

Ticker Symbol: 6248



# **TMP Steel Corporation**

## **2021 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>**

**March 10, 2022**

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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)

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## I. Letter to Shareholders

Dear Shareholders and Ladies and Gentlemen,

Hope everyone is well.

we as 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 2021 business accomplishments and the 2022 operation plan.

### I. 2021 Business Accomplishments

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

Unit: NTD thousands

Item	2021	%	2020	%	Growth rate (%)
Operating income	4,437,556	100.00	3,115,269	100.00	42.45
Operating gross profit	215,600	4.86	217,687	6.99	(0.96)
Operating expenditure	140,995	3.18	146,473	4.70	(3.74)
Operating profit (loss)	74,605	1.68	71,214	2.29	4.76
Pre-tax net profit (loss)	71,592	1.61	67,601	2.17	5.90
(Expenditure) Profit from Income Tax	(13,553)	0.31	(14,146)	0.45	(4.19)
Net profit (loss) of current term	58,039	1.31	53,455	1.72	8.58
Sum of combined profits or losses of current term	55,778	1.26	53,804	1.73	3.67
Basic earnings per share (\$)	1.62		1.74		

#### (II) Budget Implementation Status

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

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

Analysis Item		Year	2021	2020
Financial	Business income (in thousands)		4,437,556	3,115,269
Income and Expenditure	Operating gross profit (in thousands)		215,600	217,687
	Pre-tax net profit (in thousands)		71,592	67,601
Profitability	Return on assets (%)		3.51	4.65
	Return on equity (%)		10.42	13.04
	Pre-tax net profit to paid-in capital ratio (%)		15.66	22.04
	Net profit rate (%)		1.31	1.72
	Earnings per share (\$)		1.62	1.74

### (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 2022 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 2022.

### (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. Will be opened for the new plant in Changhua Coastal Industrial Park in September 2021. It is expected that a processing load of about 20 thousand tons may be added in the future 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>

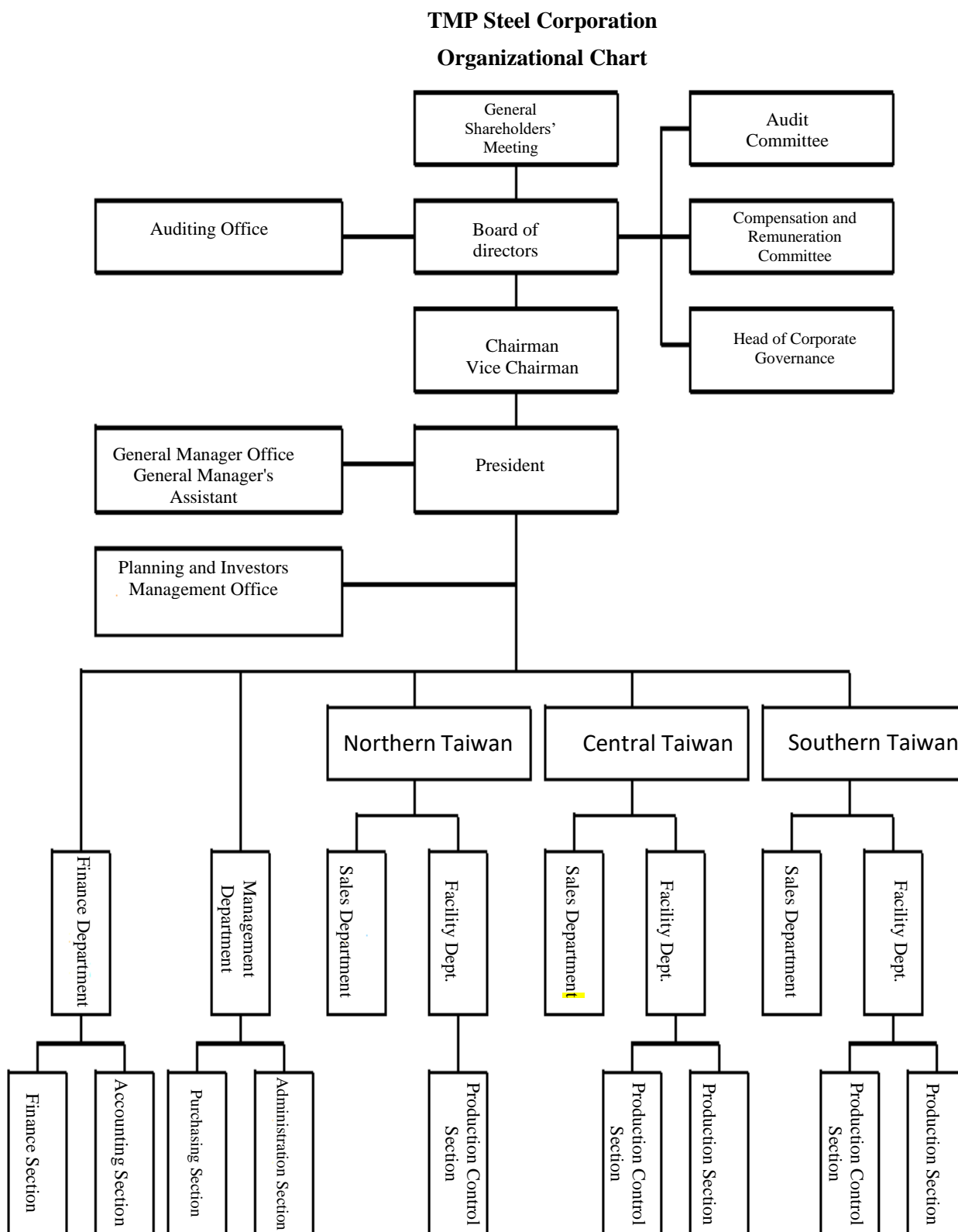
Year	Chronicle
2005	Organized earnings and capital reserve transferred capital increase in October; the capital size after the increase came to NTD 437,980,000.00.
2006	Organized conversion of corporate bonds into shares in January; the capital size after the increase came to NTD 443,870,000.00. Organized 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>
2021	<p>Built up Zhangbin Campus in Changhua in Sep. 2021</p> <p>Cash capital increase arranged in November, 2021 and the share capital is increased to be NTD456,750,000.</p>
2022	<p>Arranged conversion of corporate bond to be shares in January and the share capital increased to NTD457,120,000.</p>

### III. Corporate Governance Report

#### I. Organizational System

##### (I) Organizational Structure



(II) Major Departments and Their Scope of Operation

Department	Scope of Operation
Chairman of the Board Vice Chairman of the Board	Responsible for performing all matters resolved in Board Meeting
Planning and Investors Management Office	<ol style="list-style-type: none"> <li>1) Maintenance of relationship with investors both domestic and overseas</li> <li>2) Planning and handling of relation with outside of the Company, such as Road Show</li> <li>3) Supervising execution of plans of the Company</li> <li>4) Supervising major investing plan</li> <li>5) Monitoring of market information</li> </ol>
General Manager	<ol style="list-style-type: none"> <li>1) Overseeing and controlling the administration plans and budget</li> <li>2) Executing the matters resolved by Board of Directors</li> <li>3) Generally control the execution of operation goal and measures</li> <li>4) The operation situation and development plan instructed by Board of Directors and Shareholders Meeting</li> <li>5) Executing and supervising the drafts and decision making of major investment plan</li> <li>6) Establishing pricing policy and market planning and forecast</li> </ol>
General Manager Office	<ol style="list-style-type: none"> <li>1) Executing commands of the General Manager</li> <li>2) Management of moving of projects of the Company</li> </ol>
Auditing Office	<ol style="list-style-type: none"> <li>1) Assisting Board of Directors and managers in inspecting and checking the defects of internal control system and measure the effect and efficiency of the same system, and timely proposing improvement to ensure the continuous ineffective implementation and providing correction and improvement basis for the internal control system</li> <li>2) Auditing and inventory on monthly basis to ensure the accuracy of quantity and completeness.</li> </ol>
Financial Department	Responsible for organizing financial and taxation planning and administration for the Company and the department is set up with Financial Section and Accounting Section and their duties are described below:

Department	Scope of Operation
	<ol style="list-style-type: none"> <li>1) Application of credit lines with financial institutions, funds, raising of funds and the control</li> <li>2) Cashier operation, custody of cash, bank transactions, notes receiving and cashing as well as placing.</li> <li>3) Taxation planning, writing off of taxes and refunding, preparing financial statements, operation analysis and expenses analysis</li> <li>4) Establishing and maintaining credit lines for customers</li> <li>5) Computation and effecting of salary and wage, handing of account payables, cost analysis, inventory, administration of fix assets</li> <li>6) Stock affairs, preparing, planning and convention of Board of Directors and Shareholders Meeting.</li> </ol>
Administration	<p>Administration Department is supported with Administration Section and Purchasing Section and their duties are:</p> <p>Administration Office: Responsible for the administration of routing affairs of the Company, personnel administration and management of information soft and hardware equipment, maintenance and operation of software security for the Company</p> <p>Purchasing Section: procurement of raw materials, fixed asset, general affair supplies</p>
Northern Business Division	<p>Under commands of the General Manager to manage and control the processing, production and sales of deformed bar and is supported by Sales Department and Utility Department</p>



Department	Scope of Operation
Sales Department	<ol style="list-style-type: none"> <li>1) Collecting market information in Northern Taiwan</li> <li>2) Accepting suggestions provided by customers, vendors as well as from inside of the Company or actively collecting data and plan for proposal of new products</li> <li>3) Developing, surveying, selecting, coordinating and servicing customers</li> <li>4) Reviewing contract and purchase orders, contacting and coordinating for production, sales and shipping control</li> <li>5) Checking, collection and control of account t receivables</li> <li>6) Accepting and handling of customer complaints and needs in services and maintenance</li> <li>7) Conveying information of quality irregularity information to Production Control Section (QC)</li> </ol>
Facility Dept.	Under command of the General Manager, generally handles execution of matters of production and quality matters of products and timely complete manufacturing orders and it is supported by Production Control Section
Production Control Section of Facility Dept.	<ol style="list-style-type: none"> <li>1) Establishing production plan and scheduling and materials for related units and requisition</li> <li>2) Receiving of materials and supplies, in-process products, finished product, issuing, custody and inventory of them</li> <li>3) Assessment and contracting for outsourcing vendors</li> <li>4) Management, service and maintenance of equipment and fixtures</li> </ol>
Central Taiwan Business Division	Under commands of the General Manager to manage and control the processing, production and sales of deformed bar and is supported by Sales Department and Utility Department.
Sales Department	<ol style="list-style-type: none"> <li>1) Collecting market information in Central Taiwan</li> <li>2) Accepting suggestions provided by customers, vendors as well as from inside of the Company or actively collecting data and plan for proposal of new products</li> <li>3) Developing, surveying, selecting, coordinating and</li> </ol>

Department	Scope of Operation
	servicing customers 4) Reviewing contract and purchase orders, contacting and coordinating for production, sales and shipping control 5) Checking, collection and control of account receivables 6) Accepting and handling of customer complaints and needs in services and maintenance 7) Conveying information of quality irregularity information to Production Control Section (QC)
Facility Dept.	Under command of the General Manager, generally handles execution of matters of production and quality matters of products and timely complete manufacturing orders and it is supported by Production Control Section
Production Control Section of Facility Dept.	1) Establishing production plan and scheduling and materials for related units and requisition 2) Receiving of materials and supplies, in-process products, finished product, issuing, custody and inventory of them 3) Assessment and contracting for outsourcing vendors
Facility Department – Production Control Section	(1) Establishing production plan and scheduling and materials for related units and requisition 2) Cutting and processing of deformed bar
Southern Taiwan Business Division	Under commands of the General Manager to manage and control the processing, production and sales of deformed bar and is supported by Sales Department and Utility Department.
Sales Department	1) Collecting market information in Southern Taiwan 2) Accepting suggestions provided by customers, vendors as well as from inside of the Company or actively collecting data and plan for proposal of new products 3) Developing, surveying, selecting, coordinating and servicing customers 4) Reviewing contract and purchase orders, contacting and coordinating for production, sales and shipping control 5) Checking, collection and control of account receivables

Department	Scope of Operation
	6) Accepting and handling of customer complaints and needs in services and maintenance 7) Conveying information of quality irregularity information to Production Control Section (QC)
Facility Dept.	Under command of the General Manager, generally handles execution of matters of production and quality matters of products and timely complete manufacturing orders and it is supported by Production Control Section .
Production Control Section of Facility Dept.	1) Establishing production plan and scheduling and materials for related units and requisition 2) Receiving of materials and supplies, in-process products, finished product, issuing, custody and inventory of them 3) Assessment and contracting for outsourcing vendors
Facility Department – Production Control Section	(1) Management, service and maintenance of equipment and fixtures (2) Cutting and processing of deformed bar (3) Product coupling

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

(I) Directors and Supervisors

Date: February 28, 2022

Position	Nationality	Name	Gender Age	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 61-70	4/23/2020	3 years	6/29/2015	6,493,303	21.17%	6,079,303	13.30%	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	Chun-Liang Yeh	Mother and Son	None
Vice chairman	Taiwan	Tianchuan Investment Co., Ltd. Representative: Chun-Liang Yeh	Male 41-50	4/23/2020	3 years	3/17/2014	6,493,303	21.17%	6,079,303	13.30%	0	0.00%	0	0.00%	Master of Leisure Management, TOKO University Person in Charge of CHAU CHIUN STEEL CO., LTD.	Vice Chairman 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	None
Director	Taiwan	Taiwan Steel Corporation Representative: Ching-Li Yen	Male 51-60	4/23/2020	3 years	4/23/2020	21,000	0.07%	1,849,000	4.04%	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 Chairman of Taiyu Investment Co., Ltd.	None	None	None	None
Director	Taiwan	Taiwan Steel Corporation Representative: Shih-Chieh Chao	Male 71-80	4/23/2020	3 years	4/23/2020	21,000	0.07%	1,849,000	4.04%	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 GLORIA MATERIAL TECHNOLOGY CORP. Director of Institutional Representative S-TECH CORP. Director of Institutional Representative	None	None	None	None
Independent Director	Taiwan	Kuei-Mei Yang	Female 61-70	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 Age	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 41-50	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 41-50	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 MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. Director of Institutional Representative	None	None	None	None

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

Major shareholders of institutional shareholders

Date: February 28, 2022

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: February 28, 2022

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)

Disclosure of professional qualification of directors and independency information of independent directors of the Company

Date: February 28, 2022

Name	Professional qualification and experience(Note 1)	Independence (Note 2)	Number of other public offering companies serving as independent directors
Yu-Yeh Tsai	Equipped with the working experience in commerce, legal, financial and operation and management capability required by the Company Chairman of YIH DAR LIH STEEL CORPORATION Director of OFCO INDUSTRIAL CORPORATION Free of situations provided under items of Clause 30 of Company Act.	Not independent director. Not applicable	None
Yu-Yeh Tsai	Equipped with the working experience in commerce, legal, financial and operation and management capability required by the Company Vice Chairman of TMP Steel Corporation President of YIH DAR LIH STEEL CORPORATION Person in Charge of CHAU CHIUN STEEL CO., LTD. Free of situations provided under items of Clause 30 of Company Act.	Not independent director. Not applicable	None
Ching-Li Yen	Equipped with the working experience in commerce, legal, financial and operation and management capability required by the Company Chairman of E-TOP METAL CO., LTD. Chairman of E-SHENG STEEL CO., LTD. Quintain Steel Co., LTD. Director of Institutional Representative Chairman of Taiyu Investment Co., Ltd. Free of situations provided under items of Clause 30 of Company Act.	Not independent director. Not applicable	None
Shih-Chieh Chao	Equipped with the working experience in commerce, legal, financial and operation and management capability required by the Company 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 GLORIA MATERIAL TECHNOLOGY CORP. Director of Institutional Representative S-TECH CORP. Director of Institutional Representative Free of situations provided under items of Clause 30 of Company Act.	Not independent director. Not applicable	None
Kuei-Mei Yang	Equipped with the working experience in commerce, legal, financial and operation and management capability required by the Company Director of the Motion Picture Foundation, R.O.C. Free of situations provided under items of Clause 30 of Company Act.	This is an independent director. The director, the spouse and relatives within 2-tiere are not director, supervisor or employee of the Company and the subsidiary. The director is not holding share of the Company and is not acting as director, supervisor	None
Ti-miao Wu	Equipped with the working experience in commerce, legal, financial and operation and management capability required by the Company Shin Nong Technology Corporation Chief Financial Officer Free of situations provided under items of Clause 30 of Company Act.	This is an independent director. The director, the spouse and relatives within 2-tiere are not director, supervisor or employee of the Company and the subsidiary. The director is not holding share of the Company and is not acting as director, supervisor	None
Yen-Te Wu	Equipped with the working experience in commerce, legal, financial and operation and management capability required by the Company College of Law, Chinese Culture University Professor and Chair at the Department of Law Director of MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. Financial Ombudsman Institution member of the evaluation committee Free of situations provided under items of Clause 30 of Company Act.	This is an independent director. The director, the spouse and relatives within 2-tiere are not director, supervisor or employee of the Company and the subsidiary. The director is not holding share of the Company and is not acting as director, supervisor	1 (SUCCESS PRIME CORPORATION)

Note 1: Professional qualification and Experience: Describing the professional qualification and experience of individual director or supervisor. In case of member of Auditing Committee and is in accounting or financial profession, the background of accounting or finance and work experience shall be described, and shall explain if any situation stated under items of Clause 30 of Company Act has been involved.

Note 2: For independent director, the independency shall be clearly described, which shall include, but not limited to whether his or herself, or spouse, relative within 2-tier relation (or using name of other person) is holding office of director or supervisor or is an employee of the Company or in the subsidiary; if the principal or spouse or relative of two-tier relation (or using name of other person) is holding shares of the Company or in the subsidiary (reference shall be taken with Item 5, 6, 7 & 8, Para. 1, Clause 3 of Measures of Installation of Independent Directors and Things to be Complied Securities Public Issuers); whether service has been provided for the \Company in commerce, legal affair, finance, accounting, etc. and the amount of remuneration in the latest 2 years.

**Diversity and independency of Board of Directors:**

(1) For the diversification in the composition of the Board of Directors:

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 their duties. The desired capabilities as a whole are shown below:

- (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

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.

**(2) Independency of 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
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	√	√		√	√	√	√	√

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

Date: February 28, 2022

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	Yun-Shi Yang	Female	8/12/2021	911	0.00%	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	
Northern Taiwan Sales Department Vice President	Taiwan	Han-Hsin Cheng	Male	1/2/2018	10,000	0.02%	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	
Central Taiwan Sales Department Vice President	Taiwan	Liang, Jhun-Rong	Female	12/8/2021	5,000	0.01%	0	0.00%	0	0.00%	Department of Business Administration, Ling Tung University Sales Manager of E-SHENG STEEL CO., LTD. Sales Manager of E-TOP METAL CO., LTD.	None	None	None	None	



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

Remuneration paid to directors (including independent directors)

December 31, 2021 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	400	400	25	25	0.73%	0.73%	2,800	2,800	0	0	0	0	0	0	5.56%	5.56%	None
Director	Tianchuan Investment Co., Ltd. Representative: Chun-Liang Yeh	0	0	0	0	400	400	30	30	0.74%	0.74%	3,021	3,021	108	108	0	0	0	0	6.13%	6.13%	None
Director	Taiwan Steel Corporation Representative: Ching-Li Yen	0	0	0	0	400	400	25	25	0.73%	0.73%	0	0	0	0	0	0	0	0	0.73%	0.73%	None
Director	Taiwan Steel Corporation Representative: Shih-Chieh Chao	0	0	0	0	400	400	25	25	0.73%	0.73%	0	0	0	0	0	0	0	0	0.73%	0.73%	None
Independent Director	Kuei-Mei Yang	360	360	0	0	140	140	12	12	0.88%	0.88%	0	0	0	0	0	0	0	0	0.88%	0.88%	None
Independent Director	Ti-miao Wu	360	360	0	0	140	140	12	12	0.88%	0.88%	0	0	0	0	0	0	0	0	0.88%	0.88%	None
Independent Director	Yen-Te Wu	360	360	0	0	140	140	12	12	0.88%	0.88%	0	0	0	0	0	0	0	0	0.88%	0.88%	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 consultant, other than employee of the parent company, company listed under financial statements and / or invested entity): 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.

