TMP Steel Corporation  
Convener of Audit Committee Ti-Miao Wu

March 11, 2021

**IV. Financial Statement from Last Year**

Refer to Pages 95 through 166.

**V. Impacts of Latest Financial Difficulties Encountered by the Company and Any of Its Affiliates on the Company's Financial Standing over the Past Year Up to the Date the Annual Report Was Printed**

The Company and its affiliates did not encounter financial difficulties in 2020 up to the date the Annual Report was printed.



## VII. Discussion and Analysis of Financial Standing and Financial Performance and Risks

### I. Financial standing

Unit: NTD thousands

Item \ Year	2020	2019	Difference	
			Value	%
Current assets	1,001,754	1,123,999	(122,245)	(10.88)
Non-current assets	393,034	111,464	281,570	252.61
Total assets	1,394,788	1,235,463	159,325	12.90
Current liabilities	650,280	459,112	191,168	41.64
Non-current liabilities	341,558	359,720	(18,162)	(5.05)
Total liabilities	991,838	818,832	173,006	21.13
Share capital	306,752	306,752	0	0.00
Capital reserve	6,117	6,117	0	0.00
Retained earnings	90,213	104,683	(14,470)	(13.82)
Other equities	(132)	(921)	789	(85.67)
Total shareholder equity of parent company	402,950	416,631	(13,681)	(3.28)
Total equity	402,950	416,631	(13,681)	(3.28)
Total liabilities and shareholder equities	1,394,788	1,235,463	159,325	12.90
<p>For items with changes by 20% and above and the changes are worth NTD 10 million and above, explanations are provided below:</p> <ol style="list-style-type: none"> <li>The non-current assets increased for the current term mainly because of the acquisition of the land in the Changhua Coastal Park from the Industrial Development Bureau of the Ministry of Economic Affairs in 2020 for the long-term development of the Company.</li> <li>Current liabilities and total liabilities increased mainly because of the additional short-term borrowings from banks as the working fund and for purchasing materials and the adjustment of the timing for sell-back of some payable corporate bonds of 2020 to be within a year.</li> </ol>				

## II. Financial performance

### (I) Management Outcome Comparative Analysis

Unit: NTD thousands

Item	2020	2019	Increased (Decreased) value	Variance%
Operating income	3,115,269	3,012,489	102,780	3.41
Operating cost	2,897,582	2,818,301	79,281	2.81
Operating gross profit	217,687	194,188	23,499	12.10
Operating expenditure	146,473	98,102	48,371	49.31
Operating profit	71,214	96,086	(24,872)	(25.89)
Total non-operating income and expenditure	(3,613)	4,697	(8,310)	(176.92)
Pre-tax net profit	67,601	100,783	(33,182)	(32.92)
Income tax expenditure	14,146	12,142	2,004	16.50
Net profit of current term	53,455	88,641	(35,186)	(39.69)
Other combined net profits or losses	349	(625)	974	(155.84)
Sum of combined profits or losses of current term	53,804	88,016	(34,212)	(38.87)
Net profit attributable to the parent company	53,455	88,641	(35,186)	(39.69)
Combined profits or losses attributable to the parent company	53,804	88,016	(34,212)	(38.87)

For items with changes by 20% and above and the changes are worth NTD 10 million and above, explanations are provided below:  
 Operating profits or losses, pre-tax net profit, net profit of current term, and comprehensive profits or losses of current term: The operating expenditure climbed compared to 2019 and the operating net profit dropped from 2019 mainly because of the constantly increasing operating expenditure for business expansion and the impossibility to collect accounts receivable from some customers, which were accordingly recognized as expected losses from credit impairment. Meanwhile, the Company issued convertible corporate bonds in the fourth quarter of 2019 so the financial cost of 2020 rose significantly from 2019, which resulted in the reduction in non-operating income and expenditure of 2020 from 2019 and eventually the reduction in the pre-tax net profit, net profit for current term, and total comprehensive profits or losses of current term from 2019.

### (II) Possible impacts of expected sales quantities and their bases on the future financial operations of the Company and the response plan

This is not applicable as the Company does not disclose to the public its financial forecast.

### III. Cash flows

#### (I) Analysis of Liquidity for 2020:

Unit: NTD thousands

Balance of cash at start of term ①	Net cash flows from operating activities ②	Cash outflows ③	Remaining (Shortage in) cash ① + ② - ③	Remedy for expected cash shortage	
				Investment plan	Financing plan
210,032	13,729	(123,332)	100,429	Not applicable	Not applicable
<p>1. Analysis of change in cash flows of the year:            (1) Operating activities were mainly the result of the fewer mean collection days and the optimal collection status of main customers in the fourth quarter of 2020.            (2) Investment activities were mainly the result of the acquisition of the land in the Changhua Coastal Park in 2020 for the long-term development.            (3) Fund-raising activities were mainly the result of the greater value of funds raised for issuance of corporate bonds in 2019 and the increased borrowings from banks for acquiring land and purchasing materials of the current term.</p> <p>2. Improvement Plan for Insufficient Liquidity: Not applicable.</p>					

#### (II) Analysis of Cash Liquidity in the Coming Year

Unit: NTD thousands

Balance of cash at start of term ①	Expected net cash flows from operating activities throughout the year ②	Expected cash out-flows throughout the year ③	Expected cash balance (shortage) ① + ② - ③	Remedy for expected cash shortage	
				Investment plan	Financing plan
100,429	(123,254)	(124,766)	(147,591)	-	330,000
<p>1. Analysis of change in cash flows of the year:            (1) Operating activities were mainly the result of the relatively more accounts payable from the increased purchases.            (2) Investment activities were mainly the result of the construction of the plant and office in the Changhua Coastal Park and the purchase of related equipment required for the operation.            (3) Fund-raising activities were mainly the result of additional borrowings.</p> <p>2. Improvement Plan for Insufficient Liquidity:            To the operational growths, capital increase in cash for issuance of new stock worth NTD 330,000,000.00 in total is intended for 2021 in response.</p>					

### IV. Impacts of Major Capital Expenditure on Financial Operations in the Most Recent Year

#### (I) Utilization of major capital expenditure and source of funding:

The Company devoted NTD 242,792,000.00 in 2020 to the purchase of the land in the Changhua Coastal Park for construction of the plant and office and the machinery and equipment required for expansion of throughput. Once the production line is fully loaded and activated, the production volume will be increased. It is expected to effectively enhance the throughput and maximize the operational scale of the Company and also make production more efficient and improve the flexibility in throughput scheduling. Each year, about NTD 3,042,000.00 of rent can be saved. It can bring about positive benefits for the Company.

#### (II) Expected possible benefits: Not applicable.

## V. Main Reasons for Profits or Losses of Latest Reinvestment Policy, Improvement Plan, and Investment Plan for the Coming Year

### (I) Re-investment Policy

The Company's main scope of operation now is primarily hardware construction materials. All customers are domestic construction companies or construction plants. For the time being, efforts will be devoted to secondary steel material processing for hardware construction materials and the development of customers. There are no reinvestment plans for now.

### (II) Profits or losses from investments over the past year

Unit: NTD thousands

Name of investee	Investment Amount	Recognition of profits or losses from 2020
TMP Electronic (South Korea) Co., Ltd.	1,599	0

### (III) Main Reasons for Profits or Losses of Reinvestments, Improvement Plan, and Investment Plan for the Coming Year

The shares of the offshore reinvested company TMP Co., Ltd. were already disposed of in 2014. Due to the fact that it is impossible to obtain related financial statements of the reinvested TMP Electronic (South Korea) Co, all have been recognized as impairment loss.

## VI. Analysis and evaluation of risk matters in the most recent year up to the date the Annual Report, including the following

### (I) Impacts of Changes in Interest Rate, Exchange Rate, and Inflation on the Company's Profits or Losses and Countermeasures in the Future:

#### 1. Impacts of changes in interest rate on the Company's profits or losses and countermeasures in the future:

The interest income and expenditure of the Company in 2020 were NTD 663,000.00 and NTD 3,305,000.00, respectively, accounting for 0.02% and 0.11%, respectively, of the operating income. The interest income was mainly that of bank deposits while the expenditure was mainly for the financial cost of long and short-term borrowings and the interest of lease liabilities. Due to the fact that the value is minimal, its impacts on the overall operation of the Company were insignificant. In other words, changes in interest rate have limited impacts on the Company's profits or losses. In the future, however, attention will still be paid to changes in domestic and international economic environments and necessary measures will be adequately adopted in order to reduce the risk of changes in interest rate for the Company's profits or losses.

#### 2. Impacts of changes in exchange rate on the Company's profits or losses and countermeasures in the future:

The net profits or losses from foreign currency exchange in 2020 were NTD 1,358,000.00, accounting for 0.04% of the operating income. The Company primarily sells to domestic customers now and its suppliers are mostly domestic ones, too. Purchases and sales of the Company are mostly in NTD. As such, fluctuating exchange rates do not have significant impacts on the Company. The Company's profits or losses from exchange are mainly the result of the

fluctuating exchange rates for deposits in US Dollar shown in the Company's accounts. The Company does not have many foreign currency positions so the value of profits or losses from exchange is relatively minimal. The Company, however, also adopts the following countermeasures for fluctuating exchange rates:

- (1) Collects information about changes in exchange rates at all times to fully keep track of trends in exchange rates.
- (2) In case of any demand in the future, corresponding financial institutions will be asked to provide professional consultation service.
- (3) If foreign suppliers or customers are involved in the future, purchase or sales colleagues will be asked to consider possible impacts of changes in exchange rates while approaching them for business and provide quotations based on relatively conservative and robust exchange rates in order to reduce the impacts of changes in the exchange rate on the Company's profitability.

3. Impacts of inflation on the Company's profits or losses and countermeasures in the future:

Inflation does not have significant impacts on the Company's profits or losses. The Company pays attention to fluctuating prices on the market at all times and closely monitors inflation. If the cost of purchase is increased because of inflation, the Company also adequately adjusts prices of materials and their selling prices. Therefore, the Company is able to effectively control the impacts of inflation on its profitability for the time being.

(II) Policy on engaging in high-risk and high-leverage investments, lending of funds to others, endorsement and guarantee, and transactions of derivatives, main profit or loss factors, and countermeasures in the future:

The Company, in honor of the robust principle and the practical management belief, is devoted exclusively to running its own businesses and is not engaged in high-risk, high-leverage investments. For lending of funds to others, endorsements/guarantees, and transaction of derivatives, the Company has established the Operating Procedure for Endorsement and Guarantee, the Operating Procedure for Lending to Others, and the Procedure for the Transaction of Derivatives to govern the risk management system of transactions and to carefully evaluate its internal control procedure in compliance with applicable requirements of the competent authority. Unless needed for hedging purpose, the Company may not engage itself in transactions of derivatives.

1. Lending of funds to others as of March 31, 2021 is summarized as follows:

Unit: NTD thousands				
Borrower	Nature of the lending	Financial Statement Account	Ending balance	Interest rate
None	-	-	-	-

2. Endorsements and guarantees as of March 31, 2021 are summarized as follows:

Unit: Foreign currency in thousands/ NTD in thousands		
The endorsed party	Relation	Balance of endorsement and guarantee at end of term
None	-	-

(III) Future research and development plans and R&D expenses expected to be devoted:

The main business item of the Company now is hardware construction materials and primarily their marketing and secondary processing. There are no R&D plans and R&D expenditure to be spent for the future yet.

(IV) Impacts of important domestic and international policies and regulatory changes on the Company's financial performance and the countermeasures:

The Company follows national laws and regulations and its related units pay close attention to changes in important policies and laws at all times and cooperate in adjusting the internal system and operating activities of the Company to ensure smooth operations of the Company. The Company's financial operations were not affected by changes in important domestic and international policies and laws over the past year up to the date the Annual Report was printed.

(V) Effects of technological changes and industrial changes on the financial standing of the company and countermeasures:

The Company has been able to adequately keep track of and utilize technological trends in related industries. No important impacts on financial operations due to technological changes have occurred yet.

(VI) Impacts of changes in the corporate image on the management of corporate risks and the countermeasures:

The Company focuses on its main business and follows applicable regulatory requirements by proactively reinforcing internal management and improving management quality and performance in order to maintain its optimal corporate image and to increase the trust customers have in the Company. No incidents that resulted in operational crises for the Company as a result of the change in corporate image occurred over the past year up to the date the Annual Report was printed. In light of the fact that corporate crises could damage the Company significantly, however, the Company will continue to enforce respective corporate governance requirements in order to bring down the incidence of corporate risks and its impacts on the Company to a minimum.

(VII) Expected benefits and possible risks of mergers and acquisitions and countermeasures: None.

The Company did not have any M&A plan as of the date the Annual Report was printed. For any M&A plan in the future, the Company's Procedure for the Acquisition or Disposal of Assets will be followed and careful evaluations will be performed in order to protect the interest of the Company and the rights of its shareholders.

