

Tong Ming Enterprise Co., Ltd.  
***2020 Annual Report***  
*(Translation)*



***TONG***

Growing a powerful future



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Corporate Website: <http://www.tonggroup.com.tw>

Published April 19, 2021

## **I. Company Spokesman and Acting Spokesman**

Name of Spokesman: Ko, Wen-Ling

Title: President of Winlink Fasteners Co., Ltd

Tel: 886-7-6226977

E-mail: wenling@winlink.com.tw

Name of Acting Spokesman: Chang, Chi-Mei

Title: Financial Manager of Winlink Fasteners Co., Ltd

Tel: 886-7-6226977

E-mail: may@winlink.com.tw

## **II. Headquarters, branch office, and factory addresses and telephone numbers**

### **1. Group Headquarters:**

Name: Tong Ming Enterprise Co., Ltd.

Address: 2nd Floor, Windward 1, Regatta Office Park, P.O. Box 10338, Grand Cayman KY1-1003,  
Cayman Islands

Tel: 86-573-8220-3125

### **2. Major Business Entity**

Name: Tong Ming Enterprise (Zhejiang) Co., Ltd.

Address: No. 88 East Changsheng Road, Economic Development Zone, Jiaxing City, Zhejiang Province

Tel: 86-573-8220-3125

### **3. Samoa Subsidiary**

Name: Tong Win International Co., Ltd

Address: Novasage Chambers, PO Box 3018, Level 2, CCCS Building, Beach Road, Apia, Samoa

Tel: 886-7-622-6977

### **4. R.O.C. Subsidiary**

Name: Winlink Fasteners Co., Ltd

Address: 15 F, No. 140, Zhongshan N. Rd., Gangshan Dist., Kaohsiung City

Tel: 886-7-622-6977

### **5. Hong Kong Subsidiary**

(1) Name: Tong Group Limited

Address: Room 2702-03, CC Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong

Tel: 86-573-8220-3125

(2) Name: China Rich International Holding Limited

Address: Room 2702-03, CC Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong

Tel: 86-573-8220-3125

## 6. JAPAN Subsidiary

Name : FASTLINK ,INC.

Address : 7F HONMACHIMINAMI GARDENCITY, 3-6-1 KITAKYUHOUI-MACHI, CHUOU-KU  
OSAKA, JAPAN

Tel : 81-6-7639-8731

## 7. Other Sub-subsidiaries

(1) Name: Tong Ming Trading Limited

Address: Room 2702-03, CC Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong

Tel: 86-573-8220-3125

(2) Name: Tong Ming Holding Limited

Address: Room 2702-03, CC Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong

Tel: 86-573-8220-312

(3) Name: EASY TRADE (SHANGHAI) CO., LTD

Address: Building 12, No. 816 Ronghua Road, Chedun Town, Songjiang District, Shanghai

Tel: 86-021-58111458

(4) Name: SHENZHEN EASY FASTENERS CO., LTD

Address: No. 126, Building M07, South China International Hardware, Chemical and Plastic Logistics  
Zone (Phase I), 1# Huanan Avenue, Pinghu Street, Longgang District, Shenzhen

Tel: 86-0755-89630070

(5) Name: Tong Win International (Jia Xing) Co., Ltd.

Address: Room 502-2, Building 1, Fu'an Plaza, Economic and Technological Development Zone,  
Jiaxing City, Zhejiang Province

TEL: 86-0573-82227088

## 8. Branch offices of Tong Ming Enterprise (Zhejiang) Co., Ltd

(1) Name: Wuxi Branch

Address: No. 599 Tongjiang Avenue, Wuxi, No. 813 Tongjiang Avenue, Wuxi

Tel: 86-0510-83140748/82360907

(2) Name: Nanjing Branch

Address: 2049-2060, Building A4, Yuntai Market No. 9, Sanshanji Road, Banqiao, Yuhua District, Nanjing

Tel: 86-025-51833670/51833430

(3) Name: Xinghua Branch

Address: 3-4#, Building C3, Wanyuan Trade Center, Dainan Town, Xinghua City, Jiangsu Province.

Tel: 86-0523-83788225

(4) Name: Handan Branch

Address: Warehouse 10, West Area, Standard Parts Industry, Handan City, Hebei Province

Tel: 86-0310-6891828

- (5) Name: Hefei Branch  
Address: Room 116, Building 4, Block B, Phase I, Anhui Hardware & Electrical Trade Center, Baohe District, Hefei  
Tel: 86-0551-67191252
- (6) Name: Chongqing Branch  
Address: 3-4#, Building 16, No. 10 Baitao Road, Jiulongpo District, Chongqing  
Tel: 86-023-68880935/68886936
- (7) Name: Xiamen Branch  
Address: Room 1018, No. 36, Changzhi Road, Huli District, Xiamen  
Tel: 86-0592-5811970
- (8) Name: Changzhou Branch  
Address: No. 307, Building 2, Meijite Science and Technology Hardware Center, 99# North Qingyang Road, Changzhou  
Tel: 86-0519-85162155/88103951
- (9) Name: Dalian Branch  
Address: 498-3# Dongwei Road, Ganjinzi District, Dalian  
Tel: 86-0411-86669385
- (10) Name: Foshan Branch  
Address: No. 108, Building D8, Area E, China United Baoding Creative Industries Park, No. 1-3, Ming Ya, Dali Town, Nanhai District, Foshan  
Tel: 86-0757-85611590/85611591
- (11) Name: Dongguan Branch  
Address: Building 5, Room 710, No. 84, Zongli Road, Nancheng District, Dongguan  
Tel: 86-0769-21685365/21685366
- (12) Name: Guangzhou Branch  
Address: No. 108, Building D8, Area E, China United Baoding Creative Industries Park, No. 1-3, Ming Ya, Dali Town, Nanhai District, Foshan  
Tel: 86-0757-85611590/85611591
- (13) Name: Beijing Branch  
Address: No. 21, Block B, North Chaolong Zone, 131# Chengshousi Road, Chaoyang District, Beijing  
Tel: 86-010-67674809/67605191
- (14) Name: Qingdao Branch  
Address: No. 12 Wan'an Road, Sifang District, Qingdao City, Shandong  
Tel: 86-0532-83765392/84991107/84991307
- (15) Name: Jinan Branch  
Address: No. 16, 1F, East Office Building, Zhaozhuang Residential Committee, Tianqiao District, Jinan  
Tel: 86-0531-88672036/88672037
- (16) Name: Shenyang Branch  
Address: Door 8, No. 3 South Shixi Road, Tiexi District, Shenyang City, Liaoning  
Tel: 86-024-25851962

- (17) Name: Tianjin Branch  
Address: Factory No.5, Yard 1, Yucheng Road, Yangliuqing Industrial Park, Xiqing District, Tianjin  
Tel: 86-022-27610646/27699469
- (18) Name: Shijiazhuang Branch  
Address: No. 147, North Jianshe Street, Shijiazhuang City, Hebei  
Tel: 86-0311-85269920/85269951
- (19) Name: Hangzhou Branch  
Address: No. 605, Hang Bo Tower, No. 630 Fei Jia Tong Road, New Street, Xiacheng District,  
Hangzhou City, Zhejiang Province  
Tel: 86-0571-85457742/85772119
- (20) Name: Shenzhen Branch  
Address: Room 710, Building 5, No. 84, Zhongli Road, Nancheng Street, Dongguan City  
Tel: 86-0755-27441020
- (21) Name: Wuhan Branch  
Address: Room 415, Longtan Century Office Building, No. 780 Huian Avenue, Dongxihu District,  
Wuhan  
Tel: 86-027-85412436/85411882
- (22) Name: Changsha Branch  
Address: No. 339-341, Wanbao Avenue, Furong District, Changsha City  
Tel: 86-0731-84719645
- (23) Name: Xi'an Branch  
Address: No. A, Building 1, 12th Street, Area E1 of Hardware & Electric Material, Hua Nan Cheng,  
Baqiao District, Xi'an  
Tel: 86-029-86140122
- (24) Name: Taizhou Branch  
Address: No. 705, Block A, Nan Yuan Business Hotel, No. 555, Dong Lu Qiao Avenue, Luqiao  
District-, Taizhou City, Zhejiang  
Tel: 86-0576-82453577
- (25) Name: Shaoxing Branch  
Address: No. 29-30 North Huancheng Road, Moore Lighting City, Shaoxing  
Tel: 86-0575-85331901
- (26) Name: Shanghai Songjiang Branch  
Address: Building 12, No. 816 Ronghua Road, Chedun Town, Songjiang District, Shanghai  
Tel: 86-021-52265982/52265920/57770166/58111458
- (27) Name: Zhengzhou Branch  
Address: 50 meters north from the intersection of South Jinguang Road and Nanping Road, Erqi  
District, Zhengzhou  
Tel: 0371-63323998
- (28) Name: Wenzhou Branch  
Address: No. 29, Yucang West Road, Long Wan District, Wenzhou  
Tel: 0577-86650091
- (29) Name: Chengdu Branch  
Address: No. 1, 1F, Building 6, 669# Limin Road, Xiangfu Town, Qingbaijiang District, Chengdu  
City, Sichuan  
Tel: 028-83680661

### III. Stock Transfer Institute:

Name: Stock Administration Agent of KGI Securities Co. Ltd. Website: [www.kgi.com.tw](http://www.kgi.com.tw)

Address: 5F, No. 2, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City Tel: 886-2-2314-8800

### IV. CPA and CPA Firm for recent financial statements

CPA Firm: Deloitte Touche Tohmatsu Limited Website: [www.deloitte.com.tw](http://www.deloitte.com.tw)

CPA: Hsieh, Ming-Chung & Lu, I-Chen Tel: 886-2-2725-9988

Address: 20F, No. 100, Songren Rd., Xinyi Dist., Taipei City

### V. Name of overseas trading office of listed valuable securities and the method for

**Inquiring about information of valuable overseas securities: Nil.**

### VI. Website: <http://www.tonggroup.com.tw>

### VII. Board of Directors

Title	Name	Nationality	Education and Business Experience
Director	Tsai, Ching-Tung	R.O.C.	Chiayi County, Puzih Junior High School Chairman of Tong Ming Enterprise Co., Ltd Chairman of Malaysia Penang, Tong Heer Industry Corp., Ltd
Director	Richard International Co., Ltd. Representative: Tsai, Yi-Ting	R.O.C.	B. Sc., Purdue University Assistant President of Tong Heer Fasteners Co. Sdn Bhd Vice President of Tong Heer Resources Berhad
Director	Tong One Holdings Limited Representative: Tsai, Hung-Chuan	R.O.C.	MBA, University of Washington President of Tong Ming Enterprise (Zhejiang) Co., Ltd Director and President of Tong Min Enterprise Co., Ltd Chairman of Winlink Fasteners Co., Ltd
Director	Ko, Wew-Ling	R.O.C.	MBA, Chang Jung Christian University Spokesman of Tong Min Enterprise Co., Ltd President of Winlink Fasteners Co., Ltd.
Independent Director	Ko, Yung-Hsiang	R.O.C.	Bachelor of Accounting, Tamkang University Accountant of Shunyi Joint Accounting Firm
Independent Director	Huang, Ming-Tze	R.O.C.	Bachelor of Industrial Engineering, Feng Chia University President of Suzhou New Best Wire Tech Co., Ltd
Independent Director	Hsu, Ching-Pang	R.O.C.	Master of Public Affairs Management, Sun Yat-Sen University Section Chef of Kaohsiung East District Tax Collection Office (Retired)

### VIII. Name, Title, Telephone Number, and E-mail of Domestic Litigant and Non-litigant Agent:

Representative name: Ko, Wen-Ling Title: President of Winlink Fasteners Co., Ltd.

Telephone: 886-7-622-6977 E-mail: [ir@tonggroup.com.tw](mailto:ir@tonggroup.com.tw)

# Tong Ming Enterprise Co., Ltd.

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## I. A Letter to the Shareholders

Dear Shareholders,

### I. Business Performance of 2020

#### 1) Results of Business Operation

Although the Company's operations were delayed by the COVID-19 pandemic at the beginning of 2020, the resumption of operations was good, with consolidated revenue up 4% over 2019 to \$9.2 billion TWD and consolidated net income of \$495 million, up 6% over 2019. The following is a description of the results of operations of the major operating units in the consolidated financial statements:

#### I. Tong Ming Enterprise Co.,Ltd. :

1. Total shipment volume continued to grow: The total annual shipment volume reached 91,000 tons, representing a 16% increase, due to the significant increase in demand after the resumption of work in various provinces in Mainland China since the second quarter.
2. Shipments by business segment: Domestic sales of fasteners combined with e-commerce, improved logistics efficiency and pricing strategy to respond quickly to market conditions, resulting in a shipment of 52,000 thousand tons, representing a 27% increase and accounting for 57% of total shipments. The export of fasteners was affected by the epidemic and the volume of shipments decreased by 4%, accounting for 14,000 thousand tons of shipments. The volume of wire products shipped increased by 10% due to the increase in customer stocking after the resumption of production, and the annual shipment volume was about 25,000 thousand tons.

II. Winlink Fasteners Co., Ltd. and Tong Win International Co., Ltd. are mainly engaged in international trading business, and its total revenue decreased by 15% due to the pandemic this year.

## 2) Profitability Analysis

Item	2020	2019
Return on Assets (%)	7.16	7.67
Return on Equity (%)	12.29	12.06
Net Profit Rate (%)	5.40	5.38
Earnings per share (TWD\$)	2.94	2.77

The return on assets decreased slightly due to the higher average asset balance, while other ratios increased due to the increase in profitability.

### 3) Research on Products and Service Development:

As a professional manufacturer of stainless steel fasteners, the company has been improving its production process and developing new products in a steady and progressive manner. The Channel Division, which was established by integrating various departments, has been effective in improving shipment efficiency and expanding the range of value-added services on the e-commerce platform to enhance customer satisfaction.

### 4) Environmental protection and labor health and safety conditions

Our main business unit, Zhejiang Tong Ming Plant, has obtained ISO14001 and OHSAS18001 certifications, and the occupational safety of our employees is good throughout the year. In order to improve production capacity and reduce emissions, the Company has adopted electrostatic waste gas recovery equipment and a new type of sewage treatment plant, which are operating well.

## 2. Outline of Business Plan of 2021

### 1) Main business unit- Tong Ming Enterprise Co.,Ltd.

The domestic sales volume increased significantly in 2020 and the export market also showed a growth trend. In order to meet the long-term development needs, the operating entity signed an investment agreement with Jiaying Economic Development Zone in Zhejiang Province in December 2010 to establish a new-style production base to cater for future business growth. The plans for R.O.C. 110 are as follows:

1、In domestic sales of fasteners:

Sales strategy: Based on the Tong Ming Express e-commerce platform, we will continue to expand value-added services and improve product offerings to further increase service differentiation, so that customers can focus more on product sales and operators can increase overall sales volume and market share, creating a win-win partnership.

In the channel development: In response to the growth of domestic sales and to improve shipment efficiency, we will set up an automated warehouse sorting system and upgrade the warehouse management system to enhance customer satisfaction.

2、On exporting sales of fasteners:

In the first half of 2020, the export business was greatly affected by the new pneumonia epidemic, but in the second half of the year, the order intake has normalized and is growing.

3、On the wire products:

The wire products are combined with the e-commerce platform to provide customers with timely inventory inquiries, and are being used well, resulting in an increase in customer stocking. In 2021, we will upgrade our production facilities to improve our production capacity and efficiency.

2) Subsidiary Winlink Fasteners Co., Ltd. and **Tong Win** :

The company is mainly engaged in the export of fastening products. Due to the trend of expanding demand in major overseas markets, the company continues to strengthen partnerships with customers in specific industries to maintain its market share and stable growth as the main axis.

Although the epidemic has not yet subsided in 2021, the global developed countries have been promoting economic revitalization programs and the overseas market demand has grown significantly.

Best Regards

Tong Ming Enterprise Co., Ltd.

Chairman Tsai, Ching-Tung

President Tsai, Hung-Chuan

## Two. Company Profile

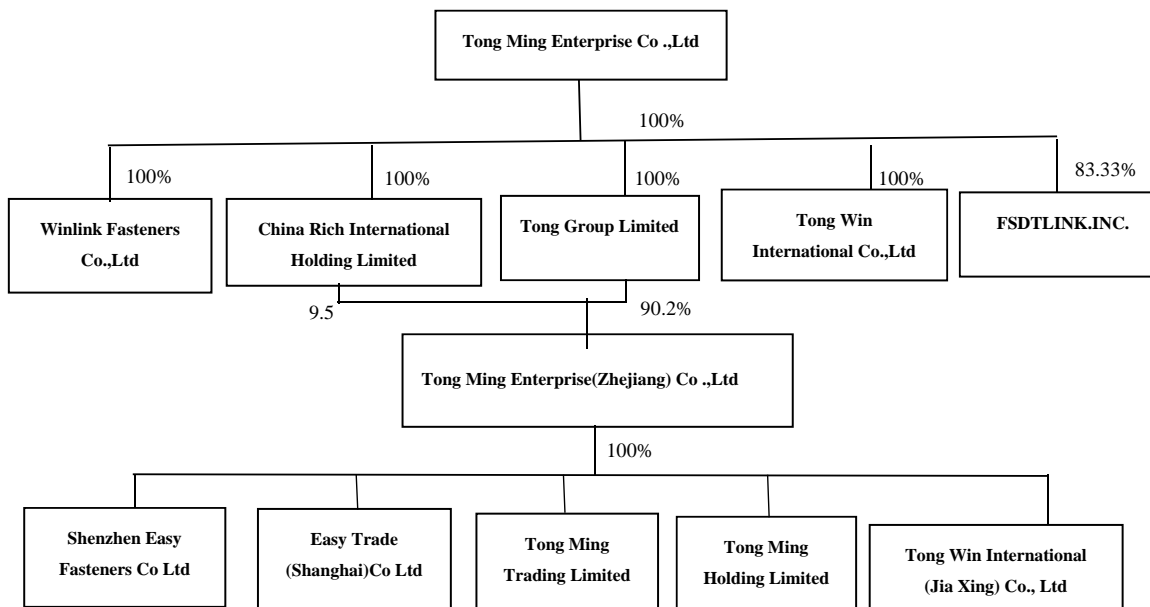
### I. Established Date & Company History

Established on November 30, 2009 in the Cayman Islands, Tong Ming Enterprise Co., Ltd. (hereafter called “the Company”) is the first listing application entity of the company. The Company reinvested in mainland China’s Rich International Holding Limited (hereafter called “Zhejiang Tong Ming”) through Tong Group Limited and Tong Ming Enterprise Co., Ltd. As the main business entity of the Company, Zhejiang Tong Ming was founded in December 1995 in the Economic Development Zone of Jiaxing City in the province of Zhejiang, covering an area of 152,000 square meters manufacturing more than 50,000 tons per year, and now expanded to 29 direct sales branch offices throughout China. The main products of the Company are stainless steel fasteners and wires; fasteners, commonly known as such standard industrial products as screws, nuts, and thread rods, have earned the reputation of the “Rice of Industry” since various industrial developments require them in a number of different shapes and sizes. Meanwhile, the stainless steel wire, as the connection between upstream steel mills and downstream hardware producers, is the customized raw material of manufacturing industries for small-sized screws, kitchen supplies, wire belts, redrawing wires, and springs.

Since its establishment in 1995 in mainland China, Zhejiang Tong Ming has actively explored the domestic market and produced stainless steel fasteners and wire-branded “TONG” on a large scale with rigorous working process and excellent management models. Now, it holds the leading position of the domestic market, with around 70 percent of the mainland China market share.

Acquiring 100% equity of Winlink Fastener Co., Ltd (hereafter called “Winlink”) in November 2012 and taking advantage of its geopolitical benefits, the Company strengthened its business and investment in Taiwan and improved its capability to secure orders. The Company further invested in the establishment of Tong Win International Co., Ltd to export stainless steel fasteners and positively extend its overseas market.

### II. Organization Chart



### III. Company and Group History

Year	Milestones
1995	Dongming Industrial (Jiaxing) Co., Ltd, the predecessor of Tong Ming Enterprise (Zhejiang) Co., Ltd, was established in the Economic Development Zone of Zhejiang Province, covering an area of 150,000 square meters.
2004	Completed the construction of the automated warehousing system with 20,000 grids storage
2005	1. Introduced Oracle Enterprise Resource Management System (Oracle JDE ERP)
2008	1. Generally restructured from Sino-foreign joint ventures to a foreign-invested joint-stock company, approved by the Ministry of Commerce, and changed the name to Tong Ming Enterprise Co., Ltd, recognized as National High-tech Enterprises. 2. Invested US\$ 400,000 into Jiaxing Chunyou Precise Mould Co., Ltd.
2009	1. Zhejiang Tong Ming reinvested RMB 5,498 thousand to Easy Trade (Shanghai) Co., Ltd. 2. Tong Ming Enterprise Co., Ltd was founded, and the Company was restructured.
2010	1. Tong Ming Enterprise Co., Ltd restructured its Board of Directors and elected three Independent Directors. 2. For equity decentralization, Tong Hwei Co., Ltd, the director holding 89.5% equity of the Company's capital, transferred its share to four natural person shareholders who actually contributed the capital: Tsai, Ching-Tung, Tsai, Hung-Chuan, Tsai, Ming-Ti, and Tsai, Yi-Ting.
2012	1. Tong Ming invested NT\$ 5.5 million in Winlink Fasteners Co., Ltd 2. Invested US\$ 500,000 in Tong Win International Co., Ltd
2013	1. Natural person shareholders of Tong Ming Enterprise Co., Ltd, Tsai, Ching-Tung, Tsai, Hung-Chuan, Tsai, Ming-Ti, and Tsai, Yi-Ting, transferred their equity to Tong One International Co., Ltd and Richard International Co., Ltd without changing the actual control force. 2. The Shareholders' meeting approved the Directors (including three Independent Directors) and Supervisor, with three Independent Directors replacing the Supervisors as members of the Audit Committee. 3. The compensation committee was established. 4. Shenzhen Easy Fasteners Co., Ltd, subsidiary of Zhejiang Tong Ming, was established. 5. Listed on TWSE on December 16.
2015	1. The Zhengzhou domestic branch office was established. 2. The Wenzhou domestic branch office was established. 3. The South China warehouse was set up in Guangzhou Foshan.
2016	1. Channel division of Zhejiang Tong Ming was set up. 2. Oracle Enterprise Resource Management System (Oracle JDE ERP) was upgraded. 3. Chairman Tsai, Ching-Tung donated 16.26% equity of the Company's capital to New Star Limited., Capitaland Limited. and Mega Sun Limyted in custody of Chinatrust Commercial Bank on December 5.
2017	1. Zhejiang Tong Ming started using roof-mounted solar power generation equipment. 2. The North China warehouse was set up at Tianjin by Zhejiang Tong Ming. 3. Zhejiang Tong Ming was re-evaluated and awarded a "National High-Tech Enterprise" for three consecutive years.
2018	1. Zhejiang Tong Ming obtained an intellectual property management system certificate. (Standard of Intellectual Property Management System: GB/T 29490-2013). 2. The whole factory of Zhejiang Tong Ming was installed with roof-mounted solar power generation equipment.
2019	1. The Southwestern China warehouse was set up at Chengdu. 2. Tong Ming Biz advocated new value proposition of "comprehensive, excellent, fast, and economizing". 3. Opening of Tong Ming Enterprise (Zhejiang) Handan Branch 4. Tong Ming Enterprise (Zhejiang) established Tong Win Trading (Jaxing) Co., Ltd. in May 5. Tong Ming Enterprise (Zhejiang) established a central China regional warehouse in Wuhan, Hubei Province. 6. The launch of "Joint Venture Area" in TongMing.Biz.