Remuneration to supervisors

December 31, 2021; 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 )		-	-	-	-	-	-	-	-	

Note: 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, 2021 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 (Note 1)	2,621	2,621	108	108	400	400	0	0	0	0	5.39%	5.39%	None
President	Yun-Shi Yang	1,718	1,718	107	107	360	360	0	0	0	0	3.76%	3.76%	None
Vice President	Han-Hsin Cheng	960	960	66	66	208	208	0	0	0	0	2.13%	2.13%	None
Vice President	Liang,Jhun-Rong (Note 1)	463	463	28	28	250	250	0	0	0	0	1.28%	1.28%	None
Vice President	Jie-Min Lin	1,200	1,200	73	73	150	150	0	0	0	0	2.45%	2.45%	None

Note 1: Transferred to be Vice Chairman on August 12, 2021 and the disclosure of remuneration is information of holding the office.

Note 2: Newly appointed as Vice President on August 12, 2021 and the disclosure of remuneration is information of holding the office.

\* 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, 2021 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 (Note 1)	2,621	2,621	108	108	400	400	0	0	0	0	5.39%	5.39%	None
President	Yun-Shi Yang	1,718	1,718	107	107	360	360	0	0	0	0	3.76%	3.76%	None
Vice President	Han-Hsin Cheng	960	960	66	66	208	208	0	0	0	0	2.13%	2.13%	None
Vice President	Liang,Jhun-Rong (Note 1)	463	463	28	28	250	250	0	0	0	0	1.28%	1.28%	None
Vice President	Jie-Min Lin	1,200	1,200	73	73	150	150	0	0	0	0	2.45%	2.45%	None

Note 1: Transferred to be Vice Chairman on August 12, 2021 and the disclosure of remuneration is information of holding the office.

Note 2: Newly appointed as Vice President on August 12, 2021 and the disclosure of remuneration is information of holding the office.

\* 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, 2021; Unit: NTD thousand ; %

Position	Name	Stock value	Cash value	Total	Ratio of sum to after-tax net profit (%)
President	Chun-Liang Yeh (Note 1)	0	0	0	0%
President	Yun-Shi Yang				
Vice President of the Northern Taiwan Business Department	Han-Hsin Cheng				
Vice President of the Central Taiwan Business Department	Liang,Jhun-Rong(Note 2)				

Vice President of the Southern Taiwan Business Department	Jie-Min Lin				
Manager of Finance Department	Chia-Ling Li				

Note 1: Transferred to be Vice Chairman on August 12, 2021.  
Note 2: Newly appointed as Vice President on August 12, 2021.

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	2021			2020		
	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	3,241	58,039	5.58	2,525	53,455	4.72
Supervisor	0	58,039	0	5	53,455	0.01
President and Vice President	8,712	58,039	15.01	9,831	53,455	18.39
Total	11,953	58,039	20.59	12,361	53,455	23.12

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 be 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

(1) Seating and attendance of directors in the 6 (A) meetings of the Board of Directors over the past year (2021) 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	5	1	83%	
Director	Tianchuan Investment Co., Ltd. Representative: Chun-Liang Yeh	6	0	100%	
Director	Taiwan Steel Corporation Representative: Ching-Li Yen	5	1	83%	
Director	Taiwan Steel Corporation Representative: Shih-Chieh Chao	5	1	83%	
Independent Director	Kuei-Mei Yang	6	0	100%	
Independent Director	Ti-miao Wu	6	0	100%	
Independent Director	Yen-Te Wu	6	0	100%	

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 of directors 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

11/3/2021	Chun-Liang Yeh	2020 important managerial salary adjustment	Conflicting interest	The individual excused himself and did not take part in discussions and voting.
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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.

(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	January 1, 2021~ December 31, 2021	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 (A) in total over the past year (2021) 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%	
Convener	Ti-miao Wu	4	0	100%	
Committee member	Yen-Te Wu	4	0	100%	

#### 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 2021 is as follows:

Date	Contents of the proposal	Decisions made	How the Company addressed opinions from the Audit Committee
11/3/2021	1) Passed the 2020 Operation Reports and Financial Statements of the Company 2) Passed the 2020 Earnings Distribution of the Company 3) Passed 2020 Internal Control System Effectiveness Audit and presented Internal Control System 4) Passed Independence Assessment for Appointing Attesting CPA 5) Passed the proposed Cash Capital Increase and Issuance of New Shares of the Company	It was approved as is by all members.	It was submitted to the Board of Directors and was approved by all attending directors.
12/8/2021	1) Approval of the additional budget for building workshops and engineering and equipment 2) Passed the Project for Building new Plant and Application for Adjusting Credit Lines for Additional Budget for Engineering and Equipment 3) Passed Proposed Organization Adjustment 4) Passed Amendment of List of Authorization of Approval and Decision	It was approved as is by all members.	It was submitted to the Board of Directors and was approved by all attending directors.
11/11/2021	1) Approval of the 2022 Audit Plan 2) Passed proposal for changing Attesting CPA firm and attesting CPAs 3) Passed the direct invested Taiwan Steel Material Corp. and appointed corporate director and supervisor as well as the General Manager	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 2021 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. Under one of the following situations, the operation of Auditing Committee shall explain the following: Date of meeting of the Committee, Term, Content of Proposition, Content of Opinion of Objection of Independent Director, Reserved Opinion or Material Suggestions, Outcome of Resolution of Auditing Committee and the handling of opinion of Auditing Committee of the Company
  - (I) Matters listed in Article 14-5 of the Securities and Exchange Act: Refer to the Operational Status of the Audit Committee in 2021.
  - (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 2021.

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 2021.

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

The Company installed on Apr. 23, 2020 the Auditing Committee to replace supervisors.

Seating and attendance of supervisors in the 6 (A) meetings of the Board of Directors over the past year (2021) are as follows: None

Position	Name	Actual seated frequency(B)	Attendance through proxy	Actual seated rate (%) (B/A)	Remarks
Supervisor					
Supervisor					
Other details to be documented: I. Composition and Responsibilities of Supervisors: None 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: None					

(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) Is Board of Directors suggesting the diversity policy and the assurance of implementation?	√		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 11, 2021 and March 10, 2022.	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	
IV. For TWSE/TPEX-listed companies, is there an exclusive (combined) unit or person for corporate governance to take charge of related matters (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>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 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>For detail of Head of Corporate Governance 2021 Advanced Study please take reference of Note 2.</p>	No significant difference
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 sustainable development 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 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)?	√		For the other information, 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
(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?	√		The Company 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)?	√		<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</li> </ol>	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	
			compliance with regulatory requirements in order to protect mutual rights and obligations. 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.	

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.

Improvements made according to the corporate governance findings of the eighth intake (2021):

Improvements that have been made or to be made in 2022 or reinforcements and measures introduced if no improvements are made yet:

3.10 Date of Board Meeting will be coordinated with the presenting period of financial statements

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

3.12 Annual Report of the Company disclosed clean and solid dividend policy

1.6 The Company will be calling shareholders meeting by end of May.

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
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	√	√		√	√	√	√	√



Note 2:List of 2021 Advance Study of Chief of Corporate Governance is given below:

Date		Organizer	Course title	Hours involved	Hours of Study of current year
Start	End				
18/10/2021	18/10/2021	Taipei Exchange	Promotional Presentation of Shareholding of Insiders of OTC Company	3	9
23/12/2021	23/12/2021	Taiwan Corporate Governance Association	Analysis and examples for Avoid crossing red line of insiders trade	3	
23/12/2021	23/12/2021	Taiwan Corporate Governance Association	ESG Sustainable New Economy	3	

**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	10/18/2021	10/18/2021	Taipei Exchange	Promotional Presentation of Shareholding of Insiders of OTC Company	3	Yes	
		12/22/2021	12/22/2021	Taiwan Corporate Governance Association	17 <sup>th</sup> (2021) Corporate Governance Submit – Implementation of ESG and assurance of Governance and sustainable development	3	Yes	
Director	Representative of Tianchuan Investment Co.: Chun-Liang Yeh	3/15/2021	3/15/2021	Association of Taiwan Listed Companies	50 years before and after of Taiwan – talent nurturing and disaster prevention	2	Yes	
		9/15/2021	9/15/2021	Association of Taiwan Listed Companies	Merge of Industries and transformation and innovation	2	Yes	
		10/14/2021	10/14/2021	Association of Taiwan Listed Companies	Prospect of cross strait trading and economy under new situation	2	Yes	
		11/15/2021	11/15/2021	Association of Taiwan Listed Companies	ESG International Trend and Digital Strategies	2	Yes	
Director	Representative of Taiwan Steel Corporation: Ching-Li Yen	9/22/2021	9/22/2021	Taiwan Securities Association	Legal responsibility and analysis of cases of misrepresentation of financial statements and insiders trading.	3	Yes	
		9/22/2021	9/22/2021	Taiwan Securities Association	Insights of New Acts Against Money Laundering and Case Study	3	Yes	
Director	Representative of Taiwan Steel Corporation: Shih-Chieh Chao	8/23/2021	8/23/2021	Taiwan Corporate Governance Association	Covid 19 – On Corporate Governance 3.0 and the obligation and responsibility of directors.	3	Yes	
		9/1/2021	9/1/2021	Taipei Exchange	2021 On-Line Forum of OTC Sustainable Upgrading	2	Yes	
		11/4/2021	11/4/2021	Taiwan Corporate Governance Association	In response to Climate Change and Building Sustainable Competitiveness of Companies	3	Yes	
Independent Director	Kuei-Mei Yang	12/23/2021	12/23/2021	Taiwan Corporate Governance Association	ESG Sustainable New Economy	3	Yes	

Position	Name	Date		Organizer	Course title	Hours involved	Compliance with requirement	Remarks
		Start	End					
		12/23/2021	12/23/2021	Taiwan Corporate Governance Association	Analysis and examples for Avoid crossing red line of insiders trade	3	Yes	
Independent Director	Ti-miao Wu	12/23/2021	12/23/2021	Taiwan Corporate Governance Association	Analysis and examples for Avoid crossing red line of insiders trade	3	Yes	
		12/23/2021	12/23/2021	Taiwan Corporate Governance Association	ESG Sustainable New Economy	3	Yes	
Independent Director	Yen-Te Wu	1/28/2021	1/28/2021	R.O.C. Accounting Research and Development Foundation	IFRD Financial Reporting related regulation amendment key points and frequent seen defects	3	Yes	
		1/29/2021	1/29/2021	R.O.C. Accounting Research and Development Foundation	Analysis of misrepresentation of financial statements and how to gain insight of financial statements key information	3	Yes	
		11/5/2021	11/5/2021	Securities and Futures Institute, SFI	2021 Promotional Presentation for Preventing Insiders Trading	3	Yes	

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

1. Membership of Compensation and Remuneration Committee

Status (Note 1)	Qualification Name	Professional qualification and experience(Note 2)	Independence (Note 3)	Number of other public offering companies with membership in their Compensation and Remuneration Committee
Independent Director	Kuei-Mei Yang	Equipped with the working experience in commerce, legal, financial and operation and management capability required by the Company Director of the Motion Picture Foundation, R.O.C.	This is an independent director. The director, the spouse and relatives within 2-tiere are not director, supervisor or employee of the Company and the subsidiary. The director is not holding share of the Company and is not acting as director, supervisor	0
Independent Director convener	Ti-miao Wu	Equipped with the working experience in commerce, legal, financial and operation and management capability required by the Company Shin Nong Technology Corporation Chief Financial Officer	This is an independent director. The director, the spouse and relatives within 2-tiere are not director, supervisor or employee of the Company and the subsidiary. The director is not holding share of the Company and is not acting as director, supervisor	0
Independent Director	Yen-Te Wu	Equipped with the working experience in commerce, legal, financial and operation and management capability required by the Company College of Law, Chinese Culture University Professor and Chair at the Department of Law Director of MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. Financial Ombudsman Institution member of the evaluation committee	This is an independent director. The director, the spouse and relatives within 2-tiere are not director, supervisor or employee of the Company and the subsidiary. The director is not holding share of the Company and is not acting as director, supervisor	1

Note 1: Please enter the working seniority, professional qualification and experience and independency of the members of Salary and Remuneration Committee into the list. In case of independent director, please described in Remark column. Refer Page XX Attached schedule 1 information related to director and supervisor (1). For column of status please enter as independent director or other (in case of convener, please mark it)

Note 2: Professional qualification and experience: Describe the professional qualification and experience of member of Salary and Remuneration Committee

Note 3: Meeting Independency: State meeting independency of member of Salary and Remuneration Committee, which shall include, but not limited to whether his or herself, or spouse, relative within 2-tier relation (or using name of other person) is holding office of director or supervisor or is an employee of the Company or in the subsidiary;; if the principal or spouse or relative of two-tier relation (or using name of other person) is holding shares of the Company or in the subsidiary (reference shall be taken with Item 5, 6, 7 & 8,

Para. 1, Clause 3 of Measures of Installation of Independent Directors and Things to be Complied Securities Public Issuers); whether service has been provided for the \Company in commerce, legal affair, finance, accounting, etc. and the amount of remuneration in the latest 2 years.

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 3 times last year (2021). Qualification and attendance of members are as follows:

Position	Name	Actual attendance frequency (B)	Attendance through proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Committee member	Kuei-Mei Yang	3	0	100%	
Convener	Ti-miao Wu	3	0	100%	
Committee member	Yen-Te Wu	3	0	100%	

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 2021 is as follows:

Date	Contents of the proposal	Decisions made	How the Company addressed opinions from the Compensation and Remuneration Committee
3/11/2021	1) Review the outcome of 2020 Board of Directors Performance Assessment 2) Review and discuss 2020 Employee and Directors Remuneration 3) Review the 2020 Year-end Bonus for Managers	It was approved as is by all members.	It was submitted to the Board of Directors and was approved by all attending directors.
7/19/2021	Review 2021 Cash Capital Increase and Issuance of New Shares – Subscription Manner and Distribution for Subscription of Managers and Employees	It was approved as is by all members.	It was submitted to the Board of Directors and was approved by all attending directors.
8/12/2021	1) Review the promotion of Mr. Yeh Juin-Liang, the president to be Vice Chairman from General Manager 2) Review of promotion of Mr. Yang Yun-Shih, GM of	It was approved as is by all	It was submitted to the Board of Directors and was approved by all

	Hardware and Building Material Division to be President 3) Review the personnel change of managers of the Company 4) Review the salary for managers of the Company	members.	attending directors.
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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.
- (3) If the Company is installed with Nomination Committee, the composition, duties and operation shall be disclosed: This is not applicable as the Company is yet to install the Nomination Committee.

(V) The promotion of Sustainable Development and what is the difference from the Sustainable Development Practices, and if so, what is the cause.

Evaluation item	Operational status			Deviation from the Sustainable development Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary	
I. Does the Company plan to set up a governance structure for promoting sustainable development and a unit specific for the promotion (or as side job) and does the Board of Directors intend to authorize ranked management and report to the Board of Director?	√		The Company assigns Administration Section to cover also the promotion of sustainable development and the sustainable development will be integrated into the operation strategy and culture on long term basis with goal and system and in organized manner to be developed on sustainable basis. Please See Note 1.	No significant difference
II. Does the Company conduct ESG (Environment, Society and Governance) issues which are related to the operations of the Company on materiality basis and set up related risk management policy and strategies?	√		On the materiality of sustainable development, the Company is conducting risk assessment related to important issues and the risks as assessed will be based to draft related risk management policy or strategies. Please see Note 1.	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 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 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.	A system will be set up to deal with this issue.
<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 benefits, among others) and the operational performance or accomplishments are adequately	√		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 Management Guidelines to reward its employees.	No significant difference

Evaluation item	Operational status			Deviation from the Sustainable development Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary	
reflected in the employees' compensation?				
(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.	A system will be set up to deal with this issue.
V. Does the Company prepare the ESG 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 ESG Report.	The disclosure of related Sustainable development will be reinforced in the future reflective of the systems established.
VI. If the Company has established its own ESG principles according to the Sustainable development 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 Sustainable development Best Practice Principles and related regulations are ongoing.				
VII. Other Important Information to Help Understand Utilization of Sustainable development: None.				

Note 1: The Company assigns Administration Section to cover also the promotion of sustainable development and the sustainable development will be integrated into the operation strategy and culture on long term basis with goal and system and in organized manner to be developed on sustainable basis. As part of the material principle for sustainable development, 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 February 2022, 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 2021 is as follows: 1. Organization of policy communication trainings on the ethical policy. In 2021, 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 39 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 2021 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
III. Whistle-blowing System of the Company				
(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
IV. Reinforced Information Disclosure 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 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 10, 2022

For the Company's internal control system of 2021, 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, 2021 (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 10, 2022 with no directors expressing dissent out of the 7 Directors in attendance.