(VIII) Expected benefits and possible risks of the expansion of plants and countermeasures:

To address the growth in demand from customers, the Company has gradually invested in and established plants for secondary processing of steel materials. The plan is to build, one after another, advantageous channels for steel products in northern, central, and southern parts of Taiwan and to add sufficient storage room for steel products. Meanwhile, collaboration and dealership with various steel bar plants are sought at the same time in order to address the issue of incomplete dimensions of a single steel bar product and to meet customers' demand in real time.

Expected benefits from expansion of premises include 1: expanded throughput to satisfy customers' demand, which will bring about revenue growths for the Company. 2. Maximized production to create economic-scale benefits; the fixed cost per unit of production will be reduced and the competitive advantages of products will be increased. Possible risks, on the other hand, include: 1. Excessive investment values to restrict the utilization of funds. 2. Capacity utilization rate falling short of expectations. The Company's countermeasures are: 1. Slowly eliminate and transfer

throughput For production and manufacturing equipment involving higher investment values, besides elimination and replacement with new investments, production equipment with desirably optimal efficacy can be relocated together to reduce the overall investment risk to a minimum. 2. The Company closely watches the demand and supply on the market and adjusts its production volume and production schedule reflective of the demand on the market and adequately arranges the manpower in order to reduce related costs and expenditure.

To sum up, despite some risks facing the expansion, the Company has had related countermeasures in place. The expected benefits shall be able to be fulfilled to bring about the growth momentum for the Company.

(IX) Risks associated with focused purchases or sales and countermeasures:

The Company deals mainly with the integrated sales, processing, and delivery of steel reinforcing bars with customers including domestic builders and construction companies. In 2020, the Top 10 customers combined accounted for 43.95% of the net revenue of the said period. The sales to the No. 1 customer accounted only for 10.96%. In other words, customers of the Company are relatively decentralized. Over dependency on a single customer is not a concern. There is no risk of focused sales.

In terms of purchases, E-TOP accounted for 78.10% in 2020. Purchases did appear to be focused on E-TOP. E-TOP is a well-known steel material company and a related party of the Company; it is in a steady supply partnership with the Company. Products provided by E-TOP meets the Company's requirements and it is close to the Company's premise. Transactional cost from related transport can be saved. With focused purchases in large quantities, the Company also gets the preferred price to bring down the production cost. Given multiple considerations, the Company chose E-TOP as the primary supplier of steel reinforcing bars. Nevertheless, the Company now has two suppliers from whom steel reinforcing bars are purchased and there are also many suppliers in the industry that can provide steel reinforcing bars of equal quality. Therefore, focused purchases shall not pose a risk.

(X) Impacts and risks of transfer or exchange of stock options in large quantities by directors, supervisors or heavyweight shareholders holding more than 10% of all shares on the Company and countermeasures: None.

(XI) Impacts and risks of the change in the management on the Company, risks, and response measures: None.

(XII) Litigation or non-litigation incidents

1. Major lawsuits and non-lawsuits or administrative disputes with a finalized verdict or ongoing proceedings that involve the Company over the past two years up to the date the Annual Report was printed whose results may have significant impacts on the shareholders' equity or prices of securities; the facts of the dispute, the target value involved, the start date of the lawsuits, primary parties to the lawsuits, and their current status shall be disclosed:

(1) HOW YU CONSTRUCTION CO., LTD. purchases steel reinforcing bars from the Company throughout 2020 for its new projects. Later, the Company's checks bounced due to undesirable management and insufficient working capital. As such, the payments for steel reinforcing bars already shipped to How Yu could not be collected. The Company has authorized an attorney to

apply with the Taipei District Court for false seizure and compulsory execution and filed a civil lawsuit with the Taipei District Court on February 9, 2021 to hopefully recover the payments. As of the date this Prospectus was issued, the Taipei District Court was yet to render a verdict on the above incident. The Company, however, already recognized all of the receivables from How Yu totaling NTD 20,718,000.00 in 2020. There have not been significant undesirable impacts on the Company's finance yet.

(2) Hechun Construction was an affiliate of Far Eastern Air Transport. For projects it undertook, it signed the a contract with the Company in 2018 for the supply of steel reinforcing bar materials. Later, Chairman Wei-Kang Chang of Far Eastern Air Transport was held in custody for suspicious draining of funds. As a result, funds of Far Eastern Air Transport and its affiliates were frozen and the Company was unable to collect the payments for steel reinforcing bars already shipped to Hechun Construction. The Company has authorized an attorney to apply with the Taipei District Court for false seizure and compulsory execution in February 2020. It is pending legal proceedings. As of the end of December 2020, receivables from Huchun Construction came to NTD 5,498,000.00 in total. All of it was recognized as expected loss from credit impairment in the 2020 Financial Statement. There have not been significant undesirable impacts on the Company's finance yet.

(3) Sheng Wei Company and Guo Wei Company, to meet their construction demand, had signed with the Company since November 2018 contracts over advance purchase of steel and iron materials. Due to the fact that both companies failed to fulfill certain terms and conditions of the contracts as of their expiration dates, however, the Company sent letter to Sheng Wei Company and Guo Wei Company on March 31, 2020 and confiscated the down payments made by the two companies. Both parties have had attorneys to handle the case. As of the date this Prospectus was issued, however, no proceedings had begun. Payments from both Sheng Wei Company and Guo Wei Company had been collected and their down payments, worth NTD 5,610,000.00 and NTD 267,000.00, respectively, were confiscated and were recognized as other income in the 2020 Financial Statement. The values involved in the case are not significant for the Company and hence they did not impact the Company's finance or business significantly.

2. Major lawsuits and non-lawsuits or administrative disputes with a finalized verdict or ongoing proceedings that involve the Company, the Company's directors, supervisors, President, actual person in charge, and shareholders holding more than 10% of all shares, and the associated companies over the past two years up to the date the Prospectus was printed whose results may have significant impacts on the shareholders' equity or prices of securities: None.

(XIII) Other important risks and countermeasures: None

## VII. Other important matters:

In accordance with the company's information security policy requirements, considering applicable information security requirements, and the results of risk



assessment and risk treatment, the following information security goals are formulated:

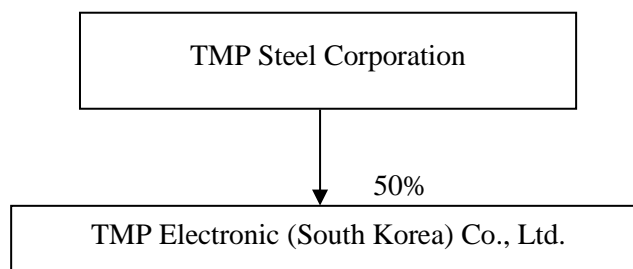
- Protect our company's key business information from unauthorized access.
- Maintain the continuous operation of the core information system to ensure that the company has an information environment for the continuous operation of the business.
- Handle information security education and training, promote staff's awareness of information security and strengthen their awareness of related responsibilities.

## VIII. Special Notes

### I. Related Information of Affiliates

#### (I) Consolidated Business Report of Affiliates

##### (1) Organizational Chart of Affiliates



##### (2) Profile of respective affiliates

December 31, 2020

Name of affiliate	Date established	Address	Paid-in Capital	Main scope of operation or production
TMP Electronic (South Korea) Co., Ltd.	3/19/2010	Seoul, Korea	USD 100,000	Sale and manufacturing of electronic parts and components

##### 3. Business overview of respective affiliates

Unit: NTD thousands

Name of affiliate	Capital size	Total assets	Total liabilities	Net worth	Operating income	Operating profit	Income of current term (after-tax)	Earnings per share (after-tax)
TMP Electronic (South Korea) Co., Ltd.	1,599	0	0	0	0	0	0	-

#### (II) Consolidated Financial Statement of Affiliates

Not applicable.

#### (III) Affiliation Report

Not applicable.

II. Private placement of securities over the past year up to the date the Annual Report was printed: None.

III. Holding or disposal of the Company's shares by its subsidiaries in the past year up to the date the Annual Report was printed: None.

IV. Other matters requiring supplementary information: None

**IX. Matters with important impacts on shareholders' equity or prices of securities as indicated in Article 36 Paragraph 3 Subparagraph 2 of the Securities and Exchange Act over the past year up to the date the Annual Report was printed**

None.

## Appendix 1: Individual Financial Statements of the Company from Last Year Audited and Certified by CPAs



### Deloitte & Touche

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### Independent Auditor's Report

To TMP Steel Corporation

#### Opinion

We have audited the accompanying financial statement of TMP Steel Corporation (“the Company”) which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of TMP Steel Corporation Co., Ltd., as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee (collectively, “IFRSs”) as endorsed and issued into effect by the Financial Supervisory Commission (FSC).

#### Basis of Opinion

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

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of TMP Steel Corporation Co., Ltd., for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming of our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the company's financial statements for the year ended December 31, 2020 are stated as follows:

### Estimated impairment of accounts receivable

The Company's net accounts receivable as of December 31, 2020 was NT\$ 525,290 thousand, please refer to Note 5 and 10 of the financial statements, When assessing the loss allowance of the Company's receivables, the management applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The lifetime expected credit loss rate is calculated based on the provision matrix approach and forward-looking information, as the judgment and outcome of our assessment on estimated impairment of accounts receivable involved subjective judgment of the management, we, therefore, included that as the key audit matters. We performed the following key audit procedures in respect of the above key audit matter:

1. Understood and recognized the design of internal control related to the loss allowance of accounts receivable and tested its operating effectiveness.
2. Understood the policy for recognition of the loss allowance of accounts receivable, and based on past intervals of accounts receivable aging, to assess reasonableness of the assumption for recognition of the loss allowance of accounts receivable.
3. Obtained accounts receivable aging schedule and the provision matrix used for estimate expected credit loss, tested age of receivables, and based on the policy for recognition of the loss allowance of accounts receivable to recalculate the management's recognition of loss allowance of accounts receivable.
4. Confirm recoverability of accounts receivable at the end of period by verifying the status of collections after the stated period, so as to consider the adequacy of the allowance for credit losses.

### Sales revenue of steel building materials from new customers

The main source of revenue of TMP Steel is derived from the sales of steel building materials. Revenue is therefore subject to changes in construction orders obtained by TMP's

customers each year. TMP's top 20 accounts in 2020 have changed compared with that of 2019. Therefore, the authenticity of sales revenue of steel building materials from the new top 20 accounts is a key item to be verified. We performed the following key audit procedures in respect of the above key audit matter:

1. Understand the design of the internal control system related to the sales process of steel building materials and validation of its operational effectiveness.
2. Verify whether the new top 20 major transactional accounts are related parties. If they are related parties, fair justification of relevant transactions need to be confirmed and whether they are related to major purchasers.
3. Perform analytical procedures and authenticity tests to verify sales revenue, and select appropriate samples from the sales revenue details of the new top 20 customers:
  - (1) Verify whether sales transactions have original documents such as external customer orders, shipping orders, and invoices.
  - (2) Ascertain whether material accounts receivable have been offset against the same parties to which the sales were made, and if any of them have not, assess the reason and reasonableness.
  - (3) Verify whether there are no recurring or significant sales returns after the stated period and whether there are any abnormalities in payment collections after the stated period.
4. Extract samples from the sales revenue details of new customers and send to corresponding parties for external confirmation. Implement alternative procedures for parties which fail to receive the inquiry letter in time, including checking transaction documents and proof of collections after the stated period.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers, and the IFRSs as endorsed and issued into effect by the Financial Supervisory Commission (FSC), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matter related to going concern and using the going concern basis of accounting unless management either intends

to liquidate the Company, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also performed the following matters:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going

concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From matters communicated with those charged with governance, we determine a matter that was of most significance in the audit of the financial statements for the year ended December 31, 2020, and is therefore the key audit matter. We describe this matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

CPA: Cheng Shih-Ran

CPA: Chao Yuang Shiang

The Financial Supervisory Commission  
R.O.C. Approved No.  
Jing Guang Zheng Shen No.  
1010028123

The Financial Supervisory Commission  
R.O.C. Approved No.  
Jing Guan Zheng Shen No. 1050024633