Year	Milestones
2020	<ol style="list-style-type: none"> <li>1. Tong Ming Enterprise (Zhejiang) resumed work on 14 February due to the impact of Covid-19.</li> <li>2. In February 2020, Zhejiang Tong Ming was awarded as one of the top ten industrial enterprises in Jiaying Economic Development Zone for high quality development.</li> <li>3. In February 2020, Zhejiang Tong Ming was awarded the Outstanding Enterprise of Digital Economy in Jiaying Economic Development Zone.</li> <li>4. In February 2020, Zhejiang Tong Ming was awarded the advanced unit of labor relations in Jiaying Economic Development Zone.</li> <li>5. In November 2020, Kaiman Tong Ming invested and established FASTLINK Corporation in Japan to engage in trading business in Japan.</li> </ol>
2021	<ol style="list-style-type: none"> <li>1. In March 2021, Zhejiang Tong Ming was awarded as one of the top ten innovative enterprises of fasteners in Zhejiang Province.</li> <li>2. In March 2021, Zhejiang Tong Ming was awarded as the champion enterprise of fastener single product in Zhejiang Province.</li> <li>3. In March 2021, the board of directors of Cayman Tong Ming resolved to increase the capital by 30,000 thousand shares in cash.</li> </ol>

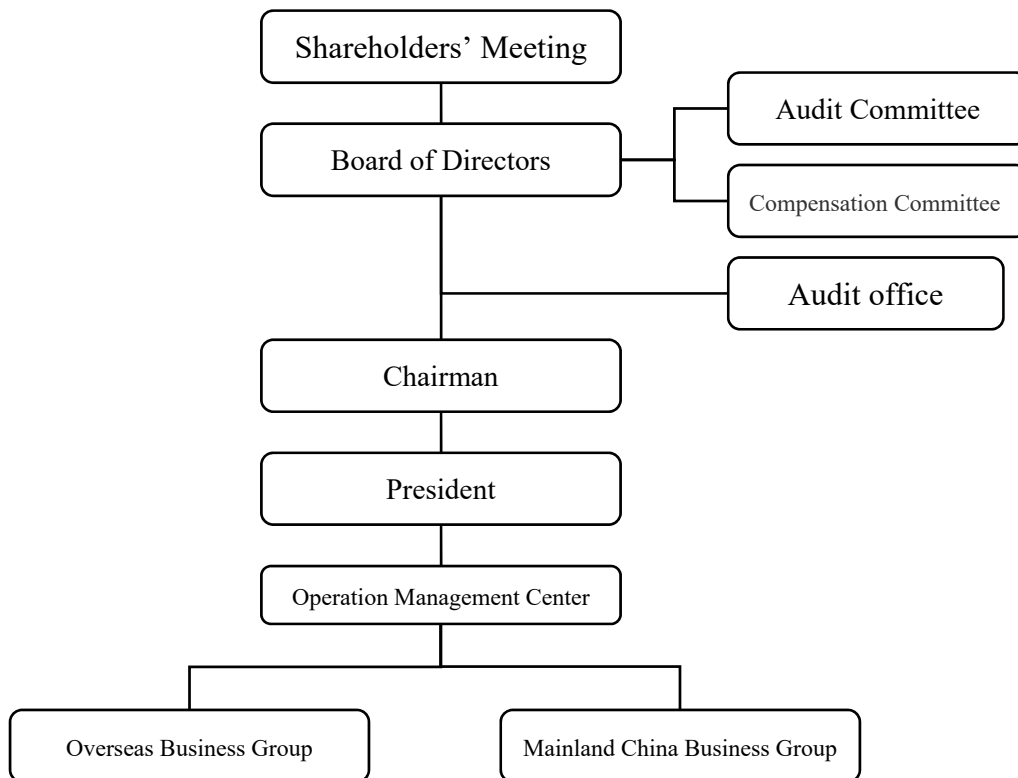
#### **IV. Risk Analysis**

**Please refer to Sections VI and VII in this report for details.**

# Three Company Governance

## I. Organization

### (I) Organization Structure



### (II) Functions

Departments	Functions
Board of Directors	Overall strategic planning; promotion, assessment and guidance of corporate business.
Audit Committee	Supervises group business and financial situations, proper financial statements and effective implementation of internal controls.
Compensation Committee	Drafts and regularly reviews policy, system, standards, and structure of performance evaluation and compensation for directors and managers as the basis of payment.
Audit Office	A. Assesses the integrality, rationality, and effectiveness of the internal control and management system. B. Implements internal audits and subsequent corrective actions.
President	Executes resolutions of the Board of Directors and manages all the Company's affairs.
Operation Management Center	Comprehensively handles planning and execution of group finance, accounting, project, tax, and stock affairs.

Departments		Functions
Mainland China Business Group	Channel Division	Responsible for market development, sales management, customer service, product inspection, storage, and logistics.
	Purchasing	Responsible for purchasing, supplier management, and raw material shipment.
	Production	A. Production scheduling, product manufacturing and shipment, production progress, and technical management. B. Raw material stock-in, requisition, and storage bin planning.
	R&D Center	Planning and implementation of R&D and design.
	HR & Administration	Setup and implementation of HR planning, education and training, administration, and SHE affairs.
	Finance	Responsible for finance, accounting, tax, and stock affairs.
Overseas Business Group	Winlink	Sales and Trading.
	Tong Win	General investment, sales and trading.
	Fastlink Inc.	Sales and trading.

## II. Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and Managers of Departments and Branches

### (I) Directors and Supervisors

#### 1. Directors (The Company no longer has Supervisors)

As of April 19, 2021

Title	Nationality or Place of Registration	Name	Gender	Date Elected (Appointed)	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse and Minor Children		Nominee Arrangement		Education and Select Past Positions	Select Present Positions at Tong Ming and Other Companies	Managers, Directors, or Supervisors Who are Spouses or within Two Degrees of Kinship to Each Other			
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Tsai, Ching-Tung	Male	2019/06/14	3 years	2009/11/30	27,317,625	18.21%	3,317,625	1.97%	-	-	-	-	Chiayi County, Puzih Junior High School Chairman of Tong Ming Enterprise Co., Ltd Chairman of Malaysia Penang, Tong Heer Industry Corp., Ltd.	Chairman of Tong Ming Enterprise (Zhejiang) Co., Ltd Director of Jiaxing Fuan Real Estate Development Co., Ltd. Director of Jiaxing Fudi Real Estate Development Co., Ltd. Director of Jiaxing Fumin Real Estate Development Co., Ltd. Director of Tong Hwei Co., Ltd. Director of Famous Star Co., Ltd. Director of Acon International Co., Ltd. Director of All Star International Holdings Limited Tong One Holdings Limited	Director Representative and President	Tsai, Hung-Chuan	Father and son	
Director	BVI	Richard International Co., Ltd.	-	2019/06/14	3 years	2013/05/13	24,000,000	16%	24,000,000	14.29%	-	-	-	-	President of Tong Heer Resources Berhad Director of Tong Heer Fasteners (Thailand) Co. Ltd Director of Tong Heer Aluminium Industries Sdn. Bhd. Director of Kosmo Indah Sdn Bhd Director of Richard Holdings Limited Director Representative of Richard International Co., Ltd Director of Winlink Fasteners Co., Ltd.	President of Tong Heer Resources Berhad Director of Tong Heer Fasteners (Thailand) Co. Ltd Director of Tong Heer Aluminium Industries Sdn. Bhd. Director of Kosmo Indah Sdn Bhd Director of Richard Holdings Limited Director Representative of Richard International Co., Ltd Director of Winlink Fasteners Co., Ltd.	Chairman	Tsai, Ching-Tung	Uncle and nephew	
Director	R.O.C.	Representative Tsai, Yi-Tung	Male	2019/06/14	3 years	2017/06/09	19,381,500	11.54%	19,381,500	11.54%	-	-	-	-	B. Sc., Purdue University Assistant President of Tong Heer Fasteners Co. Sdn Bhd Vice President of Tong Heer Resources Berhad	President of Tong Ming Enterprise Co., Ltd. Legal representative, Director and President of Tong Ming Enterprise (Zhejiang) Co., Ltd Legal representative, Director and President of Easy Trade (Shanghai) Co., Ltd. Legal representative, Director and President of Jiaxing Fudi Real Estate Development Co., Ltd. Legal representative, Director and President of Jiaxing Fumin Real Estate Development Co., Ltd. Legal representative of Jiaxing Chunyou Precise Mould Co., Ltd. Director of Tong One Holdings Limited Director of Tong Win International Co., LTD. Chairman of Winlink Fasteners Co., Ltd.				
Director	Samoa	Tong One Holdings Limited.		2019/06/14	3 years	2013/05/13	24,000,000	16%	24,000,000	14.29%	-	-	-	-	MBA, University of Washington President of Tong Ming Enterprise (Zhejiang) Co., Ltd Director and President of Tong Ming Enterprise Co., Ltd.	President of Tong Ming Enterprise Co., Ltd. Legal representative, Director and President of Tong Ming Enterprise (Zhejiang) Co., Ltd Legal representative, Director and President of Easy Trade (Shanghai) Co., Ltd. Legal representative, Director and President of Jiaxing Fudi Real Estate Development Co., Ltd. Legal representative, Director and President of Jiaxing Fumin Real Estate Development Co., Ltd. Legal representative of Jiaxing Chunyou Precise Mould Co., Ltd. Director of Tong One Holdings Limited Director of Tong Win International Co., LTD. Chairman of Winlink Fasteners Co., Ltd.				
Director	R.O.C.	Representative Tsai, Hung-Chuan	Male	2019/06/14	3 years	2013/05/13	-	-	-	-	-	-	29,781,500	17.73%			Chairman	Tsai, Ching-Tung	Father and son	

Title	Nationality or Place of Registration	Name	Gender	Date Elected (Appointed)	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse and Minor Children		Nominee Arrangement		Education and Select Past Positions	Select Present Positions at Tong Ming and Other Companies	Managers, Directors, or Supervisors Who are Spouses or within Two Degrees of Kinship to Each Other		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	R.O.C.	Ko, Wen-Ling	Female	2019/06/14	3 years	2018/06/14	173,000	0.10%	173,000	0.10%					MBA, Chang Jung Christian University Spokesman of Tong Min Enterprise Co., Ltd. President of Winlink Fasteners Co., Ltd. President of Tong Win Trading (Jiaxing) Co., Ltd.	Spokesman of Tong Min Enterprise Co., Ltd. President of Winlink Fasteners Co., Ltd. President of Tong Win Trading (Jiaxing) Co., Ltd.	—	—	—
Independent Director	R.O.C.	Ko, Yung-Hsiang	Male	2019/06/14	3 years	2013/05/13	—	—	—	—					Bachelor of Accounting, Tamkang University Accountant of Shunyi Joint Accounting Firm	Accountant of Shunyi Joint Accounting Firm Independent Director of JMC Electronic Co., Ltd.	—	—	—
Independent Director	R.O.C.	Huang, Ming-Tze	Male	2019/06/14	3 years	2013/05/13	—	—	—	—					Bachelor of Industrial Engineering, Feng Chia University President of Suzhou New Best Wire Tech Co., Ltd.	—	—	—	—
Independent Director	R.O.C.	Hsu, Ching-Pang	Male	2019/06/14	3 years	2013/05/13	—	—	—	—					Master of Public Affairs Management, Sun Yat-Sen University Section Chief of Kaohsiung East District Tax Collection Office (Retired)	—	—	—	—

## 2. Principal shareholders of corporate shareholders:

### (1) Principal shareholders of corporate shareholders

As of April 19, 2021

Corporate Shareholders	Principal Shareholders
Tong One Holdings Limited	Tsai, Ching-Tung 80% Tsai, Hung-Chuan 20%
Richard International Co., Ltd.	Tsai, Ming-Ti 70% Tsai, Yi-Ting 30%

### (2) Principal shareholders of the principal shareholders that are juridical persons in the above table: None.

## 3. Professional qualifications and independence status of Directors and Supervisors:

As of April 19, 2021

Name (Note 1)	Over Five Years of Work Experience and the Following Professional Qualifications			Independence Status (Note 2)												Number of other public companies in which concurrently serving as an Independent Director
	Commerce, law, finance, accounting, or lecturer with business related departments of a public or private university	Judges, prosecutors, lawyers, accountants, or other business requiring national examination to obtain a professional certificate	Commerce, law, finance, accounting, or business requiring work experience	1	2	3	4	5	6	7	8	9	10	11	12	
Tsai, Ching-Tung			V							V		V		V	V	0
Richard International Co., Ltd. Representative: Tsai, Yi-Ting			V	V						V		V				0
Tong One Holdings Limited Representative: Tsai, Hung-Chuan			V							V		V				0
Ko, Wen-Ling			V	V	V	V	V	V	V	V	V	V	V	V	V	0
Ko, Yung-Hsiang		V	V	V	V	V	V	V	V	V	V	V	V	V	V	1
Huang, Ming-Tze			V	V	V	V	V	V	V	V	V	V	V	V	V	0
Hsu, Ching-Pang		V	V	V	V	V	V	V	V	V	V	V	V	V	V	0

Note 1 : The field number is adjustable according to the actual numbers.

Note 2 : Please check "v" in the blank below each condition code if each Director or Supervisor, during the two years before being elected or during the term of office, has had any of the following situations:

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of any affiliates of the Company (However, the same does not apply in cases where the person is an independent director set up by the Company, its parent company, or any subsidiary in accordance with this Law or local laws and decrees).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by nominee arrangement, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranks in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
- (6) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, or accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. However, the same does not apply to any member of the compensation committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Compensation Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEX".
- (8) Not having a marital relationship or a relative within the second degree of kinship to any other director of the Company.
- (9) Not being a person of any conditions defined in Article 30 of the Company Act.
- (10) Not a governmental, juridical person, or its representative as defined in Article 27 of the Company Act.

## (II) President, Vice Presidents, Assistant Vice Presidents, and Managers of Departments and Branches

## 1. This Company

As of April 19, 2021

Title	Name	Gender	Nationality	On-Board Date	Shareholding		Spouse and Minor Children		Nominee Arrangement		Education and Select Past Positions	Select Present Positions at other Companies	Managers who are Spouses or within Two Degrees of Kinship to Each Other		Comments
					Shares	%	Shares	%	Shares	%			Title	Name	
President	Tsai, Hung-Chuan	Male	R.O.C.	2009/11/30	—	—	—	—	29,781,500	17.73%	MBA, University of Washington President of Tong Ming Enterprise (Zhejiang) Co., Ltd	Director of Tong Ming Enterprise Co., Ltd. Legal representative, Director and President of Tong Ming Enterprise (Zhejiang) Co., Ltd Legal representative, Director and President of Easy Trade (Shanghai) Co., Ltd. Legal representative, Director and President of Jiaxing Fudi Real Estate Development Co., Ltd. Legal representative, Director and President of Jiaxing Fumin Real Estate Development Co., Ltd. Legal representative of Jiaxing Chunyou Precise Mould Co., Ltd. Director of Tong One Holdings Limited Director of Tong Win International Co., LTD. Chairman of Winlink Fasteners Co., Ltd.	—	—	—
Operation Management Center Vice President and Supervisor of Finance	Tsai, Cheng-Hsiung	Male	R.O.C.	2009/11/30	174,000	0.10%	—	—	—	—	MCS, Kaohsiung First University of Science and Technology Finance and Administration Manager of SAMPO CORP. Vice Finance President of Tong Ming Enterprise Co., Ltd	Director of Tong Ming Enterprise (Zhejiang) Co., Ltd Director of Tong Ming Trading Limited Director of Jiaxing Fuan Real Estate Development Co., Ltd. Director of Jiaxing Fudi Real Estate Development Co., Ltd. Director of Jiaxing Fumin Real Estate Development Co., Ltd. Legal representative and Director of Jiaxing Honghwa Consulting Co., Ltd. Legal representative, Director of Tong Win Trading (Jiaxing) Co., Ltd Director of Jiaxing Weihong Consulting Co., Ltd. Supervisor of Jiaxing Chunyou Precise Mould Co., Ltd. Supervisor of Winlink Fasteners Co., Ltd.	—	—	—
Supervisor of Accounting	Yen, Hsien-Ying	Male	R.O.C.	2014/08/11	—	—	8,000	—	—	—	Bachelor of Accounting, Fu Jen Catholic University Internal Auditor of Carrefour Co., Ltd. Audit Department Manager of BDO Taiwan	None	—	—	—
Supervisor of Internal Audit Office	Su, Chia-Yu	Female	R.O.C.	2014/08/11	—	—	—	—	—	—	Business Administration, Pingtung Institute of Commerce Sourcing Specialist of Tong Hwei Enterprise Co., Ltd. Section Manager of Winlink Fasteners Co., Ltd.	None	—	—	—

## 2. Tong Ming Enterprise Co., Ltd

As of April 19, 2021

Title	Nationality	Name	Gender	On-Board Date	Shareholding		Spouse and Minor Children		Nominee Arrangement		Education and Select Past Positions	Select Present Positions at other Companies	Managers who are Spouses or within Two Degrees of Kinship to Each Other			Comments
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	R.O.C.	Tsai, Hung-Chuan	Male	2009/11/30	-	-	-	-	29,781,500	17.73%	MBA, University of Washington	Director and President of Tong Ming Enterprise Co., Ltd. Director of Tong Ming Enterprise (Zhejiang) Co., Ltd Legal representative, Director, and President of Easy Trade (Shanghai) Co., Ltd. Legal representative, Director, and President of Jiaxing Fudi Real Estate Development Co., Ltd. Legal representative, Director, and President of Jiaxing Fumin Real Estate Development Co., Ltd. Legal representative of Jiaxing Chunyou Precise Mould Co., Ltd. Director of Tong One Holdings Limited Director of Tong Win International Co., LTD. Chairman of Winlink Fasteners Co., Ltd.	Vice President	Tsai, Chia-Yen	Siblings	
Vice President	R.O.C.	Tsai, Cheng-Hsiung	Male	2009/11/30	174,000	0.10%	-	-	-	-	MCS, Kaohsiung First University of Science and Technology Finance and Administration Manager of SAMPO CORP.	Director of Tong Ming Enterprise Co., Ltd Director of Tong Ming Trading Limited Director of Jiaxing Fuan Real Estate Development Co., Ltd. Director of Jiaxing Fudi Real Estate Development Co., Ltd. Director of Jiaxing Fumin Real Estate Development Co., Ltd. Legal representative and Director of Jiaxing Honghua Consulting Co., Ltd. Director of Jiaxing Weihong Consulting Co., Ltd. Supervisor of Jiaxing Chunyou Precise Mould Co., Ltd. Supervisor of Winlink Fasteners Co., Ltd. Legal representative, Director of Tong Win Trading (Jiaxing) Co., Ltd Operation Management Center Vice President and Finance Supervisor of Tong Ming Enterprise Co., Ltd.	-	-	-	
Vice President	R.O.C.	Tsai, Chia-Yen	Female	2013/5/1	-	-	-	-	8,000,000	4.76%	DM, University of Illinois at Urbana-Champaign Assistant Mathematics Teacher, University of Illinois at Urbana-Champaign	Director of Winlink Fasteners Co., Ltd. Director of Tong Ming Enterprise Co., Ltd	President	Tsai, Hung-Chuan	Siblings	
Vice President	Canada	Michael Patrick Dewar	Male	2013/5/1	-	-	8,000,000	4.76%	-	-	None		Vice President	Michael Patrick Dewar	Spouse	
													President	Tsai, Hung-Chuan	Affinity	
													Vice President	Tsai, Chia-Yen	Spouse	

### III. Remuneration Paid to Directors, Supervisors, President, and Vice Presidents

#### 1. Remuneration paid to Directors (including independent directors).

##### (1-1) Remuneration paid to Directors and Independent Directors (Individual disclosure of name and method of remuneration)

Unit: NT\$ 1,000

Title	Name	Remuneration to Directors						Compensation Earned by Being an Employee of Tong Ming or Tong Ming's Affiliated Entities						Total of A, B, C, D, E, F and G as a % of Net Income		Receive remuneration from a company other than a subsidiary for reinvestment business or from parent company						
		Base Compensation (A)		Severance Pay and Pensions (B)		Compensation to Directors (C)		Allowances (D)		Total of A, B, C and D as a % of Net Income		Base Compensation, Bonus, Allowances, etc. (E)		Severance Pay and Pensions (F)			Employee Compensation (G)		The Company	From All Consolidated Entities		
		The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	Cash	Stock		Cash	Stock			0.08%	0.08%
Chairman	Tsai, Ching-Tung	240	240	0	0	120	120	24	24	120	120	24	24	0	0	0	0	0	0	0.08%	0.08%	
Director	Richard Representative: Tsai, Yi-Ting	240	240	0	0	120	200	24	24	120	200	24	24	0	0	0	0	0	0	0.08%	0.09%	
Director	Tong One Representative: Tsai, Hung-Chuan	240	240	0	0	120	200	24	24	120	200	24	24	1,200	3915	0	0	0	0	0.08%	0.09%	0.32%
Director	Ko, Wen-Ling	240	240	0	0	120	120	24	24	120	120	24	24	0	5454	0	0	0	0	0.08%	0.08%	1.18%
Independent Director	Ko, Yung-Hsiang	240	240	0	0	120	120	24	24	120	120	24	24	0	0	0	0	0	0	0.08%	0.08%	0.08%
Independent Director	Huang, Ming-Tze	240	240	0	0	120	120	24	24	120	120	24	24	0	0	0	0	0	0	0.08%	0.08%	0.08%
Independent Director	Hsu, Ching-Pang	240	240	0	0	120	120	24	24	120	120	24	24	0	0	0	0	0	0	0.08%	0.08%	0.08%

1. Please state the policy, system, standards, and structure of independent director remuneration, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested, etc.: Reasonable. According to Article 91 of the Company Article state, the director compensation should less than five percent of the rest of the current year pre-tax income subtracts the employee compensation and director compensation.

2. Besides the above disclosure, the directors of the company have received remuneration for services by all companies in the financial report (such as serving as consultants for non-employees) in recent years: None.

Range of Remuneration to Directors	Name of Directors					
	Total of (A+B+C+D)			Total of (A+B+C+D+E+F+G)		
	From the Company	From All Consolidated Entities	From the Company	From All Consolidated Entities	From the Company	From All Consolidated Entities
NT\$ 999,999 and under	Tsai, Ching-Tung Tsai, Hung-Chuan Tsai, Yi-Ting Ko, Wen-Ling Ko, Yung-Hsiang Huang, Ming-Tze Hsu, Ching-Pang	Tsai, Ching-Tung Tsai, Hung-Chuan Tsai, Yi-Ting Ko, Wen-Ling Ko, Yung-Hsiang Huang, Ming-Tze Hsu, Ching-Pang	Tsai, Ching-Tung Tsai, Hung-Chuan Tsai, Yi-Ting Ko, Wen-Ling Ko, Yung-Hsiang Huang, Ming-Tze Hsu, Ching-Pang	Tsai, Ching-Tung Tsai, Hung-Chuan Tsai, Yi-Ting Ko, Wen-Ling Ko, Yung-Hsiang Huang, Ming-Tze Hsu, Ching-Pang	Tsai, Ching-Tung Tsai, Hung-Chuan Tsai, Yi-Ting Ko, Wen-Ling Ko, Yung-Hsiang Huang, Ming-Tze Hsu, Ching-Pang	Tsai, Ching-Tung Tsai, Hung-Chuan Tsai, Yi-Ting Ko, Wen-Ling Ko, Yung-Hsiang Huang, Ming-Tze Hsu, Ching-Pang
NT\$ 1,000,000 ~ NT\$ 1,999,999			Tsai, Hung-Chuan			-
NT\$ 2,000,000 ~ NT\$ 3,499,999	-	-	-	-	-	-
NT\$ 3,500,000 ~ NT\$ 4,999,999					Tsai, Hung-Chuan	
NT\$ 5,000,000 ~ NT\$ 9,999,999	-	-	-	-	Ko, Wen-Ling	
NT\$ 10,000,000 ~ NT\$ 14,999,999	-	-	-	-		
NT\$ 15,000,000 ~ NT\$ 29,999,999	-	-	-	-		
NT\$ 30,000,000 ~ NT\$ 49,999,999	-	-	-	-		
NT\$ 50,000,000 ~ NT\$ 99,999,999	-	-	-	-		
NT\$ 100,000,000 and above	-	-	-	-		
Total	7 persons	7persons	7persons	7persons	7persons	7persons

(2). Remuneration Paid to Supervisors: This Company no longer has the Supervisor position after overall re-election of the Board of Shareholders on May 13, 2013.