TMP Steel Corporation

Chairman: Yu-Yeh Tsai Signature/Seal

President: Yang, Yun-Yhih /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. 2021 General Shareholders' Meeting

Date of meeting	Important decision
7/2/2021	<p>1. Ratification of 2020 Business Report and Financial Statements Implementation status: The 2020 Business Report and Financial Statements were ratified on July 2, 2021.</p> <p>2. Ratification of 2020 Earnings Distribution Proposal Implementation status: August 9, 2021 was set to be the ex-dividend base date and distribution took place on August 20, 2021. (Cash dividends per share were distributed at NTD 1.2)</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 July 19, 2021 and they were announced on the Company's website.</p> <p>4. Approval of the revision to some provisions of the Company's Shareholders Meeting Procedure Rules. Implementation status: The revision of the Shareholders Meeting Procedure Rules was completed on July 2, 2021 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 2021 and up to the date the Annual Report was printed

Date	Important decision
3/11/2021	<p>1. Passed TMP 2020 Operating Report and Financial Statements</p> <p>2. Passed TMP 2020 Earning  Distribution Proposal</p> <p>3. Passed TMP 2020 Remuneration for Employees and Directors and Supervisors</p> <p>4. Passed TMP 2020 Internal Control System Effectiveness Audit and presented Internal Control System Representations</p>

Date	Important decision
	<ol style="list-style-type: none"> <li>5. Passed TMP 2020 Year End Bonus for Managers</li> <li>6. Passed Assessment of Independency of Attestation CPA</li> <li>7. Passed TMP Cash Capital Increase and Issuance of New Shares</li> <li>8. Passed partial amendment of TMP Articles of Incorporation</li> <li>9. Passed appointment of TMP Company Governance Executive</li> <li>10. Passed amendment of TMP Board of Directors Performance Assessment Method</li> <li>11. Passed amendment of TMP Meeting Rules of Shareholders Meeting</li> <li>12. Passed new Bank of Taiwan Credit Line</li> <li>13. Passed the newly increased loan credit line of First Commercial Bank</li> <li>14. Renewal of loan credit line of Shin Kong Comm. Bank after the maturity</li> <li>15. Passed proposed date, place and agenda of General Shareholders Meeting and accepting the proposition of shareholders with holding of 1% or more.</li> </ol>
5/13/2021	<ol style="list-style-type: none"> <li>1. Amendment of partial articles of Articles of Incorporation of the Company</li> <li>2. Increased loan credit line of Shanghai Commercial and Saving Bank</li> </ol>
6/11/2021	<ol style="list-style-type: none"> <li>1. Established extension of date of 2021 General Shareholders Meeting</li> </ol>
7/19/2021	<ol style="list-style-type: none"> <li>2021 Cash Capital Increase and issuing new shares method and numbers of shares of the new shares available for subscription of managers and employees</li> </ol>
8/12/2021	<ol style="list-style-type: none"> <li>1. Extension of contract upon expiration of line of credit for loans with Mega International Commercial Bank</li> <li>2. Extension of contract upon expiration of line of credit for loans with Taiwan Cooperative Bank</li> <li>3. Extension of contract upon expiration of line of credit for loans with Hua Nan Bank</li> <li>4. Extension of contract upon expiration of line of credit for loans with Chang Hwa Bank</li> <li>5. Additional budget for building new plant and the engineering works and equipment of TMP</li> <li>6. Application of adjustment of credit line for additional budget for building plant and the engineering works and equipment</li> <li>7. Organization Adjustment</li> <li>8. Amendment of List of Authorization for Approval and Decision making</li> <li>9. Promotion of Mr. Yeh Juin- Liang from President to be Vice Chairman</li> <li>10. Promotion of Mr. Yang Yun-Shi from General Manager of Hardware and Building Material Division to be President</li> <li>11. Suggest to review the Personnel Change of Managers of the Company</li> </ol>
11/11/2021	<ol style="list-style-type: none"> <li>1. Suggested to pass 2022 Auditing plan</li> <li>2. Ratifying Professional Liability Insurance of Directors, Supervisors and important staff</li> <li>3. Change of Attesting CPA Firm and CPAs of the Company</li> <li>4. Propose to invest and set up Taiwan Steel Material Corp and nominate corporate director and supervisor and General Manager representative</li> <li>5. Loan Credit Line of Changhua Commercial Bank</li> <li>6. Change of loan credit line of Huanan Commercial Bank</li> <li>7. for the business operation of the Company, it is proposed to apply for credit line for issuing promissory line</li> <li>8. Issuing new shares for the 3rd Unsecured Convertible Corporate Bond</li> </ol>
2/7/2022	<ol style="list-style-type: none"> <li>1. Adjustment of Salary Scale of the Company</li> <li>2. Salary adjustment level of managers in 2022 is proposed to be in same level of all other employees</li> <li>3. Annual Year-End Bonus for 2022</li> <li>4. Establishing General Affairs Unit Subsidy Payment Rules, General Affairs Unit</li> </ol>

Date	Important decision
	Salary and benefit Administration Rules of the Company 5. Establishing Date, Place and Agenda and Accepting Proposals of shareholders holding 1% or more in General Shareholders Meeting
2/24/2022	1. Proposal to re-elect all the Company's directors. 2. Release the non-competition restriction of newly elected directors and the representative 3. Amend the Agenda of General Shareholders Meeting
3/10/2022	1. Approval of 2021 Business Report and Financial Statements 2. Approval of 2021 Earnings Distribution Proposal 3. Approval of 2021 remuneration to employees and that to directors/supervisors 4. Approval of the 2021 internal control system validity evaluation and issuance of the Internal Control System Declaration 5. Approval of delegation and independence evaluation of CPAs 6. Approval of Issuance of new shares for cash capital increase and the intended fourth secured conversion of corporate bonds. 7. Approval of the company's central and southern land and plant investment case 8. Approval of attesting CPA Expenditure review 9. Approval of manager's personnel changes 10. Approval of amendment for some articles of the "Articles of Incorporation." 11. Approval of proposal to abolish and re-establish the Company's "Rules of Procedures for Shareholders Meetings." 12. Approval of proposal to amend provisions of the Company's "Procedures for the Acquisition or Disposal of Assets." 13. Approval of review the list of candidates for directors (including independent directors) nominated by shareholders who hold more than 1% of the shares accepted by the company's 2022 general meeting of shareholders. 14. Approval of Amend the Agenda of General Shareholders Meeting.

(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, head of Corporate Governance, and R&D heads over the past year up to the date the Annual Report was printed:

Position	Name	reported to office	Date discharged	cause of dismiss or removed
President	Chun-Liang Yeh	1/1/2014	8/12/2021	Transferred to be Vice Chairman

## V Attesting CPA Expenditure Information

### (I) Attesting CPA Expenditure information

Unit: NTD thousand

Name of Accounting Firm	Name of CPA	Duration of audit	Audit public expenditure	Non-audit public expenditure	Total	Remarks
Deloitte Taiwan	Shiuh-Ran Cheng	1/1/2021~9/30/2021	1,040	50 (Note 1)	1,090	Note 2
	Yuang-Shiang Chao					
PricewaterhouseCoopers Taiwan	Tien, Chung-Yu	1/1/2021~12/31/2021	800	0	800	
	Lin, Tzu-Shu					

Note 1: Non-Audit Expenditure is Cash Capital Increase Related Document Review

Note 2: In considering of future business development and needs in internal management, from Q4 of 2021, the financial statements attestation of the Company will be changed to Delloitte & Touche from Power Waterhouse.

(II) 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.

(III) 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 11, 2021		
Reason for Replacement and Description	In considering of future business development and needs in internal management, from Q4 of 2021, the financial statements attestation of the Company will be changed to Delloitte & Touche from Power Waterhouse.		
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		✓
	Does not accept (continue with) appointment		
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	✓	
	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	PricewaterhouseCoopers Taiwan
Name of CPA	Tien, Chung-Yu and Lin, Tzu-Shu
Date Delegated	Approved by the Board of on November 11, 2021
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:



**Deloitte & Touche**

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11/25/2021 DT 11011478

For the kind attention of : PricewaterhouseCoopers Taiwan Tien, Chung-Yu and Lin, Tzu-Shu CPA

Copy to:

Recipient: TMP Steel Corporation

Subject: In respect of the matters including moral conducts of management of TMP Steel Corp. as you have inquired about; please be noted as the reply.

Details:

- I. This is in response to your letter reference No. PwC-21014498 dated Nov. 15, 2021.
- II. The following is our reply to items you have inquired:
  1. Based on the experience to contact and communication with management of TMP Steel Corporation, we have not detected that the moral conduct of the management of TMP Steel has adverse effect on the financial statements of TMP Steel.
  2. Between this accounting firm and management of TMP Steel, there is not material difference in respect of accounting principles, auditing procedures and other material items.
  3. In the process of audit, no failure of compliance has been found by the assigned CPA.
  4. Based on the letter of TMP Steel Corp. dated Nov. 11, 2021, the reason of changing CPA is for their future business development and needs in internal management.

Deloitte Taiwan

CPA Shiuh-Ran Cheng

CPA Yuang-Shiang Chao

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	2021		As of February 28, 2022	
		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.	(414,000)	0	0	0
Major Shareholders	Representative: Yu-Yeh Tsai	300,000	0	(18,000)	0
Vice Chairman (Note 1)	Tianchuan Investment Co., Ltd.	(414,000)	0	0	0
Major Shareholders	Representative: Chun-Liang Yeh	42,464	0	(36,000)	0
Director	Taiwan Steel Corporation	1,828,000	0	0	0
	Representative: Ching-Li Yen	0	0	0	0
Director	Taiwan Steel Corporation	1,828,000	0	0	0
	Representative: Shih-Chieh Chao	10,000	0	0	0
Independent Director	Kuei-Mei Yang	0	0	0	0
Independent Director	Ti-miao Wu	0	0	0	0
Independent Director	Yen-Te Wu	0	0	0	0
President	Yun-Shi Yang	29,000	0	(30,000)	0
Vice President of the Northern Taiwan Business Department	Han-Hsin Cheng	10,000	0	0	0
Manager of Finance Department	Chia-Ling Li	10,000	0	(10,000)	0
Vice President of the Southern Taiwan Business Department	Jie-Min Lin	0	0	0	0
Vice President of the Central Taiwan Business Department (Note 2)	Liang, Jhun-Rong	5,000	0	0	0
Major Shareholders	Deli Investment Co., Ltd.	(7,184,432)	0	0	0
Major Shareholders	Taiyu Investment Co., Ltd.	(4,040,427)	0	(368,000)	0
Major Shareholders	Jin Gang Investment Co., Ltd.	6,770,432	0	0	0

Note 1: Transferred to be Vice Chairman on August 12, 2021.

Note 2: Newly appointed as Vice President on August 12, 2021.

(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

Date: February 28, 2022 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	Quantity	Ratio	
Jin Gang Investment Co., Ltd.	6,770,432	14.81	0	0	0	0	None	None	None
Representative: Ci-Tai Chen	0	0	0	0	0	0	None	None	None

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	Quantity	Ratio	
Tianchuan Investment Co., Ltd.	6,079,303	13.30	0	0	0	0	None	None	None
Representative: Cheng-Chiang Sun	0	0	0	0	0	0	None	None	None
Taiyu Investment Co., Ltd.	2,776,005	6.07	0	0	0	0	E-TOP METAL CO., LTD.	Same representative	None
Representative: Ching-Li Yen	0	0	0	0	0	0	None	None	None
Taiwan Steel Corporation	1,849,000	4.04	0	0	0	0	None	None	None
Representative: Chiung-Fen Wan	0	0	0	0	0	0	None	None	None
Golden Win Steel Ind.	1,432,963	3.13	0	0	0	0	None	None	None
Representative: Huei-Chang Shao	0	0	0	0	0	0	None	None	None
Jia Jie Biomedical	1,000,000	2.19	0	0	0	0	None	None	None
Representative: Jin Jie Hung Invest.	0	0	0	0	0	0	None	None	None
E-TOP METAL CO., LTD.	933,000	2.04	0	0	0	0	Taiyu Investment Co., Ltd.	Same representative	None
Representative: Ching-Li Yen	0	0	0	0	0	0	None	None	None
Hsin-Kuei Pan	830,000	1.82	0	0	0	0	None	None	None
Wen-Ching Chen	678,759	1.48	0	0	0	0	None	None	None
Yan-Wei Liang	673,000	1.47	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, 2021; 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
November 2021	10	150,000,000	1,500,000,000	45,675,184	456,751,840	Capital increase in cash 150,000,000	-	Note 26
January 2022	10	150,000,000	1,500,000,000	45,711,547	457,115,470	Conversion of corporate bonds to shares 363,630	-	Note 27

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.
- Note 26: The finalization of shares was approved through the Taipei Industry Commerce No. 11053475840 Letter dated November 16, 2021 from the Taipei City Government, with records on file.
- Note 27: The finalization of shares was approved through the Taipei Industry Commerce No. 11055815220 Letter dated January 4, 2022 from the Taipei City Government, with records on file.

February 28, 2022 Unit: Share

Type of share	Approved capital stock			Remark
	Outstanding shares	Shares yet to be issued	Total	
Common stock	45,711,547	104,288,453	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

February 28, 2022 Unit: people ;Share;%

Shareholder Structure	Government agency	Financial institution	Other corporations	Individual	Foreign institution and alien	Total
Quantity						
Number of people			27	5,710	14	5,751
Shares held			21,528,254	23,638,428	544,865	45,711,547
Holding ratio (%)			47.10	51.71	1.19	100.00

(III) Decentralization of equity

February 28, 2022 Unit: people ;Share;%

Holding classification	Number of shareholders	Shares held	Holding ratio (%)
1~ 999	2,573	314,554	0.69
1,000~ 5,000	2,461	5,021,762	10.99
5,001~ 10,000	337	2,693,209	5.89
10,001~ 15,000	102	1,327,485	2.91
15,001~ 20,000	70	1,309,358	2.86
20,001~ 30,000	68	1,731,183	3.79
30,001~ 40,000	33	1,171,485	2.56
40,001~ 50,000	29	1,341,585	2.93
50,001~ 100,000	46	3,275,955	7.17
100,001~ 200,000	14	1,982,282	4.34
200,001~ 400,000	7	1,967,385	4.30
400,001~ 600,000	1	552,842	1.21
600,001~ 800,000	2	1,351,759	2.96
800,001~ 1,000,000	3	2,763,000	6.04
1,000,001 Shares and above	5	18,907,703	41.36
Total	5,751	45,711,547	100

## (IV) List of Major Shareholders

February 28, 2022 Unit:Share;%

Name of major shareholder	No. of shares held	Holding Ratio
Jin Gang Investment Co., Ltd.	6,770,432	14.81
Tianchuan Investment Co., Ltd.	6,079,303	13.30
Taiyu Investment Co., Ltd.	2,776,005	6.07
Taiwan Steel Corporation	1,849,000	4.04
Golden Win Steel Ind.	1,432,963	3.13
Jia Jie Biomedical	1,000,000	2.19
E-TOP METAL CO., LTD.	933,000	2.04
Hsin-Kuei Pan	830,000	1.82
Wen-Ching Chen	678,759	1.48
Yan-Wei Liang	673,000	1.47

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

Unit: NTD/Thousand shares

Item	Year	2020	2021	2022 As of February 28 (Note 5)	
Market value per share	Maximum(Note 1)	30.00	33.80	25.20	
	Minimum (Note 1)	21.40	19.90	21.20	
	Mean (Note 1)	27.08	26.19	23.50	
Net worth per share	Before distribution(Note 5)	13.14	15.54	Not applicable	
	After distribution	11.94	Not applicable	Not applicable	
Earnings per Share	Weighted average number of shares	30,675	35,935	45,712	
	Earnings per Share	Before adjustment	1.74	1.62	Not applicable
		After adjustment	1.74	1.62	Not applicable
Dividends per share	Cash dividends	1.2	1.2(Note)	Not applicable	
	Free share assignment	Before adjustment	-	-	Not applicable
		After adjustment	-	-	Not applicable
	Accumulated unpaid dividend	-	-	-	
Analysis of Return on Investment	Price earnings ratios(Note 2)	15.56	16.17	Not applicable	
	Price to dividend ratio(Note 3)	22.57	21.83(Note)	Not applicable	
	Cash dividend yield(Note 4)	4.43	4.58(Note)	Not applicable	

Note: The 2021 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 30% 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 10, 2022 that NTD 1.2 per share would distributed in cash as the dividends for shareholders, that is, NTD 54,853,856 in total; it will be decided in the 2022 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 10, 2022. NTD 1,500,000.00 to employees and NTD 2,020,000.00 to directors and supervisors will be distributed as the remuneration, which were identical to the estimates made in 2021.

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 2020, NTD 1,500,000.00 to employees and NTD 1,500,000.00 to directors and supervisors were actually distributed as the remuneration in cash, which were identical to the estimates made for 2020.

(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.	Not applicable
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 February 28, 2022)	NTD 149,000,000.00 (As of February 28, 2022)
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 February 28, 2022, a total of 0 common stock shares had been converted.
	Issuance and Conversion (Swapping or Subscription) Guidelines	As of February 28, 2022, a total of 36,363 common stock shares had been converted.
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 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
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		2020	2021	The year up to February 28, 2022
Price of bond to be converted or swapped	Maximum	117.00	125.00	122.00
	Minimum	105.00	107.50	110.00
	Mean	110.34	114.00	115.29
Conversion price		NTD 27.80(Note1)	NTD 25.10(Note2)	NTD 25.10
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		

Note1: Due to the distribution of cash dividends on September 14, 2020, the conversion price was adjusted from NTD 30.2 to NTD 27.8.

Note2: Due to the distribution of cash dividends on August 26, 2021, the conversion price was adjusted from NTD 27.8 to NTD 25.1.

Type of corporate bond		Third domestic unsecured conversion of corporate bonds		
Year		2020	2021	The year up to February 28, 2022
Price of bond to be converted or swapped	Maximum	104.95	117.00	108.45
	Minimum	94.00	110.05	101.60
	Mean	99.45	105.65	104.83
Conversion price		NTD 27.50(Note1)	NTD 24.8 (Note2)	NTD 24.80
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		

Note1: Due to the distribution of cash dividends on September 14, 2020, the conversion price was adjusted from NTD 29.9 to NTD 27.5.

Note2: Due to the distribution of cash dividends on August 26, 2021, the conversion price was adjusted from NTD 27.5 to NTD 24.8.

- 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 2021 is shown below:

Unit: NT thousand

Item \ Year	2021	
	Value	%
Electronics	0	0.00
Hardware		
Construction	4,437,556	100.00
Materials		
Total	4,437,556	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.

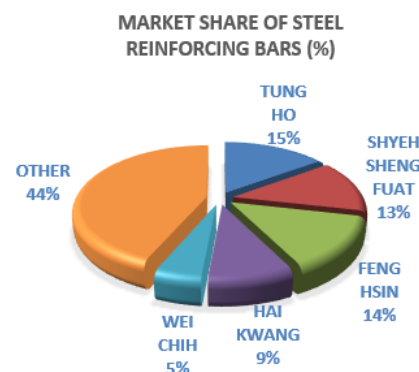
The steel reinforcing bar is manufactured generally in two ways:

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.