March 19, 2021



TMP Steel Corporation  
Balance sheet  
As of December 31, 2020 and 2019

Unit: NTD thousand

Code	Asset	Dec. 31, 2020		Dec. 31, 2019	
		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					
1100	Cash and bank deposits (Note 4 and 6)	\$ 100,429	7	\$ 210,032	17
1110	Financial assets at fair value through profit or loss (Note 4 and 7)	24,458	2	20,577	2
1120	Financial assets at fair value through other comprehensive income (Note 4 and 8)	3,393	-	3,762	-
1136	Financial assets at amortized cost (Note 4 and 9)	1,829	-	1,912	-
1150	Note receivable (Note 4 and 10)	93,405	7	61,827	5
1170	Accounts receivable (Notes 4, 5, and 10)	521,600	37	607,572	49
1180	Notes and accounts receivable - related parties (Note 4, 5, 10, and 26)	5,603	1	1,407	-
130X	Inventory (Note 4 and 11)	139,486	10	121,218	10
1410	Prepayments (Note 13)	11,967	1	23,166	2
1470	Other current assets (Note 27)	99,584	7	72,526	6
11XX	Total current assets	<u>1,001,754</u>	<u>72</u>	<u>1,123,999</u>	<u>91</u>
<b>non-current assets</b>					
1600	Net property, plant, and equipment (Note 4 and 14)	267,325	19	32,459	3
1755	Net right-of-use asset (Note 4 and 15)	93,386	7	63,806	5
1780	Net intangible assets (Note 4)	1,819	-	1,587	-
1840	Deferred tax assets (Note 4 and 22)	4,445	-	575	-
1900	Other non-current assets (Note 10)	26,059	2	13,037	1
15XX	Total non-current assets	<u>393,034</u>	<u>28</u>	<u>111,464</u>	<u>9</u>
1XXX	Total Assets	<u>\$ 1,394,788</u>	<u>100</u>	<u>\$ 1,235,463</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
2100	Short-term borrowings (Note 4 and 16)	\$ 130,000	9	\$ 11,000	1
2120	Financial liability at fair value through profit or loss (Note 4 and 7)	30	-	180	-
2130	Contract liability (Note 4 and 17)	105,356	8	134,561	11
2150	Note payable	11,396	1	22,901	2
2170	Accounts payable	314	-	26,710	2
2180	Note payable and accounts payable - related parties (Note 26)	162,433	12	195,954	16
2200	Other payables (Note 26)	44,349	3	37,990	3
2230	Current tax liabilities (Note 4)	13,485	1	11,942	1
2280	Lease liabilities - Current (Note 4 and 215)	22,963	2	11,593	1
2320	Long-term borrowings-current portion (Note 4 and 16)	12,680	1	5,923	-
2321	Current portion of convertible bonds (Note 4 and 18)	147,046	10	-	-
2399	Other current liabilities	228	-	358	-
21XX	Total current liabilities	<u>650,280</u>	<u>47</u>	<u>459,112</u>	<u>37</u>
<b>non-current liabilities</b>					
2530	Bonds payable (Note 4 and 18)	147,310	10	288,033	23
2540	Long-term borrowings (Note 4 and 16)	121,052	9	17,276	2
2570	Deferred tax liabilities (Note 4 and 22)	-	-	1,179	-
2580	Lease liabilities - Non-current (Note 4 and 15)	73,156	5	53,080	4
2640	Net defined benefit liability (Note 4 and 19)	40	-	152	-
25XX	Total non-current liabilities	<u>341,558</u>	<u>24</u>	<u>359,720</u>	<u>29</u>
2XXX	Total liabilities	<u>991,838</u>	<u>71</u>	<u>818,832</u>	<u>66</u>
<b>Equity (Note 20)</b>					
3100	Share capital	<u>306,752</u>	<u>22</u>	<u>306,752</u>	<u>25</u>
3200	Additional paid-in capital	<u>6,117</u>	<u>-</u>	<u>6,117</u>	<u>1</u>
<b>Retained earnings</b>					
3310	Statutory reserves	16,914	1	8,050	1
3320	Special reserves	5,110	1	5,110	-
3350	undistributed earnings	68,189	5	91,523	7
3300	Total retained earnings	<u>90,213</u>	<u>7</u>	<u>104,683</u>	<u>8</u>
3400	Other equities	(132)	-	(921)	-
3XXX	Total equity	<u>402,950</u>	<u>29</u>	<u>416,631</u>	<u>34</u>
Total equity and liabilities		<u>\$ 1,394,788</u>	<u>100</u>	<u>\$ 1,235,463</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.

Chairman: Cai Yu Ye General Manager: Yeh Chun Liang Accounting Supervisor: Li Chia-Ling

TMP Steel Corporation  
statement of comprehensive income  
As of December 31, 2020 and 2019

Unit: NTD thousand; NTD for earnings per share

Code		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue (Note 4 and 26)	\$ 3,115,269	100	\$ 3,012,489	100
5000	Operating cost (Note 11, 19, 21, and 26)	( 2,897,582)	( 93)	( 2,818,301)	( 94)
5900	Gross profit	<u>217,687</u>	<u>7</u>	<u>194,188</u>	<u>6</u>
	Operating expenses (Note 4, 19, 21, and 26)				
6100	Selling and marketing expenses	( 85,113)	( 3)	( 70,742)	( 2)
6200	Administrative expenses	( 35,023)	( 1)	( 27,360)	( 1)
6450	Expected credit impairment loss (Note 10)	( 26,337)	( 1)	-	-
6000	Total operating expenses	( 146,473)	( 5)	( 98,102)	( 3)
6900	Profit from operations	<u>71,214</u>	<u>2</u>	<u>96,086</u>	<u>3</u>
	Non-operating income (Note 21)				
7100	Interest income	663	-	1,100	-
7010	Other income	7,121	-	4,099	-
7020	Other gains or losses	( 1,769)	-	2,992	-
7050	Financial costs	( 9,628)	-	( 3,494)	-
7000	Total non-operating income and expenses	( 3,613)	-	4,697	-
7900	Profit before tax	67,601	2	100,783	3
7950	Income tax expense (Note 4 and 22)	( 14,146)	-	( 12,142)	-
8200	Current net income	<u>53,455</u>	<u>2</u>	<u>88,641</u>	<u>3</u>

(To be Continued)

(Continued)

Code		2020		2019	
		Amount	%	Amount	%
8310	Other comprehensive income Items that will not be reclassified subsequently to profit or loss				
8311	Re-measurement amount of the defined benefit plan (Notes 4 and 19)	\$ -	-	(\$ 421)	-
8316	Unrealized gains (losses) on investments in equity instruments as at fair value through other comprehensive income (Notes 4 and 20)	349	-	( 288)	-
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 22)	-	-	84	-
8300	Other comprehensive income of the current year (net amount after-tax)	349	-	( 625)	-
8500	Total comprehensive income in the current period	<u>\$ 53,804</u>	<u>2</u>	<u>\$ 88,016</u>	<u>3</u>
	Earnings per share (Note 23)				
9750	Basic	<u>\$ 1.74</u>		<u>\$ 2.89</u>	
9850	Diluted	<u>\$ 1.45</u>		<u>\$ 2.88</u>	

The accompanying notes are an integral part of the financial statements.

Chairman: Cai Yu Ye    General Manager: Yeh Chun Liang    Accounting Supervisor: Li Chia-Ling

TMP Steel Corporation  
Statement of changes in equity  
As of December 31, 2020 and 2019

Unit: NTD thousand

Code		Share capital	Additional paid-in capital	Retained earnings			Other equities	Total Equity	
				Statutory reserves	Special reserves	Undistributed earnings	Total		Unrealized gain/(loss) on equity instruments at FVTOCI
A1	Balance at January 1, 2019	\$ 306,752	\$ -	\$ 8,022	\$ 5,110	\$ 3,247	\$ 16,379	(\$ 633)	\$ 322,498
B1	Earning provision and appropriate for 2018 Statutory reserves	-	-	28	-	( 28)	-	-	-
C3	Unclaimed dividends	-	197	-	-	-	-	-	197
I1	The Company issued convertible corporate bonds recognized as components of equity	-	5,920	-	-	-	-	-	5,920
D1	Net income of 2019	-	-	-	-	88,641	88,641	-	88,641
D3	Other comprehensive income after tax of the year 2019	-	-	-	-	( 337)	( 337)	( 288)	( 625)
D5	Total comprehensive income of 2019	-	-	-	-	88,304	88,304	( 288)	88,016
Z1	Balance at December 31, 2019	306,752	6,117	8,050	5,110	91,523	104,683	( 921)	416,631
B1	Earning provision and appropriate for 2019 Statutory reserves	-	-	8,864	-	( 8,864)	-	-	-
B5	Cash dividends	-	-	-	-	( 67,485)	( 67,485)	-	( 67,485)
D1	Net income of 2020	-	-	-	-	53,455	53,455	-	53,455
D3	Other comprehensive income after tax of the year 2020	-	-	-	-	-	-	349	349
D5	Total comprehensive income of 2020	-	-	-	-	53,455	53,455	349	53,804
Q1	Disposal of unrealized gain/(loss) on equity instruments at FVTOCI	-	-	-	-	( 440)	( 440)	440	-
Z1	Balance at December 31, 2020	\$ 306,752	\$ 6,117	\$ 16,914	\$ 5,110	\$ 68,189	\$ 90,213	(\$ 132)	\$ 402,950

The accompanying notes are an integral part of the financial statements.

Chairman: Cai Yu Ye

General Manager: Yeh Chun Liang

Accounting Supervisor: Li Chia-Ling

TMP Steel Corporation  
Statement of cash flows  
As of December 31, 2020 and 2019

Unit: NTD thousand

Code		2020	2019
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
A10000	Profit before tax	\$ 67,601	\$ 100,783
A20010	Adjustments for:		
A20100	depreciation expense	34,634	24,803
A20200	Amortization expenses	764	744
A20300	Expected credit impairment loss	26,337	-
A20900	Interest expenses	9,628	3,494
A20400	Net gain or loss on financial assets or financial liability at fair value through profit or loss	315	( 3,767)
A21200	Interest income	( 663)	( 1,100)
A21300	Dividends income	( 901)	( 865)
A22500	Gain on disposal of property, plant and equipment	( 29)	-
A24100	Unrealized gains (losses) on foreign currency exchange	994	767
A30000	Changes in operating assets and liabilities		
A31130	Note receivable	( 31,578)	32,665
A31140	Notes receivable - related parties	( 1,125)	( 710)
A31150	Trade receivable	59,635	( 156,390)
A31160	Accounts receivable - related parties	( 3,071)	2,091
A31200	Inventories	( 18,268)	3,172
A31230	Prepayments	11,199	( 158)
A31240	Other current assets	( 27,840)	( 30,764)
A32125	contract liability	( 29,205)	20,201
A32130	Note payable	( 11,505)	( 32,736)
A32140	Note payable - related parties	( 184)	( 66,121)
A32150	Accounts payable	( 26,396)	4,775
A32160	Accounts payable - related parties	( 33,337)	( 39,898)
A32180	Other payables	6,359	19,346
A32230	Other current liabilities	( 130)	199
A32240	Net defined benefit liability	( 112)	( 1,160)
A33000	Cash inflow (outflow) generated from operations	33,122	( 120,629)
A33100	Interest received	663	1,100
A33200	Interest received	901	865
A33300	Interest paid	( 3,305)	( 3,494)
A33500	Income tax paid	( 17,652)	( 181)

(To be Continued)

(Continued)

Code		2020	2019
AAAA	Net cash generated from or used in operating activities	<u>13,729</u>	<u>( 122,339)</u>
	Cash flows from investing activities		
B00040	Purchase of financial assets at amortized cost	( 69)	( 550)
B00100	Purchase of financial assets at fair value through profit or loss	( 4,353)	-
B00010	Purchased of financial assets at FVTOCI	( 1,976)	-
B00020	Purchase of financial assets at FVTOCI	2,694	-
B00200	Disposal of financial assets at FVTPL	7	5,805
B02700	Purchase of property, plant and equipment	( 242,972)	( 13,965)
B02800	Proceeds from disposal of property, plant and equipment	68	-
B03700	Decrease (Increase) in refundable deposits	( 20,999)	521
B04500	Acquisition of intangible asset	( 996)	( 42)
B07200	Decrease in prepayments for equipment	<u>7,977</u>	<u>( 7,617)</u>
BBBB	Net cash used in investing activities	<u>( 260,619)</u>	<u>( 15,848)</u>
	Cash flows from financing activities		
C00100	Increase (Decrease) in short-term borrowings	119,000	( 95,241)
C01200	Corporate bonds issuance	-	293,254
C01600	Proceeds from long-term borrowings	117,016	-
C01700	Repayments of long-term borrowings	( 6,483)	( 5,837)
C04020	Repayment of the principal portion of lease liabilities	( 24,701)	( 19,287)
C04500	Distribute cash dividends	( 67,485)	-
C09900	Unclaimed dividends in cash	<u>-</u>	<u>197</u>
CCCC	Net cash gain from financing activities	<u>137,347</u>	<u>173,086</u>
DDDD	Effects of exchange rate changes on the balance of cash held in foreign currencies	<u>( 60)</u>	<u>( 64)</u>
EEEE	Increase (decrease) in cash and cash equivalents	( 109,603)	34,835
E00100	Cash and opening balance of bank deposits	<u>210,032</u>	<u>175,197</u>
E00200	Cash and balance of bank deposits at end of period	<u>\$ 100,429</u>	<u>\$ 210,032</u>

The accompanying notes are an integral part of the financial statements.

Chairman: Cai Yu Ye General Manager: Yeh Chun Liang Accounting Supervisor: Li Chia-Ling

TMP Steel Corporation  
Notes to the Financial Report  
As of December 31, 2020 and 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

I. Organization and operations

TMP Steel Corporation (the Company) was established on May 16, 1984, with main business activities focused on hardware and building materials wholesale and its parts manufacturing, processing and trading business.