## 2. Compensation Paid to President and Vice Presidents in 2018

### (1-1) Compensation Paid to President and Vice Presidents (Individual disclosure of name and method of remuneration)

Unit: NT\$ 1,000

Title	Name	Salary (A)		Severance Pay and Pensions (B)		Bonus and Allowances (C)		Employee Compensation (D)				Total of A, B, C and D as a % of Net Income		Receive remuneration from a company other than a subsidiary for reinvestment business or from parent company	
		The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	From All Consolidated Entities		The Company	From All Consolidated Entities	From All Consolidated Entities	From All Consolidated Entities		
								Cash	Stock						Cash
President	Tsai, Hung-Chuan	1,200	3,915	0	0	0	0	0	0	0	0	0	0.24%	0.79%	0
Vice President	Tsai, Cheng-Hsiung	1,200	1,200	0	0	0	300	0	0	0	0	0	0.24%	0.30%	0
Vice President	Tsai, Chia-Yen	0	1,637	0	0	0	0	0	0	0	0	0	0	0.33%	0
Vice President	Michael Patrick Dewar	0	1,637	0	0	0	0	0	0	0	0	0	0	0.33%	0

### (1-2) Compensation Paid to President and Vice Presidents (Individual disclosure of name and aggregated remuneration range)

Unit: NT\$ 1,000

Title	Name	Salary (A)		Severance Pay and Pensions (B)		Bonus and Allowances (C)		Employee Compensation (D)				Total of A, B, C and D as a % of Net Income		Receive remuneration from a company other than a subsidiary for reinvestment business or from parent company	
		The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	From All Consolidated Entities		The Company	From All Consolidated Entities	From All Consolidated Entities	From All Consolidated Entities		
								Cash	Stock						Cash
President	Tsai, Hung-Chuan														
Vice President	Tsai, Cheng-Hsiung						300								
Vice President	Tsai, Chia-Yen	2,400	8,389	—	—	—	—	—	—	—	—	—	0.48%	1.75%	—
Vice President	Michael Patrick Dewar														

Ranges	Name of President and Vice Presidents	
	From the Company	From All Consolidated Entities
NT\$ 999,999 and under	-	-
NT\$ 1,000,000 ~ NT\$ 1,999,999	Tsai, Cheng-Hsiung Tsai, Hung-Chuan	
NT\$ 2,000,000 ~ NT\$ 3,499,999	-	Tsai, Cheng-Hsiung Tsai, Chia-Yen Michael Patrick Dewar
NT\$ 3,500,000 ~ NT\$ 4,999,999		Tsai, Hung-Chuan
NT\$ 5,000,000 ~ NT\$ 9,999,999	-	-
NT\$ 10,000,000 ~ NT\$ 14,999,999	-	-
NT\$ 15,000,000 ~ NT\$ 29,999,999	-	-
NT\$ 30,000,000 ~ NT\$ 49,999,999	-	-
NT\$ 50,000,000 ~ NT\$ 99,999,999	-	-
NT\$ 100,000,000 and above	-	-
Total	4 persons	4 persons

(2). Name of Managers granted Employee Compensation and the respective situation: None

(1-3) The remuneration of the top five executives of listed companies

Unit: NTS 1,000

Title	Name	Salary (A)		Severance Pay and Pensions (B)		Bonus and Allowances (C)		Employee Compensation (D)				Total of A, B, C and D as a % of Net Income		Receive remuneration from a company other than a subsidiary for reinvestment business or from parent company	
		The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities		
President	Tsai, Hung-Chuan	1,200	3,915	0	0	0	0	0	0	0	0	0	0.24%	0.79%	0
Vice President	Tsai, Cheng-Hsiung	1,200	1,200	0	0	0	300	0	0	0	0	0	0.24%	0.30%	0
Vice President	Tsai, Chia-Yen	0	1,637	0	0	0	0	0	0	0	0	0	0	0.33%	0
Vice President	Michael Patrick Dewar	0	1,637	0	0	0	0	0	0	0	0	0	0	0.33%	0
Supervisor of Accounting	Yen, Hsien-Ying	720	1,236	0	0	0	442	0	0	0	0	0	0.15%	0.33%	0

(IV) Analysis of remuneration and compensation paid to Directors, President, and Vice Presidents by the Company and all consolidated entities in 2018 and 2019 as a percentage of net income and explanation of the remuneration policy, standards, composition, procedures, and the correlation with operation performance and future risks are as follows:

1. Analysis of remuneration and compensation paid to Directors, Supervisors, President, and Vice Presidents in 2019 and 2020 as a percentage of consolidated net income:

Title	Amount of Remuneration and Compensation to Consolidated Net Income (%)			
	2019		2020	
	Amount	%	Amount	%
Director	2,932 120011	0.63	2,848	0.58
Supervisor	-	-	-	-
Manager	11,421	2.45	8,689	1.76

2. Remuneration policy, standards, composition, procedures, and the correlation with operation performance and future risks:

A. As stipulated in Article 64 of the Articles of Incorporation, remuneration to Directors shall vary and shall be evaluated by the Board of Directors with the Company's authorization every year, regardless of gain or loss, based on (a) the involvement of Directors in the business operations of the Company; (b) the contribution of Directors to the Company; (c) the remuneration standards of the industry; (d) the suggestion of the Compensation Committee; and (e) other relevant factors.

B. Compensation to the President and Vice Presidents shall be determined according to the personnel regulations of the Company based on position, assumed responsibility, and operational performance, as well as industrial standards.

## IV. Corporate Governance Implementation

(I) Operation of Board of Directors

1. Directors and Independent Directors Attendance in Person (By Proxy) at Board Meetings

- In total, five (A) Board Meetings were convened in 2020 and as of the publication of this annual report, with seven seats for Directors, of which three were for Independent Directors. The attendance status of the Directors in the Company is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Comments
Chairman	Tsai, Ching-Tung	5	0	100.00	
Director	Richard International Co., Ltd. Representative: Tsai, Yi-Ting	5	0	100.00	
Director	Tong One Holdings Limited Representative: Tsai, Hung-Chuan	5	0	100.00	
Director	Ko, Wen-Ling	5	0	100.00	
Independent Director	Hsu, Ching-Pang	5	0	100.00	
Independent Director	Huang, Ming-Tze	5	0	100.00	
Independent Director	Ko, Yung-Hsiang	5	0	100.00	

Notes:

- I. If any Board Meeting had any of the following cases, the date and session of the Board meeting, contents of motions, all Independent Directors' opinions, and actions taken by the Company regarding the opinions shall be specified:
- II.
- III.
  - (I) Matters specified in Article 14-3 of the Securities Exchange Act:
    - (1) Adopted by the 6th Board of Directors at its 4th Boards' meeting on March 18, 2020:
      - (a) Amendments to the "Articles of Incorporation", "Management of the Procedures for Preparation of Financial Statements", "Rules of Procedure for Boards' Meetings", "Rules of Procedure for Shareholders' Meetings" and "Corporate Social Responsibility Best Practice Principles".
      - (b) Newly established "Corporation Operation Directions for Compliance with the Establishment of Board of Directors by the Board's Exercise of Powers", "Procedures for Ethical Management and Guidelines for Conduct", "Regulations Governing Appointment of Independent Directors and Compliance Matters", "Regulations Governing the Exercise of Powers by Audit Committees", "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee" and "Regulations Governing the Board Performance Evaluation". RESOLUTION RESULTS: All the above motions were passed by consensus of the Board of Directors.
    - (2) Approved at the 6th meeting of the 6th Board of Directors on August 11, 2020:
      - (a) The Company provides endorsement and guarantee.  
Resolution: The motions listed above were approved by the Board of Directors.
    - (3) Approved by the 6th and 7th Board of Directors Meeting on November 07, 2020:
      - (a) The Company's new endorsement guarantee.  
Resolution: The motions listed above were approved by the Board of Directors.
    - (4) Approved by the 6th 8th Board of Directors Meeting on March 16, 2021:
      - (a) Amendments to the "Rules of Procedure for Shareholders' Meetings" and "Rules for Election of Board of Directors
      - (b) Designation of the Company's first Head of Corporate Governance.
      - (c) The Company intends to issue new shares for cash.  
Resolution: The motions listed above were approved by the Board of Directors.
  - (II) except for the items specified above, other resolutions on which an Independent Director expressed an objection or reservation, either by recorded statement or in writing: None.
  - (III) All Independent Directors' opinions and actions taken by the Company regarding such opinions: None.
- IV. For situations where Directors recuse themselves from any motion due to a conflict of interest, the Directors' names, contents of motions, causes for the recusal, and participation in voting shall be specified: None.
- V. Objectives of strengthening the functionality of the Board of Directors (i.e. To establish the Audit Committee and increase the information transparency) in the current year and the most recent year and evaluation of the execution thereof:  
The Company approved the establishment of the Audit Committee and Compensation Committee on June 10, 2013 and created the "Charter of the Audit Committee" and "Charter of the Compensation Committee" to strengthen the function of the Board of Directors, while the auditors of the Company shall periodically submit the audit report to Directors to increase the information transparency and disclose related information on the website pursuant to laws and regulations.

## 2. Evaluation of Board of Directors

Evaluation Frequency	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content
Once per year	2020/1/1~2020/12/31	Performance evaluation of the Board of Directors, individual Board members and functional committees.	Performance evaluation by internal board self-evaluation, self-evaluation by board members, self-evaluation by peers, appointment of external professional bodies, experts or other appropriate means.	<ol style="list-style-type: none"> <li>1. Level of participation in the company's operations</li> <li>2. Improve the quality of Board decisions</li> <li>3. Board composition and structure</li> <li>4. Board selection and continuing education</li> <li>5. Ensure the implementation of internal control systems</li> </ol>

## 3. Continuing Education of Directors and Supervisors

Title	Name	Date of Study	Organizer	Course	Hours
Director	Tsai, Ching-Tung	2020/08/11	Taiwan Corporate Governance Association	Competition for management rights and case analysis	3.0
Corporate Director Representative	Tsai, Hung-Chuan	2020/08/11	Taiwan Corporate Governance Association	Competition for management rights and case analysis	3.0
Corporate Director Representative	Tsai, Yi-Ting	2020/08/11	Taiwan Corporate Governance Association	Competition for management rights and case analysis	3.0
Director	Ko, Wen-Ling	2020/08/11	Taiwan Corporate Governance Association	Competition for management rights and case analysis	3.0
Independent Director	Hsu, Ching-Pang	2020/08/11	Taiwan Corporate Governance Association	Competition for management rights and case analysis	3.0
Independent Director	Huang, Ming-Tze	2020/08/11	Taiwan Corporate Governance Association	Competition for management rights and case analysis	3.0
Independent Director	Ko, Yung-Hsiang	2020/08/11	Taiwan Corporate Governance Association	Competition for management rights and case analysis	3.0

## (II) Operation of Audit Committee

- In total, five (A) Audit Committee meetings were convened in 2020 and as of the publication of this annual report, and the attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Comments
Independent Director	Hsu, Ching-Pang	5	0	100	
Independent Director	Huang, Ming-Tze	5	0	100	
Independent Director	Ko, Yung-Hsiang	5	0	100	

Notes:

- If the Audit Committee has any of the following cases, the date and session of the Board meeting, contents of motions, resolution of the Audit Committee, and actions taken by the Company regarding the opinions of the Audit Committee shall be specified:
  - Matters specified in Article 14-5 of the Securities Exchange Act:
    - Adopted by the 6th Board of Directors at its 4th Boards' meeting on March 18, 2020:
      - Amendments to the "Articles of Incorporation", "Management of the Procedures for Preparation of Financial Statements", "Rules of Procedure for Boards' Meetings", "Rules of Procedure for Shareholders' Meetings" and "Corporate Social Responsibility Best Practice Principles".
      - Newly established "Corporation Operation Directions for Compliance with the Establishment of Board of Directors by the Board's Exercise of Powers", "Procedures for Ethical Management and Guidelines for Conduct", "Regulations Governing Appointment of Independent Directors and Compliance Matters", "Regulations Governing the Exercise of Powers by Audit Committees", "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee" and "Regulations Governing the Board Performance Evaluation". RESOLUTION RESULTS: All the above motions were passed by consensus of the Board of Directors.
    - Approved at the 6th meeting of the 6th Board of Directors on August 11, 2020:
      - The Company provideds endorsement and guarantee.  
Resolution: The motions listed above were approved by the Board of Directors. °
    - Approved by the 6th and 7th Board of Directors Meeting on November 07, 2020:
      - The Company's new endorsement guarantee.  
Resolution: The motions listed above were approved by the Board of Directors
    - Approved by the 6th 8th Board of Directors Meeting on March 16, 2021:
      - Amendments to the "Rules of Procedure for Shareholders' Meetings" and "Rules for Election of Board of Directors
      - Designation of the Company's first Head of Corporate Governance.
      - The Company intends to issue new shares for cash.  
Resolution: The motions listed above were approved by the Board of Directors.
  - Except for the aforementioned items, resolutions that were not approved by the Audit Committee but were approved by two-thirds or more of all Directors: None.
  - Actions taken by the Company regarding such opinions of the Audit Committee: None.
- For situations where Independent Directors recuse themselves from any motion due to a conflict of interest, the Independent Directors' names, contents of motions, causes for the recusal, and participation in voting shall be specified: None.
- Communications between the Independent Directors, the internal audit supervisor, and CPAs (including important issues concerning the finance and business of the Company and the means and outcomes of communication).
  - In addition to regularly communicating with the members of the Audit Committee for the results of audit reports, the internal audit supervisor shall report the internal audit status in the Audit Committee meeting on a quarterly basis and will also report to the members of the Audit Committee in a timely manner in the case of any special circumstances. No such special circumstances occurred in 2020
  - CPAs of the Company shall report the audit results of financial statements in the Audit Committee meeting on a quarterly basis and will also report to the members of the Audit Committee in a timely manner in the case of any special circumstances. No such special circumstances occurred in 2020

(III) Important resolutions of the Shareholders' Meeting and Board Meetings and their implementation status

1. Important resolutions of the shareholders' meeting and their implementation status

The Annual General Meeting was held on June 15, 2020, and the approved items and the implementation status of the resolutions were as follows.

(1) Recognition of the Company's 2019 operating report and financial statements

Implementation status: Recognition of 2019 financial statements, full year consolidated operating revenue of NT\$8,807,059 thousand, profit after tax of NT\$467,504 thousand and earnings per share of NT\$2.77.

(2) Acknowledgement of the Company's 2019 Annual Earnings Allocation.

Implementation status: Approved a cash dividend of NT\$1.5 per common share. An ex-dividend date of July 19, 2020 was set and a cash dividend was paid on August 13, 2020.

(3) Amendment of Articles of Incorporation.

Implementation status: The resolution was approved and has been executed in accordance with the resolution of the shareholders' meeting.

(4) Amendment of "Rules of Procedure for Shareholders' Meetings"

Implementation status: The resolution was approved and has been executed in accordance with the resolution of the shareholders' meeting.

2. Important resolutions of Board Meetings

(1) Board of Directors, March 18, 2020:

- The Company's 2019 annual report of operations and consolidated financial statements.

Implementation status: The resolution was approved and presented to the shareholders' meeting for resolution.

- The Company's 2019 annual earnings distribution.

Implementation status: The resolution was approved and presented to the shareholders' meeting for resolution.

- The Company's statement of internal control system.

Implementation status: The resolution was approved.

- 2019 employee remuneration and director remuneration distribution.

Implementation status: The resolution was approved and presented to the shareholders' meeting for resolution.

- Amendments to the "Articles of Incorporation", "Management of the Procedures for Preparation of Financial Statements", "Rules of Procedure for Boards' Meetings",

“Rules of Procedure for Shareholders’ Meetings” and “Corporate Social Responsibility Best Practice Principles”.

Implementation status: The resolution was approved and presented to the shareholders' meeting for resolution.

- Newly established “Corporation Operation Directions for Compliance with the Establishment of Board of Directors by the Board's Exercise of Powers”, “Procedures for Ethical Management and Guidelines for Conduct”, “Regulations Governing Appointment of Independent Directors and Compliance Matters”, “Regulations Governing the Exercise of Powers by Audit Committees”, “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” and “Regulations Governing the Board Performance Evaluation”.

Implementation status: The resolution was approved and presented to the shareholders' meeting for resolution.

- Line of credit of KGI Bank and the ceilings on amount of endorsement/guarantee of Tong Ming Enterprise Co., Ltd.

Implementation status: The resolution was approved.

- Proposal to convene the Company's 2020 annual general meeting of shareholders.

Implementation status: The resolution was approved.

(2) Board of Directors Meeting on May 11, 2020: None.

(3) Board of Directors Meeting on Aug. 11, 2020:

- The Company established an Osaka subsidiary

Execution: Resolution adopted.

- Providing New Endorsement Guarantee

Execution: Resolution adopted.

(4) Board of Directors Meeting on Nov. 6, 2021:

- Establishment of the Company's 2021 operating plan (annual budget)

Execution: Resolution adopted.

- Set up 2021 annual audit plan

Execution: Resolution adopted.

- Revision of the "Rules Governing the Preparation of Financial Statements", "Organizational Procedures of the Compensation Committee", "Rules Governing Related Party Transactions", and "Internal Audit System”

Execution: Resolution adopted.

- Established "Internal Material Information Handling and Prevention of Insider

Trading Management Procedures”

Execution: Resolution adopted.

- Review of the Company's "Method for Payment of Compensation and Attendance Fees to Directors

Execution: Resolution adopted.

(5) Board of Directors Meeting on March 16, 2021:

- 2020 Annual Report on Operations and Consolidated Financial Statements

Execution: Resolution adopted. Report to the shareholders' meeting for resolution.

- 2020 Distribution of the earnings

Execution: Resolution adopted. Report to the shareholders' meeting for resolution.

- Statement of the Company's Internal Control System

Execution: Resolution adopted.

- Adjustment of KGI Bank's Credit Facility and Cayman Tong Ming Endorsement Guarantee

Execution: Resolution adopted.

- Amendments to the "Rules of Procedure for Shareholders' Meetings" and "Rules for Election of Board of Directors”

Execution: Resolution adopted. Report to the shareholders' meeting for resolution.

- Revision of the "Regulations Governing the Preparation of Financial Statements".

Execution: Resolution adopted.

- Designation of the Company's first Head of Corporate Governance

Execution: Resolution adopted.

- Issuance of new shares by cash capital increase

Execution: Resolution adopted.

- 2020 Employees' Compensation and Directors' Compensation Distribution

Execution: Resolution adopted. Report to the shareholders' meeting for resolution.

- Distribution of authorized shares for the employee

Execution: Resolution adopted.

- Convene the 2021 Annual General Meeting of Shareholders of the Company

Execution: Resolution adopted.

(IV) Implementation of Corporate Governance Practices and Non-compliance with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons

Assessment Item	Status			Non-compliance and Reasons
	Yes	No	Description	
I. Does the Company follow “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” to establish and disclose its corporate governance practices?		V	The Company has not yet established corporate governance practices but will assess and set them up in the future as per request. The regulations related to corporate governance like the “Internal Control System”, “Procedures for Obtaining or Disposing of Assets”, and “Management of Capital Loan and Endorsement Guarantee” have been established and implemented in the principle of corporate governance, and the Company will also increase the information transparency and strengthen the function of the Board of Directors with related administrative measures in order to actively promote corporate governance.	The Company will establish in the future as per actual request.
II. Ownership structure and shareholders’ rights (1) Does the Company have internal operation procedures to handle shareholders’ suggestions, concerns, disputes, and litigations? If yes, have these procedures been implemented accordingly? (2) Does the Company possess a list of major shareholders and ultimate owners of these major shareholders? (3) Has the Company created and executed a risk management system and firewall between itself and affiliates? (4) Does the Company have internal rules to prevent insiders from using undisclosed information to trade securities?	V		(1) The Company has entrusted a dedicated stock affair agent in Taiwan for related issues and a spokesman and acting spokesman for shareholders’ proposals.  (2) The Company properly knows the shareholding situation of Directors, managers, and major shareholders holding 10% or more of the shares. (3) The assets, rights, and liabilities of financial management are independent for each affiliated company. The Company has established related management rules with affiliated companies for it. (4) The Company has established the “Procedures for the Prevention of Insider Trading” to prohibit insiders from using undisclosed information to trade securities.	No major non-compliance
III. Composition and duties of the Board of Directors (1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly? (2) Other than the Compensation and Audit Committees, which are required by law, does the Company plan to set up other functional committees? (3) Does the Company establish a Board of Directors’ performance evaluation rule and its evaluation method, conduct performance evaluation annually and regularly, and report the results of performance evaluation to the Board of Directors, and use individual directors’ remuneration and nomination as reference? (4) Does the Company periodically evaluate the independence of its CPAs?	V		(1) The seven members of the Board of Directors all have R.O.C. nationality and rich industrial and academic experiences.  (2) The Company has set up the Audit and Compensation Committee, each of which consists of three Independent Directors. As for other functional committees, the Board of Direction will authorize to set them up separately as per request in the future. (3) The Company regularly reviews the function of its Board of Directors to gradually improve corporate governance; however, an assessment method of the Board of Direction has not been created, which will be set up as per request in the future.  (4) From Deloitte Touche Tohmatsu Limited, a large accounting firm in the country, CPAs of the Company audit financial status according to the laws and regulations with high independence. The selection of an accounting firm and CPAs shall first be reviewed by the Audit Committee and then approved by the Board of Directors, which will be regularly evaluated.	No major non-compliance

Assessment Item	Status			Non-compliance and Reasons
	Yes	No	Description	
IV. Has the Company established an exclusively (or concurrently) dedicated corporate governance unit or personnel to handle matters pertaining to corporate governance (including but not limited to providing information required for business execution by directors and supervisors, handling matters relating to board meetings and shareholders' meetings according to laws and regulations, handling corporate registration and amendment registration, producing minutes of board meetings and shareholders' meeti	V		On March 16, 2021, the Company's Board of Directors appointed the Head of Corporate Governance to be responsible for corporate governance-related matters and to coordinate with other departments on corporate governance matters. In addition, the shareholder affairs department is responsible for matters related to the board of directors' and shareholders' meetings, registration of companies and changes in registration, and preparation of minutes of board of directors' and shareholders' meetings.	No major non-compliance
V. Has the Company established a communication channel with its stakeholders (including but not limited to shareholders, employees, customers, and suppliers) and created a stakeholder section on the Company's website to respond to their questions on corporate social responsibilities?	V		The Company has a spokesman and acting spokesman, as well as a litigation and non-litigation agent in the R.O.C. to inquire about the operation status or related rights issues with its stakeholders as investors. A stakeholder section has also been created on the website, and stakeholders can contact the Company via telephone, paper, fax, and e-mail at any time.	No major non-compliance
VI. Has the Company appointed a professional registrar to organize the Shareholders' Meetings?	V		The Company has appointed the stock management service department of KGI Securities to manage issues related to shareholders and has assigned professional personnel to handle stock affairs.	No major non-compliance
VII. Information disclosure (1) Does the Company have a website that discloses financial business and corporate governance information? (2) Does the Company use other information disclosure methods (e.g., setting up an English website, designating a person to collect and disclose company information, implementing a spokesperson system, placing the Company's website in the process of the institutional investor conference, etc.)? (3) Does the Company announce and report its annual financial report within two months after the end of the fiscal year, and announce and report its first, second and third quarter financial reports and operating status for each month well in advance of the required deadline?	V  V		(1) The Company discloses corporate information through the website in Chinese, and information about finances, business, and corporate governance can be queried on MOPS. (2) The Company has a spokesman and acting spokesman for information collection and disclosure and as a bridge of external communication and irregularly holds investor conferences to increase information transparency. The content of such investor conferences will be placed on the Company's official website and MOPS website. (3) The Company announces and reports its financial reports for each period in accordance with the requirements of the competent authorities.	No major non-compliance
VIII. Does the Company have other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employees' rights and welfare, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and insurance for directors and supervisors provided by the Company)?	V		(1) Employees' rights and welfare: Excellent employees are the Company's most valuable asset. The Company expects every employee to endeavor toward the development of the Company with a high sense of responsibility while creating a good work environment for the employees and providing them with welfare, training, and opportunities for advancement. (2) Investor relations: The Company has setup a spokesman system and a litigant and non-litigant agent in the R.O.C. to get information about company operations and issues related to rights for investors, customers, suppliers, and stakeholders. Meanwhile, the Company discloses significant financial information on the MOPS website as regulated, as well as such information that may influence the decision-making of investors. (3) Stakeholder rights: The Company maintains smooth communication with the dealing banks, employees,	No major non-compliance

Assessment Item	Status			Non-compliance and Reasons
	Yes	No	Description	
			<p>customers, and suppliers, respecting and ensuring their due legal rights. In addition to setting up a spokesman system and litigant and non-litigant agent, the Company also honestly discloses highly transparent financial information for the stakeholders pursuant to regulations.</p> <p>(4) Continuing education of Directors and Supervisors: The Company has appointed Taiwan Corporate Governance Association and invites securities underwriters to give corporate governance lessons, as well as applies the Security Act of the R.O.C. to the Directors and Supervisors for a better understanding of their own responsibilities.</p> <p>(5) Risk management policy and risk measurement standards: The Company has set up an internal control system and relevant regulations and implements the policy and regulations accordingly.</p> <p>(6) Customer policy implementation: The Company has set up a customer service department with designated personnel for after-sales service, and customers can submit complains via paper, e-mail, or telephone, which will be tracked and managed to ensure their rights and benefits.</p> <p>(7) The Company has bought liability insurance for all directors and key persons with a cumulative liability limit of US\$2 million. The Company no longer has the Supervisor position.</p>	
IX. The improvement status for the outcome of Corporate Governance Evaluation announced by Taiwan Stock Exchange Corporate Governance Center and the priority of pending issues.	V		<p>(1) In 2021, the Company establishes a corporate governance officer to be responsible for corporate governance-related matters and will explain the operation and execution of this unit in the annual report and on the Company's website.</p> <p>(2) In 2021, the Company will publish significant information in Chinese and simultaneously in English.</p>	

(V) In case the Company has a Compensation Committee, the composition, duties, and operation shall be disclosed.