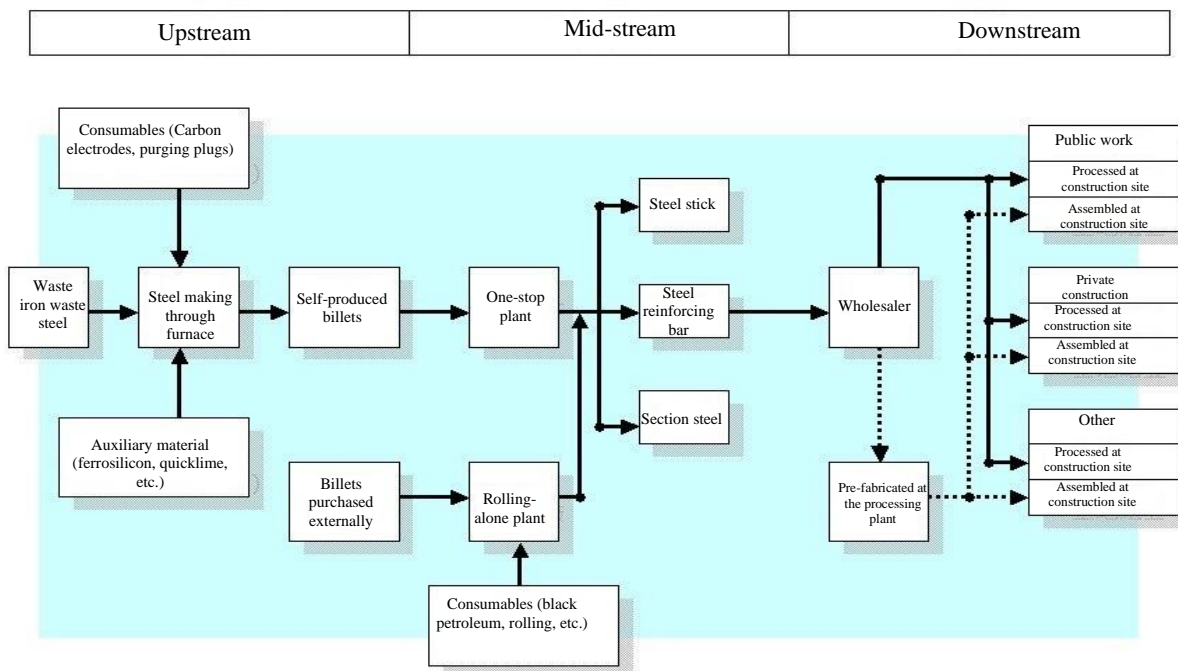
1. The latest forecast made by the International Monetary Fund (IMF) says that the global economic growth will be 3.5% in 2021, a slight decrease of 0.2% from the estimate in October last year. The force by which the economy grows slows down somewhat primarily because of international political and economic 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 →wholesaleer→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	2020				2021				2022 (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	2,159,404	78.10	Significant impacts on the Company	E-TOP	2,830,164	67.87	Significant impacts on the Company	E-TOP	630,356	64.96	Significant impacts on the Company
2	E-Sheng	358,739	12.97	Other related parties	E-Sheng	1,048,017	25.13	Other related parties	Boda Investment	178,467	18.39	None
3	YIH DAR LIH	134,791	4.87	Substantial related parties	YIH DAR LIH	863	0.02	Substantial related parties	E-Sheng	152,667	15.73	Other related parties
4					TSG TRANSPORT CORP.	8,232	0.20	Other related parties	TSG TRANSPORT CORP.	2,935	0.30	Other related parties
5	Other	112,095	4.06	None	Other	282,611	6.78	None	Other	5,953	0.62	None
	Total	2,765,029	100.00		Total	4,169,887	100.00		Total	970,378	100%	

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

Unit: NTD 1,000; %

Item	2020				2021				2022 (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	341,565	10.96	None	A company	231,136	5.21	None	A company	67,258	6.73	None
2												
3												
4												
5	Other	2,773,704	89.04	None	Other	4,406,420	94.79	None	Other	932,795	93.27	None
	Total	3,115,269	100.00		Total	4,437,556	100.00		Total	1,000,053	100.00	

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

Unit: NTD thousand; 1,000; ton

Main product \ Year	2020				2021			
	Importation		Exportation		Importation		Exportation	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Electronics	-	-	-	-	-	-	-	-
Hardware			-	-			-	-
Construction	182,372	2,897,582			187,391	4,221,956		
Materials								
Total	182,372	2,897,582			187,391	4,221,956		

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

Unit: NTD thousand; 1,000; ton

Main product \ Year	2020				2021			
	Importation		Exportation		Importation		Exportation	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Electronics	-	-	-	-	-	-	-	-
Hardware	204,352	3,115,269	-	-	240,153	4,437,556	-	-
Construction								
Materials								
Total	204,352	3,115,269			240,153	4,437,556		

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		2020	2021	As of February 28, 2022
Number of employees	Technicians	22	24	26
	Managers	37	40	47
	Operators	0	0	0
	Total	59	64	73
Mean age		40.22	40.22	40.97
Mean years in service		3.28	3.28	3.44
Ratio of education distribution	Ph.D	0%	0%	0%
	Master	2%	3%	3%
	University and college degree	57%	64%	65%
	Senior high school diploma	33%	25%	25%
	Below senior high school	8%	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 2021 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	17	9	75	37,951
Managerial skill training +	0	0	0	0
Self-inspiring training	0	0	0	0
Total	17	9	75	37,951

### (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 2021. A total headcount of 26 people of such trainings.

## VI. Information Security Management

(I.) Explaining the structure of information security risk, information security policy, practical management program and resources input for information security management.

1. Information security risk management structure
  - \* Administration Section of the Company is entrusted for planning, execution and promotion of information security management and promotion of information security awareness
  - \* Auditing division of the Company is the auditing unit for information supervising and when defect is identified in audit, the unit being identified shall be generating improvement plan and submit for
2. Information Security Policy
  - \* Maintain sustainable operation of all information system
  - \* Preventing intrusion or destruction of hackers and virus
  - \* Preventing deliberating illegal or inappropriate use
  - \* Preventing sensitive data divulge
  - \* Avoiding human error or careless act
  - \* Maintaining safety of physical environment
3. Practical Management Program for Information Security
  - \* Computer main frame of the company and application servers are installed in the specific machine room and it has access record maintain for future reference
  - \* Inside the machine room, independent air conditioner are provided to maintain the computer equipment in a proper temperature and environment in operation and it has chemical fire extinguisher which is applicable for from ordinary fire or out of electrical apparatus.

- \* Machine room is equipped with UPS and voltage regulator to avoid system down of accidental of instant power off of Taipower
- \* Reminder promotion: coworkers are regularly to renew system password to maintain account security
- \* Promotion of Information Security: Providing information security cases and document for the reference of coworkers.

(II.) List, the latest fiscal year and up to date of printing of Annual Report, the loss suffered in material information security incidents, the probable effect and the corresponding measures; if it is not reasonably estimated, please explain the fact of inability in estimate reasonably: None



## VII. Important Contract

Nature of contract	Affected party	Contract start/end date	Main contents	Restrictions
Supply contract	E-TOP METAL CO., LTD.	1/1/2022-12/31/2022	Supply contract for steel reinforcing bars	None
Facility rent	E-TOP METAL CO., LTD.	1/1/2022-12/31/2022	Facility 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)
		2017	2018	2019	2020	2021	
Current assets		675,024	941,564	1,123,999	1,001,754	1,982,332	For 2022 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		10,768	23,679	32,459	267,325	365,957	
Intangible assets		2,024	2,289	1,587	1,819	1,202	
Other assets		5,262	6,337	77,418	123,890	97,945	
Total assets		693,078	973,869	1,235,463	1,394,788	2,447,436	
Current liabilities	Before distribution	346,861	626,343	459,112	650,280	1,449,473	
	After distribution	325,388	626,343	391,627	687,090	1,504,327	
Non-current liabilities		1,918	25,028	359,720	359,720	287,403	
Total liabilities	Before distribution	348,779	651,371	818,832	991,838	1,736,876	
	After distribution	327,306	651,371	751,347	1,028,648	1,791,730	
The equity that belongs to the client of the parent company		344,299	322,498	416,631	402,950	710,560	
Capital stock		306,752	306,752	306,752	306,752	457,115	
Capital reserve		0	0	6,117	6,117	145,039	
Retained earnings	Before distribution	41,000	16,379	104,683	90,213	108,406	
	After distribution	19,527	16,379	37,198	53,403	53,552	
Other equities		(3,453)	(633)	(921)	(132)	0	
Treasury stock		0	0	0	0	0	
Non-controlling interests		0	0	0	0	0	
Total equity	Before distribution	344,299	322,498	416,631	402,950	710,560	
	After distribution	322,826	322,498	349,146	366,140	655,706	

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)
		2017	2018	2019	2020	2021	
Operating income		1,660,395	2,432,772	3,012,489	3,115,269	4,437,556	For 2022 up to the date the Annual Report was printed, no financial data reviewed and approved by the CPAs were available yet.
Operating gross profit		76,210	72,287	194,188	217,687	215,600	
Operating profits or losses		24,057	3,574	96,086	71,214	74,605	
Non-operating income and expenditure		2,231	(2,812)	4,697	(3,613)	(3,013)	
Pre-tax net profit		26,288	762	100,783	67,601	71,592	
Net profit (loss) of current term		25,633	278	88,641	53,455	58,039	
Other combined profits or losses of current term (After-tax net value)		(3,459)	(606)	(625)	349	(2,261)	
Sum of combined profits or losses of current term		22,174	(328)	88,016	53,804	55,778	
Net profit attributable to the owner of the parent company		25,633	278	88,641	53,455	58,039	
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		22,174	(328)	88,016	53,804	55,778	
The sum of comprehensive income attributable to non-controlling interests		0	0	0	0	0	
Earnings per Share		0.84	0.01	2.89	1.74	1.62	

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
2016	Deloitte Taiwan	Shiuh-Ran Cheng, Li-Chi Chen	Modified unqualified opinion (Note)
2017	Deloitte Taiwan	Shiuh-Ran Cheng, Li-Chi Chen	Unqualified opinion
2018	Deloitte Taiwan	Shiuh-Ran Cheng, Li-Chi Chen	Unqualified opinion
2019	Deloitte Taiwan	Shiuh-Ran Cheng, Li-Chi Chen	Unqualified opinion

Year	Name of Accounting Firm	Name of CPA	Audit Opinions
2020	Deloitte Taiwan	Shiuh-Ran Cheng, Yuang-Shiang Chao	Unqualified opinion
2021	PricewaterhouseCoopers Taiwan	Tien, Chung-Yu and Lin, Tzu-Shu	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
		2017	2018	2019	2020	2021		
Financial structure (%)	Liability-to-asset ratio	50.32	66.88	66.28	71.11	70.97	For 2022 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	3,215.24	1,467.65	2,391.79	278.50	272.70		
Solvency (%)	Current ratio	194.61	150.33	244.82	154.05	136.76		
	Quick ratio	174.33	126.79	213.37	130.76	105.65		
	Interest Protection Multiples	36,110.96	224.92	2,984.46	802.13	704.10		
Management ability	Receivable turnover ratio (frequency)	4.41	5.32	4.94	4.72	4.82		
	Average collection days	83	69	74	77	76		
	Inventory turnover ratio (frequency)	31.42	25.48	22.95	22.23	21.85		
	Payable turnover ratio (frequency)	4.96	6.87	9.02	13.81	11.84		
	Average sales days	12	14	16	16	17		
	Real estate, plants and equipment turnover ratio (frequency)	137.42	141.25	107.32	20.78	14.01		
Profitability	Total asset turnover ratio (frequency)	2.34	2.92	2.73	2.37	2.31		
	Return on assets (%)	3.62	0.09	8.28	4.65	3.51		
	Return on equity (%)	7.42	0.08	23.99	13.04	10.42		
	Pre-tax net profit to paid-in capital size ratio (%)	8.57	0.25	32.85	22.04	15.66		
	Net profit rate (%)	1.54	0.01	2.94	1.72	1.31		
Cash flow (%)	Earnings per share (NTD)	0.84	0.01	2.89	1.74	1.62		
	Cash flow ratio	9.55	Note 1	Note 1	5.99	Note 1		
	Cash flow adequacy ratio	Note 1	Note 1	Note 1	Note 1	Note 1		
Leverage	Cash re-investment ratio	2.42	Note 1	Note 1	Note 1	Note 1		
	Operating leverage	1.12	2.17	1.27	1.50	1.46		
	Financial leverage	1.00	1.21	1.04	1.16	1.19		

	<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 property, plant, and equipment turnover ratio: It is mainly because of building plant in Zhangbin Industrial Park that there is sizable increase in net amount of real estate, plant and equipment in 2021.</li> <li>2. 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: Continuous increase in price of raw materials of the Company in 2021, gross profit of the Company and therefore the after tax net profit are both reduced than previous year.</li> </ol>
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Note 1: Cash flow and net cash flow adequacy ratio as well as cash re-invest ratio is minus, so 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

Board of Directors sent the company's 2021 annual business report, individual financial statements and the distribution of surpluses to the company. The individual financial statements have also been audited by accountants Tien, Chung-Yu and Lin, Tzu-Shu of PricewaterhouseCoopers in Taiwan, and an unqualified audit report has been issued. The Audit Committee has been issued.

The Audit Committee has completed the verification of the above-mentioned business report, individual financial statements and the proposal for distribution of surpluses, and is of the opinion that there was no discrepancy therein. A statement is therefore announced as above in accordance with the provisions of Article 14-4 of Securities Exchange Act and Article 219 of Company Act for your review and verification.

To the 2022 Annual Meeting of Shareholders of TMP Steel Corporation

TMP Steel Corporation

Audit Committee Convener :  
YANG GUEI MEI

March 10, 2022

IV. Financial Statement from Last Year

Refer to Pages 103 through 189

V. The CPA Audited and Attested Individual Financial Statements of the Company in recent years

Since the Company does not have subsidiary, so preparation of individual financial statements is not applicable

VI. 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 2021 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	2021	2020	Difference	
			Value	%
Current assets	1,982,332	1,001,754	980,578	97.89
Non-current assets	465,104	393,034	72,070	18.34
Total assets	2,447,436	1,394,788	1,052,648	75.47
Current liabilities	1,449,473	650,280	799,193	122.90
Non-current liabilities	287,403	341,558	(54,155)	(15.86)
Total liabilities	1,736,876	991,838	745,038	75.12
Share capital	457,115	306,752	150,363	49.02
Capital reserve	145,039	6,117	138,922	2,271.08
Retained earnings	108,406	90,213	18,193	20.17
Other equities	0	(132)	132	(100)
Total shareholder equity of parent company	710,560	402,950	307,610	76.34
Total equity	710,560	402,950	307,610	76.34
Total liabilities and shareholder equities	2,447,436	1,394,788	1,052,648	75.47

For items with changes by 20% and above and the changes are worth NTD 10 million and above, explanations are provided below:

1. The increase of current asset and total asset in this period are due to continuous increase of raw material prices and the prepayments made to vendors are increased to maintain steady supply and secure better prices.
2. 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 to be within a year.
3. Increase of share capital: due mainly to cash capital increase
4. Increase of Capital Surplus: due mainly to cash capital increase – premium issuance of common shares.

## II. Financial performance

### (I) Management Outcome Comparative Analysis

Unit: NTD thousands

Item	2021	2020	Increased (Decreased) value	Variance%
Operating income	4,437,556	3,115,269	1,322,287	42.45
Operating cost	4,221,956	2,897,582	1,324,374	45.71
Operating gross profit	215,600	217,687	(2,087)	(0.96)
Operating expenditure	140,995	146,473	(5,478)	(3.74)
Operating profit	74,605	71,214	3,391	4.76
Total non-operating income and expenditure	(3,013)	(3,613)	600	(16.61)
Pre-tax net profit	71,592	67,601	3,991	5.90
Income tax expenditure	13,553	14,146	(593)	(4.19)
Net profit of current term	58,039	53,455	4,584	8.56
Other combined net profits or losses	(2,261)	349	(2,610)	(747.85)
Sum of combined profits or losses of current term	55,778	53,804	1,974	3.67
Net profit attributable to the parent company	58,039	53,455	4,584	8.56
Combined profits or losses attributable to the parent company	55,778	53,804	1,974	3.67
<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>1. Increase of operating revenue: mainly due to continuous hike of raw material price and rising demand of building steel</li> <li>2. Increase in operating cost: mainly due to continuous hike of raw material prices which affected gross operating profit and the net pre-tax and after tax profit going lower than previous period.</li> </ol>				

### (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 2021:

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
100,429	(188,817)	(267,147)	178,759	Not applicable	Not applicable
<p>1. Analysis of change in cash flows of the year:</p> <p>(1) Operating activities : Due mainly to account receivable is much higher than account payables in this period thus resulted to turn the cash of operation activities into outflowing.</p> <p>(2) Investment activities : Because of net cash outflow in investment activities in previous period is more than current period and previous period purchased land in Changbin Industrial Park from the Government for long term development and expansion of production capacity.</p> <p>(3) Fund-raising activities : In this period, cash capital increase was arranged in Q3 2021 for paying back bank borrowing and for increasing operation capital</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
178,759	(317,907)	(262,847)	(401,995)	-	531,000
<p>1. Analysis of change in cash flows of the year:</p> <p>(1) Operating activities : This is because growth in business volume led to increase of purchase and higher expenditure and higher account payable.</p> <p>(2) Investment activities : Currently there is no material investment plan</p> <p>(3) Fund-raising activities : Due mainly to paying back principals and interest compensation of Domestic 2nd Secured Convertible Corporate Bond and Domestic 3rd Unsecured Convertible Corporate Bond</p> <p>2. Improvement Plan for Insufficient Liquidity: In order to meet with the growth in business operation, the Company is arranging Cash Capital Increase and issuing new shares as well as 4th Unsecured Convertible Corporate Bond to meet with the funding needs and improve the under-liquidity</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 does not have material capital expenditure plan.

#### (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 investments of the Company are based on needs of business operation of the Company and for the future development and the decisions are made with detail consideration of organization type, location, market situation and other items to fit with the purpose of investment, and the investments are conducted along with the internal control system of the Company and related operation regulations.

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

Unit: NTD thousands

Name of investee	Investment Amount	Recognition of profits or losses from 2021
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.

For the needs in developing new business, it is planned to establish Taiwan Steel Materials Corporation in the Republic of China in a capital of NTS10 million and the business engaged will be steel material processing, manufacturing, sales , dealing and the investment stake will be 100%.

## 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 2021 were NTD 187,000.00 and NTD 11,851,000.00, respectively, accounting for 0% and 0.27%, 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 2021 were NTD (470,000.00), accounting for (0.01)% 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 February 28, 2022 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 February 28, 2022 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 (Including Information Security Risk) 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 2021, the Top 10 customers combined accounted for 33.00% of the net revenue of the said period. The sales to the No. 1 customer accounted only for 5.65%. 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 67.83% in 2021. 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:

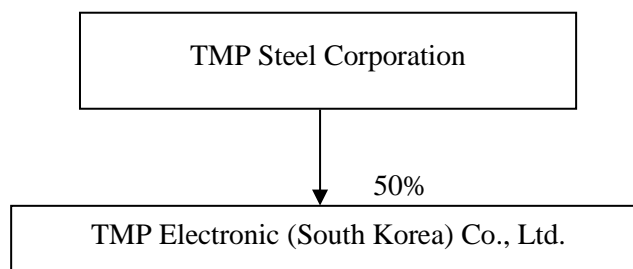
- Protect our company's key business information from unauthorized access.
- Maintain the continuous operation of the core information system to ensure that the company has an information environment for the continuous operation of the business.
- Handle information security education and training, promote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

## TMP Steel Corporation



### **PwC Taiwan**

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Dist., Tainan 701024, Taiwan

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### INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of TMP Steel Corporation

#### **Opinion**

We have audited the accompanying balance sheets of TMP Steel Corporation (the "Company") as of December 31, 2021, and the related statements of comprehensive income, of changes in equity and of cash flows for the year then ended, and 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 the Company as of December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

#### **Basis for opinion**

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

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2021 financial statements. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2021 financial statements are stated as follows:

## **Existence of sales revenue from steel building materials**

### Description

Refer to Note 4(28) for accounting policy on revenue recognition and Note 6(20) for details of operating revenue. The Company's operating revenue for the year ended December 31, 2021 was \$4,437,556 thousands.

The Company is primarily engaged in the sales of steel building materials. As the Company has numerous trading counterparties, voluminous transactions and would required a longer period for verification, we consider the existence of sales revenue from steel building materials a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

- A. Understood the design and assessed the effectiveness of the internal controls over sales revenue.
- B. Assessed basic information of major customers, including the details of person in charge, registered address, operating address, relationships with these major customers, and further evaluated the reasonableness of transactions and whether they were related to major suppliers.
- C. Selected samples of sales transactions and performed the following procedures:
  - (a) Verified whether sales transactions have original supporting documents including confirming orders, shipping documents and invoices.
  - (b) Ascertained whether material accounts receivable have been offset against the same parties to which the sales were made.
  - (c) Inspected whether there are any recurring or significant sales returns after the stated period and whether there are any abnormalities in payment collections after the stated period.
- D. Selected samples from sales transactions and send to corresponding parties for external confirmation. Implemented alternative audit procedures if the confirmation not received in time.