The Company used to be named Taipei MultiPower Electronics Co., Ltd., then changed to Taipei MultiPower International Co., Ltd., as approved by the Shareholders' Meeting on June 15, 2000; on June 29, 2016, the Shareholders' Meeting has approved again to changed the Company's name to TMP Steel Corporation. The stocks of the Company was traded at the Taipei Exchange (TPEX) since September 3, 2003.

The financial statements of the Company is presented in the Company's functional currency, the New Taiwan dollar.

II. The Authorization of Financial Statements

The financial statements were approved by the board of directors and authorized for issue on March 11, 2021.

III. Application of New and Revised International Financial Reporting Standards

- (I) Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC (hereafter, the Group) will not have a material impact on the Group's accounting policies.

(II) Application of IFRS endorsed by the FSC with an effective date starting 2021.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amended “Extension of the Temporary Exemption from Applying IFRS 9” in IFRS 4	Effective on the published date
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	Effective for annual periods beginning on or after January 1, 2021.

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

(III) The IFRSs issued by the International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB (Note 1)</u>
“Annual Improvement for the Cycle of 2018-2020”	January 1, 2022 (Note 2)
Amended “Updating the Index to the Conceptual Framework” in IFRS 3	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments of IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Presentation of Financial Statements”	January 1, 2023 (Note 4)
Amendments to IAS 8 “Definition of Accounting estimate”	January 1, 2023 (Note 5)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 6)
Amendments to IAS 37 “ Onerous Contracts - Cost of Fulfilling a Contract	January 1, 2022 (Note 7)

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

Note 2: The amendment of IFRS 9 applies to the exchange of financial liabilities or modified terms incurring in the annual reported periods since January 1, 2022; the amendment of “Agriculture” in IAS 41 applies to the measurement at fair value in the annual reported periods since January 1,



2022; The amendment of “Initial application of IFRSs” in IFRS 1 applies the annual reported periods since January 1, 2022 retrospectively.

Note 3: The amendment applies to the merges whose acquisition dates after the annual reported periods since January 1, 2022.

Note 4: The amendments shall be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 5: The amendments applies to change in accounting estimate and change in policies incurred during annual reporting periods beginning on or after January 1, 2023.

Note 6: The amendment applies to the property, plant and equipment achieving the expected operations by the management after January 1, 2021.

Note 7: The amendment applies to the contracts yet performing all obligations as of January 1, 2022.

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

#### IV. Summary of Significant Accounting Policies

##### (I) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS and issued into effect by the FSC.

##### (II) Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value, and net defined benefit liability recognized by defined benefit obligation less plan assets at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
3. Level 3 inputs are unobservable inputs for the asset or liability.

(III) Classification of Current and Non-current Assets and Liabilities

Current assets including:

1. Assets held for trading;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents (but not including asset that is restricted from being exchanged or used for settle a liability over 12 months after the balance sheet date).

Current liabilities including:

1. Liabilities expected to be held for the purpose of trading;
2. Liabilities expected to be settled within 12 months after the balance sheet date, and
3. No unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Terms of a liability that could, at the counterparty's option, result in its settlement by issuing equity instruments do not affect its classification.

Other than abovementioned current assets or current liabilities, all assets or liabilities are classified as non-current .

(IV) Foreign Currency

Transaction in currency other than functional currency of the Company (foreign currencies) are translated into functional currency at the rate of exchange prevailing at the date of transaction.

At each balance sheet date, monetary items shall be reported at closing rate. Exchange differences arising when monetary items are settled or when monetary items are translated, are reported in profit or loss in the period.

(V) Inventories

Inventory includes raw materials and finished good. Inventories are stated at the lower of cost and net realizable value, comparison of cost and net realizable value is determined on item by item basis, except those similar items which could be categorized into the same groups. Net realizable value refers to the estimated selling

price in the ordinary course of business of inventories less all estimated costs of completion and costs necessary to make the sale. The weighted average method is used for the calculation of the inventory cost.

(VI) Investments in Associates

Associates are those entities in which the Company has significant influence, instead of subsidiaries or joint ventures.

The Company uses the equity method to account for its investments in associates.

Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associate and joint venture as well as distribution received. The Company also recognized its share in the changes in the equity of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and cannot be amortized; any excess of the Company's share of the net fair value of the identifiable assets, and liabilities over the cost of acquisition is recognized in profit or loss.

When the Company's share of losses of an associate is either equals or exceeds its equity of the associate (including the carrying amount of an investment in an associate under the equity method, and the other long-term equity that, in substance, form part of the Company's net investment in the associate), it discontinues recognizing further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on

initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If the investment in associates turns into the investment in joint ventures or vice versa, the Company will continue to use the equity method and will not remeasure the retained investment.

(VII) Property, Plant and Equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Property, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss.

Except for self-owned-land that does not recognize an impairment loss, depreciation on property, plant, and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than useful life, then the impairment loss is recognized during the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

(VIII) Intangible asset

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Research expenditure is recognized in expense as incurred.

(IX) Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

The Company is the lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities, and any initial direct costs incurred and an estimate of costs needed to restore the underlying assets. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use asset is presented alone in the balance sheet.

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented alone in the balance sheet.

(X) Impairment of property, plant and equipment, right-of-use asset, and intangible asset (exclude goodwill)

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use assets, and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the corporate assets may be allocated on basis of reasonableness and consistency to the cash-generating unit, then is allocated to each cash-generating unit, otherwise, corporate assets are allocated on basis of reasonableness and consistency to the smallest cash-generating unit group.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. The reversal of impairment loss is recognized as profit or loss.

(XI) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1. Financial asset

Regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

(1) Measurement types

Financial assets are classified into the following categories:

Financial assets at FVTPL, financial assets at amortized cost, and equity instruments at FVTOCI.

A. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL are investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are measured at fair value, its gains or losses generated from remeasurement do not comprise of dividends or interest incurred in the financial assets recognized in profit or loss.

Please refer to Note 25 for the determination of fair value.

B. Financial assets at amortized cost

Financial assets meet the following two criteria, are categorized as financial assets measured at amortized cost.

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable at amortized cost, trade receivables, notes and account receivables - related parties, and other receivables, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- a. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- b. Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

#### C. Equity instruments at FVTOCI

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

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

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

#### (2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Company always recognizes lifetime Expected Credit Loss (ECLs) for accounts receivable. For all other financial instruments, the



Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

### (3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable plus any cumulative gain or loss that had been recognized in other comprehensive income or loss is recognized in profit or loss.

## 2. Equity instrument

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

## 3. Financial liability

(1) Subsequent measurement

All financial liabilities are carried at amortized cost using the effective interest method.

(2) Derecognition of financial liabilities

The Company only derecognize a financial liability when an obligation is discharged, cancelled or matured. The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4. Convertible corporate bonds

The components of the compound financial instrument (convertible corporate bonds) issued by the Company is classified as financial liability and equity, respectively, at initial recognition in accordance with the definition of financial liability and equity as substantially agreed in the contract.

At initial recognition, the fair value of liability component is estimated on basis of market interest rate at the period of similar inconvertible instrument, and are carried at amortized cost using the effective interest method, before the date of conversion or maturity. The liability component of non-equity embedded in derivatives is measured at fair value.

The conversion option classified as equity is equivalent to the over all fair value of the compound instrument less the residual amount of partial fair value of liability components that is determined individually, and is recognized in equity after deduction of tax effects, and will not be measured afterward. As the conversion option is performed, the related liability components and equity amount will be listed as dividends and capital surplus, additional paid-in capital. If the conversion option of convertible corporate bond has not been performed when matured, the amount that is supposed to be recognized in equity will be recognized in capital surplus, additional paid-in capital.

The transaction cost in relation to issuance of convertible corporate bond is allocated to liability of the instrument and equity components, in accordance with allocation proportion of total payments .

(XII) Provisions

Provision is measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks

and uncertainties surrounding the obligation. Provisions are measured at the estimate of the discounted cash flows of the consideration required to settle the present obligation.

When unavoidable cost of expected performance obligation exceed the economic benefit that is expected to be obtained from the contract, the present obligation occurred in onerous contract is recognized in provisions.

(XIII) Recognition of income

The Company identifies contracts with the customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods

Revenue from the sale of goods comes from wholesale of hardware and building materials, plus manufacturing, processing, and sales of components. Sales of hardware, building materials, and components are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivable is recognized concurrently

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

(XIV) Employee benefits

1. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2. Post-employment benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur.

Remeasurement (comprising actuarial gains and losses, effect of changes to the asset ceiling and return on plan assets excluding interest) is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

(XV) Income tax

The income tax expense represents the sum of the tax currently payable and deferred tax.

1. Tax currently payable

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits

of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred tax of the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

V. Critical Accounting Judgements and Key Sources of Estimation and Uncertainty

In the application of the Company's accounting policies, the management of the Company is required to make judgements, estimates and assumptions about related information that are not readily apparent from other sources, according to past experiences and other relevant factors. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by the management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation and Uncertainty

Estimated impairment of financial assets

Estimated impairment of accounts receivable is based on the Company's assumption about expected loss rate. The Company use the provision matrix to make assumption, and for electing inputs of impairment assessment. For adoption of significant assumptions and inputs, please refer to Note 10. Significant impairment losses may occur, if the future actual cash flows is less than that is expected.

VI. Cash and bank deposits

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Cash on hand	\$ 209	\$ 167
Check and demand (current) deposit	<u>100,220</u>	<u>209,865</u>
	<u>\$ 100,429</u>	<u>\$ 210,032</u>

VII. Financial instruments at FVTPL

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
<u>Financial asset - current</u>		
Financial assets designated as at FVTPL		
Non-derivative financial liabilities		
- Domestic listed shares	<u>\$ 24,458</u>	<u>\$ 20,577</u>
<u>Lease liabilities - current</u>		
Held for trading		
Derivatives (undesignated hedge)		
- Third domestic convertible corporate bonds	<u>\$ 30</u>	<u>\$ 180</u>

VIII. Financial assets at FVTOCI

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
<u>Current</u>		
Measured at fair value through other comprehensive income		
- Domestic listed shares	<u>\$ 3,393</u>	<u>\$ 3,762</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

IX. Financial assets at amortized cost

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
<u>Current</u>		
Over three months of original maturity		
Time Deposit	\$ <u>1,829</u>	\$ <u>1,912</u>

The interest rates of the time deposit that was over 3 months of the original maturity as of December 31, 2019, and 2020, ranged from 0.38%~1.90%, and 2.05%~2.20%, respectively.

X. Note receivable, accounts receivable and notes and accounts receivable - related parties

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
<u>Notes and accounts receivable</u>		
Note receivable		
Arising from operations	\$ 93,418	\$ 61,840
Less: Allowance for impairment loss	( 13)	( 13)
Trade receivable		
Arising from operations	548,528	608,163
Less: Allowance for impairment loss	( <u>26,928</u> )	( <u>591</u> )
	<u>\$ 615,005</u>	<u>\$ 669,399</u>
<u>Notes and accounts receivable - related parties</u>		
Note receivable		
Arising from operations	\$ 1,913	\$ 788
Trade receivable		
Arising from operations	3,690	619
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 5,603</u>	<u>\$ 1,407</u>

(I) Note receivable

The average credit period of notes receivable was 30 to 90 days. As the recoverability of the notes receivable was determined, the Company has accounted in any changes in credit quality of notes receivable from initial credit day to balance sheet day.

The amount recognized as loss allowance, uncollectible accounts-notes receivable as of December 31, 2020, and 2019 was NT\$ 13 thousand.

(II) Trade receivable

The average credit period of sales of goods was 30 to 90 days after monthly statement. The Company using other publicly available financial information or its

own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix approach considering forecasted direction of economic conditions.

The Company writes off an account receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For account receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of account receivables based on Company's provision matrix.