### 1. Members of the Compensation Committee

Title (Note 1)	Condition  Name	Over Five Years of Work Experience and the Following Professional Qualifications			Independence Status (Note 2)										Number of Other Public Companies in Which Concurrently Serving in the Compensation Committee	Comments (Note 3)	
		Commerce, law, finance, accounting, or lecturer with business related departments of a public or private university	Judges, prosecutors, lawyers, accountants, or other business requiring national examination to obtain a professional certificate	Commerce, law, finance, accounting, or business requiring work experience	1	2	3	4	5	6	7	8	9	10			
Independent Director	Hsu, Ching-Pang		V	V	V	V	V	V	V	V	V	V	V	V	V	0	N/A
Independent Director	Huang, Ming-Tze			V	V	V	V	V	V	V	V	V	V	V	V	0	N/A
Independent Director	Ko, Yung-Hsiang		V	V	V	V	V	V	V	V	V	V	V	V	V	0	N/A

Note 1: Please fill in with Directors, Independent Directors, or others.

Note 2: Please tick the corresponding boxes that apply to all members the two years prior to being elected or during the term of office.

- (1) Not an employee of the Company or any of its associates.
- (2) Not a director or supervisor of the Company or any of its associates. (Not applicable in cases where the person is also an independent director of the Company, its parent company, or any subsidiary in which the Company holds following the Act or the laws and regulations of the local country.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not a manager in subparagraph (1), a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) A director, supervisor or employee of a corporate shareholder who does not directly hold 5% or more of the Company's total outstanding shares, who holds the top five shares, or who has appointed a representative as a director or supervisor in accordance with Article 27, paragraph 1 or 2, of the Company Act (Not applicable in cases where the person is also an independent director of the Company, its parent company, or any subsidiary in which the Company holds following the Act or the laws and regulations of the local country.)
- (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company. (Not applicable in cases where the person is also an independent director of the Company, its parent company, or any subsidiary in which the Company holds following the Act or the laws and regulations of the local country.)
- (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. (Not applicable in cases where the person is also an independent director of the Company, its parent company, or any subsidiary in which the Company holds following the Act or the laws and regulations of the local country.)
- (8) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company. (Not applicable in cases where the person is also an independent director of the Company, its parent company, or any subsidiary in which the Company holds following the Act or the laws and regulations of the local country.)
- (9) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, does not provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not been a person of any conditions defined in Article 30 of the Company Law.

Note 3: If a member is a director, please state whether he/she meets the requirements of Article 6, Paragraph 5 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange"

## 2. Operation of the Compensation Committee

- (1) The Company's Compensation Committee comprises three members.
- (2) Term: June 14, 2019~ June 13, 2021. The Compensation Committee held two (A) meetings in 2021. The title and attendance status are as follows:

Title	Name	Attendance In Person (B)	By Proxy	Actual Attendance Rate (%) (B/A) (Note)	Comments
Convener	Hsu, Ching-Pang	2	0	100%	
Member	Huang, Ming-Tze	2	0	100%	
Member	Ko, Yung-Hsiang	2	0	100%	

Notes:

- I. The date and session of the Board Meeting, contents, resolution, and implemented measures concerning the recommendation of the Compensation Committees shall be stated if the recommendation of the Compensation Committee is not adopted or is revised by the Board of Directors (For example, if the compensation passed by the Board of Directors is higher than the recommendation of the Compensation Committee, the discrepancy and reason therefor shall be stated): N/A.
- II. The date and session of the Compensation Committee meeting, contents, opinions of all members, and implemented measures shall be stated if any objections or opinion indicates reservations about the resolution of the meeting with records or stated in writing: N/A.

## (VI) Social Responsibility Implementation Status

Assessment Items	Status			Non-compliance with "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies" and Reasons
	Yes	No	Description (Note 2)	
I. Implementation of corporate governance				
(1) Has the Company established a corporate social responsibility policy and evaluated its implementation?	V		(1) The Company has established "Corporate Social Responsibility Best Practice Principles" to ensure stockholders' equity and strengthen the function of the Board of Directors.	No major non-compliance
(2) Does the Company hold training sessions for CSR?	V		(2) The Company holds training sessions and publicity regularly and irregularly to ensure compliance with CSR policies and regulations and motivates employees with the performance review system.	No major non-compliance
(3) Does the Company have an exclusively (or concurrently) dedicated CSR unit with senior management being authorized by the Board to handle relevant issues and report to the Board?	V		(3) The Administration Division, Sales Division, and Supervisor of Labor Safety and Health work together to promote Corporate Social Responsibility.	No major non-compliance
(4) Does the Company have a reasonable compensation policy that incorporates employees' performance review with CSR policy and a specific and effective disciplinary system?	V		(4) The Company has established the remuneration policy of Directors and compensation policy of managers and an effective disciplinary system and reviews employees' performance based on the CSR policy.	No major non-compliance
II. Sustainable environmental development				
(1) Is the Company committed to improving resource utilization and the use of renewable materials?	V		(1) The Company has been enhancing its utilization of resources and its recycling of raw materials.	No major non-compliance

Assessment Items	Status			Non-compliance with “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies” and Reasons
	Yes	No	Description (Note 2)	
(2) Has the Company established an environmental management system designed to industry characteristics?	V		(2) The Company obtained several ISO certificates and established complete regulations of quality management, safety and health, and environmental protection, in compliance with the audit standard pursuant to laws and regulations and fulfilling the public expectations for contribution to society.	No major non-compliance
(3) Does the Company track the impact of climate change on operations, carry out greenhouse gas inventories, and set energy conservation and greenhouse gas reduction strategy?	V		(3) The Company calls for turning off lights when leaving and encourages reducing waste and environmental load to be friendly to our globe.	No major non-compliance
III. Promotion of social welfare				
(1) Has the Company established policies and procedures according to relevant laws and regulations, as well as the International Covenants on Human Rights?	V		(1) The Personnel Rules and Regulations have been established in accordance with local legislation and reviewed by legal counsel, in compliance with the requirement of the local labor department.	No major non-compliance
(2) Has the Company established a complaint mechanism and channels for employees and appropriately managed relevant issues?	V		(2) The Company has established a complaint mechanism and report system and properly handles issues.	No major non-compliance
(3) Does the Company provide a safe and healthy work environment and periodic safety and health training?	V		(3) The Company has conducted a review of the safety and healthy work environment and employee training and health. All the workshops were installed with solar power generation equipment on the roof in 2017 for green energy promotion and carbon reduction and to provide a better work environment for employees.	No major non-compliance
(4) Has the Company established a mechanism for regular communication with employees and does it use reasonable measures to notify employees of operational changes that may cause significant impact to employees?	V		(4) The Company periodically holds inter-department meetings to announce important information.	No major non-compliance
(5) Has the Company established effective career development training plans?	V		(5) The Company has set up a training system and encourages employees to receive training along with the development of the Company.	No major non-compliance
(6) Has the Company established policies and consumer appeal procedures in its R&D, purchasing, production, operations, and service processes?	V		(6) The Company has assigned personnel and an e-mail address for receiving complaints for customer rights and benefits and solves the complaints in a fair and timely manner.	No major non-compliance
(7) Does the Company follow regulations and international standards in the marketing and labeling of products and services?	V		(7) The marketing and labeling of products comply with relevant laws and regulations of mainland China and international standards.	No major non-compliance
(8) Does the Company evaluate environmental and social track records before engaging with potential suppliers?	V		(8) The Company has completely evaluated its suppliers before dealing with them, including their influence on the environment and society.	No major non-compliance
(9) Do the Company’s contracts with major suppliers include termination clauses if they violate its CSR policy and cause significant environmental and social impact?	V		(9) The contract between the Company and major suppliers currently does not include the clause that the contract shall be terminated or rescinded at any time in case of any violation of the supplier on its CSR policy and obvious impact to the	The Company will discuss with major suppliers whether or not to add this clause as per request in the future.

Assessment Items	Status			Non-compliance with “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies” and Reasons
	Yes	No	Description (Note 2)	
			environment and society, which will be added or not as per request in the future.	
IV. Enhancement on information disclosure (1) Does the Company disclose relevant and reliable CSR information on its official website or MOPS?	V		(1) The Company discloses information related to CSR fulfillment on the MOPS or through other methods.	No major non-compliance
V. If the Company has established its CSR principles according to the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies”, please describe the operational status and difference:None				
VI. Other important information to facilitate a better understanding of the Company’s CSR practices (1). Environmental protection: The Company has established complete regulations for quality management, safety and health, and environmental protection in its production processes, which comply with the audit standard and environmental protection rules pursuant to laws and regulations. (2). Community participation: In addition to focusing on business development, the Company also responds to charity activities for underprivileged groups from time to time and actively attends activities promoting good relations with relatives and neighbors; furthermore, the Company has a professional mobile optometric vehicle to provide visual examinations and various visual health lectures from place to place and endeavors regarding social responsibility like consumer rights and interests and social benefits. (3). Social contribution: The Company frequently gives back and donates to local villages and charities. (4). Consumer rights and interests: The Company has set up a customer service department in each branch office with designated personnel for after-sales service; customers can complain in written form, via e-mail, or by telephone, and such complaints will be tracked and managed to ensure their rights and benefits. (5). Human rights and safety and health: The Company pays for five insurances and one pension for employees according to law and has also established safety and health working codes, provided safety and health training and related publicity every year, and conducted health check-ups for employees.				
VII. Other information regarding the CSR report that is verified by certification bodies: None.				

(VII) Implementation status of ethical corporate management and discrepancies between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons for such discrepancies

Assessment Items	Status (Note 1)			Non-compliance with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies” and Reasons
	Yes	No	Description	
I. Establishment of ethical management policies and implementation measures (1) Does the Company have an ethical corporate management policy approved by the Board of Directors and express in its regulations and external documents the policy and practice of ethical corporate management and the commitment of the Board of Directors and management to actively implement the corporate management policy?	V		(1) The Company has explicitly expressed its ethical management policy in its regulations and contracts. Both the Board of Directors and management team are committed to its execution and implementation in internal operations and external business activities.	No major non-compliance
(2) Has the Company established an assessment mechanism for the risk of unethical conduct, regularly analyzed and evaluated the business activities in the scope of business with a higher risk of unethical conduct, and formulated a plan to prevent unethical conduct, covering at least the preventive measures in Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for	V		(2) The Company upholds the principles of fairness, honesty, trustworthiness and transparency in all business activities. To prevent unethical behaviors, the Confidentiality and Non-compete Agreement signed between the management team of the Company and the employees include a clause for confidentiality responsibility. The working rules of the Company also have disciplinary measures for unethical conduct.	No major non-compliance

Assessment Items	Status (Note 1)			Non-compliance with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies” and Reasons
	Yes	No	Description	
<p>TWSE/GTSM Listed Companies”?</p> <p>(3) Has the company defined and implemented the operating procedures, conduct guidelines, disciplinary and complaint systems to prevent unethical conduct in the program, and regularly reviewed the revised foreclosure program?</p>	V		(3) The Company strengthens the publicity of moral sense internally and encourages employees to report if any behaviors violating the laws and decrees or internal behavior regulations are suspected or actually occurred to the management team.	No major non-compliance
<p>II. Implementation of ethical management</p> <p>(1) Does the Company review the counterparty’s history of ethical conduct and include the compliance of business ethics as a clause in the contract?</p>	V		(1) The Company conducts business transactions in a fair and transparent manner and ensures the confidentiality of business information, respecting the business and intellectual assets of both customers and partners.	No major non-compliance
<p>(2) Does the Company have a responsible unit under the Board of Directors to promote unethical corporate management and report to the Board of Directors on a regular basis (at least once a year) on its unethical corporate management policy and program to prevent unethical conduct and monitor its implementation status?</p>	V		(2) The Company appoints the HR Division and personnel to work together to formulate and monitor the execution of ethical policies. The division shall communicate with the Board of Directors as they deem necessary. The Board of Directors will supervise and review the implementation status and continuous improvement in a timely manner with adequate care to ensure the execution of ethical management policies. Furthermore, the Directors or managers are accountable to the Shareholders’ Meeting or Board of Directors for their behaviors within the scope of ethical management of the Company.	No major non-compliance
<p>(3) Has the Company established policies to prevent conflicts of interest, provide appropriate communication channels, and thoroughly implement the policies?</p>	V		(3) The “Rules of Procedure for Board Meetings” include the prevention of conflicts of interest system for directors. In case the resolutions of the Board of Directors are related to a director’s own interests and in conflict with the interests of the Company, the director can participate in commenting and answering but neither in discussions nor voting and must avoid situations of executing any other voting rights for any other Board members.	No major non-compliance
<p>(4) Has the Company established an effective accounting system and internal control system for the implementation of ethical corporate management, and has the internal audit unit drawn up an audit plan based on the assessment of the risk of unethical conduct, in order to verify compliance status with the plan for the prevention of unethical conduct, or has it engaged an accountant to perform the audit?</p>	V		(4) The Company has established an effective accounting and internal control system, which will be reviewed in a timely manner to ensure that the design and implementation of the system continues to be effective, and the internal auditor irregularly audits the execution and compliance and submits the audit report accordingly to the Board of Directors.	No major non-compliance
<p>(5) Does the Company regularly hold internal and external training sessions of business ethics?</p>	V		(5) The Company regularly holds internal and external training for its relevant management team as per actual business requirements and advocates business ethics internally.	No major non-compliance

Assessment Items	Status (Note 1)			Non-compliance with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies” and Reasons
	Yes	No	Description	
<p>III. Implementation of the whistle blowing system</p> <p>(1) Has the Company established specific whistle blowing and reward systems, set up conveniently accessible complaint channels, and designated responsible individuals to handle the complaints received?</p> <p>(2) Does the company have a standard operating procedure for the investigation of the matters to be investigated, follow-up measures to be taken after the completion of the investigation, and relevant confidentiality mechanisms?</p> <p>(3) Has the Company established measures to protect whistleblowers from retaliation?</p>	V		(1) The Company has provided proper channels for reporting and complaining and established clear disciplinary measures in the HR regulations for unethical conduct. The title, name, date of violation, content, and result will be announced internally for unethical conduct.	No major non-compliance
	V		(2) The Company has designated a division to receive complaints and investigate and review the matters concerned without delay to reduce the possibility of them happening again, and such complaints shall be handled in a confidential manner.	No major non-compliance
	V		(3) The Company takes measures to protect whistleblowers from retaliation.	No major non-compliance
<p>IV. Enhancement on information disclosure</p> <p>(1) Does the Company disclose its business ethics principles and information about implementation of such guidelines on its website and MOPS?</p>	V		(1) The Company discloses its management guidelines, important information, and corporate culture on the website and has a designated department for collecting and posting information. The Company also has a spokesman and acting spokesman for consistent external statements.	No major non-compliance
<p>V. If the Company has established ethical conduct policies based on “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies”, please specify any discrepancy between the policies and their implementation: The Company runs various business activities in accordance with the ethical management principles; it has set up three Independent Directors and an internal audit division, as well as the Audit Committee. Currently, is the Company has no major non-compliance regarding ethical management.</p>				
<p>VI. Other important information to facilitate a better understanding of the Company’s ethical conduct practices (e.g., the Company reviews and revises its Business Ethics Principles, etc.): The Company follows ethical guidelines for all business transactions and encourages business partners to do the same. Furthermore, the Company holds meetings and provides employee training to advocate the ethical management practices and create a corporate culture with high integrity.</p>				

(VIII) Access shall be disclosed for companies with guidelines and regulations on corporate governance:

The Company has no Corporate Governance Practices but does have the 『Rules of Procedure for Shareholders' Meetings』, 『Rules of Procedure for Board Meetings』, and 『Charter for the Audit Committee』 and implements regulations related to corporate governance in the principle of company management. The Company will increase information transparency, strengthen the function of the Board of Directors, and promote corporate governance by revising its regulations in the future.

For more about the Company's Corporate Governance, please refer to the Company's website:  
<http://www.tonggroup.com.tw> (Corporate Governance Section)  
or MOPS: <http://newmops.twse.com.tw>.

(IX) Other important information to facilitate a better understanding of the Company's corporate governance: None

(X) Internal Control System Execution Status:

1. Statement of Internal Control System

Tong Ming Enterprise Co., Ltd.  
Statement of Internal Control System

Date: March 16, 2021

Based on the findings of a self-assessment, Tong Ming Enterprise Co., Ltd. (Tong Ming) states the following with regard to its internal control system during the year 2020:

- I. Tong Ming's Board of Directors and management are responsible for establishing, implementing, and maintaining an internal control system. Our internal control system provides a process designed to provide reasonable assurance over the effectiveness and efficiency of the operations (including profitability, performance, and safeguarding of assets); reliability, timeliness, and transparency of financial statements; and compliance with applicable laws and regulations.
- II. Any internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the three aforementioned objectives. Furthermore, the effectiveness of an internal control system may be subject to environmental or circumstantial changes. Nevertheless, our internal control system contains self-monitoring mechanisms, and Tong Ming will take immediate corrective actions in response to any deficiencies identified.
- III. Tong Ming evaluates the design and operation effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereafter called the "Regulations"). The criteria adopted by the Regulations identify five key components of internal control based on the process of management: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component contains several sub-items. Please refer to the Regulations for details of the above criteria.
- IV. Tong Ming has evaluated the design and operation effectiveness of its internal control system according to the aforementioned criteria.
- V. Based on the findings of the evaluation mentioned in the preceding paragraph, Tong Ming believes that, as of December 31, 2020, its internal control system (including its supervision of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency; reliability, timeliness, and transparency of

financial reports; and compliance with applicable laws and regulations, has been effective in design and operation and has reasonably assured the achievement of the previously mentioned objectives.

VI. This Statement will be an essential part of the Company's Annual Report and Prospectus and shall be be publicly disclosed. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This Statement was passed by the Board of Directors in their meeting held on March 16, 2021, with 0 of the 7 attending Directors objecting and the remainder all affirming the content of this Statement.

Tong Ming Enterprise Co., Ltd.

Chairman: Tsai, Ching-Tung      Signature:

President: Tsai, Hung-Chuan      Signature:

2. Where CPAs are retained to audit the internal control system, please disclose the CPAs' audit report: None.

(XI) Any penalties imposed upon the Company or internal personnel by law, or punishment imposed by the Company or internal personnel for violating the Company's internal control system regulations, and the major defects and corrective actions thereof in 2020 and as of the publication of this annual report: None.