## **Other matter – Scope of the audit**

The financial statements of the Company as of and for the year ended December 31, 2020 were audited by other auditors whose report dated March 19, 2021 expressed an unmodified opinion on those statements.

## **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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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, matters 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 audit committee, are responsible for overseeing the Company's financial reporting process.

## **Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on 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 the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Tien, Chung-Yu

Independent Accountants

Lin, Tzu-Shu

PricewaterhouseCoopers, Taiwan

Republic of China

March 10, 2022

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Tien, Chung-Yu

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Lin, Tzu-Shu

For and on Behalf of PricewaterhouseCoopers, Taiwan

April 11, 2022

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The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.



TMP Steel Corporation  
BALANCE SHEETS  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 178,759	7	\$ 100,429	7
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	24,458	2
1120	Financial assets at fair value through other comprehensive income - current	6(3)	-	-	3,393	-
1136	Financial assets at amortised cost - current	6(1)(4) and 8	186,995	8	99,601	7
1150	Notes receivable, net	6(5) and 7	88,445	4	95,318	7
1170	Accounts receivable, net	6(5) and 12	878,253	36	521,600	38
1180	Accounts receivable - related parties	6(5), 7 and 12	198,560	8	3,690	-
1200	Other receivables		311	-	1,512	-
130X	Inventories	6(6)	247,045	10	139,486	10
1410	Prepayments	6(7)	203,964	8	12,267	1
11XX	<b>Total current assets</b>		<u>1,982,332</u>	<u>81</u>	<u>1,001,754</u>	<u>72</u>
<b>Non-current assets</b>						
1600	Property, plant and equipment	6(9)(10) and 8	365,957	15	267,325	19
1755	Right-of-use assets	6(9)(10)	73,300	3	93,386	7
1780	Intangible assets		1,202	-	1,819	-
1840	Deferred income tax assets	6(27)	4,454	-	4,445	-
1920	Guarantee deposits paid		20,191	1	26,059	2
15XX	<b>Total non-current assets</b>		<u>465,104</u>	<u>19</u>	<u>393,034</u>	<u>28</u>
1XXX	<b>Total assets</b>		<u>\$ 2,447,436</u>	<u>100</u>	<u>\$ 1,394,788</u>	<u>100</u>

(Continued)

TMP Steel Corporation  
BALANCE SHEETS  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(11) and 8	\$ 222,181	9	\$ 130,000	9
2120	Financial liabilities at fair value through profit or loss - current	6(2)	-	-	30	-
2130	Contract liabilities - current	6(20)	285,223	12	105,356	8
2150	Notes payable	7	25,194	1	11,415	1
2170	Accounts payable		485	-	314	-
2180	Accounts payable - related parties	7	513,470	21	162,414	12
2200	Other payables	6(12) and 7	68,327	3	44,349	3
2230	Current income tax liabilities	6(27)	3,859	-	13,485	1
2280	Lease liabilities - current	6(10)	22,190	1	22,963	2
2320	Long-term liabilities, current portion	6(13)(14) and 8	307,903	12	159,726	11
2399	Other current liabilities		641	-	228	-
21XX	<b>Total current Liabilities</b>		<u>1,449,473</u>	<u>59</u>	<u>650,280</u>	<u>47</u>
<b>Non-current liabilities</b>						
2530	Corporate bonds payable	6(13) and 8	-	-	147,310	10
2540	Long-term borrowings	6(14) and 8	233,110	10	121,052	9
2580	Lease liabilities - non-current	6(10)	54,253	2	73,156	5
2640	Net defined benefit liabilities - non-current	6(15)	40	-	40	-
25XX	<b>Total non-current liabilities</b>		<u>287,403</u>	<u>12</u>	<u>341,558</u>	<u>24</u>
2XXX	<b>Total Liabilities</b>		<u>1,736,876</u>	<u>71</u>	<u>991,838</u>	<u>71</u>
Share capital						
3110	Common stock	6(13)(16)	457,115	19	306,752	22
3200	Capital surplus	6(13)(16)(17)(18)	145,039	6	6,117	1
	Retained earnings	6(3)(19)				
3310	Legal reserve		21,871	1	16,914	1
3320	Special reserve		5,110	-	5,110	-
3350	Unappropriated retained earnings		81,425	3	68,189	5
3400	Other equity interest	6(3)	-	-	(132)	-
3XXX	<b>Total equity</b>		<u>710,560</u>	<u>29</u>	<u>402,950</u>	<u>29</u>
SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS						
SIGNIFICANT EVENT AFTER BALANCE SHEET DATE						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 2,447,436</u>	<u>100</u>	<u>\$ 1,394,788</u>	<u>100</u>

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

TMP Steel Corporation  
STATEMENTS OF COMPREHENSIVE INCOME  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

		Year ended December 31			
		2021		2020	
Items	Notes	AMOUNT	%	AMOUNT	%
4000	Operating revenue	\$ 4,437,556	100	\$ 3,115,269	100
5000	Operating costs	( 4,221,956)	( 95)	( 2,897,582)	( 93)
5900	Net operating margin	<u>215,600</u>	<u>5</u>	<u>217,687</u>	<u>7</u>
	Operating expenses				
6100	Selling expenses	( 97,670)	( 3)	( 85,113)	( 3)
6200	General and administrative expenses	( 43,659)	( 1)	( 35,023)	( 1)
6450	Expected credit gain (loss)	334	-	( 26,337)	( 1)
6000	Total operating expenses	<u>( 140,995)</u>	<u>( 4)</u>	<u>( 146,473)</u>	<u>( 5)</u>
6900	Operating profit	<u>74,605</u>	<u>1</u>	<u>71,214</u>	<u>2</u>
	Non-operating income and expenses				
7100	Interest income	187	-	663	-
7010	Other income	920	-	7,121	-
7020	Other gains and losses	7,731	-	( 1,769)	-
7050	Finance costs	( 11,851)	-	( 9,628)	-
7000	Total non-operating income and expenses	<u>( 3,013)</u>	<u>-</u>	<u>( 3,613)</u>	<u>-</u>
7900	<b>Profit before income tax</b>	71,592	1	67,601	2
7950	Income tax expense	( 13,553)	-	( 14,146)	-
8200	<b>Net income for the year</b>	<u>\$ 58,039</u>	<u>1</u>	<u>\$ 53,455</u>	<u>2</u>
	<b>Other comprehensive income (loss)</b>				
	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>				
8316	Unrealised (loss) gain on valuation of investments in equity instruments measured at fair value through other comprehensive income	( \$ 2,261)	-	\$ 349	-
8500	<b>Total comprehensive income for the year</b>	<u>\$ 55,778</u>	<u>1</u>	<u>\$ 53,804</u>	<u>2</u>
	Earnings per share (in dollars)				
9750	Basic	<u>\$ 1.62</u>		<u>\$ 1.74</u>	
9850	Diluted	<u>\$ 1.33</u>		<u>\$ 1.45</u>	

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

TMP Steel Corporation  
STATEMENTS OF CHANGES IN EQUITY  
(Expressed in thousands of New Taiwan dollars)

	Notes	Retained Earnings				Other Equity Interest		Total equity
		Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Unrealised (loss) gain from financial assets measured at fair value through other comprehensive income	
<u>For the year ended December 31, 2020</u>								
Balance at January 1, 2020		\$ 306,752	\$ 6,117	\$ 8,050	\$ 5,110	\$ 91,523	(\$ 921)	\$ 416,631
Net income for the year ended December 31, 2020		-	-	-	-	53,455	-	53,455
Other comprehensive income for the year ended December 31, 2020	6(3)	-	-	-	-	-	349	349
Total comprehensive income for the year ended December 31, 2020		-	-	-	-	53,455	349	53,804
Distribution of 2019 net income:								
Legal reserve		-	-	8,864	-	( 8,864 )	-	-
Cash dividends	6(19)	-	-	-	-	( 67,485 )	-	( 67,485 )
Disposal of financial assets at fair value through other comprehensive income	6(3)	-	-	-	-	( 440 )	440	-
Balance at December 31, 2020		<u>\$ 306,752</u>	<u>\$ 6,117</u>	<u>\$ 16,914</u>	<u>\$ 5,110</u>	<u>\$ 68,189</u>	<u>(\$ 132)</u>	<u>\$ 402,950</u>
<u>For the year ended December 31, 2021</u>								
Balance at January 1, 2021		\$ 306,752	\$ 6,117	\$ 16,914	\$ 5,110	\$ 68,189	(\$ 132)	\$ 402,950
Net income for the year ended December 31, 2021		-	-	-	-	58,039	-	58,039
Other comprehensive loss for the year ended December 31, 2021	6(3)	-	-	-	-	-	( 2,261 )	( 2,261 )
Total comprehensive income (loss) for the year ended December 31, 2021		-	-	-	-	58,039	( 2,261 )	55,778
Distribution of 2020 net income:								
Legal reserve		-	-	4,957	-	( 4,957 )	-	-
Cash dividends	6(19)	-	-	-	-	( 36,810 )	-	( 36,810 )
Issuance of common stock for cash	6(16)(17)	150,000	135,000	-	-	-	-	285,000
Disposal of financial assets at fair value through other comprehensive income	6(3)	-	-	-	-	( 2,393 )	2,393	-
Repurchase of convertible corporate bonds	6(17)	-	( 587 )	-	-	( 643 )	-	( 1,230 )
Conversion of corporate bonds into common stock	6(13)(16)(17)	363	628	-	-	-	-	991
Compensation cost of employee stock options	6(17)(18)(26)	-	3,881	-	-	-	-	3,881
Balance at December 31, 2021		<u>\$ 457,115</u>	<u>\$ 145,039</u>	<u>\$ 21,871</u>	<u>\$ 5,110</u>	<u>\$ 81,425</u>	<u>\$ -</u>	<u>\$ 710,560</u>

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

TMP Steel Corporation  
STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2021	2020
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 71,592	\$ 67,601
Adjustments			
Adjustments to reconcile profit (loss)			
(Gain) loss on financial assets and liabilities at fair value through profit or loss	6(2)(23)	( 7,061 )	315
Unrealised foreign exchange loss		1,062	994
Expected credit (gain) loss	12	( 334 )	26,337
Depreciation	6(9)(10)(26)	33,881	34,634
Gain on disposal of property, plant and equipment	6(23)	( 98 )	( 29 )
Gain from lease modification	6(23)	( 182 )	-
Amortisation	6(25)	782	764
Gain on repurchase of corporate bonds	6(23)	( 889 )	-
Compensation cost of employee stock options	6(17)(18)(26)	3,881	-
Interest income	6(21)	( 187 )	663
Dividend income	6(22)	( 659 )	901
Interest expense	6(24)	11,851	9,628
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		6,873	( 32,703 )
Accounts receivable		( 356,319 )	59,635
Accounts receivable - related parties		( 194,870 )	( 3,071 )
Prepayments		( 191,697 )	10,899
Other receivables		1,201	( 2,290 )
Inventories		( 107,559 )	( 18,268 )
Changes in operating liabilities			
Contract liabilities - current		179,867	( 29,205 )
Notes payable		13,779	( 11,689 )
Accounts payable		171	( 26,396 )
Accounts payable - related parties		351,056	( 33,337 )
Other payables		22,460	6,359
Other current liabilities		413	( 130 )
Net defined benefit liabilities - non-current		-	( 112 )
Cash (outflow) inflow generated from operations		( 160,986 )	58,372
Interest received		187	663
Dividends received		659	901
Interest paid		( 5,489 )	( 3,305 )
Income tax paid		( 23,188 )	( 17,652 )
Net cash flows (used in) from operating activities		( 188,817 )	38,979

(Continued)

TMP Steel Corporation  
STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2021	2020
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Increase in financial assets at amortised cost - current		(\$ 88,456 )	(\$ 25,379 )
Acquisition of financial assets at fair value through profit or loss - current		-	( 4,353 )
Proceeds from disposal of financial assets at fair value through profit or loss - current		31,489	7
Acquisition of financial assets at fair value through other comprehensive income - current		( 148,678 )	( 1,976 )
Proceeds from disposal of financial assets at fair value through other comprehensive income - current	6(3)	146,641	2,694
Proceeds from capital reduction of financial assets at fair value through other comprehensive income - current	6(3)	3,169	-
Cash paid for acquisition of property, plant and equipment	6(29)	( 107,464 )	( 242,972 )
Proceeds from disposal of property, plant and equipment		326	68
Acquisition of intangible assets		( 165 )	( 996 )
Decrease in prepayment for equipment		-	7,977
Decrease (increase) in guarantee deposits paid		5,868	( 20,999 )
Net cash flows used in investing activities		( 157,270 )	( 285,929 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in short-term borrowings	6(30)	92,181	119,000
Repurchase of convertible corporate bonds	6(30)	( 22,535 )	-
Increase in long-term borrowings	6(30)	147,300	117,016
Decrease in long-term borrowings	6(30)	( 17,552 )	( 6,483 )
Payment of lease liabilities	6(30)	( 23,167 )	( 24,701 )
Issuance of common stock for cash	6(16)	285,000	-
Payment of cash dividends	6(19)	( 36,810 )	( 67,485 )
Net cash flows from financing activities		424,417	137,347
Net increase (decrease) in cash and cash equivalents		78,330	( 109,603 )
Cash and cash equivalents at beginning of year	6(1)	100,429	210,032
Cash and cash equivalents at end of year	6(1)	\$ 178,759	\$ 100,429

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

TMP STEEL CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

- (1) TMP Steel Corporation (the Company) was incorporated on May 16, 1984 as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C). The Company is primarily engaged in the wholesale of hardware and building materials and the manufacture and sales of its components.
- (2) The Company used to be named Taipei MultiPower Electronics Co., Ltd., then changed in name to Taipei MultiPower International Co., Ltd., as approved by the shareholders during their meeting on June 15, 2000; on June 29, 2016, the shareholders during their meeting has approved to again change the Company's name to TMP Steel Corporation.
- (3) The common shares of the Company have been listed on the Taipei Exchange since September 2003.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These financial statements were authorised for issuance by the Board of Directors on March 10, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform - Phase 2'	January 1, 2021
Amendment to IFRS 16, 'Covid-19-related rent concessions beyond 30 June 2021'	April 1, 2021 (Note)

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRSs 2018 - 2020 cycle	January 1, 2022

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 - comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Company's financial



condition and financial performance based on the Company's assessment.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### (1) Compliance statement

The financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

##### (2) Basis of preparation

A. Except for the following items, the financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5, 'Critical accounting judgements, estimates and key sources of assumption uncertainty'.

##### (3) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in New Taiwan Dollars, which is the Company's functional and presentation currency.

A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

C. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets arising mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly for trading activities;
  - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(6) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:  
The changes in fair value of equity investments that were recognised in other comprehensive

income are reclassified to retained earnings and are not reclassified to profit or loss following the recognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Company's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Notes and accounts receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. If the cost exceeds net realisable value, valuation loss is accrued and recognised in operating costs. If the net realisable value reverses, valuation is eliminated within the credit balance and is recognised as deduction of operating costs

(10) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Investments accounted for using equity method - associates

- A. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- E. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are subsequently depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Assets	Useful lives
Buildings (including auxiliary equipment)	10 years
Machinery and equipment	3 ~ 20 years
Office equipment	3 ~ 20 years
Leasehold improvements	2 ~ 10 years

(14) Leasing arrangements (lessee) - right-of-use assets/lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability; and
  - (b) Any lease payments made at or before the commencement date.
- The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.
- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(15) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 5 years.

(16) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(17) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(18) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

- (a) Hybrid (combined) contracts.
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures the financial liabilities at fair value with any gain or loss recognised in profit or loss.

C. If the credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognising in profit or loss for loan commitments or financial guarantee contracts.

(19) Notes and accounts receivable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Convertible bonds payable

Convertible corporate bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract term. They are accounted for as follows:

- A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.
- C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus - share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable and 'financial assets or liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus – share option'.

(21) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(22) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in the period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plan

For the defined contribution plan, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their service with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.
- ii. Remeasurements arising on defined benefit plan are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(23) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.
- B. For cash capital increase reserved for employee preemption, grant date is determined in accordance with the date which subscription price and amounts are agreed.

(24) Income taxes

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax



returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(25) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(26) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(27) Revenue recognition

A. Sales of goods

- (a) The Company manufactures and sells steel building materials, sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that

all criteria for acceptance have been satisfied.

- (b) Accounts receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Rendering of services

- (a) The Company provides processing services. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the service rendered up to the end of the reporting period as a proportion of the total services to be provided.
- (b) The Company's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management becomes aware of the changes in circumstances.

(28) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

As the Company's operating scale and the industry that it belongs to are not complex, the estimation and valuation of carrying amounts of assets and liabilities can be verified objectively. The preparation of these financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. There is no significant risk that these estimates and assumptions would a material adjustment to the carrying amount of assets and liabilities within the next financial year.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand	\$ 235	\$ 209
Checking deposits and demand deposits	<u>178, 524</u>	<u>100, 220</u>
	<u>\$ 178, 759</u>	<u>\$ 100, 429</u>

- A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The time deposits maturing over three months (listed as 'financial assets at amortised cost - current') amounted to \$1,787 and \$1,829 as of December 31, 2021 and 2020, respectively.
- C. Details of the Company's time deposits pledged to others as collateral (listed as 'financial assets

at amortised cost - current') as of December 31, 2021 and 2020 are provided in Note 8, 'PLEGDED ASSETS'.

(2) Financial assets and liabilities at fair value through profit or loss - current

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ -	\$ 29,112
Valuation adjustments	-	(4,654)
	<u>\$ -</u>	<u>\$ 24,458</u>
Financial liabilities held for trading		
Third domestic convertible corporate bonds put options	<u>\$ -</u>	<u>\$ 30</u>

- A. The Company recognised dividend income of \$569 and \$721 (listed as 'Other income'), for the years ended December 31, 2021 and 2020, respectively, in profit or loss in relation to the financial assets at fair value through profit or loss.
- B. The Company recognised net gain (loss) of \$7,061 and (\$315) (listed as "Other gains and losses"), for the years ended December 31, 2021 and 2020, respectively.
- C. As of December 31, 2021 and 2020, the Company has no financial assets at fair value through profit or loss pledged to others.
- D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2), 'Financial instruments'.

(3) Financial assets at fair value through other comprehensive income - current

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Equity instruments		
Listed shares	\$ -	\$ 3,525
Valuation adjustments	-	(132)
	<u>\$ -</u>	<u>\$ 3,393</u>

- A. The Company has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. Without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk was the carrying amount.
- B. The Company disposed financial assets at fair value through other comprehensive income in the amount of \$146,641 and \$2,694, for the year ended December 31, 2021 and 2020, respectively. This resulted in cumulative loss on disposal amounted to \$2,393 and \$440, which was reclassified to retained earnings.
- C. The Company recognised (\$2,261) and \$349 in other comprehensive income for fair value change, for the years ended December 31, 2021 and 2020, respectively.

- D. The Company's financial assets at fair value through other comprehensive income – current, D-LINK CORPORATION, conducted a capital reduction in November 2021. The Company has reversed 317 thousand shares at the initial investment price of \$3,169 proportionately.
- E. The Company recognised dividend income of \$90 and \$180 (listed as 'other income'), for the years ended December 31, 2021 and 2020, respectively, in profit or loss in relation to the financial assets at fair value through other comprehensive income.
- F. As of December 31, 2021 and 2020, the Company has no financial assets at fair value through other comprehensive income pledged to others.
- G. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2), 'Financial instruments'.