#### Dec. 31, 2020

	Not Past Due	1 to 90 days overdue	91 to 180 days overdue	181 to 270 days overdue	271 to 360 days overdue	Over 360 days	Individually assessed impairment loss	Total
The expected credit loss rate	0.02%	0.03%	6.17%	9.48%	22.05%	100%		
Gross carrying amount	\$ 499,742	\$ 25,757	\$ -	\$ 7	\$ -	\$ -	\$ 26,712	\$ 552,218
Loss allowance (lifetime ECLs)	( 207 )	( 8 )	-	( 1 )	-	-	( 26,712 )	( 26,928 )
Amortised cost	<u>\$ 499,535</u>	<u>\$ 25,749</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 525,290</u>

#### Dec. 31, 2019

	Not Past Due	1 to 90 days overdue	91 to 180 days overdue	181 to 270 days overdue	271 to 360 days overdue	Over 360 days	Individually assessed impairment loss	Total
The expected credit loss rate	0.03%	0.04%	0.46%	8.53%	13.55%	100%		
Gross carrying amount	\$ 486,343	\$ 121,899	\$ 53	\$ 89	\$ 23	\$ -	\$ 375	\$ 608,782
Loss allowance (lifetime ECLs)	( 162 )	( 43 )	-	( 8 )	( 3 )	-	( 375 )	( 591 )
Amortised cost	<u>\$ 486,181</u>	<u>\$ 121,856</u>	<u>\$ 53</u>	<u>\$ 81</u>	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 608,191</u>



The movements of the loss allowance of accounts receivables were as follows:

	<u>2020</u>	<u>2019</u>
Beginning retained earnings	\$ 591	\$ 591
Plus: accrued impairment loss during the period	<u>26,337</u>	<u>-</u>
Ending balance	<u>\$ 26,928</u>	<u>\$ 591</u>

(III) Overdue receivables (listed in other non-current assets)

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Overdue receivables	\$ 217	\$ 217
Less: Allowance for impairment loss	<u>( 217 )</u>	<u>( 217 )</u>
	<u>\$ -</u>	<u>\$ -</u>

XI. Inventories

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Raw materials	\$ 109,398	\$ 89,613
Finished goods	<u>30,088</u>	<u>31,605</u>
	<u>\$ 139,486</u>	<u>\$ 121,218</u>

Losses on allowance for inventory valuation as of December 31, 2020, and 2019 was NT\$ 0 thousand.

The operating costs related to inventories as of the year 2020 and 2019 were NT\$ 2,897,582 thousand and NT\$ 2,818,301 thousand, respectively.

XII. Investments accounted for using equity method

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
<u>Investments in Associates</u>		
Associates that are not individually material		
Korea Peibo Electronics Co., Ltd.	\$ 1,058	\$ 1,058
Less: accumulated impairment loss	<u>( 1,058 )</u>	<u>( 1,058 )</u>
	<u>\$ -</u>	<u>\$ -</u>

XIII. Prepayments

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Prepayment for purchases	\$ 10,611	\$ 21,889
Others	<u>1,356</u>	<u>1,277</u>
	<u>\$ 11,967</u>	<u>\$ 23,166</u>

#### XIV. Property, plant and equipment

	Land	Buildings	Equipment	Office equipment	Leased Improvements	Property under construction	Total
<u>Costs</u>							
Balance at January 1, 2019	\$ -	\$ -	\$ 31,918	\$ 1,960	\$ 1,213	\$ -	\$ 35,091
Additions	-	-	10,289	309	2,852	515	13,965
Balance at December 31, 2019	\$ -	\$ -	\$ 42,207	\$ 2,269	\$ 4,065	\$ 515	\$ 49,056
<u>Accumulated depreciation and Impairment</u>							
Balance at January 1, 2019	\$ -	\$ -	\$ 9,386	\$ 1,650	\$ 376	\$ -	\$ 11,412
depreciation expense	-	-	4,073	156	956	-	5,185
Balance at December 31, 2019	\$ -	\$ -	\$ 13,459	\$ 1,806	\$ 1,332	\$ -	\$ 16,597
Net amount at December 31, 2019	\$ -	\$ -	\$ 28,748	\$ 463	\$ 2,733	\$ 515	\$ 32,459
<u>Costs</u>							
Balance at January 1, 2020	\$ -	\$ -	\$ 42,207	\$ 2,269	\$ 4,065	\$ 515	\$ 49,056
Additions	103,606	69	38,941	2,312	19,874	78,170	242,972
Reclassification	-	-	905	( 905 )	-	-	-
Disposal	-	-	( 467 )	-	-	-	( 467 )
Balance at December 31, 2020	\$ 103,606	\$ 69	\$ 81,586	\$ 3,676	\$ 23,939	\$ 78,685	\$ 291,561
<u>Accumulated depreciation and Impairment</u>							
Balance at January 1, 2020	\$ -	\$ -	\$ 13,459	\$ 1,806	\$ 1,332	\$ -	\$ 16,597
depreciation expense	-	4	6,084	234	1,745	-	8,067
Disposal	-	-	( 428 )	-	-	-	( 428 )
Balance at December 31, 2020	\$ -	\$ 4	\$ 19,115	\$ 2,040	\$ 3,077	\$ -	\$ 24,236
Net amount at December 31, 2020	\$ 103,606	\$ 65	\$ 62,471	\$ 1,636	\$ 20,862	\$ 78,685	\$ 267,325

The Company's equipment are calculated on a straight-line basis over their estimated useful lives as shown in the following:

Buildings	10 years
Equipment	3-20 years
Office equipment	3-20 years
Leased Improvements	2-10 years

#### XV. Lease arrangements

##### (I) right-of-use asset

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Right-of-use assets amounts		
Transport Equipment	\$ 3,114	\$ 2,927
Buildings	<u>90,272</u>	<u>60,879</u>
	<u>\$ 93,386</u>	<u>\$ 63,806</u>

	<u>2020</u>	<u>2019</u>
The additions of the right-of-use assets	<u>\$ 56,147</u>	<u>\$ 59,466</u>
Depreciation charge for right-of-use assets		
Transport Equipment	\$ 1,251	\$ 917
Buildings	<u>25,316</u>	<u>18,701</u>
	<u>\$ 26,567</u>	<u>\$ 19,618</u>

(II) lease liabilities

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Lease liabilities amounts		
Current	\$ 22,963	\$ 11,593
Non-current	<u>73,156</u>	<u>53,080</u>
	<u>\$ 96,119</u>	<u>\$ 64,673</u>

Range of discount rate for lease liabilities was 1.53%.

(III) Material lease-in activities and terms

The Company leases several plants, offices and vehicles for operational use, with the lease term of 2~5 years. These arrangements do not contain renewal or purchase options at the end of the lease terms.

(IV) Other lease information

	<u>2020</u>	<u>2019</u>
Short-term lease expense	<u>\$ 4,272</u>	<u>\$ 289</u>
Leases of low-value assets expense	<u>\$ 166</u>	<u>\$ 232</u>
Total cash outflow for leases	<u>(\$ 30,671)</u>	<u>(\$ 20,345)</u>

The Group leases certain photocopy equipment which qualifies as low-value asset leases. The Group elected to apply for the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

XVI. Borrowings

(I) Short-term borrowings

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Credit loans	<u>\$ 130,000</u>	<u>\$ 11,000</u>

The revolving loan interest rates of the bank as of December 31, 2020, and 2019 ranged from 1.25%~1.32% and 1.47%~1.5%, respectively.

(II) Long-term borrowings

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
<u>Secured borrowings</u>		
Bank loans	\$133,732	\$ 23,199
Less: Current portion	( 12,680)	( 5,923)
Long-term borrowings	<u>\$121,052</u>	<u>\$ 17,276</u>

1. The Company has applied for loan from the Taiwan Corporative Bank in October 2018, to meet its need in fund for operation, line of credit amounted to NT\$ 30,000 thousand, whereas 20% of balance in NTD and certificates of foreign currency deposit in an equivalent amount was pledged to the borrowing as collaterals (refer to Note 27), the term of borrowing was counted from the initial accession of the loan, pay monthly in installment, for a total of 60 terms, and was matured at the end of December 31, 2020; the balance of the borrowing was NT\$ 17,273 thousand, rate of interest on the loan was 1.35%.
2. The Company has applied for medium-term secured loans and medium-term loans from the Taiwan Corporative Bank in February 2020, the amount of borrowings were NT\$ 86,800 thousand and NT\$ 10,215 thousand, respectively, whereas three lands of lots 10-39, 10-41, and 10-41 in Lunhai Section of Lugang Township of Changhua County was pledged to the borrowing as collaterals, for the two abovementioned loans, principals were repaid upon maturity with maturity dates of June 30, 2022, and May 9, 2022, respectively. As of December 31, 2020, the balance of the bank borrowings were NT\$ 86,800 thousand, and NT\$ 10,215 thousand, rate of interest on the loans were both 1.4%.
3. The Company has applied for medium-term loans from the Chang Hwa Bank in November 2020, the amount of borrowing was NT\$ 20,000 thousand, whereas 20% of demand deposit balance was pledged to the borrowing as collaterals (refer to Note 27), the interest of the 36-month loan was pay monthly, and payment of principal was amortized monthly; as of December 31, 2020, the balance of the bank borrowing was NT\$ 19,444 thousand, rate of interest on the loans was 1.25%.

XVII. contract liability

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Merchandise sales	<u>\$ 105,356</u>	<u>\$ 134,561</u>

The obligation of the need to transfer goods when receiving the consideration from customer.

XVIII. Bonds payable

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Second domestic secured convertible corporate	\$147,310	\$144,304
Third domestic secured convertible corporate bonds	<u>147,046</u>	<u>143,729</u>
	294,356	288,033
Less: current portion of secured convertible corporate bonds	<u>147,046</u>	-
	<u>\$147,310</u>	<u>\$288,033</u>

(I) Second domestic secured convertible corporate

The Company issued the second domestic secured convertible corporate bonds on November 8, 2019, the issuance period was 3 years, total face value issued was NT\$ 150,000 thousand, with a par value of NT\$ 100 thousand, the coupon rate was 0%, issued with 100.5% of face value, total amount raised was NT\$ 150,750 thousand, with effective interest rate at 2.0770%, and was issued under following conditions:

1. The Company has paid off in cash at par value plus the redemption premium (with 101.51% of face value, effective yield 0.5% ) when the convertible corporate bonds was due.
2. The bond holder may request the Company any time to convert the bonds to the Company's ordinary share in accordance to the conversion price at the period, from the day following the 3rd month of issuance of the bonds until maturity, except for the book close period. According to the rule for issuance and conversion of this corporate bond, the initial conversion price was NT\$ 30.2, the adjustment shall be made according to the calculation formula of the conversion price, if the Company is required to made adjustment in accordance to that agreed in the contract afterward. The conversion price has been adjusted from NT\$ 30.2 per share to NT\$ 27.8 per share since September 14, 2020.
3. From the day following the 1st month of issuance of the bonds until 40 days prior to the expiration of the duration, if the closing market prices of the ordinary shares traded by securities brokerages exceeds conversion price at current period, has reached 30% or more for 30 consecutive business days, or if the outstanding amount of bonds is less than 10% of the aggregate nominal

amount of the issued bonds, the Company may call the bonds outstanding at face value in cash.

(II) Third domestic secured convertible corporate bonds

The Company issued the third domestic secured convertible corporate bonds on November 11, 2019, the issuance period was 3 years, total face value issued was NT\$ 150,000 thousand, with a par value of NT\$ 100 thousand, the coupon rate was 0%, bonds were issued at par, total amount raised was NT\$ 150,000 thousand, with effective interest rate at 2.3017%, and was issued under following conditions:

1. The Company has paid off in cash at par value plus the redemption premium (with 102.27% of face value, effective yield 0.75% ) when the convertible corporate bonds was due.
2. The bond holder may request the Company any time to convert the bonds to the Company's ordinary share in accordance to the conversion price at the period, from the day following the 3rd month of issuance of the bonds until maturity, except for the book close period. According to the rule for issuance and conversion of this corporate bond, the initial conversion price was NT\$ 29.9, the adjustment shall be made according to the calculation formula of the conversion price, if the Company is required to made adjustment in accordance to that agreed in the contract afterward. The conversion price has been adjusted from NT\$ 29.9 per share to NT\$ 27.5 per share since September 14, 2020.
3. Bondholders has the option to request the Company to redeem their bond holdings at face value plus the redemption premium (with 101.5056% of face value, effective yield 0.75%) , two years after the issuance date, the Company shall redeem the convertible corporate bond held by bonholders in cash.
4. From the day following the 1st month of issuance of the bonds until 40 days prior to the expiration of the duration, if the closing market prices of the ordinary shares traded by securities brokerages exceeds conversion price at current period, has reached 30% or more for 30 consecutive business days, or if the outstanding amount of bonds is less than 10% of the aggregate nominal amount of the issued bonds, the Company may call the bonds outstanding at face value in cash.

The above mentioned convertible corporate bonds composed components of liability and equity, the equity component is presented under equity as capital Surplus-share options. Liability components are as follows:

	<u>TMP 2</u>	<u>TMP 3</u>
Issuance proceeds (Note)	\$145,820	\$147,430
components of equity	( 1,954)	( 3,966)
Lease liabilities - put option	<u>-</u>	<u>(191)</u>
Liability component on issuance date	<u>\$143,866</u>	<u>\$143,273</u>
Liability component as of January 1, 2020	\$ 144,304	\$ 143,729
Interest calculated by effective interest rate	<u>3,006</u>	<u>3,317</u>
Liability component as of December 31, 2020	<u>\$ 147,310</u>	<u>\$ 147,046</u>

Note: The amount raised by TMP 2 and TMP 3 were NT\$ 150,750 thousand and NT\$ 150,000 thousand, respectively, which after less transaction costs allocated to liability that amounted NT\$ 4,864 thousand and NT\$ 2,501 thousand, and transaction costs allocated to equity that amounted NT\$ 66 thousand and NT\$ 69 thousand, the issuance prices were NT\$ 145,820 thousand and NT\$ 147,430 thousand, respectively.