(XII) Major resolutions of Shareholders' Meetings and Board Meetings in 2020 and as of the publication of this annual report:

1. Major resolutions of Board Meetings in 2020:

Date	Major resolutions
2020/06/15	<ol style="list-style-type: none"> <li>1. Approved the recognition of the 2019 Annual Business Report and Financial Statement. Status of the resolution: proposal was approved as proposed.</li> <li>2. Approved the recognition of the 2019 Surplus Distribution. Status of the resolution: proposal was approved as proposed.</li> <li>3. Amendment to Articles of Incorporation. Status of the resolution: proposal was approved as proposed.</li> <li>4. Amendment to "Rules of Procedure for Shareholders Meetings" Status of the resolution: proposal was approved as proposed.</li> </ol>

2. Resolutions of Board Meeting in 2020 and as of the publication of the annual report:

Date	Major resolutions
2020/03/18	<ol style="list-style-type: none"> <li>1. The Company's 2019 annual report of operations and consolidated financial statements. Status of the resolution: proposal was approved as proposed and presented to the shareholders' meeting.</li> <li>2. The Company's 2019 annual earnings distribution. Status of the resolution: proposal was approved as proposed and presented to the shareholders' meeting.</li> <li>3. The Company's statement of internal control system. Status of the resolution: proposal was approved as proposed.</li> <li>4. 2019 employee remuneration and director remuneration distribution. Status of the resolution: proposal was approved as proposed and presented to the shareholders' meeting.</li> <li>5. Amendments to the "Articles of Incorporation", "Management of the Procedures for Preparation of Financial Statements", "Rules of Procedure for Boards' Meetings", "Rules of Procedure for Shareholders' Meetings" and "Corporate Social Responsibility Best Practice Principles". Status of the resolution: proposal was approved as proposed and presented to the shareholders' meeting.</li> <li>6. Newly established "Corporation Operation Directions for Compliance with the Establishment of Board of Directors by the Board's Exercise of Powers", "Procedures for Ethical Management and Guidelines for Conduct", "Regulations Governing Appointment of Independent</li> </ol>

Date	Major resolutions
	<p>Directors and Compliance Matters”, “Regulations Governing the Exercise of Powers by Audit Committees”, “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a company whose stock is listed on the Taiwan Stock Exchange or the Taipei Exchange” and “Regulations Governing the Board Performance Evaluation”.</p> <p>Status of the resolution: proposal was approved as proposed and presented to the shareholders’ meeting.</p> <p>7. Line of credit of KGI Bank and and Justment amount of endorsement/guarantee of Tong Ming Enterprise Co., Ltd. Status of the resolution: proposal was approved as proposed.</p> <p>8. Proposal to convene the Company's 2020 annual general meeting of shareholders. Status of the resolution: proposal was approved as proposed.</p>
109/05/11	None
109/08/11	<p>1. The Company established an Osaka subsidiary Execution: Resolution adopted.</p> <p>2. Providing New Endorsement Guarantee Execution: Resolution adopted.</p>
109/11/06	<p>1. Establishment of the Company's 2021 operating plan (annual budget) Execution: Resolution adopted.</p> <p>2. Set up 2021 annual audit plan Execution: Resolution adopted.</p> <p>3. Revision of the "Rules Governing the Preparation of Financial Statements", "Organizational Procedures of the Compensation Committee", "Rules Governing Related Party Transactions", and "Internal Audit System" Execution: Resolution adopted.</p> <p>4. Established "Internal Material Information Handling and Prevention of Insider Trading Management Procedures" Execution: Resolution adopted.</p> <p>5. Review of the Company's "Method for Payment of Compensation and Attendance Fees to Directors" Execution: Resolution adopted.</p>
110/03/16	<p>1. 2020 Annual Report on Operations and Consolidated Financial Statements Execution: Resolution adopted. Report to the shareholders’ meeting for resolution.</p> <p>2. 2020 Distribution of the earnings Execution: Resolution adopted. Report to the shareholders’ meeting for resolution.</p> <p>3. Statement of the Company's Internal Control System Execution: Resolution adopted.</p> <p>4. Adjustment of KGI Bank's Credit Facility and Cayman Tong Ming Endorsement Guarantee Execution: Resolution adopted.</p> <p>5. Amendments to the "Rules of Procedure for Shareholders' Meetings" and "Rules for Election of Board of Directors" Execution: Resolution adopted. Report to the shareholders’ meeting for resolution.</p> <p>6. Revision of the "Regulations Governing the Preparation of Financial Statements" Execution: Resolution adopted. Report to the shareholders’ meeting for resolution.</p>

Date	Major resolutions
	<p>7. Designation of the Company's first Head of Corporate Governance Execution: Resolution adopted.</p> <p>8. Issuance of new shares by cash capital increase Execution: Resolution adopted.</p> <p>9. 2020 Employees' Compensation and Directors' Compensation Distribution Execution: Resolution adopted.</p> <p>10. Share Subscription for the employee Execution: Resolution adopted.</p> <p>11. Convene the 2021 Annual General Meeting of Shareholders of the Company Execution: Resolution adopted.</p>

3. Resolutions of the Audit Committee of the Company for 2020 to the date of publication of the Annual Report:

Date	Major resolutions
109/03/18	<p>1. 2019 Annual Report on Operations and Consolidated Financial Statements Execution: Resolution adopted. Report to the shareholders' meeting for resolution.</p> <p>2. 2019 Surplus Distribution ° Execution: Resolution adopted. Report to the shareholders' meeting for resolution.</p> <p>3. Statement of Internal Control System Execution: Resolution adopted.</p> <p>4. Amendment of some provisions of the "Articles of Incorporation"</p> <p>5. Amendment to the "Rules of Procedure of the Shareholders' Meeting" Execution: Resolution adopted. Report to the shareholders' meeting for resolution.</p> <p>6. Amendment to the "Rules of Procedure of the Board of Directors" Execution: Resolution adopted. Report to the shareholders' meeting for resolution.</p> <p>7. Revision of the Code of Practice on Corporate Social Responsibility Execution: Resolution adopted. Report to the shareholders' meeting for resolution.</p> <p>8. Establishing "Integrity Management Procedures and Behavior Guidelines" Execution: Resolution adopted. Report to the shareholders' meeting for resolution.</p> <p>9. To establish the "Guidelines for the Establishment and Exercise of Powers and Functions of the Board of Directors", "Regulations for the Establishment and Exercise of Powers and Functions of Independent Directors", "Regulations for the Exercise of Powers and Functions of the Audit Committee", "Regulations for the Establishment and Exercise of Powers and Functions of the Compensation Committee", "Regulations for the Evaluation of the Performance of the Board of Directors", and "Regulations for the Management of the Financial Statement Preparation Process" Execution: Resolution adopted.</p> <p>10. Adjustment of KGI Bank's credit and Cayman Tong Ming Endorsement Guarantee Execution: Resolution adopted.</p>
109/05/11	None
109/08/11	<p>1. Recognition of the Company's Consolidated Financial Statements for the Second Quarter of 2020 Execution: Resolution adopted.</p> <p>2. The Company established an Osaka subsidiary Execution: Resolution adopted.</p> <p>3. Providing New Endorsement Guarantee Execution: Resolution adopted.</p>

Date	Major resolutions
109/11/06	<ol style="list-style-type: none"> <li>1. Establishment of the Company's 2021 operating plan (annual budget) Execution: Resolution adopted.</li> <li>2. Set up 2021 annual audit plan Execution: Resolution adopted.</li> <li>3. Revision of the "Rules Governing the Preparation of Financial Statements", "Organizational Procedures of the Compensation Committee", "Rules Governing Related Party Transactions", and "Internal Audit System" Execution: Resolution adopted.</li> <li>4. Established "Internal Material Information Handling and Prevention of Insider Trading Management Procedures" Execution: Resolution adopted.</li> </ol>
110/03/16	<ol style="list-style-type: none"> <li>1. 2020 Annual Report on Operations and Consolidated Financial Statements Execution: Resolution adopted. Report to the shareholders' meeting for resolution.</li> <li>2. 2020 Distribution of the earnings Execution: Resolution adopted. Report to the shareholders' meeting for resolution.</li> <li>3. Statement of the Company's Internal Control System Execution: Resolution adopted.</li> <li>4. Adjustment of KGI Bank's Credit Facility and Cayman Tong Ming Endorsement Guarantee Execution: Resolution adopted.</li> <li>5. Amendments to the "Rules of Procedure for Shareholders' Meetings" and "Rules for Election of Board of Directors" Execution: Resolution adopted. Report to the shareholders' meeting for resolution.</li> <li>6. Revision of the "Regulations Governing the Preparation of Financial Statements" Execution: Resolution adopted.</li> <li>7. Designation of the Company's first Head of Corporate Governance Execution: Resolution adopted.</li> <li>8. Issuance of new shares by cash capital increase Execution: Resolution adopted.</li> </ol>

4. Resolution of the Compensation Committee of the Company for 2020 to the date of publication of the annual report:

Date	Major resolutions
109/03/18	<ol style="list-style-type: none"> <li>1. Manager Salary Approval Execution: Resolution adopted.</li> <li>2. 2019 Employee Compensation and Director Compensation Contribution Execution: Resolution adopted. Report to the shareholders' meeting for resolution.</li> </ol>
109/11/06	<ol style="list-style-type: none"> <li>1. Manager Salary Approval Execution: Resolution adopted.</li> </ol>
110/03/16	<ol style="list-style-type: none"> <li>1. 2020 Employees' Compensation and Directors' Compensation Distribution Execution: Resolution adopted. Report to the shareholders' meeting for resolution.</li> <li>2. Distribution of authorized shares for the employee Execution: Resolution adopted.</li> </ol>

(XIII) Different opinions expressed by Directors or the Audit Committee regarding major resolutions, either by recorded statement or in writing, in 2018 and as of the publication of this annual report: None.

(XIV) Resignation or discharge of the Chairman, President, or Supervisors of Accounting, Finance, Internal Audit, or R&D in 2020 and as of the publication of this annual report: None

## V. Audit Fees for CPA

### (I) Audit fees for CPA

#### Range of Audit Fees for CPA

Accounting Firm	Name of Accountant		Period of Audit	Comments
Deloitte Touche Tohmatsu Limited	Hsieh,Ming-Chung	Lu, I-Chen	2020	

Unit: In Thousands of NT\$

Fee range	Fee items	Audit Fee	Non-audit Fee	Total
1	NT\$ 1,999 and under			
2	NT\$ 2,000 ~ NT\$ 3,999	v		
3	NT\$ 4,000 ~ NT\$ 5,999			v
4	NT\$ 6,000 ~ NT\$ 7,999			
5	NT\$ 8,000 ~ NT\$ 9,999			
6	NT\$ 10,000 and above			

1. In case non-audit fees paid to CPAs, the CPAs' accounting firms, and their affiliates exceeding 25% of the audit fees, please disclose the amount of audit fees and non-audit fees and the content of the non-audit services: None.
2. In case the change of accounting firms with audit fee paid in the year of change is less than the previous year, please disclose the amount of audit fees paid before and after the change and the reasons: None.
3. In case of more than a 15% decrease in the audit fees on a year-to-year basis, please disclose the amount decreased, proportion, and reason: None.

## VI. Change of CPA: None.

## VII. Chairman, President, or Managers in Charge of Finance or Accounting Holding a Position in the CPA's Firm or Its Affiliates in 2020 please disclose the name, position, and period in charge

None.

## VIII. Changes in Shareholding and Shares Pledged by Directors, Supervisors, Managers, and Shareholders with 10% Shareholdings or More in 2020 and as of the Publication of This Annual Report

In case of changes in shareholding and shares pledged by Directors, Supervisors, Managers, and Shareholders with 10% shareholdings or more in 2018 and as of the publication of this annual report and the counterpart of changes in shareholding and shares pledge is a related party, please disclose the name of the counterpart and its relations to the Company, Director, Supervisor, and Shareholders with 10% shareholdings or more and the number of shares transferred or pledged.

## (I) Changes in shareholding by Directors, Supervisors, Managers, and Principal Shareholders:

Unit: NTS/1000 Shares

Title	Name	2020		2021, as of April 19		Comments
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged	
Chairman	Tsai, Ching-Tung	—	—	—	—	—
		—	—	—	—	—
Director	Richard International Co., Ltd. Representative: Tsai, Yi-Ting	—	—	—	—	—
Director	Tong One Holdings Limited Representative: Tsai, Hung-Chuan	—	—	—	—	—
Director	Ko, Wen-Ling	—	—	—	—	—
Independent Director	Ko, Yung-Hsiang	—	—	—	—	—
Independent Director	Huang, Ming-Tze	—	—	—	—	—
Independent Director	Hsu, Ching-Pang	—	—	—	—	—
President and shareholder with 10% shareholdings or more	Tsai, Hung-Chuan	—	—	—	—	—
Operation Management Center Vice President and Supervisor of Finance	Tsai, Cheng-Hsiung	—	—	—	—	—
Supervisor of Accounting	Yen, Hsien-Ying	—	—	—	—	—
Supervisor of Internal Audit	Su, Chia-Yu	—	—	—	—	—
Shareholder with 10% shareholdings or more	Tsai, Ming-Ti	—	—	—	—	—
Shareholder with 10% shareholdings or more	Tsai, Yi-Ting	—	—	—	—	—
Shareholder with 10% shareholdings or more	Tsai, Ching-Tung	—	—	—	—	—

(II) Stock transferred to related parties: None

(III) Stock pledged to be transferred to related parties: None

## IX. Top 10 Shareholders Who Are Related Parties, Spouses, or within Two Degrees of Kinship to Each Other

As of April 19, 2021; Unit: shares

Name	Shareholding		Spouses, Minor Children		Nominee Arrangement		Names and Relationship of Top 10 Shareholders Who Are Related Parties, Spouses, or within Two Degrees of Kinship to Each Other		Comments
	Shares	%	Shares	%	Shares	%	Name	Relation	
Capital and Limited Representative: Tsai, Hung-Chuan	29,781,500	17.73%	—	—	—	—	Tong One Holdings Limited Representative: Tsai, Hung-Chuan Oriental Union Chemical Corp., in custody of Chinatrust Commercial Bank New Star Limited Representative: Tsai, Chia-Yen Mega Sun Limited Representative: Tsai, Chen-Jung	Director of the Company Sibling relationship with a Director of the Company Sibling relationship with a Director of the Company Sibling relationship with a Director of the Company	
Tong One Holdings Limited Representative: Tsai, Hung-Chuan	24,000,000	14.29%	—	—	—	—	Oriental Union Chemical Corp., in custody of Chinatrust Commercial Bank New Star Limited Representative: Tsai, Chia-Yen Capital and Limited Representative: Tsai, Hung-Chuan Mega Sun Limited Representative: Tsai, Chen-Jung	Sibling relationship with a Director of the Company Sibling relationship with a Director of the Company Director of the Company Sibling relationship with a Director of the Company	—
Richard International Co., Ltd. Representative: Tsai, Yi-Ting	24,000,000	14.29%	—	—	—	—	Tsai, Yi-Ting Tsai, Ming-Ti Aetek Co., Ltd. in custody of Chinatrust Commercial Bank	Director of the Company Father and son Sibling relationship with a Director of the Company	—
Tsai, Yi-Ting	19,381,500	11.54%	—	—	—	—	Tsai, Ming-Ti Richard International Co., Ltd. Representative: Tsai, Yi-Ting Tsai, Ming-Ti Aetek Co., Ltd. in custody of Chinatrust Commercial Bank	Father and son Father and son with a Director of the Company Sibling relationship with a Director of the Company	—
Tsai, Ming-Ti	16,426,875	9.78%	—	—	—	—	Tsai, Yi-Ting Richard International Co., Ltd. Representative: Tsai, Yi-Ting Aetek Co., Ltd. in custody of Chinatrust Commercial Bank	Father and son Director of the Company Father and daughter with a Director of the Company	—
Oriental Union Chemical Corp., in custody of Chinatrust Commercial Bank	10,713,000	6.38%	—	—	—	—	Tong One Holdings Limited Representative: Tsai, Hung-Chuan New Star Limited Representative: Tsai, Chia-Yen Capital and Limited Representative: Tsai, Hung-Chuan Mega Sun Limited Representative: Tsai, Chen-Jung	sibling relationship with a Director of the Company Sisters with a Director of the Company Sibling relationship with a Director of the Company Director of the Company	—
New Star Limited	8,000,000	4.76%	—	—	—	—	Tong One Holdings Limited Representative: Tsai, Hung-Chuan Oriental Union Chemical Corp., in custody of Chinatrust Commercial Bank Capital and Limited Representative: Tsai, Hung-Chuan Mega Sun Limited Representative: Tsai, Chen-Jung	Sibling relationship with a Director of the Company Sisters with a Director of the Company Sibling relationship with a Director of the Company Sisters with a Director of the Company	—
Mega Sun Limited	8,000,000	4.76%	—	—	—	—	Tong One Holdings Limited Representative: Tsai, Hung-Chuan Oriental Union Chemical Corp., in custody of Chinatrust Commercial Bank New Star Limited Representative: Tsai, Chia-Yen Capital and Limited Representative: Tsai, Hung-Chuan	Sibling relationship with a Director of the Company Director of the Company Sisters with a Director of the Company Sibling relationship with a Director of the Company	—
Aetek Co., Ltd. in custody of Chinatrust Commercial Bank	7,443,000	4.43%	—	—	—	—	Tsai, Ming-Ti Tsai, Yi-Ting Richard International Co., Ltd. Representative : Tsai, Yi-Ting	Father and daughter Siblings Sibling relationship with a Director of the Company	—

Name	Shareholding		Spouses, Minor Children		Nominee Arrangement		Names and Relationship of Top 10 Shareholders Who Are Related Parties, Spouses, or within Two Degrees of Kinship to Each Other	Comments
Tong Hwei Enterprise Co., Ltd.	5,399,000	3.21%	—	—	—	—	—	—
Person in Charge: Tsai, Tsung-Hsiang	0	—	—	—	—	—	—	—

**X. Number of Shares Held and Shareholding Percentage of the Company, the Company's Directors, Supervisors, Managers, and Directly or Indirectly Controlled Entities in the Same Investee**

Unit: Shares; %

Investee	Investment by the Company		Investment by Directors, Supervisors, Managers, and Directly or Indirectly Controlled Entities		Total	
	Shares	%	Shares	%	Shares	%
Tong Group Limited	1,000,000	100.00	—	—	1,000,000	100.00
China Rich International Holding Limited	10,000	100.00	—	—	10,000	100.00
Winlink Fasteners Co., Ltd.	1,500,000	100.00	—	—	1,500,000	100.00
Tong Win International CO. LTD.	500,000	100.00	—	—	500,000	100.00
Fast Link Inc.	500	83.33%	—	—	500	83.33%
Tong Ming Enterprise Co., Ltd (Note 1)	466,596,000	99.70	—	—	466,596,000	99.70
Tong Ming Trading Limited	50,000	100.00	—	—	50,000	100.00
Tong Ming Holding Ltd.	50,000	100.00	—	—	50,000	100.00
Easy Trade (Shanghai) Co., Ltd.	N/A (Note 2)	100.00	—	—	N/A(Note 2)	100.00
Shenzhen Easy Fasteners Co., Ltd.	N/A (Note 2)	100.00	—	—	N/A(Note 2)	100.00
Tong Win Trading (Jiaxing) Co., Ltd	N/A (Note2)	100.00	—	—	N/A(Note 2)	100.00

Note 1: It is jointly owned by Tong Group Limited and Tong Ming Enterprise Co., Ltd, holding 90.2% and 9.5%, respectively, as of March 31, 2018.

Note 2: The mainland China subsidiaries are limited companies without shares.

## Four Capital Overview

### I. Capital and Shares

#### (I) Source of Capital:

##### 1. History of Capital

As of April 19, 2021; Unit: NT\$/Share

Month and Year	Issue Price	Authorized Capital		Paid-in Capital		Comments		
		Shares	Amount	Shares	Amount	Source	Capital Increase by Assets Other than Cash	Others
November 2009	NT\$ 10	250,000,000	2,500,000,000	1	10	Set up Capital	NA	Note 1
December 2009	NT\$ 10	250,000,000	2,500,000,000	148,500,000	1,485,000,000	New issue	NA	Note 2
January 2010	NT\$ 10	250,000,000	2,500,000,000	150,000,000	1,500,000,000	New issue	NA	Note 3
December 2013	NT\$ 22	250,000,000	2,500,000,000	168,000,000	1,680,000,000	SPO	NA	NA

Note 1: To list in Taiwan, Apex Glory Limited transferred 1 share to Marcia Donaldson, the company sponsor, and established Tong Ming Enterprise Co., Ltd.

Note 2: The Company increased, issuing 148,499,999 shares on December 28, 2009, which was subscribed 7,424,999 shares, 8,167,500 shares, and 132,907,500 shares, respectively, by Apex Glory Limited, Go Link Limited, and Tong Hwei Co., Ltd. with equity.

Note 3: To improve the equity structure further, the Company increased, issuing 1,500,000 shares on January 29, 2010, which was subscribed by MaxTeam Investment Limited with equity.

##### 2. Type of shares

As of April 19, 2021; Unit: Share

Type	Authorized Capital			Comments
	Outstanding	Unissued Shares	Total	
Common Shares	168,000,000	82,000,000	250,000,000	Listed Common Shares

##### 3. Shelf Registration: None.

#### (II) Shareholder Composition

As of April 19, 2021; Unit: Share

Type \ Qty	Government Agencies	Financial Institutions	Other Juridical Persons	Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	0	0	12	668	21	701
Shares	0	0	7,522,000	44,864,875	115,613,125	168,000,000
%	0	0	4.48	26.71	68.81	100.00

Note: The shareholding ratio of mainland China funded companies is 0.

### (III) Shareholding Distribution

#### 1. Common Shares:

As of April 19, 2021

Shareholding	Number of Shareholders	Shares	%
1~999	68	2,070	0
1,000~5,000	455	835,430	0.50
5,001~10,000	64	511,000	0.30
10,001~15,000	21	278,000	0.17
15,001~20,000	15	284,000	0.17
20,001~30,000	25	647,000	0.39
30,001~40,000	3	107,000	0.06
40,001~50,000	6	273,000	0.16
50,001~100,000	20	1,503,000	0.89
100,001~200,000	8	1,205,000	0.72
200,001~400,000	3	853,000	0.51
400,001~600,000	—	—	—
600,001~800,000	—	—	—
800,001~1,000,000	—	—	—
Over 1,000,001	13	161,501,500	96.13
Holds less than one-thousandth of the shares	682	5,113,500	3.04
Total	701	168,000,000	100.00

#### 2. Preference share: None.

## (IV) Major shareholders

1. The name, number of shares, and shareholding percentage of shareholders with holdings equal to or exceeding 5% or the top 10 shareholders:

As of April 19, 2021; Unit: Share

Major Shareholders	Shareholding	Shares	%
CAPITALAND LIMITED		29,781,500	17.73%
Richard International Co., Ltd.		24,000,000	14.29%
Tong One Holdings Limited		24,000,000	14.29%
Tsai, Yi-Ting		19,381,500	11.54%
Tsai, Ming-Ti		16,426,875	9.78%
Oriental Union Chemical Corp., in custody of Chinatrust Commercial Bank		10,713,000	6.38%
NEW STAR LIMITED		8,000,000	4.76%
MEGA SUN LIMITED		8,000,000	4.76%
Aetek Co., Ltd. in custody of Chinatrust Commercial Bank		7,443,000	4.43%
Tong Hwei Enterprise Co., Ltd.		5,399,000	3.21%

## (V) Market Price, Net Worth, Earnings, and Dividends Per Share for 2019 and 2020

Unit: NT\$/1000 Shares

Items		Fiscal Year	2019	2020	As of March 31, 2021
Market Price per Share	Highest		37.95	39.55	40.45
	Lowest		31.10	24.80	34.05
	Average		34.50	31.24	37.38
Net Worth per Share	Before Distribution		23.13	24.86	25.89
	After Distribution		21.63	23.06	—
Earnings per Share	Weighted Average Shares		168,000	168,000	168,000
	Earnings per Share	Before Adjustment	2.77	2.94	1.20
		After Adjustment	—	—	—
Dividends per Share	Cash Dividends		1.50	1.80	—
	Stock Dividends	Earnings	—	—	—
		Capital Surplus	—	—	—
	Accumulated Undistributed Dividend		—	—	—
Return on Investment	Price/Earnings Ratio		12.45	10.63	—
	Price/Dividend Ratio		23.00	17.36	—
	Cash Dividend Yield		4.35	5.76	—

## (VI) Dividend Policy and Its Execution Status

### 1. Dividend policy:

The main provisions for dividend payment during the listing period of the Taiwan Securities Exchange as stipulated in the Company's Articles of Incorporation are as follows:

- (1) When the Company makes a profit at the end of a fiscal year, the compensation to employees shall be zero thousandths to one thousandth of the balance and paid in the form of stock or cash based on a Board resolution. Parties eligible to receive said compensation shall include employees in affiliated companies who meet certain conditions set by the Board. In the same case, the remuneration to the directors shall not be greater than five percent of the balance based on a Board resolution. The distribution plan of compensation to employees and remuneration to directors and supervisors shall be submitted to the shareholders' meeting. However, if the Company has an accumulated deficit, the profit shall cover the deficit before it can be used for compensation to employees and remuneration to directors and supervisors using the aforementioned ratios.
- (2) When the Company has earnings at the end of a fiscal year (including that of previous years), it shall first be distributed for taxes and dues and deficit compensation (including that of previous years), then as legal capital reserves (if any) and special capital reserves (if any), for the remaining (hereinafter called the distributable earnings). The Board of Directors shall draft a proposal for the distribution of bonuses to shareholders and submit it to the shareholders' meeting for resolution. At least ten percent of the distributable earnings shall be appropriated as shareholders' dividends based on the shareholding ration, and the cash dividend shall not be lower than ten percent of the total dividends distributed.
- (3) New Taiwan Currency shall be used for distributing the dividend, bonuses, or other benefits to the shareholders.

### 2. Earnings distribution proposal for this year:

The 2020 earnings distribution plan approved by the Board of Directors' Meeting on March 16, 2021 shall distribute a cash dividend equal to NT\$ 1.8per share and NT\$ 302,400 thousands in total. The proposal is pending approval by the regular Shareholders' Meeting.