(4) Financial assets at amortised cost - current

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Demand deposits pledged	\$ 161, 632	\$ 74, 916
Time deposits pledged	<u>25, 363</u>	<u>24, 685</u>
	<u>\$ 186, 995</u>	<u>\$ 99, 601</u>

- A. Amounts recognised in profit or loss in relation to the current financial assets at amortized cost is as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Interest income	<u>\$ 178</u>	<u>\$ 635</u>

- B. As of December 31, 2021 and 2020, without taking into account any other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Company was the carrying amount.
- C. As of December 31, 2021 and 2020, the Company financial assets at amortised cost pledged to others as collateral are provided in Note 8, 'PLEDGE ASSETS'.
- D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2), 'Financial instruments'.

(5) Notes and accounts receivable, net

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 88, 458	\$ 95, 331
Less: Allowance for uncollectible accounts	<u>( 13)</u>	<u>( 13)</u>
	<u>\$ 88, 445</u>	<u>\$ 95, 318</u>
Accounts receivable	\$ 904, 847	\$ 548, 528
Less: Allowance for uncollectible accounts	<u>( 26, 594)</u>	<u>( 26, 928)</u>
	<u>\$ 878, 253</u>	<u>\$ 521, 600</u>

A. The ageing analysis of notes receivable and accounts receivable that were past due but not impaired is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable:		
During the credit period	\$ <u>88,458</u>	\$ <u>95,331</u>
Accounts receivable:		
During the credit period	\$ 1,073,737	\$ 499,742
Overdue 1 to 90 days	62	26,186
Overdue 91 to 180 days	2,955	14,666
Overdue 180 to 270 days	267	5,751
Overdue 271 to 365 days	309	-
Overdue over 365 days	<u>26,077</u>	<u>5,873</u>
	<u>\$ 1,103,407</u>	<u>\$ 552,218</u>

The above ageing analysis was based on days overdue.

- B. As of December 31, 2021 and 2020, notes receivable and accounts receivable were all from contracts with customers. As of January 1, 2020, the balance of receivables from contracts with customers amounted to \$671,410.
- C. Without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk was the carrying amount.
- D. As of December 31, 2021 and 2020, the Company did not hold any collateral as security for notes and accounts receivable.
- E. Information relating to credit risk of notes and accounts receivable is provided in Note 12(2), 'Financial instruments'.

(6) Inventories

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Allowance for for inventory valuation losses</u>	<u>Book value</u>
Raw materials	\$ 205,791	\$ -	\$ 205,791
Finished goods	41,254	-	41,254
	<u>\$ 247,045</u>	<u>\$ -</u>	<u>\$ 247,045</u>
	<u>December 31, 2020</u>		
	<u>Cost</u>	<u>Allowance for inventory valuation losses</u>	<u>Book value</u>
Raw materials	\$ 109,398	\$ -	\$ 109,398
Finished goods	30,088	-	30,088
	<u>\$ 139,486</u>	<u>\$ -</u>	<u>\$ 139,486</u>

The cost of inventories recognised as expense for the year:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Cost of goods sold	\$ 4,221,956	\$ 2,897,582

(7) Prepayments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Prepayments to suppliers	\$ 202,316	\$ 10,611
Others	1,648	1,656
	<u>\$ 203,964</u>	<u>\$ 12,267</u>

(8) Investments accounted for using the equity method

A. Details of investment accounted for using the equity method are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Korea Peibo Electronics Co., Ltd.	\$ 1,058	\$ 1,058
Less: Accumulated impairment	( 1,058)	( 1,058)
	<u>\$ -</u>	<u>\$ -</u>

B. As of December 31, 2021 and 2020, the Company has no investment accounted for using the equity method pledged to others.

C. For the years ended December 31, 2021 and 2020, the Company did not recognise impairment loss or gain on reversal of impairment related to investments accounted for using the equity method. As of December 31, 2021 and 2020, the carrying amount of accumulated impairment loss of investments accounted for using the equity method were both \$1,058.

(9) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Construction in process and to be inspected</u>	<u>Total</u>
<u>At January 1, 2021</u>							
Cost	\$ 103,606	\$ 69	\$ 81,586	\$ 3,676	\$ 23,939	\$ 78,685	\$ 291,561
Accumulated depreciation	-	( 4)	( 18,758)	( 1,305)	( 3,077)	-	( 23,144)
Accumulated impairment	-	-	( 357)	( 735)	-	-	( 1,092)
	<u>\$ 103,606</u>	<u>\$ 65</u>	<u>\$ 62,471</u>	<u>\$ 1,636</u>	<u>\$ 20,862</u>	<u>\$ 78,685</u>	<u>\$ 267,325</u>
<u>For the year ended December 31, 2021</u>							
At January 1	\$ 103,606	\$ 65	\$ 62,471	\$ 1,636	\$ 20,862	\$ 78,685	\$ 267,325
Additions	-	630	11,745	2,460	1,953	92,194	108,982
Transferred (Note)	-	-	179	-	-	-	179
Depreciation	-	( 11)	( 7,322)	( 407)	( 2,561)	-	( 10,301)
Disposals - Costs	-	-	( 1,745)	( 71)	-	-	( 1,816)
- Accumulated depreciation	-	-	1,517	33	-	-	1,550
- Accumulated impairment	-	-	-	38	-	-	38
At December 31	<u>\$ 103,606</u>	<u>\$ 684</u>	<u>\$ 66,845</u>	<u>\$ 3,689</u>	<u>\$ 20,254</u>	<u>\$ 170,879</u>	<u>\$ 365,957</u>
<u>At December 31, 2021</u>							
Cost	\$ 103,606	\$ 699	\$ 91,765	\$ 6,065	\$ 25,892	\$ 170,879	\$ 398,906
Accumulated depreciation	-	( 15)	( 24,563)	( 1,679)	( 5,638)	-	( 31,895)
Accumulated impairment	-	-	( 357)	( 697)	-	-	( 1,054)
	<u>\$ 103,606</u>	<u>\$ 684</u>	<u>\$ 66,845</u>	<u>\$ 3,689</u>	<u>\$ 20,254</u>	<u>\$ 170,879</u>	<u>\$ 365,957</u>

(Note) Transferred from "Right-of-use assets".

	Land	Buildings	Machinery and equipment	Office equipment	Leasehold improvements	Construction in process and to be inspected	Total
<u>At January 1, 2020</u>							
Cost	\$ -	\$ -	\$ 42,207	\$ 2,269	\$ 4,065	\$ 515	\$ 49,056
Accumulated depreciation	-	-	( 13,102)	( 1,071)	( 1,332)	-	( 15,505)
Accumulated impairment	-	-	( 357)	( 735)	-	-	( 1,092)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,748</u>	<u>\$ 463</u>	<u>\$ 2,733</u>	<u>\$ 515</u>	<u>\$ 32,459</u>
<u>For the year ended December 31, 2020</u>							
At January 1	\$ -	\$ -	\$ 28,748	\$ 463	\$ 2,733	\$ 515	\$ 32,459
Additions	103,606	69	38,941	2,312	19,874	78,170	242,972
Reclassification	-	-	905	( 905)	-	-	-
Depreciation	-	( 4)	( 6,084)	( 234)	( 1,745)	-	( 8,067)
Disposals - Costs	-	-	( 467)	-	-	-	( 467)
- Accumulated depreciation	-	-	428	-	-	-	428
At December 31	<u>\$ 103,606</u>	<u>\$ 65</u>	<u>\$ 62,471</u>	<u>\$ 1,636</u>	<u>\$ 20,862</u>	<u>\$ 78,685</u>	<u>\$ 267,325</u>
<u>At December 31, 2020</u>							
Cost	\$ 103,606	\$ 69	\$ 81,586	\$ 3,676	\$ 23,939	\$ 78,685	\$ 291,561
Accumulated depreciation	-	( 4)	( 18,758)	( 1,305)	( 3,077)	-	( 23,144)
Accumulated impairment	-	-	( 357)	( 735)	-	-	( 1,092)
	<u>\$ 103,606</u>	<u>\$ 65</u>	<u>\$ 62,471</u>	<u>\$ 1,636</u>	<u>\$ 20,862</u>	<u>\$ 78,685</u>	<u>\$ 267,325</u>



- A. The Company's property, plant and equipment as of December 31, 2021 and 2020 were for its own use.
- B. No interest expense was capitalised as part of property, plant and equipment for the years ended December 31, 2021 and 2020.
- C. Information about the property, plant and equipment that were pledged to others as collateral as of December 31, 2021 and 2020 is provided in Note 8, 'PLEDGED ASSETS'.
- D. The Company recognised gain on reversal of impairment of \$38 and \$-, for the years ended December 31, 2021 and 2020, respectively, due to disposal of impaired property, plant and equipment. As of December 31, 2021 and 2020, the carrying amount of accumulated impairment loss of property, plant and equipment were \$1,054 and \$1,092, respectively.

(10) Leasing arrangements - lessee

- A. The Company leases various assets including plant, buildings and transportation equipment. Rental contracts are typically made for periods of 2 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants.
- B. The carrying amount of right-of-use assets and the depreciation are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Transportation equipment	\$ 5,092	\$ 3,114
Buildings	68,208	90,272
	<u>\$ 73,300</u>	<u>\$ 93,386</u>
	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation</u>	<u>Depreciation</u>
Transportation equipment	\$ 1,516	\$ 1,251
Buildings	22,064	25,316
	<u>\$ 23,580</u>	<u>\$ 26,567</u>

- C. The additions to right-of-use assets were \$3,673 and \$56,147, for the years ended December 31, 2021 and 2020, respectively.
- D. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,289	\$ 1,532
Expense on short-term lease contracts	4,117	4,272
Expense on leases of low-value assets	168	166

- E. The Company's total cash outflow for leases were \$28,741 and \$30,671, for the years ended December 31, 2021 and 2020, respectively.

F. In determining the lease term, the Company takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment. Based on the assessment on whether to exercise the extension option or not to exercise the termination option, decrease in the right-of-use assets and lease liabilities of \$179 and \$182 was recognised as of December 31, 2021, respectively, resulting to a gain from lease modification of \$182 (listed as “other gains and losses”).

(11) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Secured bank borrowings	\$ 170,000	1.25%~1.60%	Demand and time deposits
Unsecured bank borrowings	52,181	1.63%	None
	<u>\$ 222,181</u>		

<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured bank borrowings	<u>\$ 130,000</u>	1.25%~1.32%	None

Information about interest expenses recognised in profit or loss for the years ended December 31, 2021 and 2020 is provided in Note 6(24), ‘Finance costs’.

(12) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accrued shipping fees	\$ 18,176	\$ 9,504
Accrued salaries and bonuses	14,302	11,268
Accrued import fees	11,515	-
Accrued manufacturing fees	6,523	9,750
Accrued employees’ compensation and directors’ remuneration	3,520	3,000
Equipment payable	1,518	-
Taxes payable	939	2,530
Others	11,834	8,297
	<u>\$ 68,327</u>	<u>\$ 44,349</u>

(13) Bonds payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Collateral</u>
Second domestic secured convertible corporate bonds	\$ 150,369	\$ 147,310	Demand deposits
Third domestic unsecured convertible corporate bonds	127,164	147,046	
	277,533	294,356	
Less: current portion	(277,533)	(147,046)	
	<u>\$ -</u>	<u>\$ 147,310</u>	

A. In November 2019, the Company issued the second domestic secured convertible bonds and the third domestic unsecured convertible bonds. The significant terms are as follows:

(a) The terms of the second domestic secured convertible bonds issued by the Company are as follows:

- i. The Company issued \$150,000 (related issuance cost was \$4,930), 0% second domestic secured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (November 8, 2019 ~ November 8, 2022) and will be redeemed in cash at 101.51% of face value at the maturity date.
- ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue (February 9, 2020) to the maturity date (November 8, 2022), except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- iii. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the reset conversion price is higher than the conversion price before the reset, the conversion price will not be adjusted.
- iv. The Company may repurchase all the bonds outstanding in cash at the bonds' face value after the following events occur: (i) the closing price of the Company's common shares on the Taipei Exchange is above the then conversion price by 30% or more for 30 consecutive trading days, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue (February 9, 2020) to 40 days before the maturity date (September 29, 2022). Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- v. The bonds are guaranteed by Entie Commercial Bank (the "Guarantor"). The guarantee period is from the date on which all proceeds from issuing bonds are collected to the date of settlement of all liabilities such as principal and interest payable under the terms of the bonds. The guarantee covers the obligations owed by the primary obligor such as outstanding principal and interest payable under the bonds.

(b) The terms of the third domestic unsecured convertible bonds issued by the Company are as follows:

- i. The Company issued \$150,000 (related issuance cost was \$2,570), 0% third domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (November 11, 2019 ~ November 11, 2022) and will be redeemed

in cash at 102.27% of face value at the maturity date.

- ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue (February 12, 2020) to the maturity date (November 11, 2022), except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
  - iii. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the reset conversion price is higher than the conversion price before the reset, the conversion price will not be adjusted.
  - iv. The Company may repurchase all the bonds outstanding in cash at the bonds' face value after the following events occur: (i) the closing price of the Company's common shares on the Taipei Exchange is above the then conversion price by 30% or more for 30 consecutive trading days, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue (February 12, 2022) to 40 days before the maturity date (October 1, 2022). For the year ended december 31, 2021, the Company repurchaseed bonds from the Taipei Exchange, the repurchase price (including transaction costs) of \$21,305 was allocated to liability or equity component in accordance with IAS 32, "Financial Instruments: Presentation". The difference between the amount allocated to liability and the carrying amount of \$889 was recognised in profit or loss (listed as "Other gains and losses") while the difference between the amount allocated to equity and the carrying amount of \$643 was recognised in "Retained earnings". There was no such transaction for the year ended December 31, 2020.
  - v. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- B. As of December 31, 2021, the bonds totaling \$10,000 (par value) had been converted into 36 thousand shares of common stock. The registration has been completed (listed as 'ordinary share' of \$363 and 'capital surplus-additional paid-in capital' of \$654). There was no such transaction for the year ended December 31, 2020.
- C. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$5,920 were separated from the liability component and were recognised in 'capital surplus - share options' in accordance with IAS 32. As of December 31, 2021 and 2020, the balances of aforementioned 'capital surplus - share options' after writing off the bonds repurchased by the Company and conversion options exercised by creditors in accordance with the terms of the

bonds amounted to \$5,307 and \$5,920, respectively. The call options and put options embedded in bonds payable were separated from their host contracts and were recognised in ‘non-current financial assets or liabilities at fair value through profit or loss’ in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rate of the bonds payable after such separation was 2.077%.

D. Information about interest expenses recognised in profit or loss for the years ended December 31, 2021 and 2020 is provided in Note 6(24), ‘Financial costs’.

(14) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Secured borrowings	2018. 10~2031. 12	0. 75%~1. 61%	Demand deposits, time deposits, land, and construction in process	\$ 263, 480
Less: Current portion of long-term borrowings				( 30, 370)
				<u>\$ 233, 110</u>
<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2020</u>
Secured borrowings	2018. 10~2023. 11	1. 25%~1. 40%	Time deposits	\$ 133, 732
Less: Current portion of long-term borrowings				( 12, 680)
				<u>\$ 121, 052</u>

Information about interest expenses recognised in profit or loss for the years ended December 31, 2021 and 2020 is provided in Note 6(24), ‘Finance costs’.

(15) Pensions

A. The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees’ service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees’ monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

The Company has no employees who are subject to the pension plan under the Labor Standards Act since September 2020, and has temporarily suspended the contribution to the labor pension reserve since February 2021 as approved by the Taipei City Government, Bureau of Labor. For

the year ended December 31, 2020, the Company recognised pension gain amounting to \$3 in the statement of comprehensive income in accordance with the defined benefit plan. The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations	\$ 248	\$ 248
Fair value of plan assets	( 208)	( 208)
Net defined benefit liability - non-current	<u>\$ 40</u>	<u>\$ 40</u>

- B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under defined contribution pension plans of the Company were \$1,998 and \$1,806 for the years ended December 31, 2021 and 2020, respectively.

(16) Share capital

- A. Movements in the number of the Company’s ordinary shares outstanding are as follows (in thousands of shares):

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Beginning balance	30, 675	30, 675
Issuance of common stock for cash	15, 000	-
Conversion of convertible corporate bonds	36	-
	<u>45, 711</u>	<u>30, 675</u>

- B. On March 10, 2020, during the Board of Directors meeting of the Company resolved to apply for the public issuance and listing of 16,165 thousand private placement ordinary shares on the Taipei Exchange. The issuance was approved in accordance with Order No. Financial-Supervisory-Securities-Corporate-1090343220, dated May 22, 2020. The shares were listed on the Taipei Exchange on June 20, 2020.
- C. On March 11, 2021 and July 27, 2021, during the Board of Directors meetings of the Company resolved to raise additional cash through issuing 15 million new shares, which has been approved by the Securities and Futures Bureau, Financial Supervisory Commission. The shares were issued at a premium of \$19 (in dollars) per share, totaling \$285,000, with effective date set on August 26, 2021. The change of registration was completed on November 16, 2021.
- D. Information about the requests for conversion of convertible corporate bonds for the year ended December 31, 2021 is provided in Note 6(13), ‘Bonds payable’.
- E. As of December 31, 2021, the Company’s authorised capital was \$1,500,000, consisting of 45,711 thousand shares of ordinary stock, and the paid-in capital was \$457,115 with a par value of \$10

(in dollars) per share, which were issued in several installments. All proceeds from shares issued have been collected.

(17) Capital surplus

	For the year ended December 31, 2021			
	<u>Share premium</u>	<u>Share</u>	<u>Others</u>	<u>Total</u>
Balance at January 1	\$ -	\$ 5,920	\$ 197	\$ 6,117
Issuance of common stock for cash	135,000	-	-	135,000
Repurchase of convertible corporate bonds	-	( 587)	-	( 587)
Conversion of corporate bonds into common stock	654	( 26)	-	628
Compensation cost of employee stock options	<u>3,881</u>	<u>-</u>	<u>-</u>	<u>3,881</u>
Balance at December 31	<u>\$ 139,535</u>	<u>\$ 5,307</u>	<u>\$ 197</u>	<u>\$ 145,039</u>

	For the year ended December 31, 2020			
	<u>Share premium</u>	<u>Share</u>	<u>Others</u>	<u>Total</u>
Beginning and ending balance	<u>\$ -</u>	<u>\$ 5,920</u>	<u>\$ 197</u>	<u>\$ 6,117</u>

A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. Information about the movements of 'capital surplus - share options' is provided in Note 6(18), 'Share-based payments'.

(18) Share-based payments

On March 11, 2021 and July 27, 2021, during the Board of Directors meetings of the Company resolved to raise additional cash by issuing new shares, of which 2,250 thousand shares were reserve for employee preemption, with the effective date set on July 28, 2021 and subscription price of \$19 (in dollars) per share. The compensation cost recognised by the Company due to the aforementioned cash capital increase reserved for employee preemption amounted to \$3,881 (corresponding account shown as 'capital surplus - share options'). The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Grant date	<u>July 28, 2021</u>
Share price (in dollars)	\$ 24.20
Exercise price (in dollars)	19.00
Dividend yield	0%
Expected price volatility	37.60%
Risk-free interest rate	0.15%
Expected duration	0.066 years
Fair value in dollars (per share)	\$ 5.21 (in dollars)

The Company has no share-based payment arrangement as of December 31, 2020.