XIX. Post-employment benefit plans

(I) Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The Company has made contribution in accordance to the ratio of amount stated in the defined contribution plan for the year 2020, and 2019. The total amount recognized in the statement of comprehensive income were NT\$ 1,806 thousand, and NT\$ 1,460 thousand, respectively.

(II) defined benefit plan

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the

balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Company has no right to influence the investment policy and strategy.

The Company no longer have employees applicable for the retirement plan of Labor Standards Law since September 2020, and was approved by the Department of Labor of Taipei City Government to make temporarily the contribution of retirement to February 2021. The pension gain recognized in the statement of comprehensive income according to the defined benefit plan in 2020, was NT\$ 3 thousand.

The amounts included in the balance sheets in respect of the Company’s defined benefit plans were as follows:

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Present value of a defined benefit obligation	\$ 248	\$ 3,157
Plan assets at fair value	( <u>208</u> )	( <u>3,005</u> )
Net defined benefit liability	<u>\$ 40</u>	<u>\$ 152</u>

Changes in the net defined benefit liability (asset) are as follows:

	<u>Defined benefit Present value of obligation</u>	<u>Plan assets Fair value</u>	<u>Net defined benefit Liability (asset)</u>
Six months ended	<u>\$ 2,655</u>	<u>( \$ 1,764 )</u>	<u>\$ 891</u>
servicing costs			
Interest expenses (revenue)	<u>27</u>	<u>( 20 )</u>	<u>7</u>
Recognized in profit or loss	<u>27</u>	<u>( 20 )</u>	<u>7</u>
Remeasurement			
Plan assets losses (other than comprised in the amount of net interest)	-	<u>( 54 )</u>	<u>( 54 )</u>
Actuarial gains and losses on changes in financial assumptions	43	-	43
Actuarial gains and losses on experience adjustment	<u>432</u>	<u>-</u>	<u>432</u>
Recognized in other			
comprehensive income	<u>475</u>	<u>( 54 )</u>	<u>421</u>
Employer contributions	<u>-</u>	<u>( 1,167 )</u>	<u>( 1,167 )</u>
Dec. 31, 2019	<u>\$ 3,157</u>	<u>( \$ 3,005 )</u>	<u>\$ 152</u>

The Company is exposed to following risks due to the pension system described in the Labor Standards Act:



1. Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
2. Interest risk: A decrease in interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
3. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<u>Dec. 31, 2019</u>
Discount rate	0.75%
Expected salary increase rate	2.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<u>Dec. 31, 2019</u>
Discount rate	
Increase 0.25%	(\$ <u>43</u> )
Decrease 0.25%	<u>\$ 43</u>
Expected salary increase rate	
Increase 1.00%	<u>\$ 174</u>
Decrease 1.00%	( <u>\$ 167</u> )

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>Dec. 31, 2019</u>
Expected amount of contributions within 1 year	<u>\$ 1,167</u>

Average maturity period of  
defined benefit obligation

5.5 years

XX. Equity

(I) Ordinary share

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Authorized shares (in thousands)	<u>76,000</u>	<u>76,000</u>
Authorized capital	<u>\$ 760,000</u>	<u>\$ 760,000</u>
Issued and paid shares (in thousands)	<u>30,675</u>	<u>30,675</u>
Issued capital	<u>\$ 306,752</u>	<u>\$ 306,752</u>

1. The common stocks issued by the Company has a par value of NT\$ 10 per share, each share entitled to one vote and the right to collect dividends.
2. The Board of Directors has approved on March 10, 2020, for privately placement of 16,165 thousand shares of ordinary shares to file for public offering and over-the-counter trading, the application has been approved into effect by FSC (Please refer to the ruling with the Ref. No. of Jin-Guan-Zheng-Fa-Zi-1090343220), and was listed and traded over-the-counter on June 20, 2020.

(II) Additional paid-in capital

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Others - dividends unclaimed by shareholders	\$ 197	\$ 197
<u>May not be used for any purpose</u>		
Share option of convertible corporate bonds	<u>5,920</u>	<u>5,920</u>
	<u>\$ 6,117</u>	<u>\$ 6,117</u>

Note 1: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

(III) Retained earnings and dividends policy

Under the dividends policy as outlined in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For information on the accrual basis of the employees' compensation and remuneration of directors and supervisors and the actual appropriations, refer to Note 21.

In addition, according to the revised Articles of Incorporation of the Company, the dividend policy of the Company is to distribute dividends, in light of the present and future development plan, taking into consideration the investment environments, fund demands, and domestic competition status as well as factors of interests of shareholders. The amount of proposed earnings distribution of the current year shall be no less than 1% of dividends distributed to shareholders; however, if the accumulated distributable earnings is less than 1% of paid-in capital, may decide not to distribute. In distributing dividends and bonuses to shareholders, the distribution may be made by shares or cash, of which cash dividends may not be less than 10% of the total amount of dividends, except that the type and proportion of the dividends distribution, shall take into consideration of actual profits and fund status of current year, with the adjustment as approved by the shareholders' meeting.

Appropriation of earnings to legal reserve shall be made until the reserve equals the Company's paid-in capital. Legal reserves may be used to offset the deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No, 1010047490, and Rule No. 1030006415 issued by the FSC, and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2019 and 2018 that were approved in the shareholders' meetings on April 23, 2020, and June 28, 2019, respectively, were as follows:

<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
----------------------------------	-----------------------------------

	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Statutory reserves	\$ 8,864	\$ 28		
Cash dividends	67,485	-	\$ 2.2	\$ -

The appropriation of earnings for 2020, as proposed by the Company's Board of Directors on March 11, 2021, is as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Statutory reserves	\$ 4,956	
Common share cash dividend	36,810	\$ 1.2

The appropriation of earnings for 2020 is subject to resolution in the shareholders' meeting to be held in 2021.

(IV) Special reserves

If a special reserve of NT\$ 5,110 thousand appropriated on the first-time adoption of IFRSs relates to the exchange differences in translating the financial statements of foreign operations, the special reserve will be reversed proportionately on the Company's disposal of the foreign operations; on the Company's loss of significant influence; however, the entire special reserve will be reversed. An additional special reserve should be appropriated for the amount equal to the difference between the net debit balance of the reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and may thereafter be distributed.

(V) Other items of equity

Unrealized gain/(loss) on financial assets at FVTOCI

	<u>2020</u>	<u>2019</u>
Balance at beginning of the year	(\$ 921)	(\$ 633)
Current unrealized gain/(loss)	349	( 288)
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	<u>440</u>	<u>-</u>
Balance at the end of the year	<u>(\$ 132)</u>	<u>(\$ 921)</u>

XXI. Net income of continuing operations

(I) Other income

	<u>2020</u>	<u>2019</u>
Dividends income	\$ 901	\$ 865
Other income	<u>6,220</u>	<u>3,234</u>
	<u>\$ 7,121</u>	<u>\$ 4,099</u>

(II) Other gains or losses

	<u>2020</u>	<u>2019</u>
Net Gain or loss on financial asset and financial liability at fair value through profit or loss	(\$ 315)	\$ 3,767
Net gains (losses) on foreign currency exchange	( 1,358)	( 767)
Others	<u>( 96)</u>	<u>( 8)</u>
	<u>(\$ 1,769)</u>	<u>\$ 2,992</u>

(III) Financial costs

	<u>2020</u>	<u>2019</u>
Interest on bank loans	\$ 1,773	\$ 2,064
Interest on lease liabilities	1,532	536
Convertible corporate bonds interest	<u>6,323</u>	<u>894</u>
	<u>\$ 9,628</u>	<u>\$ 3,494</u>

(IV) Depreciation and amortization

	<u>2020</u>	<u>2019</u>
Property, Plant and Equipment	\$ 8,067	\$ 5,185
Intangible asset	764	744
right-of-use asset	<u>26,567</u>	<u>19,619</u>
Total	<u>\$ 35,398</u>	<u>\$ 25,548</u>

An analysis of depreciation by function

Operating cost	\$ 31,579	\$ 22,316
Operating expenses	<u>3,055</u>	<u>2,487</u>
	<u>\$ 34,634</u>	<u>\$ 24,803</u>

An analysis of amortization by function

Operating cost	\$ 38	\$ 10
Operating expenses	<u>726</u>	<u>734</u>
	<u>\$ 764</u>	<u>\$ 744</u>

(V) Employee benefits, depreciation, and amortization expenses

	2020			2019		
	Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Employee benefits expense						
Wages and salaries	\$ 19,556	\$ 32,233	\$ 51,789	\$ 16,686	\$ 26,183	\$ 42,869
Labor and health insurance fees	1,401	2,000	3,401	1,106	1,710	2,816
Pension scheme	708	1,095	1,803	576	891	1,467
Remuneration of Directors	-	2,525	2,525	-	2,349	2,349
Other employee benefit expense	1,420	1,834	3,254	1,217	1,723	2,940
	<u>\$ 23,085</u>	<u>\$ 39,687</u>	<u>\$ 62,772</u>	<u>\$ 19,585</u>	<u>\$ 32,856</u>	<u>\$ 52,441</u>
depreciation expense	\$ 31,579	\$ 3,055	\$ 34,634	\$ 22,316	\$ 2,487	\$ 24,803
Amortization expenses	38	726	764	10	734	744
	<u>\$ 31,617</u>	<u>\$ 3,781</u>	<u>\$ 35,398</u>	<u>\$ 22,326</u>	<u>\$ 3,221</u>	<u>\$ 25,547</u>

The employees of the Company were 65 and 50 for the years ended 2020 and 2019, respectively, both numbers of directors who have not served as employees were 5 and 3.

For the year 2020 and 2019, the average employee benefits expense were NT\$ 1,004 thousand and NT\$ 1,104 thousand, respectively, and the average employee's wages and salaries were NT\$ 863 thousand and NT\$ 950 thousand, respectively; The range of adjustment in average employees' wages and salaries within 2 years was decreased by 9%.

The supervisors' remuneration of year 2020 and 2019 were NT\$ 8 thousand and NT\$ 14 thousand, respectively.

Policy of employees' salary and remuneration:

1. The standard of employees' salary takes into consideration of external competitiveness and internal equity, with regard to attracting, developing, and retaining individuals of the highest caliber.
2. By connecting the performance management policy with that of employees' salary and remuneration, to drive the Company toward positive development.
3. Binding together factors of the achievement of the Company's long-term and short-term objectives, the respective involvement of employees, and performance in their posts, for inspiring employees to achieve their goals.
4. Established the remuneration committee for the effective measuring of wages and remuneration to directors and managers.

(VI) Employees' compensation and remuneration of directors and supervisors

Articles of Incorporation of the Company stipulate to distribute employees' compensation and remuneration of directors and supervisors at the rates of 1% to 10% and no higher than 4%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The appropriations of employees' compensation and remuneration of directors and supervisors for 2020 and 2019 approved by the board of directors on March 11, 2021 and March 10, 2020, respectively, were as below:

Ratio

	<u>2020</u>	<u>2019</u>
Remuneration to employees	2.12%	1.72%
Remuneration of directors and supervisors	2.12%	1.72%

Amount

	<u>2020</u>		<u>2019</u>	
	<u>Cash</u>	<u>Stocks</u>	<u>Cash</u>	<u>Stocks</u>
Remuneration to employees	\$ 1,500	\$ -	\$ 1,800	\$ -
Remuneration of directors and supervisors	1,500	-	1,800	-

If there is a change in the proposed amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in accounting estimate and will be reflected in the following year.

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2019, and 2018.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

XXII. Income taxes relating to continuing operations

(I) Income tax recognized in profit or loss

Major components of tax expense were as follows:

	<u>2020</u>	<u>2019</u>
Income tax of the year		
In respect of the current year	\$ 19,405	\$ 11,966
Levied on unappropriated earnings	-	27
Prior years adjustment	( 210)	-
Deferred tax		
In respect of the current year	( 5,229)	149
Prior years adjustment	<u>180</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 14,146</u>	<u>\$ 12,142</u>

The adjustments in accounting income and tax expense are as follows:

	<u>2020</u>	<u>2019</u>
Net profit before tax of continuing operations	<u>\$ 67,601</u>	<u>\$ 100,783</u>
Income tax expense of net profit before tax calculated by legal tax rate.	\$ 13,520	\$ 20,157
Used deduction of losses	-	( 7,227)
Nondeductible expenses on tax	773	104
Tax-exempt income	( 117)	( 919)
Levied on unappropriated earnings	-	27
Adjustments for prior years' tax	<u>( 30)</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 14,146</u>	<u>\$ 12,142</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Company only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.