(VII) Impact of Stock Dividends on Operation Performance and Earnings per Share: Not applicable.

(VIII) Compensation to Employees, Directors, and Supervisors (The Company upon longer has the Supervisor position):

#### 1. The percentage or range of compensation to employees and remuneration to directors in the Articles of Incorporation shall be as follows:

- (1) When the Company makes a profit at the end of a fiscal year, the compensation to employees shall be zero thousandths to one thousandth of the balance and paid in the form of stock or cash based on the Board's resolution. Parties eligible

to receive the said compensation shall include employees in affiliated companies who meet certain conditions set by the Board. In the same case, the remuneration to directors shall not be greater than five percent of the balance based on the Board's resolution. The distribution plan of compensation to employees and remuneration to directors and supervisors shall be submitted to the shareholders' meeting. However, if the Company has an accumulated deficit, the profit shall cover the deficit before it can be used for compensation to employees and remuneration to directors and supervisors based on the aforementioned ratios.

- (2) As stipulated in Article 64 of the Articles of Incorporation, the remuneration of Directors shall vary and be evaluated by the Board of Directors with the Company's authorization every year, regardless of gain or loss, based on (a) the involvement of Directors in the business operations of the Company; (b) the contribution of Directors to the Company; (c) the remuneration standards of the industry; and (d) other relevant factors.
2. The estimation basis of compensation to employees and remuneration to Directors and Supervisors, calculation basis for number of shares distributed as stock dividends, and accounting treatments for differences between estimated and actual payment amounts shall be as follows:
    - (1) Please refer to (6)- 1. Dividend policy: for the estimation basis of compensation to employees and remuneration to Directors and Supervisors.
    - (2) The calculation basis for number of shares distributed as stock dividends: The Company did not distribute shares as stock dividends in 2018.
    - (3) Accounting treatments for differences between estimates and actual payment amounts: The big difference of the amount resolved to be distributed by the Board of Directors was recognized as operating expense of the original year; the difference as of the resolution date of the Shareholders' Meeting shall be recognized as changes in accounting estimation and adjusted to book in the following year.
  3. Proposed compensation approved by the Board:
    - (1) Compensation to employees and remuneration of Directors: It is proposed not to distribute compensation to employees but NT\$ 840 thousand to the Directors, which is pending approval by the regular Shareholders' Meeting.
    - (2) The amount of stock distributed as employee compensation and as a percentage to net income of the parent company only or individual financial statements and aggregate compensation to employees is zero.

4. Payment of compensation to employees and remuneration to directors and supervisors with earnings in the previous fiscal year:

- (1) Compensation to employees: The actual cash dividend distributed to employees of zero was the same amount approved in the Board Meeting.
- (2) Remuneration to Directors and Supervisors: The actual cash dividend distributed to Directors of NT\$ 840 thousands was the same amount approved in the Board Meeting.

(IX) Buyback of Common Shares: None

## II. Corporate Bonds (including Overseas Corporate Bonds)

### (I) Inland corporate bonds

Corporate Bonds		First unsecured convertible corporate bonds in the R.O.C.
Issuing date		August 23, 2018
Denomination		NT\$ 100,000, issued at par value
Issuing and transaction location		R.O.C.
Issue price		\$100.30
Total price		\$400,000,000
Coupon rate		0%
Tenor		3 years Maturity: August 23, 2021
Guarantee agency		None
Consignee		KGI Bank
Underwriting institution		KGI Securities Co., Ltd.
Certified Lawyer		Chien Yeh Law Offices
Certified Public Accountant (CPA)		Deloitte Touche Tohmatsu Limited
Repayment method		Repayment of 102.27% of bond denomination in lump sum cash upon maturity
Outstanding principal		\$ 400,000,000
Terms of redemption or advance repayment		Pursuant to Article 22 of the Company's "Issuance and Conversion Method of Unsecured Convertible Corporate Bonds"
Restrictive clause		None
Name of credit rating agency, rating date, and rating of corporate bonds		N/A
Other rights attached	As of the publication of this annual report, the converted amount of (exchanged or subscribed) common shares, GDRs, or other securities	The amount of converted common shares is NT\$ 0 as of April 19, 2021.
	Issuance and conversion (exchange or subscription) method	Please refer to the Company's "Statement of Unsecured Convertible Corporate Bonds".
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		Please refer to the Company's "Statement of Unsecured Convertible Corporate Bonds".
Transfer agent		None

## (II) Convertible Bonds

Corporate bond type		First Unsecured Convertible Corporate Bond	
Fiscal Year		2020	2021, as of April 19
Market price of the convertible bond	Highest	100.60	111.00
	Lowest	98.35	100.50
	Average	99.57	104.43
Convertible price		N/A	N/A
Issue date and conversion price at issuance		2018/08/23 \$100.30	
Conversion methods		Please refer to the Company's "Statement of Unsecured Convertible Corporate Bonds".	

(III) Overseas Corporate Bonds: N/A.

(IV) Exchangeable Bonds: N/A.

(V) Shelf Registration for Issuing Bonds: N/A.

(VI) Corporate Bonds with Warrants: N/A.

## III. Preferred Shares:

None.

## IV. Global Depositary Shares:

None.

## V. Employee Stock Options and Employee Restricted Stock:

None.

## VI. New Share Issuance in Connection with Mergers and Acquisitions:

None.

## VII. Financing Plans and Implementation:

### (I) Finance Plans

#### 1. Content

The Company issued the first inland unsecured convertible corporate bond approved by the competent authority in August 2018, with the following details:

#### (a) Repayment of bank loan

The Company is planning to use NT \$ 400,000 thousands of the capital raised by issuing an unsecured convertible corporate bond for repayment of bank loan to save the interest expenditure, increase the equity ratio, and optimize the financial structure, which will facilitate the Company's overall business development.

2. Change of Plans: None.
3. Source of funds and purpose :

(a) Source of funds

1. The capital amount needed for this plan: NT\$ 401,200 thousands.
2. Approval date and number of Central Bank: June 19, 2018, Tai-Yang-Wai-Wu-Zi No. 1070020329.
3. Issue the first unsecured convertible corporate bond in the R.O.C.: 4000 bonds, par value of NT \$100,000 per bond, coupon rate of 0%, issued at 100.3% par value, tenor of three years and total amount issued of NT\$ 401,200 thousands, 100% foreign currency remittance.

(b) Purpose: The capital raised through this shall be used for repayment of bank loan, and the implementation progress is as follows:

Unit: NT\$ 1000

Plan	Estimated time of completion	Capital amount needed	Estimated implementation progress	
			2018	
			Third Quarter	
Repayment of bank loan	Third quarter of 2018	401,200	401,200	
Total		401,200	401,200	
Expected benefits	The capital raised through this will be completely used for repayment of bank loan; it is estimated to save interest expenditures of about \$ 4,313 thousands in 2018 and \$17,252 thousands every following year based on calculations with the planned repayment amount and borrowing rate.			

4. Reason for change, benefits before and after change, and date submitting changes to the Shareholders' Meeting: N/A.
5. Date of input into the declaration website designated by FCS: July 16, 2018.

(II) Implementation:

1. Planning of repayment for bank loan:

The plan was completely implemented in the 3<sup>rd</sup> quarter of 2018 with expected benefits of saving actual cash outflow caused by interest expenditures, which will strengthen the Company's debt paying ability and improve its financial mobility. The debt ratio, current ratio, and quick ratio changed from 41.28%, 212.83%, and 108.65% (Q1 2018) before capital raising to 35.43%, 250.67%, and 127.97% (Q3 2018) afterward, clearly showing the benefits.

### (III) Financial analysis

Unit: NT\$ 1000

Items	2019	2020	First Quarter of 2021	
Current Assets	6,088,003	7,578,647	7,346,277	
Current Liabilities	2,580,675	3,378,859	2,983,976	
Total Liabilities	3,443,422	4,678,317	4,267,539	
Interest Expenditure	118,367	99,982	39,026	
Operating Revenue	8,807,059	9,171,338	2,466,853	
Earnings per Share (NT\$)	2.77	2.94	1.20	
Financial Structure (%)	Debt-asset ratio	46.98	52.83	49.52
	Ratio of long-term capital to property, plant, and equipment	471.58	518.68	542.96

Difference explanation:

1. Increase in current assets: This is mainly due to the increase in bank financing to meet operational needs and the increase in loans obtained, as well as the increase in accounts receivable due to the growth in turnover in 2020 and the increase in inventory provision in anticipation of future shipments and raw material price trends.
2. Increase in current liabilities: The increase in current liabilities is mainly due to the increase in bank financing for business growth and the transfer of current liabilities to current liabilities as the bonds payable will mature within one year.
3. Increase in total liabilities: The increase in total liabilities was mainly due to the increase in banking facilities for business growth and the maturity of bonds payable within one year, which were reclassified to current liabilities.

## Five. Operational Highlights

### I. Business

#### (I) Business Scope

##### 1. Major Products/Services

The Company is mainly engaged in the researching, developing, manufacturing and selling of stainless steel fastener and wire.

##### 2. Major Products and Percentage to Revenue

Unit: NTS 1,000

Product	Year	2019		2020	
		Amount	%	Amount	%
Stainless steel fastener		5,381,368	61.10	5,923,052	64.58
Stainless steel wire		1,657,524	18.82	1,742,227	19.00
Other(note)		1,768,167	20.08	1,506,059	16.42
Total		8,807,059	100.00	9,171,338	100.00

(Note) It refers to other types of products from merged subsidiaries like Winlink and Tong Win.

##### 3. Major Products/Services

The stainless steel product is composed of long profile and sheet profile, and the stainless steel fastener and wire of the Company is mainly used for long profile. Currently the products of Tong Ming are:

###### A. Stainless steel fastener

Commonly known as standard industry components like screw, nut and threaded rod, the fastener is a basic mechanical part and awarded with a good reputation as “Rice of Industry”, which is widely used in the field of construction, machinery, energy, communication, food and transportation. Our products are premium with good corrosion resistance, high intensity, environmental friendliness and perfect appearance. While the stainless steel fastener can also be categorized into three types of screw, nut and threaded rod.

###### B. Stainless steel wire

As another application of stainless steel long profile, it can be produced and processed into various products with different intensity and thickness, featuring with good corrosion resistance, high intensity, environmental friendliness, perfect appearance and wide application also.

###### C. Others

It mainly refers to the trading products of major business entity, Tong Ming (Zhejiang) Enterprise Co., Ltd., and other types of trading goods from merged subsidiaries including Winlink, Tong Win and Shenzhen Easy, Tong Win Trading (Jiaxing) Co., Ltd etc.

#### 4. Development of New Products and Technology

##### A、 High Precision Pozi Screw Stainless Steel

A product suitable for power tool installation, used for the connection and fastening between wood panels and between wood panels and thin steel panels. Optimized by the screw thread design to increase drilling speed and solve the problem of cracking in hardwood use.

##### B、 Eco-friendly New Stainless Steel Nuts

The new type of nut forming oil is used in the production process to reduce the production of oil smoke, odor, carbon and sludge, reducing the impact on the environment, reducing the waste of sewage, reducing the consumption of environmental protection equipment and saving costs.

##### C、 New High-Strength Stainless Steel Bright Wire

The Company develops high-strength shaped wire (non-circular cross-section), which can be widely used for winding various kinds of precision springs, hangers, car wipers, women's underwear, textiles, etc.

#### (II) Industry Overview

##### 1. Industry Status and Development

Stainless steel fasteners are used in a wide range of applications, including construction, transportation facilities, marine transportation, home appliances, consumer electronics, automobiles, aviation, industrial facilities such as nuclear power plants, hydroelectric power generation, solar power generation, and tooling machinery, etc. In terms of wire processing, the main products are wire mesh, straight rods, and stainless steel wire of smaller diameter, which are supplied to downstream small screw factories and downstream factories of wire and apparel. The main raw materials of stainless steel fasteners are coiled wire and nickel and zinc, etc. In terms of international nickel price trend, the Indonesian government announced a ban on the export of nickel ore in 2008, resulting in tight nickel production capacity. The price of nickel on the LME rose from US\$13,950/tonne at the end of 2019 to US\$16,554/tonne at the end of 2020, an increase of 18.67%. The supply and demand situation continued to improve, which led to the expansion of the international nickel price trend. After April 2009, the shutdown in mainland China tended to slow down, and the international nickel supply and demand situation continued to improve, leading to an expansion in international nickel price inflation.

Overall speaking, although the international steel and metal raw material prices continue to rise, which will cause the industry to increase production costs, in order to reflect the continuous rise in copper and nickel prices, the upstream stainless steel makers will increase their prices one after another, and the downstream stainless steel product manufacturers are expected to follow suit and take advantage of the upward trend of

nickel prices, creating a win-win situation for both the upstream and downstream. Therefore, it is estimated that the trend of nickel and zinc prices in 2021 will be relatively favorable to the operating performance of the industry.

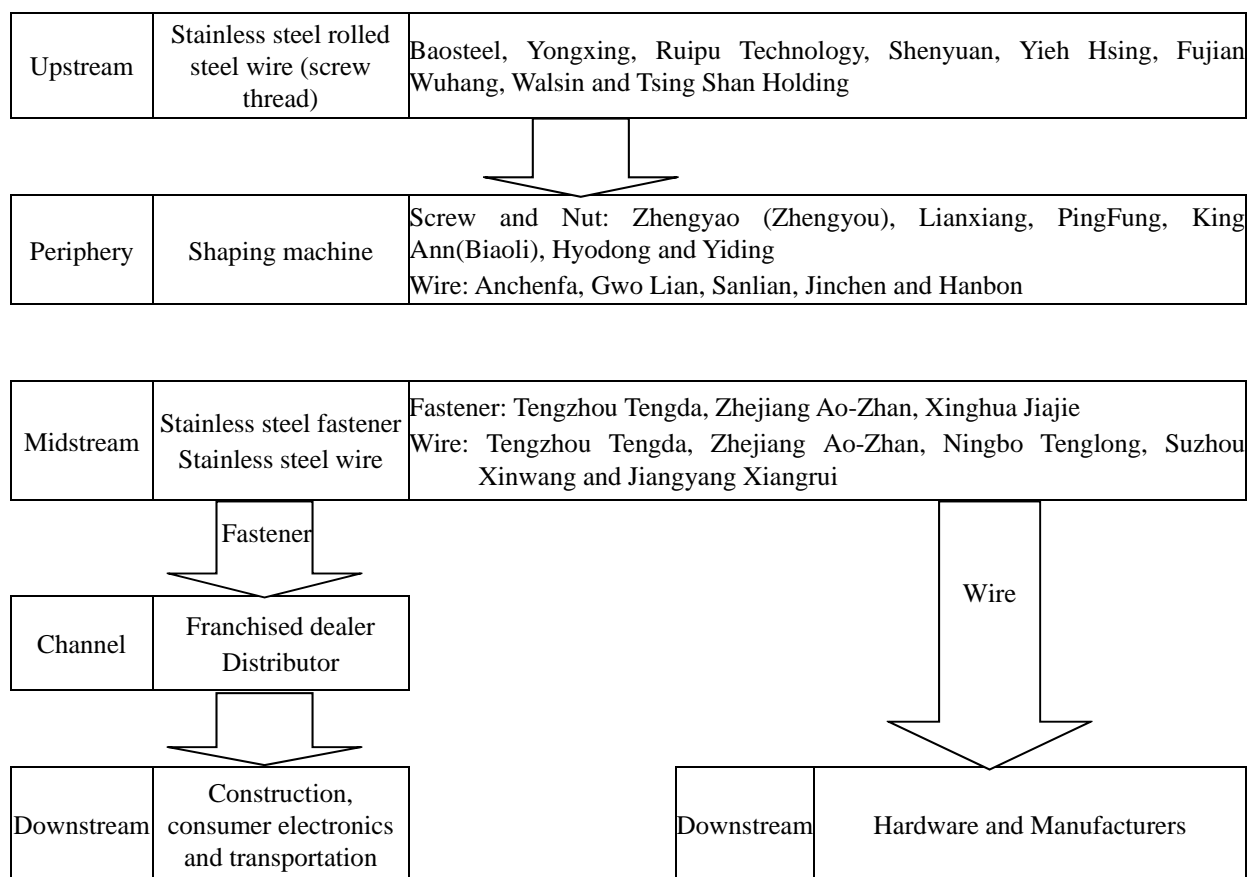
According to ISSF statistics, with the development of the economy and the improvement of stainless steel smelting technology, the global stainless steel production and demand have maintained a relatively stable growth trend, but the demand for stainless steel in 2020 was slightly lower than that in 2019 due to the impact of the epidemic. The demand for stainless steel in 2021 is expected to maintain positive growth. In addition, the 14th Five-Year Plan announced by Mainland China in October 2020 will continue to increase the demand for niche industries in Mainland China and build new infrastructure related to new technology applications, which will continue to increase the global demand for stainless steel.

## 2. Supply Chain

The upstream of stainless steel fastener industry is the stainless steel maker that is normally subject to special steel industry and produces stainless steel plate and bar; the former is used for furniture, electric appliance and carriage and the latter is for pipe, rod and rolled steel wire and part of rolled steel wire is specially used for fastener. At present, the rolled steel wire produced in mainland China meet the requirement of quality step by step, reducing the need of imported ones which was required by fastener producers in the past and also becoming an important raw material source for fastener.

There are not too much large enterprises specially producing stainless steel fastener and wire in the midstream, among which most are located at the coastal provinces like Hebei, Yangtze River Delta and Pearl River Delta due the property of industry clustering. And the downstream are mainly distributors and direct customers, as for distribution, the number of subsidiary of stainless steel fastener producer directly managing the distribution channel are less than 5, among which only Zhejiang Tong Ming has established several subsidiaries in mainland China, while others are still selling through distributors and franchised dealers; as for professional dealers, there are not more than 25 chain enterprises with largest scale throughout the mainland China while the number of fastener dealers are over 10000. The stainless steel fastener has wide applications; producers should accept the reasonable margin required by distributors under the mode of providing products and services to direct customers through downstream distributors and entrusting franchised dealers for sales, which will reduce the profit as a result. Hereby please find the upstream and downstream chain map of mainland China stainless steel fastener and wire as below:

## Upstream and Downstream Industry Chain of Mainland China Stainless Steel Fastener and Wire



Note: the name inside the the bracket refers to the affiliates in Taiwan.

### 3. Industry Development Trend

#### Industry Development Trend

Stainless steel fasteners are widely used in all industries. Fasteners are not only for connection, fastening and sealing, but more importantly for safety. With the rapid development of aviation and aerospace, high-speed railroads, motor vehicles, electronic appliances and other industries, the performance and reliability of fasteners are becoming more and more demanding. In addition, due to the change of time and space environment, the process from the acquisition of raw materials to the production of final products and the delivery of products to consumers is cycled through the global network, and the future development trend of the industry is described as follows:

#### A. Towards the development of high-value products

As the continuous changes in technology and industrial structure around the world, the quality requirements for fastener products (such as fasteners) have become more and more stringent in recent years. Therefore, in order to improve profitability and enhance competitive advantage, the industry has to strengthen the research and development of high technology level, special materials and high unit price products. The sophistication and refinement of industries in advanced countries and the industrial infrastructure in the third world, developing and undeveloped countries require a large supply of

high-quality and reasonably priced products. In the future, the use of various special steel materials (such as stainless steel) to produce advanced products for defense, automotive, aerospace, electronic technology and major infrastructure industries can be expected. We will develop a product structure with better quality and higher added value.

#### B. Integration of production, sales and network to construct a complete channel network

In the case of manufacturing industries, intermediate profits are often consumed in the process of being handed over to importers and exporters, large and medium-sized distributors and wholesalers, while those who have the ability to establish channels are able to earn profits from them. The purpose of the alliance between production and sales enterprises is to promote the sale of products, while the essence of the channel is to transfer products from producers to consumers, mainly to eliminate various barriers between producers and consumers in terms of time, place and ownership. Because of the vast expanse of China, each region has a different level of development and different consumer habits, which makes cooperation with the channel even more important. In addition to understanding the consumer habits of the market, channel partners in different regions are more effective and quicker in obtaining changes in market demand. By choosing the right channel to cooperate with, and according to the business profile to do the differentiation and pricing strategy, and cooperation mode, we can successfully recommend products to manufacturers or customers through distribution partners who are familiar with the market. In an increasingly competitive channel environment, companies must respond more quickly to the needs of upstream and downstream customers. Many companies are starting to integrate their business distribution functions, and through joint planning and operations, they are exchanging operational and strategic information with each other to form a highly integrated supply chain channel system, resulting in a significant increase in overall channel performance. In addition, the information management system has been introduced to enhance the added value of the products. The analysis of huge amount of data or massive amount of data will be one of the main trends in the future. Using the analysis technology, we can gradually establish the usage habits of our own manufacturers' customers by focusing on their past usage records and habits, and then customize the goods and services for them with a full understanding of their needs.

#### 4. Competition

Stainless steel fastener is high-value added product in the industry of fastener, which requires more investment of technical research and patent. At present, producers of stainless steel fastener with annual output over 10000 tons are not too much while most of them are under 3000 tons. However, those with over 10000 ton annual output occupied about 70 percent of the market share, that means more centralized competition than carbon steel fastener producers.

The finish products of stainless steel fastener are easier to be transported than raw material, so the distribution network will be set up at where the customers are. Zhejiang Tong Ming insisted on the operation mode with branches and actively builds its own sales channel over the past years. It has established large shipment warehouses at East, South and North China and middle sized warehouses in different regions in recent years and built the e-commerce platform as well, becoming an enterprise with brand advantage and both production and sales channels of its own. Being different from the sales mode of its peer, Zhejiang Tong Ming mainly promotes for sales relying on franchised dealers.

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### (III) Technology and R&D

#### 1. Technology Level and R&D

Because stainless steel fastener belongs to standard parts, the key of competition is the production management capability and distribution efficiency. Zhejiang Tong Ming is now the leading company of stainless steel fastener and wire in mainland China based on the advantages below.

##### (A) Production Experiences over 30 Years

The major shareholders of Tong Ming came from Gangshan area of Kaohsiung in Taiwan, where is the important production base of fastener, so the Company has already accumulated rich experiences before establishing factory in mainland China. Introducing advanced forming technology and numerous facilities made in Taiwan since 1995 together with years of production experiences of major operating teams, Zhejiang Tong Ming has highly decision-making power in the planning and adjusting of production process.

(B) Scale Advantage of Productive Means

With production area of 152000 square meter and annual output over 120000 tons, Zhejiang Tong Ming has the production economy scale advantage with strong competitiveness.

(C) Several Industry-leading Production Management Systems and Perfect Distribution Channels

The Company has introduced Oracle Enterprise Resource Planning System (ORACLE ERP) since year 2005 and upgraded it in 2016 for more efficient production scheduling and equipment management which can produce nearly 20000 products, it also runs automatic production equipment and automatic central warehousing system together with WMS (warehouse management system) and established warehouses in East China, South China and North China to improve overall logistics efficiency and built e-commerce platform, this kind of production management and perfect distribution channel enable Zhejiang Tong Ming the leader in this industry.