(19) Retained earnings

A. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

B. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. However, when the legal reserve equals to the paid-in capital, the appropriation is not required. After that, a special reserve shall be set aside or reversed in accordance with Article 41 of the Securities and Exchange Act. The remaining earnings plus the accumulated unappropriated earnings shall be proposed by the Board of Directors to be resolved at the shareholders' meeting as dividends to shareholders.

The Company's dividend policy is in line with current and future development plans, and takes into consideration investment environment, capital requirements, domestic and overseas competition, and shareholders' interest, etc. At least 1% of the Company's distributable earnings of the year shall be appropriated as dividends and bonuses each year. However, the distribution is not required if the accumulated distributable earnings is lower than 1% of paid-in capital. Dividends and bonuses may be distributed in the form of cash or shares, and cash dividends shall account for at least 10% of the total dividends distributed. However, the type and payout ratio of dividend may be adjusted by the resolution of the shareholders during their meeting according to the actual profit and capital position of the year.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. On July 2, 2021 and April 23, 2020, the stockholders' meeting resolved for the distributions of cash dividends from the 2020 and 2019 earnings in the amounts of \$36,810 (\$1.2 (in dollars) per share) and \$67,485 (\$2.2 (in dollars) per share), respectively. On March 10, 2022, the Board of



Directors proposed for the distribution of cash dividends of \$54,854 (\$1.2 (in dollars) per share) from 2021 earnings.

(20) Operating revenue

	For the years ended December 31,	
	2021	2020
Sales revenue	\$ 4,422,687	\$ 3,099,714
Processing revenue	14,869	15,555
	<u>\$ 4,437,556</u>	<u>\$ 3,115,269</u>

A. The Company derives sales revenue from the transfer of goods at point in time and processing revenue from rendering services over time.

B. The Company has recognised the following revenue-related contract liabilities:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Contract liabilities - current			
Advance sales receipts	<u>\$ 285,223</u>	<u>\$ 105,356</u>	<u>\$ 134,561</u>

Revenue recognised for the years ended December 31, 2021 and 2020 that was included in the contract liability balance as at January 1, 2021 and 2020 amounted to \$93,278 and \$126,532, respectively.

(21) Interest income

	For the years ended December 31,	
	2021	2020
Interest income from bank deposits	\$ 178	\$ 637
Other interest income	9	26
	<u>\$ 187</u>	<u>\$ 663</u>

(22) Other income

	For the years ended December 31,	
	2021	2020
Dividend income	\$ 659	\$ 901
Other income	261	6,220
	<u>\$ 920</u>	<u>\$ 7,121</u>

(23) Other gains and losses

	For the years ended December 31,	
	2021	2020
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	\$ 7,061	(\$ 315)
Net gain on disposal of property, plant and equipment	98	29
Gain from lease modification	182	-
Net gain from repurchase of bonds payable	889	-
Net currency exchange loss	( 470)	( 1,358)
Other losses	( 29)	( 125)
	<u>\$ 7,731</u>	<u>(\$ 1,769)</u>

(24) Finance costs

	For the years ended December 31,	
	2021	2020
Interest expense:		
Convertible corporate bonds	\$ 6,362	\$ 6,323
Bank borrowings	4,200	1,773
Lease liabilities	1,289	1,532
	<u>\$ 11,851</u>	<u>\$ 9,628</u>

(25) Expenses by nature

	For the year ended December 31, 2021		
	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 26,717	\$ 46,496	\$ 73,213
Depreciation	30,251	3,630	33,881
Amortisation	178	604	782
	<u>\$ 57,146</u>	<u>\$ 50,730</u>	<u>\$ 107,876</u>

	For the year ended December 31, 2020		
	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 23,085	\$ 39,687	\$ 62,772
Depreciation	31,579	3,055	34,634
Amortisation	38	726	764
	<u>\$ 54,702</u>	<u>\$ 43,468</u>	<u>\$ 98,170</u>

(26) Employee benefit expense

	For the year ended December 31, 2021		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Wages and salaries	\$ 22,737	\$ 33,097	\$ 55,834
Compensaiton cost of employee stock options	-	3,881	3,881
Labour and health insurance expenses	1,527	2,629	4,156
Pension costs	716	1,282	1,998
Directors' remuneration	-	3,241	3,241
Other personnel expenses	<u>1,737</u>	<u>2,366</u>	<u>4,103</u>
	<u>\$ 26,717</u>	<u>\$ 46,496</u>	<u>\$ 73,213</u>

	For the year ended December 31, 2020		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Wages and salaries	\$ 19,556	\$ 32,233	\$ 51,789
Labour and health insurance expenses	1,401	2,000	3,401
Pension costs	708	1,095	1,803
Directors' remuneration	-	2,525	2,525
Other personnel expenses	<u>1,420</u>	<u>1,834</u>	<u>3,254</u>
	<u>\$ 23,085</u>	<u>\$ 39,687</u>	<u>\$ 62,772</u>

- A. As of December 31, 2021 and 2020, the Company had 71 and 65 employees, respectively, both including 5 non-employee directors.
- B. The Company's average employee benefit expense and average employee salaries amounted to \$1,060 and \$1,004, \$846 and \$863, for the years ended December 31, 2021 and 2020, respectively. Average employee salaries in 2021 increased by 1.97% compared with 2020.
- C. The supervisors' remuneration of the Company amounted to \$- and \$8, for the years ended December 31, 2021 and 2020, respectively.
- D. The salary and compensation policy of the Company are as follows:
- (a) The standard of employees' salary takes into consideration the 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 measurement of wages and remuneration to directors and managers.

- E. The Company's distributable profit of the year, (the distributable profit refers to profit before deducting tax and the employees' compensation and directors' and supervisors' remuneration below) if any, shall be used to cover accumulated deficit, and the remainder, if any, is distributed as follows: (a) 1% ~ 10% for employees' compensation, and (b) No higher than 4% for directors' and supervisors' remuneration. The aforementioned employees' compensation can be distributed in the form of stocks or cash. The employees include the employees of the Company's subsidiaries who meet the requirements stipulated by the Board of Directors. The aforementioned directors' and supervisors' remuneration can only be distributed in the form of cash. Both distributions shall be proposed by the Remuneration Committee to the Board of Directors. The Board of Directors shall resolve the distributions by approval of more than half of directors present at a meeting where more than two-thirds of the directors are in attendance, and report the resolution at the shareholders' meeting.
- F. For the years ended December 31, 2021 and 2020, employees' compensation were both accrued at \$1,500; while directors' and supervisors' remuneration were accrued at \$2,020 and 1,500, respectively. The aforementioned amounts were recognised in salary expenses, and were estimated and accrued based on the percentage prescribed by the Company's Articles of Incorporation, depending on distributable profit of the year. Employees' compensation and directors' and supervisors' remuneration for 2020 both amounting to \$1,500 as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2020 financial statements. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors on March 10, 2022 were \$1,500 and \$2,020, respectively, and the employees' compensation will be distributed in the form of cash. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(27) Income tax

A. Components of income tax expense:

	For the years ended December 31,	
	2021	2020
Current income tax:		
Current tax on profits for the year	\$ 13,562	\$ 19,405
Over provision of prior year's income tax payable	—	(210)
Total current income tax	<u>13,562</u>	<u>19,195</u>
Deferred tax:		
Origination and reversal of temporary differences	(9)	(5,049)
Income tax expense	<u>\$ 13,553</u>	<u>\$ 14,146</u>

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate	\$ 14,315	\$ 13,520
Effect of items disallowed by tax regulation	644	836
Effects from tax-exempt income	(1,406)	-
Over provision of prior year's income tax payable	-	(210)
Income tax expense	<u>\$ 13,553</u>	<u>\$ 14,146</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	For the year ended December 31, 2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences				
Pension	\$ 110	\$ -	\$ -	\$ 110
Unrealised exchange loss	199	75	-	274
Allowance for doubtful accounts	<u>4,136</u>	<u>(66)</u>	<u>-</u>	<u>4,070</u>
	<u>\$ 4,445</u>	<u>\$ 9</u>	<u>\$ -</u>	<u>\$ 4,454</u>

	For the year ended December 31, 2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences				
Pension	\$ 132	(\$ 22)	\$ -	\$ 110
Right-of-use assets	173	(173)	-	-
Unrealised exchange loss	270	(71)	-	199
Allowance for doubtful accounts	<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>
Deferred tax liabilities:				
Temporary differences				
Unrealised gain	<u>(\$ 1,179)</u>	<u>\$ 1,179</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>(\$ 604)</u>	<u>\$ 5,049</u>	<u>\$ -</u>	<u>\$ 4,445</u>

D. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority. The Company does not have any administrative remedy as of March 10, 2022.



(29) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2021	2020
Acquisition of property, plant and equipment	\$ 108,982	\$ 242,972
Less: Ending balance of equipment payable	( 1,518)	—
Cash paid for acquisition of property, plant and equipment	<u>\$ 107,464</u>	<u>\$ 242,972</u>

B. Financing activities with no cash flow effects:

	For the years ended December 31,	
	2021	2020
Right-of-use assets transferred to property, plant and equipment	<u>\$ 179</u>	<u>\$ —</u>

(30) Changes in liabilities from financing activities

	Short-term borrowings	Lease liabilities	Bonds payable (including current portion)	Long-term borrowings (including current portion)	Liabilities from financing activities
At January 1, 2021	\$ 130,000	\$ 96,119	\$ 294,356	\$ 133,732	\$ 654,207
Changes in cash flow from financing activities	92,181	( 23,167)	( 22,535)	129,748	176,227
Changes in other non-cash items	—	3,491	5,712	—	9,203
At December 31, 2021	<u>\$ 222,181</u>	<u>\$ 76,443</u>	<u>\$ 277,533</u>	<u>\$ 263,480</u>	<u>\$ 839,637</u>

	Short-term borrowings	Lease liabilities	Bonds payable (including current portion)	Long-term borrowings (including current portion)	Liabilities from financing activities
At January 1, 2020	\$ 11,000	\$ 64,673	\$ 288,033	\$ 23,199	\$ 386,905
Changes in cash flow from financing activities	119,000	( 24,701)	—	110,533	204,832
Changes in other non-cash items	—	56,147	6,323	—	62,470
At December 31, 2020	<u>\$ 130,000</u>	<u>\$ 96,119</u>	<u>\$ 294,356</u>	<u>\$ 133,732</u>	<u>\$ 654,207</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
E-Top Metal Co., Ltd. (E-Top Metal )	Significant influence to the Company
Yih Dar Lih Steel Corporation (Yih Dar Lih Steel )	Other related party
E-Sheng Steel Co., Ltd. (E-Sheng Steel)	Other related party
TSG Transport Corp (TSG Transport)	Other related party

### (2) Significant related party transactions

#### A. Sales of goods

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
E-Top Metal	\$ 250, 652	\$ 2, 517
Other related parties	12, 903	14, 981
	<u>\$ 263, 555</u>	<u>\$ 17, 498</u>

Prices of goods sold to related parties and non-related parties are determined based on mutual agreement at each time, and the credit term is 60 days after monthly-closing, T/T. For third parties, the credit terms ranged from 30 to 90 days after monthly-closing.

#### B. Purchases of goods

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
E-Top Metal	\$ 2, 830, 164	\$ 2, 159, 404
E-Sheng Steel	1, 048, 017	358, 739
Other related parties	9, 095	138, 701
	<u>\$ 3, 887, 276</u>	<u>\$ 2, 656, 844</u>

Purchase price from related parties were the same with third parties. Payment terms of some purchases from related parties were 10 to 20 days or 60 days after monthly-closing, T/T. For third parties, the payment terms was full prepayment or by issuance of letter of credit.

#### C. Other expenses

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
E-Top Metal	\$ 5, 794	\$ 4, 440
E-Sheng Steel	4, 462	196
Other related parties	2, 261	206
	<u>\$ 12, 517</u>	<u>\$ 4, 842</u>



D. Ending balance of goods sold

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable :		
Yih Dar Lih Steel	\$ 235	\$ 1,759
E-Top Metal	-	154
	<u>\$ 235</u>	<u>\$ 1,913</u>
Accounts receivable:		
E-Top Metal	\$ 198,393	\$ 273
Yih Dar Lih Steel	167	3,417
	<u>\$ 198,560</u>	<u>\$ 3,690</u>

E. Ending balance of goods purchased

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes payable :		
Other related parties	\$ -	\$ 19
Accounts payable:		
E-Top Metal	\$ 459,718	\$ 137,567
E-Sheng Steel	53,752	23,405
Other related parties	-	1,442
	<u>\$ 513,470</u>	<u>\$ 162,414</u>

G. Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
E-Top Metal	\$ 662	\$ 1,299
E-Sheng Steel	981	275
Other related parties	15,407	1,183
	<u>\$ 17,050</u>	<u>\$ 2,757</u>

(3) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ 15,775	\$ 16,583
Post-employment benefits	376	369
	<u>\$ 16,151</u>	<u>\$ 16,952</u>

## 8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Purpose</u>
Demand deposits (Note 1)	\$ 161, 632	\$ 74, 916	Bank borrowings, bonds payable and letters of credit
Time deposits (Note 1)	23, 576	22, 856	Short-term and long-term borrowings
Land (Note 2)	103, 606	–	Guarantee for long-term borrowings
Construction in progress (Note 2)	131, 773	–	Guarantee for long-term borrowings
	<u>\$ 420, 587</u>	<u>\$ 97, 772</u>	

(Note 1) Listed as 'Financial assets at amortised cost - current'.

(Note 2) Listed as 'Property, plant and equipment'.

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Except for those mentioned in other notes, as of December 31, 2021 and 2020, the unused letters of credit for the purchase of raw materials amounted to \$200,086 and \$-, respectively.

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) The Company's board of directors passed the resolution on March 10, 2022 to issue the instalment of unsecured common corporate bonds at a cap of \$200,000.

(2) The Company's board of directors passed the resolution on March 10, 2022 to increase the cash capital. To improve working capital and acquire additional equipment, the Company plans to issue a cash capital increase of no more than 15,000 thousand new shares at \$10 (in dollars) per share.

## 12. OTHERS

### (1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ -	\$ 24,458
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ -	\$ 3,393
Financial assets at amortised cost		
Cash and cash equivalents	\$ 178,759	\$ 100,429
Financial assets at amortised cost	186,995	99,601
Notes receivable	88,445	95,318
Accounts receivable (including related parties)	1,076,813	525,290
Other receivables	311	1,512
Guarantee deposits paid	20,191	26,059
	<u>\$ 1,551,514</u>	<u>\$ 848,209</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ -	\$ 30
Financial liabilities at amortised cost		
Short-term borrowings	\$ 222,181	\$ 130,000
Notes payable	25,194	11,415
Accounts payable (including related parties)	513,955	162,728
Other payables	68,327	44,349
Corporate bonds payable (including current portion)	277,533	294,356
Long-term borrowings (including current portion)	263,480	133,732
	<u>\$ 1,370,670</u>	<u>\$ 776,580</u>
Lease liabilities	<u>\$ 76,443</u>	<u>\$ 96,119</u>

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Company, derivative

financial instruments are used to hedge certain risk.

- (b) Risk management is carried out by a treasury department under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company has certain purchases denominated in USD. Changes in market exchange rates would affect the fair value. However, the payment and collection periods of assets and liability positions in foreign currencies are close, thus market risk can be offset. The Company does not expect significant foreign exchange risk.
- ii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2021		
	Foreign currency amount (In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 7,702	27.67	\$ 213,114
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1,882	27.67	52,075
	December 31, 2020		
	Foreign currency amount (In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 441	28.48	\$ 12,558

With regard to sensitivity analysis of foreign currency exchange rate risk, if exchange rate of NTD had appreciated/depreciated by 1% against USD with all other variables held

constant, the post-tax profit would increase/decrease by to \$1,289 and \$126, for the years ended December 31, 2021 and 2020, respectively.

iii. The total exchange loss, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company amounted to \$470 and \$1,358, for the years ended December 31, 2021 and 2020, respectively.

#### Price risk

i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

ii. The Company's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit would have increased/decreased by \$- and \$245, for the years ended December 31, 2021 and 2020, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$- and \$34, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

#### Cash flow and fair value interest rate risk

i. The Company's interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest risk. During the years ended December 31, 2021 and 2020, the Company's borrowings at variable rate were denominated in NTD.

ii. With regard to sensitivity analysis of interest rate risk, if interest rate on borrowing increase/decrease by 10% with all other variables held constant, post-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by \$494 and \$4, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

#### (b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. The Company manages its credit risk taking into consideration the entire company's concern. According to the Company's credit policy, the Company is responsible for managing and

analysing the credit risk for each of its new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. In line with credit risk management, if the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. The default has occurred when past due over a certain period.

vi. The Company applies the simplified approach using the provision matrix to estimate expected credit loss, and uses the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2021 and 2020, the provision matrix is as follows:

December 31, 2021	During the credit period	Overdue 1~90 days	Overdue 91~180 days	Overdue 180~270 days
Total book value	\$ 1,073,737	\$ 62	\$ 2,955	\$ 267
Expected credit rate	0.02%	0.03%	6.17%	12.89%
Loss allowance	\$ 53	\$ -	\$ 121	\$ 34

December 31, 2021	Overdue 271~365 days	Overdue over 365 days	Individually assessed impairment loss	Total
Total book value	\$ -	\$ 7	\$ 26,379	\$ 1,103,407
Expected credit rate	28.14%	100%	100%	
Loss allowance	\$ -	\$ 7	\$ 26,379	\$ 26,594

December 31, 2020	During the credit period	Overdue 1~90 days	Overdue 91~180 days	Overdue 180~270 days
Total book value	\$ 499,742	\$ 25,757	\$ -	\$ 7
Expected credit rate	0.02%	0.03%	6.17%	9.48%
Loss allowance	\$ 207	\$ 8	\$ -	\$ 1

December 31, 2020	Overdue 271~365 days	Overdue over 365 days	Individually assessed impairment loss	Total
Total book value	\$ -	\$ -	\$ 26,712	\$ 552,218
Expected credit rate	22.05%	100%	100%	
Loss allowance	\$ -	\$ -	\$ 26,712	\$ 26,928

v. Movements in relation to the Company applying the simplified approach to provide loss

allowance for accounts receivable are as follows:

	For the year ended December 31, 2021		
	Notes receivable	Accounts receivable	Total
At January 1	\$ 13	\$ 26,928	\$ 26,941
Expected credit gain	–	( 334)	( 334)
At December 31	<u>\$ 13</u>	<u>\$ 26,594</u>	<u>\$ 26,607</u>

	For the year ended December 31, 2020		
	Notes receivable	Accounts receivable	Total
At January 1	\$ 13	\$ 591	\$ 604
Expected credit loss	–	26,337	26,337
At December 31	<u>\$ 13</u>	<u>\$ 26,928</u>	<u>\$ 26,941</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by the Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants.
- ii. The Company has the following undrawn borrowing facilities:

	December 31, 2021	December 31, 2020
Floating rate:		
Expiring within one year	<u>\$ 50,835</u>	<u>\$ 283,284</u>

- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for nonderivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 223,147	\$ -	\$ -	\$ -
Notes payable	25,194	-	-	-
Accounts payable (Including related parties)	513,955	-	-	-
Other payables	68,327	-	-	-
Lease liabilities	23,172	18,888	20,916	16,580
Bonds payable (including current portion)	282,688	-	-	-
Long-term borrowings (including current portion)	63,504	60,152	119,277	121,460
<u>December 31, 2020</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 130,534	\$ -	\$ -	\$ -
Notes payable	11,415	-	-	-
Accounts payable (Including related parties)	162,728	-	-	-
Other payables	44,349	-	-	-
Lease liabilities	24,240	22,055	37,560	16,580
Bonds payable (including current portion)	150,000	150,750	-	-
Long-term borrowings (including current portion)	13,104	121,489	-	-
Derivative financial liabilities:				
Secured convertible corporate bonds	30	-	-	-

vi. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of



financial and non-financial instruments have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks is included in Level 1.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's the convertible corporate bonds put option is included in Level 3.
- B. The carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, financial assets at amortised cost - current, notes receivable, accounts receivable (including related parties), other receivables, guarantee deposits paid, short-term borrowings, notes payable, accounts payable (including related parties), other payables, bonds payable (including current portion) and long-term borrowings (including current portion) are approximate to their fair values.
- C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets at December 31, 2020 is as follows:

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Recurring fair value measurements</u>				
Financial assets at fair value				
through profit or loss				
Equity securities	\$ 24,458	\$ -	\$ -	\$ 24,458
Financial assets at fair value				
through other comprehensive				
income				
Equity securities	3,393	-	-	3,393
	<u>\$ 27,851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,851</u>
Financial liabilities at fair value				
through profit or loss				
Convertible corporated bonds				
put options	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30</u>	<u>\$ 30</u>

There was no financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets as of December 31, 2021.