## (II) Income tax expense (gain) recognized in other comprehensive income

	<u>2020</u>	<u>2019</u>
<u>Deferred tax</u>		
In respect of the current year		
- Re-measurement amount of the defined benefit plan	<u>\$ -</u>	<u>(\$ 84)</u>

## (III) Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows:

2020

	<u>Balance at beginning of the year</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehen- sive income</u>	<u>Balance at the end of the year</u>
<u>Deferred tax assets</u>				
Temporary difference				
Defined benefit obligation	\$ 132	(\$ 22)	\$ -	\$ 110
right-of-use asset	173	( 173)	-	-
Unrealized gains (losses) on exchange	270	( 71)	-	199
Allowance for uncollectible accounts, receivables	<u>-</u>	<u>4,136</u>	<u>-</u>	<u>4,136</u>
	<u>\$ 575</u>	<u>\$ 3,870</u>	<u>\$ -</u>	<u>\$ 4,445</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Allowance for impairment loss	<u>(\$ 1,179)</u>	<u>\$ 1,179</u>	<u>\$ -</u>	<u>\$ -</u>

2019

	<u>Balance at beginning of the year</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehen- sive income</u>	<u>Balance at the end of the year</u>
<u>Deferred tax assets</u>				
Temporary difference				
Defined benefit obligation	\$ 280	(\$ 232)	\$ 84	\$ 132
right-of-use asset	-	173	-	173
Unrealized gains (losses) on exchange	<u>116</u>	<u>154</u>	<u>-</u>	<u>270</u>
	<u>\$ 396</u>	<u>\$ 95</u>	<u>\$ 84</u>	<u>\$ 575</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Allowance for impairment loss	<u>(\$ 935)</u>	<u>(\$ 244)</u>	<u>\$ -</u>	<u>(\$ 1,179)</u>

(IV) Income tax assessments

Income tax returns of the Company through 2018 had been examined and assessed by the tax authorities.

XXIII. Earnings per Share

	<u>2020</u>	<u>2019</u>
Basic earnings per share	<u>\$ 1.74</u>	<u>\$ 2.89</u>
Diluted earnings per share	<u>\$ 1.45</u>	<u>\$ 2.88</u>

The net income and weighted average number of ordinary shares outstanding in calculating earnings per share were as follows:

Current period net profit

	<u>2020</u>	<u>2019</u>
Net income in the computation of basic earnings per share	\$ 53,455	\$ 88,641
Effect of potentially dilutive ordinary shares:		
Convertible corporate bonds interest after tax	<u>5,058</u>	<u>-</u>
Net income in the computation of diluted earnings per share	<u>\$ 58,513</u>	<u>\$ 88,641</u>

Shares

Unit: Thousand Shares

	<u>2020</u>	<u>2019</u>
Weighted average number of ordinary shares in computation of basic earnings per share	30,675	30,675
Effect of potentially dilutive ordinary shares:		
Remuneration to employees	70	65
Convertible corporate bonds	<u>9,650</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>40,395</u>	<u>30,740</u>

If the Company can settle the compensation to employees in cash or shares, the Company assumes the entire amount of the compensation would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share if the effect is dilutive. Such a dilutive effect of the potential shares is included in the computation of

diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

XXIV. Capital risk management

The Company manages its capital to ensure that it will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity (borrowings offset by cash and cash equivalents) attributed to stockholders of the Company and equity of the Company (comprising issued capital, capital surplus, retained earnings, and other equity).

Key management personnel of the Company reviews the capital structure quarterly. As part of this review, the key management personnel considers the cost of capital and the risks associated with each class of capital. Under the recommendations of the key management personnel, to balance the overall capital structure, the Company may adjust the number of dividends paid to shareholders, the number of new shares issued and repurchased, and the number of new debt issued or redemption of existing debt.

XXV. Financial instruments

(I) Fair value of financial instruments not measured at fair value

The management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

(II) Fair values of financial assets that are measured at fair value

1. Degree of fair value measurements

Dec. 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Domestic listed marketable securities				
- equity investment	<u>\$ 24,458</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,458</u>
<u>Financial assets at FVTOCI</u>				
Domestic listed marketable securities				
- equity investment	<u>\$ 3,393</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,393</u>
<u>Financial liabilities at FVTPL</u>				
Derivatives				
- Third domestic convertible corporate bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30</u>	<u>\$ 30</u>

Dec. 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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<u>Financial assets at FVTPL</u>				
Domestic listed marketable securities				
- equity investment	\$ 20,577	\$ -	\$ -	\$ 20,577
<u>Financial assets at FVTOCI</u>				
Domestic listed marketable securities				
- equity investment	\$ 3,762	\$ -	\$ -	\$ 3,762
<u>Financial liabilities at FVTPL</u>				
Derivatives				
- Third domestic convertible corporate bonds	\$ -	\$ -	\$ 180	\$ 180

No transferring of fair value measurement between Level 1 and Level 2 for the years ended 2020 and 2019.

2. Valuation techniques and inputs applied for Level 3 fair value measurement

Derivatives - the putable and redemption right of convertible corporate bonds that estimates fair value by using binomial tree model, and uses significant unobservable inputs for the volatility of the stock price. When the share price volatility increases, the fair price of the derivatives will also increase.

(III) Categories of financial instruments

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
<u>Financial asset</u>		
Financial assets at FVTPL	\$ 24,458	\$ 20,577
Financial assets at FVTOCI	3,393	3,762
Financial assets at amortized cost (Note 1)	848,209	960,369
<u>Financial liability</u>		
Financial liabilities at FVTPL	30	180
Amortized cost (Note 2)	759,441	594,033

Note 1: The balance comprises cash and bank deposits, financial assets at amortized cost, notes receivable, accounts receivable, notes and accounts receivable - related parties, part of other current assets, and financial assets of part of other non-current assets at amortized cost.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term loans, notes payable, accounts payable, notes and accounts payable - related party, portion of other payables, long-term borrowings, and bonds payable.

(IV) Financial risk management objective and policies

The Company adopts a comprehensive risk management and control system, for identifying possible risks that the Company might be exposed to (including market risk, credit risk, liquidity risk, and cash flow risk), so the management of the Company may effectively control and measure market risk, credit risk, liquidity risk, and cash flow risk. The Company's objective of risk management is to achieve the position of portfolio optimization under risk measure, maintain the position of proper liquidity, and focused on managing all of the market risks, in regard to the economic environment, competitive conditions, and the market price risk.

1. Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates.

(1) Exchange rate risk

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 29..

The Company is primarily influenced by the fluctuation of USD exchange rate, which has generate great amount in asset and liability due to trading in foreign currency. Although foreign currency asset and liability are offset by the profit and loss generated from changes in market exchange rate, the differences between the Company's amount of foreign currency asset and amount of foreign currency liability, are therefor undertake the foreign exchange risk. The profit before tax will decrease NT\$ 126 thousand and NT\$ 547 thousand, respectively, for the year 2020, and 2019, if the US dollars weakened by 1% against NT dollars.

(2) Equity securities prices risks

The market risk of equity securities compse of risk arise from changes in the market price of equity securities, and the general market risk arise from changes in overall market price. The profit and loss will be decreased by NT\$ 245 thousand and NT\$ 206 thousand respectively, for the year 2020, and 2019, due to fair value changes in financial asset at FVTPL, if the Company's equity price decrease 1%. Other comprehensive income will be decreased by NT\$ 34 thousand and NT\$

38 thousand, respectively, for the year 2020, and 2019, due to fair value changes in financial asset at FVTPL.

2. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation and financial guarantees provided by the Company could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

In order to mitigate credit risk, the Company reviews recoverable amount of accounts receivable one by one at the end of each reporting period, to ensure unrecoverable amount of accounts receivable is account reasonable impairment losses. For this reason, the management believes the Company's credit risk is reduced substantially.

The accounts receivable consist of several customers that the Company has focused to traded with, most of whom were engaged in similar business activities, and with similar economic traits; as the effects on their ability to perform the contract due to economy or other conditions are also similar, the concentration of credit risk occurred was substantial. As of December 31, 2020, and 2019, the proportion of accounts receivable from top 10 customers to the Company's balance of accounts receivable were 46% and 51%, respectively, the credit risk concentration of rest accounts receivable was relatively not significant.

3. Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and bank deposits deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

Liquidity and interest risk tables

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The

tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows.

The maturity dates for the Company's non-derivative financial liabilities were based on the agreed repayment dates.

Dec. 31, 2020

	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>5 years or more</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>				
Short-term				
borrowings	\$ 130,000	\$ -	\$ -	\$ 130,000
Note payable	11,396	-	-	11,396
Accounts payable	314	-	-	314
Notes and accounts payable - related parties				
	162,433	-	-	162,433
Other payables	44,349	-	-	44,349
lease liabilities	24,240	59,615	16,580	100,435
Long-term				
borrowings	13,104	121,489	-	134,593
Bonds payable	150,000	150,750	-	300,750

Dec. 31, 2019

	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>5 years or more</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>				
Short-term				
borrowings	\$ 11,000	\$ -	\$ -	\$ 110,000
Note payable	22,901	-	-	22,901
Accounts payable	26,710	-	-	26,710
Notes and accounts payable - related parties				
	195,954	-	-	195,954
Other payables	37,990	-	-	37,990
lease liabilities	12,465	33,343	23,180	68,988
Long-term				
borrowings	5,923	17,276	-	23,199
Bonds payable	-	300,750	-	300,750

XXVI. Related party transaction

(I) Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
E-Top Metal Co., Ltd. (E-Top Metal )	Significant influence to the Company
Yih Dar Lih Steel Corporation (Yih Dar Lih Steel )	Parties with substantial relation to the Company
Yih Lih Dar Steel Corporation (Yih Lih Dar Steel)	Parties with substantial relation to the Company
Fu Sheng Transport Co., Ltd. (Fu Sheng)	Parties with substantial relation to the Company
E-Sheng Steel Co., Ltd. (E-Sheng Steel)	Other related parties
TSG Transport Corp (TSG Transport)	Other related parties

(II) Operating income

<u>Related Party</u>	<u>2020</u>	<u>2019</u>
Significant influence to the Company	\$ 2,517	\$ 2,022
Parties with substantial relation to the Company	<u>14,981</u>	<u>5,544</u>
Total	<u>\$ 17,498</u>	<u>\$ 7,566</u>

(III) Purchase

<u>Related Party</u>	<u>2020</u>	<u>2019</u>
E-Top Metal	\$ 2,159,404	\$ 1,817,055
E-Sheng Steel	358,739	43,032
Parties with substantial relation to the Company	134,791	63,154
Other related parties	<u>3,910</u>	-
Total	<u>\$ 2,656,844</u>	<u>\$ 1,923,241</u>

The purchase and sale between the Company and related parties are based on cost of goods, of which price is negotiated by both sides in regard to the market.

(IV) Processing fee

<u>Related Party</u>	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Significant influence to the Company	\$ 3,080	\$ 2,968
Parties with substantial relation to the Company	<u>-</u>	<u>230</u>
	<u>\$ 3,080</u>	<u>\$ 3,198</u>



(V) Notes and accounts receivable from related parties

<u>Related Party</u>	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Significant influence to the Company	\$ 427	\$ 240
Yih Dar Lih Steel	5,176	-
Yih Lih Dar Steel	-	1,167
Total	<u>\$ 5,603</u>	<u>\$ 1,407</u>

The transaction term for the sale of steel and building materials to related parties was 60 days A.M.S., and for non related parties was 30 to 90 days A.M.S..

(VI) Notes and accounts payable to related parties

<u>Related Party</u>	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
E-Top Metal	\$ 137,567	\$ 159,688
E-Sheng Steel	23,405	24,863
Parties with substantial relation to the Company	1,461	11,403
Total	<u>\$ 162,433</u>	<u>\$ 195,954</u>

The transaction term for the purchase of steel and building materials to related parties was 10 days and 20 days, respectively, for account settlement and payment, and 60 days A.M.S..

(VII) Other payables

<u>Related Party</u>	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Significant influence to the Company	\$ 1,300	\$ 894
Other related parties	1,409	-
Parties with substantial relation to the Company	49	-
	<u>\$ 2,758</u>	<u>\$ 894</u>

(VIII) Lease arrangements - Group is lessee

<u>Related Party</u>	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
<u>lease liabilities</u>		
Significant influence to the Company	\$ 1,395	\$ 1,395

The Company leased plant from related party in August 2015, with lease term from August 2015 to July 2020, and renewed to July 2021.

(IX) Information of compensation of key management personnel

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 16,583	\$ 13,695
Post-employment benefits	369	365
	<u>\$ 16,952</u>	<u>\$ 14,060</u>

## XXVII. Pledged Assets

The following assets were provided as collateral for bank borrowings, bonds payable, and issuing of letters of credit.

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Pledged demand (current) deposit (Note)	\$ 74,916	\$ 30,653
Pledged certificates of deposit (Note)	22,856	41,657

Note: Recognized in other current assets

## XXVIII. Significant Contingent Liabilities and Unrecognized Commitments

Except for those has been described in other notes, as of December 31, 2020, and 2019, the amounts for letters of credit that were not used, and were issued for purchasing raw materials were NT\$ 0 thousand.