2. Education Level of Research and Development Personnel

Unit: number of people; %

Education \ Year	2019		2020		2021 as of April 19	
	Number	Percent	Number	Percent	Number	Percent
Ph.D.	-	-	-	-	-	-
Master	-	-	-	-	-	-
Bachelor	7	100	7	100	7	100
Senior High School	-	-	-	-	-	-
Total	7	100	7	100	7	100

3. R&D Expenses as a Percentage to Net Operating Revenue in Year 2019 and 2020 and As of Most Recent Date

Unit: NTS 1,000

Items	2019	2020	2021 End of March
Consolidated R&D Expenses	31,589	27,256	6,662
Consolidated Net Operating Revenue	8,807,059	9,171,338	2,466,853
Ratio of R&D Expenses to Net Operating Revenue	0.36%	0.30%	0.27%

#### 4. R&D Achievements in Year 2019 and 2020 and as of Most Recent Date

Year	Achievements
2017	New technology of Stainless Steel Screws with Square Neck and Pan Head
	Anti-corrosion Stainless Steel Tapping Screw for Wooden Buildings
	New Technology for Antilock of Stainless Steel Lock Nut
	High Precision Stainless Steel Nut of Pipeline Joint
	Bright Surface and Dual Heads Stainless Steel Control Rod
	New Technology for Manufacturing Surface Coating of Stainless Steel Wire
2018	Forming Technology of Smokeless Environment Friendly Stainless Steel Screw
	Energy-saving Forming Technology of Stainless Steel Screw
	High Anticorrosion Welding Nut
	New Technology for Rolling of Stainless Steel Special Combination Screw
	High Precision Mirror Surface Rivet Shell Wire
	Energy-saving Annealing Technology of Stainless Steel Wire
2019	Environmental-Protection Magnetic Polishing Process of Screw Surface
	Forming Process of New Type Mirror Surface Ultrathin Nut
	Environmental Friendly Cleaning Technology of Stainless Steel Nut
	High Anticorrosion Slotted Combination Screw
	New Type High Performance Stainless Steel Spring Wire
	New Type Environment Friendly Stainless Steel Rivets Wire
2020	High Precision Stainless Steel Pozi Screw
	Eco-friendly New Stainless Steel Nuts
	New High-Strength Stainless Steel Bright Wire
	High strength stainless steel double head screws
	Stainless steel hexagonal fasteners with high efficiency production process
	Seamless bright stainless steel calendaring line
	Automated production technology for stainless steel expanded assemblies
	High Strength Stainless Steel Toothed Ladder Shaft

#### (IV) Business Development Plan

##### 1. Short-term Business Development Plan

###### A. Marketing Strategy

###### (A) Price Strategy and diversified products category

For regular products, the Company will respond quickly to market price to boost overall sales volume and market share on the basis of raw material purchasing advantages. For high-end products, the Company will allocate more resources for high profitable one and increase the sales percentage of non-self-made products and diversify the profile of stainless steel related products.

###### (B) Promote Logistics and Distribution Channel

The domestic market in mainland China will continuously grow under the situation of more fierce competition and the proportion of domestic sale will increase with it. Since the warehouses in East, South and North China are running well, the Company is planning to expedite the establishment of warehouses in

Midwest China and other regions and upgrade the warehouse management system for higher shipping efficiency and quicker distribution to our customers throughout the mainland China.

(C) Strengthen Customer relations and E-commerce

Cooperate with financing institutions under the existing E-commerce mode to diversify our services available and enhance the business ability of subsidiaries, focus on better customer services and explore more new customers and build a more effective distribution platform for hardware products.

B. Production Strategy

(A) Keep Optimum Inventory Level and Lower Stock-out Rate

The inventory of Tong Ming is at the lowest level of this industry (about 4 months), however, the production and marketing strategy in domestic market is to made by stock and the sales and purchasing prices are easy to be affected by the change of international nickel price, therefore the inventory level will impact the Company's profitability and Tong Ming will still commit itself to keep optimum level of inventory.

Although there are over 20000 kinds of products in Tong Ming, they can be adjusted based on the established production capacity and timely market information from perfect network of self distribution. And the inventory level can be lowered with the production and marketing information integrated via ERP system and different customer requirements can be satisfied to make Tong Ming "a distribution company with factory background". The existing products categories are rich enough to meet one-stop shopping requirement of customers, which will bring more convenience for customers and increase their dependency on us.

(B) Implement Quality Control for Better Quality

The Company will intensify the implementation of ISO system and carry out the test of products so as to improve the quality.

(C) Product Development Direction

As for stainless steel fastener, the Company will strengthen developing the special non-standard products and stainless steel to expand the niche market and build more complete product and intellectual right system.

And for stainless steel wire, the Company will invest more for developing production technology of 400 series stainless steel wire which is not easy to be affected by the price fluctuation of raw material, and increase the application of stainless steel wire related products to expand the scale of production and marketing further.

(D) Operation and financial management

The Company will make budget based on overall operating target and pay close attention to preferential policies in mainland China and of financial institutions

home and abroad so as to reduce the operating capital cost and achieve the development plans.

## 2. Long-term Business Development Plan

### A. Marketing Strategy

The Company will integrate distribution channels inside and outside mainland China. For inside, the Company, as an industrial leader with self brand and complete sales platform, will expand the stainless steel related products profile on the basis of its distribution divisions. And for outside, the situation will be clear since the Sino-US trade will reach an agreement, the Company will extend the value of distribution channel and achieve the business plan of global distribution with the policies of mainland China for expanding Eurasian economy and construction.

### B. Production Strategy

- (A) Continuously promote equipment replacement and production process improvement for higher production efficiency, and take low waste discharge and high environmental protection as target.
- (B) Collaborate with large plants home and abroad to build information platform for timely monitoring on production schedule and delivery time, closely keep up with the demand of major customers.

### C. Product Development Direction

Due to limited global resources and rising environmental protection and consumer safety awareness, the Company will make a target for long-term research and development of environmental friendly material and production process together with innovation of technology.

The existing stainless steel fastener and wire is now our sales products, and the Company will intensify the concept of sales and services for stainless steel fastener and wire to make Tong Ming a more advanced leader and an outstanding enterprise in this industry.

### D. Operation and Financial Management

- (A) Complying with the change of operating environment and updating of information product, the Company will introduce better information system and regulations to keep strong competitiveness.
- (B) Cooperating with the development of distribution channel, the Company will actively provide training for related personnel so as to promote internationalized management capability for the Company's growth in the future.

## II. Market and Sales Overview

### (I) Market Analysis

#### 1. Sales Distribution by Region

Unit: NT\$ 1,000; %

Region \ Year	2019		2020	
	Amount	Ratio (%)	Amount	Ratio (%)
Mainland China	5,972,893	67.82	6,620,581	72.19
America	1,219,090	13.84	1,142,943	12.46
Asia	800,108	9.08	779,743	8.50
Europe	624,894	7.10	473,301	5.16
Oceania	104,071	1.18	83,069	0.91
Africa	86,003	0.98	71,701	0.78
Others	—	—	—	27.81
Total	8,807,059	100.00	9,171,338	100

#### 2. Market Share

The Company mainly produces and sells stainless steel fastener and wire with wide application, among which 300 series stainless steel fastener is the leading product in the market. The stainless steel fastener market of mainland China in 2020 were evenly split by standard and non-standard parts and the quantity demand of 300 series stainless steel fastener accounts for about 60% of standard ones. About 52000 tons 300 series standard fastener of Zhejiang Tong Ming was sold within mainland China, contributing to over 30 percent of the market share.

#### 3. Future Supply and Demand and Market Growth

##### A. Supply and Demand

###### (A) Demand

The Company regards mainland China as its primary market, with around 70 percent of produced stainless steel fasteners and wire sold here. Along with an increase in consumption and a greater requirement for high-quality products in mainland China, stainless steel has become popular in the fields of construction, decoration, automobile and petrochemical, where the stainless steel fastener is in great demand. Additionally, urbanization is clearly stated in the “National New Urbanization Plan” in mainland China, and the construction of the new urbanization is to comprehensively improve the quality and the level of urbanization with human urbanization as the core, urban agglomeration as the main type, supported by comprehensive bearing capacity. The aim is to push the settlement of transferred rural migrant workers and promote the permanent residency of the normal population who are able to find jobs and live in cities and towns. Data shows the urbanization rate of mainland China as at the end of 2018 was up to 59.58% with the population of urban residents reaching 830 million, which will grow to about 60% and 850 million, respectively, by 2020; as at the end of 2019 was up to 60.60% with the population of urban residents reaching 848 million, which will grow to about 70-75% by 2024. So for stainless steel fastener producers, the future market looks to be promising.

## (B) Supply

The raw material for stainless steel fasteners is rolled steel wire, which was previously imported from Japan, Korea and Taiwan. In recent years, the capacity of this raw material in mainland China has been growing and the quality has been improving. The capacity of the steel manufacturers in Taiwan, Japan and Korea has not increased greatly, so those in mainland China have become the main suppliers to the stainless steel fastener producers, and the above-mentioned steel manufacturers are all large scale leading enterprises with a stable supply performance.

## B. Future Market Growth

With the increase of income and an improvement in living standards in emerging countries, fastener products are required to be good in appearance and strong in durability. These countries have become markets with big growth potential, where the demand for stainless steel fasteners per capita has been increasing in consideration of price and other comprehensive factors. Due to the strong promotion of construction, the market demand in mainland China and overseas has been on the rise over the past year. Driven by favorable policies and increasing income, the growth rate in emerging countries will be higher than those in developed countries, and as a huge market, the overall percentage of stainless steel fasteners and the demand in mainland China will keep rising even though the growth of the economy here is slowing down.

## 4. Competitive Advantage

### A. The Perfect Sales Channel and Timely Logistics Services

Stainless steel fasteners and wire are commonly sold through three channels: dealer (retailer), own distribution store and network. Tong Ming has successfully integrated these three and applied them to their business home and abroad. Integrating their warehouse management system and large scale shipment warehouse setting, the Company has an excellent online and offline distribution channel that can provide timely services for “Order today, Arrival next day” to all major business regions.

### B. Economy of Scale Production Capacity and High Efficient Production Management

With a large team with over 30 years’ production experience and a manufacturing base of 152,000 square meters, the Company is confident of delivering a year-to-year delivery increase. Besides, by upgrading the Oracle ERP system in 2016, introducing an advanced production schedule method, and integrating the warehouse management system, the overall production efficiency of the Company has been noticeably improved.

### C. Price Setter in Mainland China Market

The Company has engaged in the production and sales of stainless steel fasteners in mainland China for more than 20 years and has become the industry leader with a high-quality, diversified product and excellent sales services. It is also the indicator enterprise for operating

modes and pricing strategy.

#### D. Scale Advantage of Raw Material Acquisition, Corporate Value of Honest in Material Use

The Company has established good relationships with large steel manufacturers domestic and overseas obtain first-hand information about price fluctuations and the supply status of raw material. Due to its large purchase quantity, the Company has a big power of price negotiation for the purchasing of roller steel wire. So with the aforementioned, the Company is ahead of its peers in lead times, the price and the quality of the raw material.

#### E. Outstanding Researching and Development Capability of Product and Process

Since its establishment, Zhejiang Tong Ming has introduced advanced manufacturing processes and mould design from Taiwan, and continues to invest in the improvement of the production process and the development of the product. The Company established an R&D center in 2004 to move forward with the standardization of the R&D process and methods, and it has been certified as a High-Tech Enterprise, Technical Center and R&D Center. Furthermore, it has successfully transferred its R&D achievements into proprietary intellectual property rights and obtained various patents, which will facilitate the development of advanced manufacturing technology in a steady and sustainable way.

### 5. Favorable and Unfavorable Factors for Long-term Development and Solutions

#### A. Favorable Factors:

##### (A) Stricter Environmental Enforcement and Beneficial Tax Reductions

After the rapid growth in the economy, mainland China's government pays more and more attention to environmental protection and the enforcement of environmental law is becoming stricter and stricter. Tong Ming's major business entity has complete environmental protection equipment for production waste in accordance with national environmental rules, and it will still allocate more investment to the new environmental protection equipment and the improvement of its existing ones for the purpose of increasing its output but reducing its emissions. In addition, China will continue to implement various burden alleviation measures in 2020 due to the development of the new Covid-19 epidemic. Additionally, the IRS and local tax bureaus in mainland China were combined in 2018 and a series of tax reduction measures were rolled out. The overall business environment in the future will be quite favorable to the Company.

##### (B) Increased Demand Driven by Industrialization, Urbanization and Eurasian Economic Policies

Along with the boom in public construction and basic industries in mainland China, the domestic market is still growing. The equipment manufacturing industry has been emphasized in the National Independent Innovation Ability Improvement Plan, which will promote the development of the fastener industry. Meanwhile, local governments

are continuously working on urbanization inside mainland China and pushing the development of the Eurasian economy outside it, creating plenty of business opportunities.

(C) Value-raised and Collectivized Market Order

Going through a survival of fitness in 2012, the stainless steel fastener and wire market was then purified by the continuous drop in prices of raw materials in 2015, when the producers competing at a low price were weeded out. The whole market tends to be under fairer competition after the tax reform, and the companies are becoming better service providers. For example, they now provide services to end users directly. The key to competition in enterprise resources integration and distribution channel arrangement is to provide a one-stop service and reduce the stock-out rate, which will heighten the entry threshold and assist in sound industrial prosperity.

B. Unfavorable Factors and Solutions

(A) Intensifying Competition in Mainland China Market

Countermeasure

As a leading producer of fastener with own brand in mainland China, the Company has been developing its distribution platform over the past years. With online and offline integrated production and marketing services, it established large scale shipment warehouses in East, South and North China; and the Company will keep improving the logistics services quality in the future based on more than 29 branches and online sales platform; moreover it will also cooperate with financial institutions to enrich e-commerce platform services and diversify customer services, which will raise the industry entry threshold and difficulty of simulating by its competitors.

(B) Increasing Labor Cost

Countermeasure

The Company will continuously update with advanced production equipment to improve the product quality and production efficiency so as to reduce the impact of increasing labor cost.

And the Company will lower staff turnover through good industrial relations, which will reduce the training cost and make good use of the skilled staffs.

(C) The Covid-19 and International Trade Friction

Countermeasure

The international situation will become increasingly complex in 2020 due to the impact of Covid-19 and US-China trade friction. Since the US imposed tariff on

steel and other commodities from various countries in the world, the international trading is becoming harsh with mainland China to be the first to be affected, the Company will keep closely watching on trading and tariff related actions in major markets and adjust the production place properly to reduce the subsequent impact. Meanwhile the Company assigns responsible person and recruits professional lawyer so as to respond timely if any anti-dumping event or trading dispute.

#### (D) Impact of Raw Material Price Fluctuation on Gross Profit

##### Countermeasure

Aiming at this operating property of stainless steel industry, the Company has established corresponding sales pricing strategy, raw material purchasing strategy and inventory management system.

##### A. Pricing Strategy of Sales

Referring to the price announce at the beginning of each month by steel makers, the Company will adjust the monthly sales price with its own calculation formula based on market supply and demand to keep strong transfer ability of impact caused by raw material price fluctuation.

##### B. Acquisition Strategy of Raw Material

To ensure quality and lead time of raw material, the Company builds long-term cooperation with Tier-one steel makers in mainland China for the acquisition of rolled steel wire. The purchasing quantity and price will be adjusted as per market demand, international upstream raw material price and supplying status in mainland China so as to keep the flexibility of raw material acquisition and reduce the impact of raw material price fluctuation on gross profit.

##### C. Management Rules of Inventory

The Company has set up complete inventory management system to cope with fluctuation of raw material price, please see briefs as below:

- a. The market division sets up reports and meeting in category of “Immediately”, “Weekly”, “Monthly”, “Quarterly” and “Yearly” based on the rank and responsibility of business staffs to monitor the changes of raw material and market information.
- b. Considering product profile, sales mode, shortage and sales forecast, the Company determines the monthly safety stock with the calculation formula of ERP system, and reviews and adjusts the inventory at a certain frequency.

#### (II) Main Applications and Production Process for Key Products

##### 1. Main Application for Key Products

The Company mainly produces stainless steel fastener and wire. The fastener is divided into

screw, nut and threaded rod, which are widely used in the field of mechanical engineer, energy, communication and construction as an absolutely necessary element. And the stainless steel wire, as the connection between upstream steel makers and downstream hardware producers, is the customized raw material of manufacturing industries for small sized screw, kitchen supplies, wire belt, redrawing wire and spring, these two are both one of the supplementary raw materials for basic industry products.

## 2. Production Process

The production process of our products are different, please see the details as below.

### A. Screw (Fastener)

Coation: coat a layer of oxalic acid film on the surface of rolled steel wire to reduce the damage of mould and material.

Shaping: change roller steel wire to threadless screw through the pressing of mould.

Thread rolling: squeeze through the mould and roll the desired length to qualified thread

Cleaning: remove the oil and film on the surface of rolled thread to restore the original brightness of stainless steel.

### B. Nut (Fastener)

Shaping: shape the rolled steel wire to threadless nut through heating and repeated punching and forging of mould.

Polishing: remove the carbon deposit and oil on the product surface through mutual friction and reagents reaction to ensure successful tapping.

Tapping: squeeze the shaped and polished semi-finished nut through the mould to desired specification of internal thread.

Cleaning: remove the oil and film on the tapped surface to restore the original brightness of stainless steel.

### C. Threaded rod (Fastener)

Coation: coat a layer of oxalic acid film on the surface of rolled steel wire to reduce the damage on mould and material.

Drawing: draw the roller steel wire to desired diameter through the squeezing of mould and increase the intensity of it.

Cutting: cut the wire after drawing with desired length to threadless rod

Thread rolling: squeeze the threadless rod through the mould to desired specification of external thread.

### D. Wire

Pc coating and drawing: same process as fastener, coat a layer of film on the rolled steel wire and draw it to desired diameter.

Annealing: heat different sized wires after drawing inside the furnace for certain time

and then cool them gradually to adjust the crystal structure and reduce the wire hardness, which will improve the processability of wire.

(III) Supply of Key Raw Materials

Raw Material	Main suppliers	Supply performance
Rolled steel wire	Yongxing, Ruipu Technology, Baosteel, Shenyuan, Fujian WUhang, Walsin and Tsing Shan Holding	Good

(IV) Key Suppliers/Customers

- Suppliers account for 10% or more of the Company's total purchase in any one of year 2017 and 2018, purchasing amount and percentage, reason of increasing and decreasing:

Unit: NTS 1,000

Rank	Name	2019			2020			2021 as of March 31				
		Amount	%	Relation with the Company	Name	Amount	%	Relation with the Company	Name	Amount	%	Relation with the Company
1	A	2,362,562	31.53	None	A	3,074,074	37.64	None	A	1,077,061	45.50	None
2	C	823,099	10.98	None	C	905,243	11.08	None	C	233,305	9.86	None
	其他	4,308,211	57.49	-	其他	4,187,839	51.28	-	其他	1,056,804	44.64	-
	合計	7,493,872	100.00		合計	8,167,156	100.00		合計	2,367,170	100.00	

Variance Analysis:

The Company's main suppliers are large steel mills in PRC. In recent years, the supply of stainless steel coils has been stable with no significant changes.

- Customers account for 10% or more of the Company's total revenue in any one of year 2019 and 2020, sales amount and percentage, reason of increasing and decreasing:

It is not analyzed since no any individual customer account for 10% of the Company's total revenue in year 2019 and 2020.

(V) Production in 2019 and 2020:

Unit: Ton; NT \$1,000

Key Products \ Year	2019			2020		
	Capacity	Output	Amount	Capacity	Output	Amount
Fastener	55,450	49,983	3,889,315	61,000	53,781	4,035,173
Wire	30,000	25,630	1,661,602	29,000	25,833	1,616,703
Total	85,450	75,613	5,550,917	90,000	79,613	5,651,876

(VI) Sales in 2019 and 2020

Unit: Ton; NT \$1,000

Key Products \ Year	2019				2020			
	Domestic		Overseas		Domestic		Overseas	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Fastener	40,666	4,076,438	14,598	1304,930	51,736	4,739,376	13,978	1,183,676
Wire	22,152	1,615,596	545	41,928	24,682	1,719,434	325	22,793
Others	789	84,962	13,875	1,683,205	605	72,403	12,426	1,433,656
Total	63,607	5,776,996	29,018	3,030,063	77,023	6,531,213	26,729	2,640,125

### III. Human Resources in the past two years and as of the Publishing Date of this Annual Report

Unit: No. of people

Year		2019	2020	2021 as of March 31
No. of Employees	Manager	16	14	14
	Direct	440	504	545
	Indirect	447	480	496
	Total	903	998	1,055
Average Age		36	36	36
Average Year of Service		5.40	5.60	5.60
Education	Ph.D.	2	0	0
	Master's Degree	4	3	3
	Bachelor's Degree	321	334	336
	Senior High School	154	166	165
	Below Senior High School	422	495	551

### IV. Expenditure Related to Environmental Protection

- (I) Companies that should apply for Pollution Facility Installation Permit or Waste Discharge Permit, and Pay the Swage Discharge Fee or Assign Designated Unit and Personnel Pursuant to Laws and Regulations, Status of Applying, Paying or Assigning should be explained:

Main factory of the Company is located at Jiaying of Zhejiang province, small amount of waste gas, water and oil will be generated during the production. Besides purchasing waste gas and

water treatment equipment for purification and reduction, the Company assigns qualified waste recycling companies to recycle solid waste. As per the environmental protection law and regulations locally and in mainland China, companies must go through the formalities of declaration and registration of water pollutants and only those not exceed National and Local Emission Standards and Total Emission Index of Pollutants from Enterprises and Institutions as stipulated by the State will be issued the Waste Discharge Permit by environmental protection administration. The Company has obtained Waste Discharge Permit of Zhejiang province (Zhe FJ2016A0167) on July 11, 2016 and taken associated environmental protection measures regulated by Zhejiang Environmental Protection Bureau. In the past three years, the Company has paid the sewage discharge fee in full. Furthermore, all the factories were mounted with solar power generation equipments on the roof in year 2017 to practice green energy and carbon reduction, and provide a healthy work environment for our employees. New wastewater treatment stations have been completed for operation in 2019, while completing the goal of increasing capacity and reducing emissions.