The methods and assumptions the Company used to measure fair value are as follows:

- (a) For Level 1 instruments, the Company used closing price as the fair values of listed shares.
- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date.

(c) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. As a result, the estimate generated by valuation model will be slightly adjusted based on additional inputs, such as model risk or liquidity risk of counterparties. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

D. Valuation techniques and inputs applied for Level 3 fair value measurement as following:

The puttable 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.

E. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2, and there was no transfer from or to Level 3.

(4) Others

Due to the Covid-19 pandemic and the implementation of the government's various preventive measures, the Company thoroughly complied with the "Guidelines for Enterprise Planning of Business Continuity in Response to the Coronavirus Disease 2019". Each department is operating as usual, and no significant influence for the Company.

13. Supplementary Disclosures

According to the current regulatory requirements, the Company is only required to disclose the information for the year ended December 31, 2021.

(1) Significant transactions information

A. Loans to others : None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to table 1.

F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

F. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 2.

G. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 3.

H. Trading in derivative instruments undertaken during the reporting periods : Clean.

I. Significant inter-company transactions during the reporting periods : None

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 4.

(3) Information on investments in Mainland China

As of December 31, 2021, there are no investments in Mainland China.

(4) Major shareholders information

Major shareholders information: Please refer to table 5.

14. Segment Information

(1) General information

The Company operates business only in a single industry. The Company's chief operating decision-maker, who allocates resources and assesses performance of the Company as a whole, has identified that the Company has only one reportable operating segment.

(2) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	For the years ended December 31,	
	2021	2020
	The Company	The Company
Segment revenue		
Revenue from external customers, net	\$ 4,437,556	\$ 3,115,269
Depreciation and amortisation	34,663	35,398
Finance costs	11,851	9,628
Segment profit before income tax	71,592	67,601
Segment assets	2,447,436	1,394,788
Non-current assets capital expenditure	109,147	235,991
Segment liabilities	1,736,876	991,838

(3) Reconciliation for segment income

The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income, and The amounts provided

to the chief operating decision maker with respect to segment income, total assets and total liabilities are measured in a manner consistent with that of the financial statements. Therefore, such reconciliation is not required.

(4) Information on products and services

Revenue from external customers is mainly from wholesale of hardware and building materials and in manufacturing and sales of its component.

Details of revenue are as follows:

	For the years ended December 31,	
	2021	2020
Sales revenue	\$ 4,422,687	\$ 3,099,714
Processing revenue	14,869	15,555
	<u>\$ 4,437,556</u>	<u>\$ 3,115,269</u>

(5) Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows:

	For the year ended December 31, 2021		For the year ended December 31, 2020	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	<u>\$ 4,437,556</u>	<u>\$ 440,459</u>	<u>\$ 3,115,269</u>	<u>\$ 362,530</u>

(Note 1) The revenue for different geographical location is classified based on country location of customer.

(Note 2) Non-current assets including property, plant and equipment, right-of-use assets and intangible assets.

(6) Major customer information

Major customer (revenue from the customer constituting more than 10% of operating revenue) information of the Company for the years ended December 31, 2021 and 2020 is as follows:

	Customer	Sales Segment	For the years ended December 31,			
			2021		2020	
			Operating revenue, net	%	Operating revenue, net	%
	A company	The Company	<u>\$ 181,005</u>	4	<u>\$ 341,565</u>	11

TMP Steel Corporation

Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more

For the year ended December 31, 2021

Table 1

Expressed in thousands of NTD

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:			Reason for acquisition of real estate and status of the real estate commitments
							Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	
TMP Steel Corporation	Plant	2020.8.30	\$134,828	\$115,567	De Yuan Co., Ltd.	Non-related	-	-	-	-

Table 1, Page 1

TMP Steel Corporation

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2021

Table 2

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount (\$)	Percentage of total purchases (sales)	Description and reasons for difference in transaction terms compared to third party transactions					Notes/accounts receivable (payable)	Percentage of total notes/accounts receivable (payable)	Footnote
						Material influence	Purchases (Sales)	Unit price	Credit term	Unit price			
TMP Steel Corporation	E-TOP METAL CO., LTD	Material influence	Purchases (Sales)	250,652 (\$)	(6%)	60 days after monthly statements	-	(Note2)	\$	198,393	17%	-	
	E-TOP METAL CO., LTD	Material influence	Purchases	2,830,164	68%	20 days after 10 days statements	-	(Note2)	(	459,718	(85%)	-	
	H-SHENG STEEL CO., LTD	Other related party	Purchases	1,048,017	25%	20 days after 10 days statements	-	(Note2)	(	53,752	(10%)	-	

(Note 1) The transactions between related parties are merely arising from reversed directions, therefore, they will not be disclosed separately.

(Note 2) The Company's collection terms with third parties are 30 to 90 days after monthly statements. It is determined based on credit management policy of the company.

Table 2, Page 1

TMP Steel Corporation

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
For the year ended December 31, 2021

Table 3

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance at December 31, 2021	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
TMP Steel Corporation	E-TOP METAL CO., LTD.	Material influence	\$ 198,393	2.52	\$ -	-	\$ 198,378	\$ -

TMP Steel Corporation

Names, locations and other information of investee companies (not including investees in Mainland China)

For the year ended December 31, 2021

Table 4

Expressed in thousands of VND

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021	Net profit (loss) of the investee for the year ended December 31, 2021	Investment income(loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020				
TMP Steel Corporation	Korea Pelho Electronics Co., Ltd.	Seoul, Korea	Purchase, sales and manufacturing of electronic components	\$ 1,599	\$ 1,599	50%	\$ -	-	

(Note) It is shown as amount net of accumulated impairment loss.

Table 4, Page 1



JMP Steel Corporation  
Major shareholders information  
December 31, 2021

Name of major shareholders	Number of shares		Ownership (%)	Note
	Common stock	Expressed in share		
S-Tech Investment Co., Ltd.	6,770,432		14.81%	-
Tien Chuan Investment Co., Ltd.	6,079,303		13.29%	-
Tai Yu Investment Co., Ltd.	3,144,005		6.87%	-

(Note) The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements is different from the actual number of shares issued in dematerialised form because of the different calculation basis.

TMP Steel Corporation  
STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Cash:		
Cash on hand		\$ 235
Checking deposits		2,708
Demand deposits – New Taiwan Dollar		174,938
	– Foreign currency including USD 32 thousands @27.67	878
		<u>\$ 178,759</u>

TMP Steel Corporation  
STATEMENT OF FINANCIAL ASSETS AT AMORTISED COST - CURRENT  
DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Pledged demand deposits		\$ 161,632
Pledged time deposits		
- NTD	From: 2021.10.2 to 2022.1.21, interest rate: 0.07% ~0.34%	14,000
- Foreign currency	USD 411 thousands @ 27.67, from: 2021.10.2 to 2022.10.23, interest rate: 0.20% ~0.36%	11,363
		<u>\$ 186,995</u>

TMP Steel Corporation  
STATEMENT OF NOTES RECEIVABLE, NET  
DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties :			
Company A	Notes receivable	\$ 16,337	—
Company B	Notes receivable	12,950	—
Company C	Notes receivable	8,261	—
Company D	Notes receivable	6,957	—
Company E	Notes receivable	6,500	—
Others (less than 5%)	Notes receivable	<u>37,218</u>	—
		88,223	
Less: Allowance for			
	uncollectible accounts	( <u>13</u> )	—
		88,210	
Related parties :			
YIH DAR LIH STEEL CORPORATION	Notes receivable	<u>235</u>	—
		<u>\$ 88,445</u>	

TMP Steel Corporation  
STATEMENT OF ACCOUNTS RECEIVABLE, NET  
DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Company F	Accounts receivable	\$ 128, 178	—
Company G	Accounts receivable	59, 919	—
Company H	Accounts receivable	50, 329	—
Others (less than 5%)	Accounts receivable	<u>666, 421</u>	—
		904, 847	
Less: Allowance for			
uncollectible accounts		( <u>26, 594</u> )	—
		<u>\$ 878, 253</u>	

TMP Steel Corporation  
STATEMENT OF ACCOUNTS RECEIVABLE – RELATED PARTIES  
DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
E-TOP METAL CO., LTD.	Accounts receivable	\$ 198,393	–
YIH DAR LIH STEEL CORPORATION	Accounts receivable	<u>167</u>	–
		<u>\$ 198,560</u>	

TMP Steel Corporation  
STATEMENT OF INVENTORIES  
DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>		<u>Note</u>
		<u>Cost</u>	<u>Net Realisable Value</u>	
Raw materials	—	\$ 205,791	\$ 210,777	Note
Finished goods	—	<u>41,254</u>	<u>85,764</u>	Note
		<u>\$ 247,045</u>	<u>\$ 296,541</u>	

Note: Please refer to Note 4 (9) for the method to determine the net realisable value.

TMP Steel Corporation  
STATEMENT OF PREPAYMENTS  
DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(7) for the information related to prepayments.



TMP Steel Corporation  
STATEMENT OF CHANGE IN PROPERTY, PLANT AND EQUIPMENT - COST  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(9) for the information related to property, plant and equipment.

TMP Steel Corporation  
STATEMENT OF CHANGE IN PROPERTY, PLANT AND EQUIPMENT - ACCUMULATED  
DEPRECIATION  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(9) for the information related to property, plant and equipment and Note 4(13) for the method to determine depreciation and useful lives for assets.

TMP Steel Corporation  
STATEMENT OF CHANGE IN RIGHT-OF-USE ASSETS - COST  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

	<u>Buildigs</u>	<u>Transportation equipments</u>	<u>Total</u>
January 1, 2021	\$ 113,177	\$ 5,282	\$ 118,459
Additions	-	3,673	3,673
Transferred (Note)	-	( 179)	( 179)
Decreases	( 2,383)	( 1,556)	( 3,939)
December 31, 2021	<u>\$ 110,794</u>	<u>\$ 7,220</u>	<u>\$ 118,014</u>

(Note) Transferred to property, plant and equipment.

TMP Steel Corporation  
STATEMENT OF CHANGE IN RIGHT-OF-USE ASSETS - ACCUMULATED DEPRECIATION  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

	<u>Buildigs</u>	<u>Transportation equipments</u>	<u>Total</u>
January 1, 2021	\$ 22,905	\$ 2,168	\$ 25,073
Additions	22,064	1,516	23,580
Decreases	( 2,383)	( 1,556)	( 3,939)
December 31, 2021	<u>\$ 42,586</u>	<u>\$ 2,128</u>	<u>\$ 44,714</u>

TMP Steel Corporation  
STATEMENT OF SHORT-TERM BORROWINGS  
DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars)

<u>Types of Loan</u>	<u>Descriptions</u>	<u>Ending balance</u>	<u>Contract period</u>	<u>Interest Rate</u>	<u>Credit Facility</u>	<u>Collateral</u>	<u>Note</u>
Secured Loan	Taiwan Cooperative Bank	\$ 80,000	2021. 11. 2~2022. 11. 2	1.25%	\$ 80,000	Demand and time deposits	—
Secured Loan	Bank of Taiwan	60,000	2021. 1. 21~2022. 1. 21	1.60%	60,000	Time deposits	—
Secured Loan	Hua Nan Commercial Bank, Ltd	30,000	2021. 11. 4~2022. 3. 1	1.32%	30,000	Time deposits	—
Unsecured Loan	Hua Nan Commercial Bank, Ltd	<u>52,181</u>	2021. 12. 24~2022. 6. 22	1.63%	USD 3,400 thousands	None	—
		<u>\$ 222,181</u>					

TMP Steel Corporation  
STATEMENT OF CONTRACT LIABILITIES - CURRENT  
DECEMBER 31, 2021

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

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Company A	Advanced sales receipts	\$ 29,966	—
Others (less than 5%)	Advanced sales receipts	<u>255,257</u>	—
		<u>\$ 285,223</u>	

TMP Steel Corporation  
STATEMENT OF NOTES PAYABLE  
DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Company b	Notes payable	\$ 13,483	—
Company c	Notes payable	2,089	—
Company d	Notes payable	1,924	—
Company e	Notes payable	1,497	—
Company f	Notes payable	1,334	—
Company g	Notes payable	1,326	—
Others (less than 5%)	Notes payable	<u>3,541</u>	—
		<u>\$ 25,194</u>	

TMP Steel Corporation  
STATEMENT OF ACCOUNTS PAYABLE - RELATED PARTIES  
DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
E-TOP METAL CO., LTD.	Accounts payable	\$ 459,718	—
E-SHENG STEEL CO., LTD.	Accounts payable	<u>53,752</u>	—
		<u>\$ 513,470</u>	



TMP Steel Corporation  
STATEMENT OF OTHER PAYABLES  
DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(12) for the information related to other payables.

TMP Steel Corporation  
STATEMENT OF LONG-TERM BORROWINGS, CURRENT PORTION  
DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

<u>Creditor/Bond types</u>	<u>Description</u>	<u>Amount</u>	<u>Terms</u>	<u>Rate</u>	<u>Collateral</u>	<u>Note</u>
Secured convertible corporate bonds payable in November 2019	(Note)	\$ 150,369	(Note)	2.077%	None	—
Unsecured convertible corporate bonds payable in November 2019	(Note)	<u>127,164</u>	(Note)	2.302%	None	—
		<u>277,533</u>				
Taiwan Coperative Bank	Secured loan	17,848	2018.10.4~2031.12.31	0.75%~1.40%	Time deposits, land, construction in progress	—
Chang Hwa Commercial Bank	Secured loan	6,666	2020.11.11~2023.11.11	1.25%	Demand deposits	—
The Shanghai Commercial and Savings Bank, LTD.	Secured loan	<u>5,856</u>	2021.5.17~2026.5.17	1.61%	Demand deposits	—
		<u>30,370</u>				
		<u>\$ 307,903</u>				

(Note) Please refer to Note 6(13) for the information related to bonds payable.

TMP Steel Corporation  
STATEMENT OF LONG-TERM BORROWINGS  
DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

<u>Creditor</u>	<u>Description</u>	<u>Expiry date</u>	<u>Rate</u>	<u>Amount</u>	<u>Collarateral</u>	<u>Note</u>
Taiwan Cooperative Bank	Secured loan	2021.10.15~2031.10.15	0.75%	\$ 115,345	Construction in progress	Starting from November 15, 2021 with monthly payment
Taiwan Cooperative Bank	Secured loan	2021.12.31~2031.12.31	1.40%	86,800	Land	—
Taiwan Cooperative Bank	Secured loan	2018.10.4~2023.10.4	1.35%	11,235	Time deposits	Starting from November 4, 2018 with monthly payment
Taiwan Cooperative Bank	Secured loan	2020.2.27~2022.5.27	1.40%	10,215	Land	—
The Shanghai Commercial and Savings Bank, LTD.	Secured loan	2021.5.17~2026.5.17	1.61%	27,107	Demand deposits	Starting from July 30, 2021 with monthly payment
Chang Hwa Commercial Bank	Secured loan	2018.11.11~2023.11.11	1.25%	<u>12,778</u>	Demand deposits	Starting from December 11, 2020 with monthly payment
				263,480		
				Less: Current portion ( <u>30,370</u> )		
				<u>\$ 233,110</u>		

TMP Steel Corporation  
STATEMENT OF LEASE LIABILITIES - NON-CURRENT  
DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars)

Item	Lease period	Discount rate	Amount
Buildings	2019. 3~2029. 5	1. 53%	\$ 71, 320
Transportation equipment	2018. 5~2025. 10	1. 35%	5, 123
			76, 443
		Less: Current portion (	22, 190)
			\$ 54, 253

TMP Steel Corporation  
STATEMENT OF OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars)

Item	Amount		Note
	Subtotal	Total	
Sales:			
Steel building materials	\$ 4,178,290		—
Steel billet	236,275		—
Others	9,293	\$ 4,423,858	—
Processing revenue		14,969	—
		4,438,827	
Less: Sales returns and discounts		( 1,271)	—
Operating revenue		\$ 4,437,556	

TMP Steel Corporation  
STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars)

Item	Amount
Merchandise at January 1, 2021	\$ -
Add: Merchandise purchased	230, 443
Merchandise at December 31, 2021	-
Merchandise sold during this period	230, 443
Raw materials at January 1, 2021	109, 398
Add: Raw materials purchased	3, 939, 387
Less: Raw materials sold	( 881, 364)
Raw materials at December 31, 2021	( <u>205, 791</u> )
Raw materials used during this period	2, 961, 630
Direct labor	15, 185
Manufacturing overhead	70, 120
Processing fees cost	74, 323
Manufacturing cost	3, 121, 258
Finished goods at January 1, 2021	30, 088
Add: Finished goods purchased	57
Finished goods at December 31, 2021	( <u>41, 254</u> )
Cost of production	3, 110, 149
Sale of finished goods	3, 340, 592
Sale of raw materials	881, 364
	\$ 4, 221, 956

TMP Steel Corporation  
STATEMENT OF MANUFACTURING OVERHEAD  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Amount</u>
Wages and salaries	\$ 9,595
Rental expense	4,054
Utilities	4,392
Depreciation	30,251
Packing expenses	6,192
Others (less than 5%)	<u>15,636</u>
	<u>\$ 70,120</u>

TMP Steel Corporation  
STATEMENT OF SELLING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Amount</u>
Wages and salaries	\$ 14,443
Shippging	73,736
Others (less than 5%)	<u>9,491</u>
	<u>\$ 97,670</u>

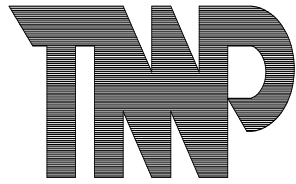


TMP Steel Corporation  
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Amount</u>
Wages and salaries	\$ 27,058
Handling fee	3,528
Service fees	4,001
Others (less than 5%)	<u>9,072</u>
	<u>\$ 43,659</u>

TMP Steel Corporation  
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(25) for additional information related to expenses and Note 6(26) for the information related to employee benefits.



# TMP Steel Corporation

**Chairman:**

**Yu-Yeh Tsai**