## XXIX. Significant financial assets and liabilities denominated in foreign currencies

The following information was aggregated by the foreign currencies other than functional currencies of the Company and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currencies / NTD (In Thousands)					
	<u>Dec. 31, 2020</u>			<u>Dec. 31, 2019</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Monetary items of financial asset</u>						
USD	\$ 441	28.48	\$12,558	\$ 1,820	29.98	\$54,654

Gains (losses) on foreign currency exchange (realized and unrealized) for the year 2020, and 2019, please refer to Note 21.

## XXX. Additional Disclosures

- (I) Information about significant transactions and (II) Information about investees.
1. Financing provided to others. (None)
  2. Endorsement/guarantee provided. (None)
  3. Marketable securities held: Table 1.
  4. Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (None)
  5. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (Table2)

6. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
  7. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 3)
  8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
  9. Trading in derivative instruments. (None)
  10. Name of investee: Table 4.
- (III) Information on investments in mainland China. (None)
- (IV) Information on main investors: List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder. (Table 5)

XXXI. Segments Information

The management has provided information of reportable segments according to reporting information used by the Board of Directors in decision making. The assessment of segment performance and resource allocation is performed by a single segment in the Company, thus has no financial information of operating segments disclosed.

(I) Information of regions and export sales

The sales of the Company's products is primarily within the domestic market, thus shall not disclose information of regions and export sales.

(II) Major customers

Revenues from single customer that was above 10% of the Company's total revenue are as follows:

	2020		2019	
	Amount	% to Total	Amount	% to Total
Company A	\$ 341,565	11	\$ 247,530	8

TMP Steel Corporation and its investees  
 Marketable securities held  
 For the period ended December 31, 2020

Table 1

Unit: NTD thousand

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2020				Remarks
				Shares (Thousands)	Carrying amount	Percentage of Ownership	Net equity	
TMP Steel Corporation	Stocks Gloria Material Technology Corp.	-	Financial assets at FVTPL - Current	1,422	\$ 24,458	0.30%	\$ 24,458	Note 1
	Taiwan Styrene Monomer Corporation	-	Purchase of financial assets at FVTOCI - current	180	3,393	0.03%	3,393	Note 2

Note 1: Financial assets at FVTPL that was of listed stocks, their market price were calculated on basis of closing price of December 31, 2020.

Note 2: Financial assets at FVTOCI that was of listed stocks, their market price were calculated on basis of closing price of December 31, 2020.

TMP Steel Corporation and its investees  
Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital.  
For the period ended December 31, 2020

Table 2

In Thousands of New Taiwan Dollars,  
unless Stated Otherwise

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term (Note 2)	Related Party	Relation	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
TMP Steel Corporation	Lot 10-39, 10-40, and 10-41 of lands in Lunhai Section, Lukang Township in Changhua	2019.11.08	\$ 103,606	Price of each term was paid in accordance to the contract	Industrial Development Bureau, Ministry of Economic Affairs	Not a related party	-	-	-	\$ -	Property appraisal report	For operational use	None

Note 1: Date of occurrence refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

Note 2: The Company was approved by the Board of Directors in November 8, 2019, for obtaining the property, all payments were made by the end of March 2020, and the transfer was completed in April 2020.

TMP Steel Corporation and its investees  
Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital  
For the period ended December 31, 2020

Table 3

In Thousands of New Taiwan Dollars,  
unless Stated Otherwise

Buyer/Seller	Related Party	Relation	Transaction Details				The status and reasons of the transaction terms different from common transactions (Note1)		Note/Accounts Receivable (Payable)		Remarks (Note2)
			Purchase/Sale	Amount	% to total purchase/sale	Payment Terms	Unit Price	Payment Terms	Balance	Percentage to note/accounts receivable (payable)	
TMP Steel Corporation	E-Top Metal Co., Ltd.	Significant influence to the Company	Purchase	\$ 2,159,404	78.10%	10 days and 20 days respectively, for account settlement and payment	Same	Note 3	(\$ 137,567)	( 79.00%)	
	E-Sheng Steel Co., Ltd.	Other related parties	Purchase	358,739	12.97%	10 days and 20 days respectively, for account settlement and payment	Same	Note 3	( 23,405)	( 13.44%)	
	Yih Dar Lih Steel Corporation	Parties with substantial relation to the Company	Purchase	134,791	4.87%	60 days A.M.S.	Same	Same	( 1,442)	( 0.83%)	

Note 1: If transaction term for related parties and non related parties is different, shall described the differences and reasons in the fields of price and credit term.

Note 2: If advance receipts or payments applied, shall described the reason, the conditions and terms of the contract, the amount, and differences in general transactions in the remark field.

Note 3: The transaction terms for suppliers of non related party are prepayment of goods or issuance of letters of credit.

TMP Steel Corporation and its investees  
Name of investee  
For the period ended December 31, 2020

Table 4

NTD / USD (In Thousands)

Investor	Investor Company	Location	Main Businesses and Products	Investment Amount		As of March 31, 2020			Gain (loss) of the Investee	Investment gain (loss) recognized in the current period	Remarks
				March 31, 2020	March 31, 2019	Shares (Thousands)	Ratio %	Carrying amount (Note)			
TMP Steel Corporation	Korea Peibo Electronics Co., Ltd.	Seoul, Korea	Purchase, sales and manufacturing of electronic components	USD 50 NTD 1,599	USD 50 NTD 1,599	-	50%	\$ -	\$ -	\$ -	

Note: Net amount after accumulated impairment

TMP Steel Corporation  
Information on main investors  
For the period ended December 31, 2020

Table 5

Name of major shareholder	Shares	
	No. of shares held (shares)	Percentage of Ownership (%)
Tai Yu Investment Co., Ltd.	7,184,432	23.42%
De Li Investment Co., Ltd.	7,184,432	23.42%
Tien Chuan Investment Co., Ltd.	6,493,303	21.16%

Note: The table discloses shareholding information of shareholders whose shareholding percentage is more than 5%. The Taiwan Depository & Clearing Corporation (TDCC) calculates the total number of ordinary shares and special shares (including treasury shares) that have completed the dematerialized registration and delivery on the last business day of the quarter. The share capital reported in the financial statements and the actual number of shares that have completed the dematerialized registration and delivery may be different due to differences in the basis of calculation.



## §Summary of Significant Accounting Items§

<u>Item</u>	<u>Number / Index</u>
Statement of assets, liabilities and equity	
Statement of cash and cash equivalents	Statement 1
Statement of note receivable	Statement 2
Statement of accounts receivable	Statement 3
Statement of inventory	Statement 4
Statement of right-of-use asset and cumulative depreciation	Statement 5
Statement of note payable	Statement 6
Statement of accounts payable	Statement 7
Statement of changes in equipment	Note 14
Statement of borrowings	Note 16
Statement of profit or loss	
Statement of operating income	Statement 8
Statement of operating cost	Statement 9
Statement of operating expenditure	Statement 10

TMP Steel Corporation  
Statement of cash and bank deposits  
For the period ended December 31, 2020

Statement 1 Foreign Currencies / NTD (In Thousands)

Item	Summary	Amount
Cash on hand	-	\$ 209
Foreign currency deposit	Including USD 31 thousand	873
Current and checking accounts	-	<u>99,347</u>
Total		<u>\$ 100,429</u>

Note: The exchange rate of foreign currency to NTD is USD@28.48.

TMP Steel Corporation  
Statement of note receivable  
For the period ended December 31, 2020

Statement 2

Unit: NTD thousand

Name	Amount
Related parties	
Yih Dar Lih Steel	\$ 1,759
E-Top Metal	<u>154</u>
	<u>\$ 1,913</u>
Not a related party	
Company A	\$ 43,901
Company B	8,950
Company C	7,388
Company D	6,669
Others (Note)	<u>26,510</u>
	93,418
Less: Allowance for impairment loss	<u>13</u>
	<u>\$ 93,405</u>

Note: The balance of each item has not exceed 5% of the accounting subject balance.

TMP Steel Corporation  
Statement of accounts receivable  
For the period ended December 31, 2020

Statement 3

Unit: NTD thousand

Name	Amount
Related parties	
Yih Dar Lih Steel	\$ 3,417
E-Top Metal	<u>273</u>
	<u>\$ 3,690</u>
Not a related party	
Company A	\$ 72,360
Company B	45,696
Company C	31,016
Others (Note)	<u>399,456</u>
	548,528
Less: Allowance for impairment loss	<u>26,928</u>
	<u>\$ 521,600</u>

Note: The balance of each item has not exceed 5% of the accounting subject balance.

TMP Steel Corporation  
 Statement of inventory  
 For the period ended December 31, 2020

Statement 4

Unit: NTD thousand

Item	Amount	
	Cost	Market price
Raw materials	\$ 109,398	\$ 112,646
Finished goods	<u>30,088</u>	<u>31,111</u>
	<u>\$ 139,486</u>	<u>\$ 143,757</u>

TMP Steel Corporation  
Statement of right-of-use asset and cumulative depreciation  
For the period ended December 31, 2020

Statement 5

Unit: NTD thousand

Item	Balance at beginning of the year	Increase in current period	Decrease in current period	Balance at the end of the year	Remarks
Costs					
Transport					
Equipment	\$ 3,844	\$ 1,438	\$ -	\$ 5,282	
Building	<u>79,580</u>	<u>54,709</u>	<u>( 21,112)</u>	<u>113,177</u>	
Subtotal	<u>83,424</u>	<u>56,147</u>	<u>( 21,112)</u>	<u>118,459</u>	
Less: cumulative depreciation					
Transport					
Equipment	917	1,251	-	2,168	
Building	<u>18,701</u>	<u>25,316</u>	<u>( 21,112)</u>	<u>22,905</u>	
Subtotal	<u>19,618</u>	<u>26,567</u>	<u>( 21,112)</u>	<u>25,073</u>	
Total	<u>\$ 63,806</u>	<u>\$ 29,580</u>	<u>\$ -</u>	<u>\$ 93,386</u>	

TMP Steel Corporation  
Statement of note payable  
For the period ended December 31, 2020

Statement 6

Unit: NTD thousand

Customer Name	Amount
Related parties	
Fu Sheng Transport	<u>\$ 19</u>
Not a related party	
Company A	\$ 2,422
Company B	2,274
Company C	1,207
Company D	937
Company E	772
Others (Note)	<u>3,784</u>
	<u>\$ 11,396</u>

Note: The balance of each item has not exceed 5% of the accounting subject balance.

TMP Steel Corporation  
 Statement of accounts payable  
 For the period ended December 31, 2020

Statement 7

Unit: NTD thousand

Customer Name	Amount
Related parties	
E-Top Metal	\$ 137,567
E-Sheng Steel	23,405
Yih Dar Lih Steel	<u>1,442</u>
	<u>\$ 162,414</u>
Not a related party	
The Company A	\$ 188
The Company B	106
The Company C	<u>20</u>
	<u>\$ 314</u>



TMP Steel Corporation  
Statement of operating income  
For the period ended December 31, 2020

Statement 8

Unit: NTD thousand

<u>Item</u>	<u>Amount</u>
Sale	
Steel materials for buildings	\$ 3,124,014
Less: sales returns and discount	( <u>8,745</u> )
Net operating income	<u>\$ 3,115,269</u>

TMP Steel Corporation  
Statement of operating cost  
For the period ended December 31, 2020

Statement 9

Unit: NTD thousand

Item	Amount
Direct raw materials	
Raw materials at the beginning of the year	\$ 89,613
Purchased materials of the period	2,764,977
Less: raw materials sold	( 362,049)
Raw materials at the end of the year	( 109,398)
Raw materials consumed in the current period	2,383,143
Direct labour	12,185
Production overheads	68,279
Processing fee	70,357
Cost of finished good	2,533,964
Add: finished good at beginning of the year	31,605
Net finished good purchased	52
Less: finished good at the end of the year	( 30,088)
Cost of finished goods sold	2,535,533
Cost of raw materials sold	362,049
Operating cost	<u>\$ 2,897,582</u>

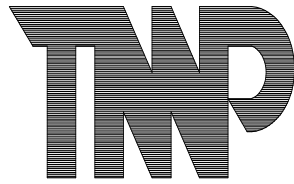
TMP Steel Corporation  
Statement of operating expenditure  
For the period ended December 31, 2020

Statement 10

Unit: NTD thousand

Item	Selling and marketing expenses	Administrative expenses	Expected credit losses	Total
Freight	\$ 65,267	\$ -	\$ -	\$ 65,267
Employee benefits expense	13,846	25,841	-	39,687
Expected credit losses	-	-	26,337	26,337
Professional service fees	268	3,362	-	3,630
Others (Note)	<u>5,732</u>	<u>5,820</u>	<u>-</u>	<u>11,552</u>
Total	<u>\$ 85,113</u>	<u>\$ 35,023</u>	<u>\$ 26,337</u>	<u>\$ 146,473</u>

Note: The balance of each item has not exceed 5% of the accounting subject balance.



# TMP Steel Corporation

**Chairman:**  
**Yu-Yeh Tsai**