(II) Investment of main equipment on prevention of environmental pollution, purpose and prospected benefit:

March 31, 2021; Unit: NTS 1,000

Items	Qty	Date of Acquisition	Cost of Investment	Unreduced Balance	Purpose and Prospected Benefit
Industrial water purification equipment	2	2005-06-01	320	30	Wastewater and sewage treatment equipment
Waste gas treatment equipment	1	2009-05-02	900	87	Air pollution prevention equipment
Wastewater improvement project	1	2011-11-01	1,092	596	Wastewater and sewage treatment equipment
Domestic waste water recycling equipment	1	2012-10-01	661	169	Wastewater and sewage treatment equipment
Improvement of film acid pickling waste gas at north phase I plant and smoke waste gas purifying of 3+4 production line at east phase I plant	1	2013-11-01	2,337	226	Air pollution prevention equipment
Film coating waste gas improvement project	1	2015-02-01	131	61	Air pollution prevention equipment
Installation of waste water online monitoring system	2	2015-04-05	14	2	Monitor waste water index and prevent excessive discharge of waste water
Replacement of waste water treatment sludge filter presser	4	2015-05-21	1,981	963	Reduce sludge weight
Film coating waste gas improvement project	1	2015-05-21	652	82	Air pollution prevention equipment
Ground antiseptic treatment of phase III sludge dump	1	2015-08-22	81	14	Reduce sludge weight
Improvement of domestic sewage disposal system	2	2016-01-01	1,130	618	Disposed domestic sewage can be used for production

Items	Qty	Date of Acquisition	Cost of Investment	Unreduced Balance	Purpose and Prospected Benefit
Oil scraper	1	2016-02-29	36	20	Scrap oil on waste gas treatment spray unit
Dry ice cleaner	1	2016-09-02	582	353	Clean equipment
Install flow meter at purification tank for liquid waste	1	2016-11-01	57	22	Measure waste water quantity
Automatic oil throwing machine	24	2017-01-01	3,013	1,920	Throw away oil on products
Smoke purifier of stainless steel forming	2	2017-02-01	271	174	Purify smoke at nut production
Automatic centrifuge	2	2017-03-01	829	540	Separate impurities from oil
Waste water emergency tank	1	2017-03-01	176	78	Storage for waste water at emergency
Photovoltaic power generation	1	2017-04-01	104,564	68,802	Solar power generation
Oil throwing machine	26	2017-05-01	3,408	2,158	Throw away oil on products
Automatic oil throwing machine	1	2017-05-01	496	339	Throw away oil on products
Smoke purifier of stainless steel forming	24	2017-05-01	2,459	1,560	Waste gas treatment
Ultrasonic cleaner	1	2017-06-01	203	129	Clean plate electrode of smoke purifier
Smoke purifier of stainless steel forming	13	2017-06-01	1,342	858	Waste gas treatment
Ultrasonic cleaner	1	2017-08-01	199	130	Clean plate electrode of smoke purifier
Automatic lid-lift dewaterer	2	2017-08-01	446	292	Throw away water on products
Automatic oil throwing machine	25	2017-08-01	3,277	2,125	Throw away oil on products
Automatic oil throwing machine (for single machine)	4	2017-08-01	1,986	1,396	Throw away oil on products
Electrostatic machine	34	2017-08-01	2,664	1,798	Waste gas treatment
Oil fume eliminator	2	2017-09-01	171	113	Waste gas treatment
Sludge filter press	1	2017-10-01	540	279	Filter water inside sludge
Oil throwing machine	1	2017-11-01	131	88	Throw away oil on products
Ultrasonic grinder	1	2017-11-01	46	31	Clean smudge on product
Smoke purifier	20	2017-12-01	2,776	1,880	Waste gas treatment
Electrostatic machine	16	2017-12-01	1,372	970	Waste gas treatment
Automatic oil throwing machine	15	2018-03-01	1,966	1,380	Throw away oil on products
Automatic centrifuge	5	2018-03-01	1,644	1,199	Separate impurities from oil
Electrostatic machine EC35 (12 pole plate)	2	2018-05-01	203	160	Waste gas treatment
Automatic centrifuge HT-SA-V	3	2018-05-01	1,272	945	Separate impurities from oil
Automatic oil throwing machine	4	2018-07-01	504	384	Throw away oil on products
Electrostatic machine	53	2018-07-01	5,020	3,815	Waste gas treatment
Electrostatic machine	2	2018-10-01	146	114	Waste gas treatment
Electrostatic machine	2	2018-11-01	447	352	Waste gas treatment
Cold forging oil fully automatic filter	6	108-03-01	2,038	1,752	Waste gas treatment
Automatic oil throwing machine LX-200	10	108-04-01	1,210	1,050	Throw off the oil in the products.
Roof-mounted photovoltaics	1	108-05-01	43,607	38,129	Solar power
Electrostatic machine with 12 poles	2	2020-01-01	284	259	Waste gas treatment
Automatic oil shaking machine	1	2020-01-01	352	321	Throw off the oil in the products.
Cleaning machine (oil throwing + vibrating steel plate) and modification	2	2020-05-05	341	320	Cleaning of smoke purifier electrode plate
Electrostatic machine 4 poles	2	2020-06-01	143	136	Waste gas treatment
Solid-liquid separating type industrial oil suction machine	1	2020-07-01	101	96	Waste gas treatment

Items	Qty	Date of Acquisition	Cost of Investment	Unreduced Balance	Purpose and Prospected Benefit
Electrostatic machine LEP-312-CFT	5	2020-08-01	759	731	Waste gas treatment
Electrostatic machine with 12 poles	2	2020-08-01	284	274	Waste gas treatment
Oil throwing machine (for 32B.36B cold photo)	4	2020-09-01	1,452	1,408	Throw off the oil in the products.
Vibratory spray cleaning machine	1	2020-09-01	965	936	Cleaning of smoke purifier electrode plate
Electrostatic machine (LEP-208-CFT)	5	2020-09-01	664	644	Waste gas treatment
Vertical exhaust gas washing tower	6	2020-10-02	5,500	5,377	Waste gas treatment
Electrostatic machine (LEP-312-ct) Grade II energy-efficient motor	2	2020-10-02	304	297	Waste gas treatment
Electrostatic machine 6 poles	13	2020-10-02	1,167	1,141	Waste gas treatment
Electrostatic machine 8 poles	1	2020-12-01	97	97	Waste gas treatment
Electrostatic machine 12 poles	15	2021-01-01	1,820	1,807	Waste gas treatment
Electrostatic machine 8 poles	15	2021-01-01	1,429	1,418	Waste gas treatment
Electrostatic machine 6 poles	3	2021-01-01	263	261	Waste gas treatment
Electrostatic machine 4 poles	13	2021-01-01	698	693	Waste gas treatment
Oil throwing machine LX-200	6	2021-02-01	383	254	Throw off the oil in the products.

(III) Process of improving environmental pollution in year 2019 and 2020 and as of the publishing date of the public statement, process of treatment if any pollution dispute: None.

(IV) Loss or penalty caused by environmental pollution in year 2019 and 2020 and as of the publishing date of the public statement, countermeasures and possible cost in the future: None

(V) Impact of pollution status and improvement on the Company's earnings and competitive position, estimated major expenditure of environmental protection in the following two years:

Small amount of industrial pollution will be generated during the production, which is mainly that from product cleaning and machine running. Measures for waste treatment of the Company are to outsource with qualified waste treatment supplier and purchase pollution control machine for using, storing and disposing of the waste. Therefore it is estimated there will have no major expenditure of environmental protection, and no impact of environmental protection matters on the Company's earnings and competitive position.

## V. Industrial Relations

(I) Employees' welfare, education, training and pension and implementation status, industrial relations agreement and protection of employees' rights.

### 1. Employee Welfare and Implementation

Employees are the most valuable asset of Tong Ming, the Company makes and implements employees' welfare plan in accordance with local labor laws so that employees can devote themselves to the growth of Tong Ming within a comfortable and enjoyable working environment, which will also facilitate the sound development of human resources. The major employee welfares are as below:

(A) Mandated welfare: health insurance, pension insurance, unemployment insurance and maternity and industrial injury insurance.

(B) Special welfare: annual bonus and performance bonus, housing fund, departmental fund and education and training plan.

### 2. Employee Education and Training

To keep the employee competitive and competent for their job, the Company has set up rules of education and training for employees in all affiliates.

(A) On-board training: The Company will carry out factory-level training before on-board, including basic information like company profile, administrative organization, employee discipline and company regulations.

(B) On-job training: The Company will make the annual planning of open courses at the end of each year, including internal training taught by internal trainer or hired external experts, and external training executed by special institutions.

### 3. Retirement System and Implementation:

The Company allocates pension insurance to special account of local financial department according to the Regulations on Pension Insurance for Employees in mainland China Enterprises.

### 4. Industrial Relations and Employees' Welfare:

The Company has Human Resources division as the window to interact with employees and holds the meetings related to industrial relations periodically so that both parties can communicate timely and keep good relations.

### 5. Work environment and employee safety protection measures

The Company conducts environmental inspections in accordance with local government regulations, and conducts employee education, training and health checks. In 2017, Solar power generation equipment has been installed on the top floors of all production plants to promote green energy and carbon reduction and provide a good working environment for employees.

## 6. Ethical Conduct Standards

The Company engages in business activities based on the principles of fairness, honesty, trustworthiness and transparency. In order to prevent dishonest behavior, the Company's management and employees have signed trade secret protection and competition restriction contracts that cover the scope of confidentiality responsibilities. The Company's work rules also include penalties for breach of integrity.

In addition, the Company reinforces the promotion of ethical concepts within the Company and encourages employees to report to the Company's management when they suspect or discover any violations of laws and regulations or internal rules governing conduct. The Board of Directors and the management actively implement the policy of honest management as stated in the regulations and contracts, and the policy is actually implemented in internal management and external business activities.

(II) Loss incurred due to industrial disputes, estimated amount at present or in the future and actions taken in 2020 and as of the publishing date of this annual report, if can't be estimated, reason shall be disclosed.

1. The Company always pays attention on industrial relations; there has been no industrial dispute in the history of Tong Ming and no loss due to the dispute.
2. Estimated amount at present or in the future and actions taken: There has been no loss caused by industrial dispute and no potential of industrial dispute in year 2019 and 2020. The Company has been positively striving to implement the welfare policy of employees, it is estimated there will have no loss caused by industrial dispute in the future.

## VI. Important Contracts

Type	Duration	Counterparty	Description	Covenant
Load in Credit	2020/04/27~2021/04/27	Tong Ming Enterprise and HSBC (TW)	Loan Contract of Working Capital	Note
	2020/11/30~2021/11/30	Tong Ming Enterprise and TSIB	Loan Contract of Working Capital	Note
	2020/05/05~2021/05/05	Tong Ming Enterprise and KGI Bank	Loan Contract of Working Capital	Note
	2020/09/01~2021/08/30	Tong Ming Enterprise and CTCB	Loan Contract of Working Capital	Note
	2020/09/08-2023/09/07	Zhejiang Tong Ming and ABC	Loan Contract of Working Capital Mid-term	Note
	2020/10/11-2021/10/07	Zhejiang Tong Ming and ABC	Loan Contract of Working Capital	Note
	2020/07/27-2021/07/19	Zhejiang Tong Ming and CITIC	Loan Contract of Working Capital	Note
	2020/12/07-2021/11/01	Zhejiang Tong Ming and CITIC	Loan Contract of Working Capital	Note
	2020/10/14-2021/09/13	Zhejiang Tong Ming and Bank of China	Loan Contract of Working Capital	Note
	2020/10/27-2021/09/26	Zhejiang Tong Ming and Bank of China	Loan Contract of Working Capital	Note
	2020/12/14-2021/09/30	Zhejiang Tong Ming and Bank of China	Loan Contract of Working Capital	Note
	2020/07/29-2021/07/28	Zhejiang Tong Ming and Construction Bank	Loan Contract of Working Capital	Note
	2020/07/23-2021/07/22	Zhejiang Tong Ming and Construction Bank	Loan Contract of Working Capital	Note
	2020/11/25-2021/05/31	Zhejiang Tong Ming and HSBC Bank	Loan Contract of Working Capital	Note
	2020/12/21-2023/12/06	Zhejiang Tong Ming and ICBC	Loan Contract of Working Capital Mid-term	Note
	2020/12/31-2023/12/22	Zhejiang Tong Ming and ICBC	Loan Contract of Working Capital Mid-term	Note
	2020/11/09-2023/11/03	Zhejiang Tong Ming and ICBC	Loan Contract of Working Capital Mid-term	Note
	2020/11/23-2023/11/17	Zhejiang Tong Ming and ICBC	Loan Contract of Working Capital Mid-term	Note
	2020/07/01-2021/06/30	Zhejiang Tong Ming and ICBC	Loan Contract of Working Capital	Note
	2020/06/18-2021/06/14	Zhejiang Tong Ming and ICBC	Loan Contract of Working Capital	Note
	2019/02/21-2022/12/31	Zhejiang Tong Ming and ICBC	Loan Contract of Technical Improvement	Note
	2020/05/14-2021/05/13	Zhejiang Tong Ming and ICBC	Loan Contract of Technical Improvement	Note
	2020/05/14-2021/05/12	Zhejiang Tong Ming and ICBC	Loan Contract of Technical Improvement	Note
	2020/05/15-2021/05/14	Zhejiang Tong Ming and ICBC	Loan Contract of Technical Improvement	Note
	2020/12/01-2021/11/30	Zhejiang Tong Ming and ICBC	Loan Contract of Technical Improvement	Note
	2020/10/20-2021/10/15	Zhejiang Tong Ming and Mega Bank	Loan Contract of Working Capital	Note
	2020/12/01-2021/11/26	Zhejiang Tong Ming and Mega Bank	Loan Contract of Working Capital	Note
2020/12/08-2021/12/07	Zhejiang Tong Ming and China Trust Bank	Loan Contract of Working Capital	Note	

Note: For the significant contracts of credit loans disclosed, short-term loans are those contracts valued RMB10 million or more, while long-term contracts are all disclosed.

## Six. Financial Highlights

### I. Condensed Financial Statement from 2015 to 2019

(I) Condensed Balance Sheet and Statement of Comprehensive Income - International Financial Reporting Standards:

#### 1. Condensed Balance Sheet

Unit: NT\$ 1000

Fiscal Year		2016	2017	2018	2019	2020	First Quarter of 2021
Items							
Current Assets		4,017,360	5,558,276	6,414,414	6,088,003	7,578,647	7,346,277
Property, Plant and Equipment		844,626	927,282	908,149	1,004,208	1,052,947	1,037,383
Intangible Assets		4,541	23,050	22,541	35,360	38,295	39,491
Other Assets		144,100	183,213	316,199	201,827	185,539	193,428
Total Assets		5,010,627	6,691,821	7,661,302	7,329,398	8,855,428	8,616,579
Current Liabilities	Before Distribution	1,338,799	2,691,809	3,174,567	2,580,675	3,378,859	2,983,976
	After Distribution	1,674,799	3,111,809	3,510,567	2,832,675	3,681,259	3,286,376
Non-Current Liabilities		131,638	159,551	595,357	862,747	1,299,458	1,283,563
Total Liabilities	Before Distribution	1,470,437	2,851,360	3,769,924	3,443,422	4,678,317	4,267,539
	After Distribution	1,806,437	3,271,360	4,105,924	3,695,422	4,980,717	4,569,939
Equity Attributable to Shareholders of the Parent		3,528,914	3,828,261	3,877,882	3,872,908	4,162,010	4,333,420
Capital		1,680,000	1,680,000	1,680,000	1,680,000	1,680,000	1,680,000
Capital Surplus		916,905	916,905	916,905	916,905	916,905	916,905
Retained Earnings	Before Distribution	964,538	1,312,225	1,428,095	1,558,193	1,799,751	2,001,627
	After Distribution	628,538	892,225	1,092,095	1,306,193	1,497,351	1,699,227
Other Components of Equity		(32,529)	(80,869)	(147,118)	(282,190)	(234,646)	(265,112)
Treasury Shares		0	0	0	0	—	0
Non-controlling Interests		11,276	12,200	13,496	13,068	15,101	15,620
Total Equity	Before Distribution	3,540,190	3,840,461	3,891,378	3,885,976	4,177,111	4,349,040
	After Distribution	3,204,190	3,420,461	3,555,378	3,633,976	3,874,711	4,046,640

Note: The consolidated financial statements of year 2016~2020 have been audited by CPAs.

## 2. Condensed Statement of Comprehensive Income.7

Unit: NT\$ 1,000

Item	Year					
	2016	2017	2018	2019	2020	First Quarter of 2021
Operating revenues	5,998,907	7,593,150	8,886,549	8,807,059	9,171,338	2,466,853
Gross profit	1,094,823	1,428,517	1,327,998	1,221,920	1,273,041	470,859
Operating income	603,005	920,219	728,384	654,299	693,083	296,035
Non-operating income	(5,214)	(51,904)	(56,185)	(65,824)	(102,484)	(49,887)
Income Before Tax	597,791	868,315	672,199	588,475	590,599	246,148
Income before income tax in continued department	467,632	685,825	537,442	467,504	494,824	202,589
Income in Unconfined Unit	—	—	—	—	—	—
Net benefits(loss)	467,632	685,825	537,442	467,504	494,824	202,589
Other Comprehensive Income(Post-tax)	(264,096)	(48,477)	(66,525)	(135,614)	47,747	(30,660)
Total Comprehensive Income	203,536	637,348	470,917	331,890	542,571	171,929
Profit attributable to owners of the parent	466,517	683,687	535,870	466,098	493,558	201,876
Profit attributable to non-controlling interest	1,115	2,138	1,572	1,406	1,266	713
Comprehensive income attributable to owners of the parent	205,201	635,347	469,621	331,026	541,102	171,410
Comprehensive income attributable to Non-controlling interest	(1,665)	2,001	1,296	864	1,649	519
Earnings per share(NT\$)	2.78	4.07	3.19	2.77	2.94	1.20

Note: The consolidated financial statements of year 2016~2020 have been audited by CPAs.

(III) Independent Auditor's Report from 2016 to 2020

Year	CPA Firm	CPA	Audit Opinion
2016	Deloitte Touche Tohmatsu Limited	Hsieh, Ming-Chung Weng, Po-Jen	Unqualified opinion
2017	Deloitte Touche Tohmatsu Limited	Chen, Huei-Ming Weng, Po-Jen	Unqualified opinion
2018	Deloitte Touche Tohmatsu Limited	Chen, Huei-Ming Weng, Po-Jen	Unqualified opinion
2019	Deloitte Touche Tohmatsu Limited	Hsieh, Ming-Chung 、 Lu, I-Chen	Unqualified opinion
2020	Deloitte Touche Tohmatsu Limited	Hsieh, Ming-Chung 、 Lu, I-Chen	Unqualified opinion

## II. Financial Analysis from 2016 to 2020

### (1) Financial Statements Prepared Applying IFRS Standards

Items for Analysis		Fiscal Year (Note 1)					First Quarter of 2021
		2016	2017	2018	2019	2020	
Financial Structure (%)	Debt-asset ratio	29.35	42.61	49.21	46.98	52.83	49.53
	Ratio of long-term capital to property, plant and equipment	433.39	430.05	492.57	471.58	518.68	541.46
Solvency (%)	Current ratio	300.07	206.49	202.06	235.91	224.30	246.19
	Quick ratio	172.32	108.22	108.23	128.70	129.78	127.42
	Interest coverage ratio	29.53	16.60	7.03	5.97	6.91	7.31
Operating Ability	Receivables turnover rate (times)	5.96	5.94	5.60	5.13	4.84	5.07
	Average collection days for receivables	61.22	61.40	65.20	71.15	75.46	72.00
	Inventory turnover rate (times)	2.92	3.02	2.80	2.73	2.77	2.52
	Payables turnover rate (times)	40.83	40.91	27.46	19.95	23.39	28.66
	Average days for sale	125.00	120.86	130.22	133.81	131.60	144.60
	Property, plant and equipment turnover rate (times)	6.43	8.57	9.68	9.21	8.92	9.44
	Total asset turnover rate (times)	1.19	1.30	1.24	1.18	1.13	1.13
Profitability	Return on assets (%)	9.62	12.53	8.81	7.67	7.16	10.79
	Return on equity (%)	13.29	18.59	13.91	12.06	12.29	19.01
	Ratio of income before tax to paid-in capital (%)	35.58	51.69	40.01	35.03	35.15	58.61
	Profit margin before tax (%)	7.80	9.03	6.05	5.38	5.40	8.21
	Earnings per share(NT\$)	2.78	4.07	3.19	2.77	2.94	1.20
Cash Flow	Cash flow ratio (%)	57.13	0	16.34	27.17	0.15	-0.29
	Cash flow adequacy ratio (%)	137.48	62.35	55.88	60.72	41.52	19.94
	Cash flow reinvestment ratio (%)	11.63	-6.11	1.63	5.78	(4.02)	-0.12
Leverage	Operating leverage	1.90	1.59	1.91	1.97	1.96	1.67
	Financial leverage	1.04	1.06	1.18	1.22	1.17	1.15

Note 1: The consolidated financial statements of year 2016~2020 have been audited by CPAs.

Note 2: The calculation formulas are as below:

#### 1. Financial Structure

(1) Debt-asset ratio = total liabilities / total assets

(2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net worth of property, plant and equipment

#### 2. Solvency

(1) Current ratio = current assets / current liabilities

(2) Quick ratio = (current assets – inventory – prepaid expenses) / current liabilities

(3) Interest coverage ratio = income before income tax and interest expenses / current interest expenses

3. Operating ability
  - (1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = net sales / average receivables (including accounts receivable and notes receivable arising from business operations) for each period
  - (2) Average collection days for receivables = 365 / receivables turnover rate
  - (3) Inventory turnover rate = cost of sales / average inventory
  - (4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = cost of sale / average payables (including accounts payable and notes payable arising from business operations) for each period
  - (5) Average days of sale = 365 / inventory turnover rate
  - (6) Property, plant and equipment turnover rate = net sales / average net worth of property, plant and equipment
  - (7) Total asset turnover rate = net sales / average total assets
4. Profitability
  - (1) Return on assets = (Net benefits + Interest Expenses (1- Tax Rate)) / Average Total Assets
  - (2) Return on equity = net benefits / average total equity
  - (3) Profit margin before tax = net benefits / net sales
  - (4) Earnings per share = (profit and loss attributable to owners of the parent – dividends on preferred shares) / weighted average number of issued shares
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 operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend)
  - (3) Cash flow reinvestment ratio = (Net cash flow from operating activities – cash dividend) / gross property, plant and equipment value + long-term investment + other non-current assets + working capital)
6. Leveraging
  - (1) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income
  - (2) Financial leverage = operating income / (operating income / interest expenses)

Difference explanation:

1. The decrease in cash flow ratio is mainly due to the growth in revenue in the fourth quarter of 2020, which resulted in a net cash outflow from accounts receivable. In addition, the cash flow ratio decreased due to the decrease in net cash inflow from operating activities as compared to the previous period as a result of increased purchases of raw materials, supplies and outsourced products due to the increase in shipments in anticipation of future order demand and raw material price trends.
2. Decrease in cash flow equivalency ratio: The decrease in cash flow equivalency ratio is mainly due to the decrease in net cash flow from operating activities in the last five years as a result of the increase in inventory purchases in response to future order demand and raw material price trends.
3. Decrease in cash reinvestment ratio: Due to the low net cash inflow from operating activities in 2020, which was negative after deducting cash dividends

### **III. Audit Committee's Review Report for 2018**

## **Tong Ming Enterprise Co., Ltd. Audit Committee's Review Report**

Hereby

The Board of Directors has prepared the Company's 2020 operations report and consolidated financial statement. The consolidated financial statement was audited by independent auditors, Hsieh, Ming-Chung and Lu, I-Chen, of Deloitte and Touche Tohmatsu Limited, with independent auditors' reports issued. The above-mentioned operations report and consolidated financial statement prepared by the Board of Directors has been reviewed and determined to be accurate by the Audit Committee. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

2021 Regular Shareholders' Meeting of the Company

Convener of the Audit Committee: Ko, Yung-Hsiang

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#### **IV. Audited Consolidated Financial Statement for the 2019**

Please refer to page 85 to 151

#### **V. Audited Parent Company Only Financial Statement for 2019**

N/A.

#### **VI. Financial Difficulties Experienced by the Company and Its Affiliates in 2019 and as of the Publishing Date of this Annual Report, and Their Impact on the Company's Financial Position: None.**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Tong Ming Enterprise Co., Ltd.

### **Opinion**

We have audited the accompanying consolidated financial statements of Tong Ming Enterprise Co., Ltd. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audit of the consolidated financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. We conducted our audit of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

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

The key audit matters identified in the Group's consolidated financial statements for the year ended December 31, 2020 are stated as follows:

#### The Occurrence of Transactions with Some Major Customers

The Group's sales revenue for the year ended December 31, 2020 was \$9,171,338 thousand. Due to the materiality and significant risks in revenue recognition, we identified the occurrence of sales revenue from major customers that meet specific standards to be a key audit matter. Refer to Note 4 to the consolidated financial statements for details on revenue recognition.

The main audit procedures that we performed in respect of revenue recognition included the following:

1. We obtained an understanding and tested the design and operating effectiveness of the key controls over the occurrence of revenue recognition.
2. We sampled the list of major customers, confirmed the related traded documents such as shipments to confirm the occurrence of revenue recognition.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

#### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 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.

The engagement partners on the audits resulting in this independent auditors' report are Ming-Chung Hsieh and I-Chen Lu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 29, 2021

Notice to Readers

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

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

# TONG MING ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 1,945,704	22	\$ 1,179,624	16
Financial assets at fair value through profit or loss - current (Notes 7 and 28)	262,798	3	254,239	4
Financial assets at amortized cost - current (Note 8)	154,142	2	99,605	1
Notes receivable, net (Notes 9 and 28)	348,340	4	312,201	4
Accounts receivable, net (Notes 9, 22 and 28)	1,648,974	19	1,471,299	20
Other receivables (Note 28)	25,044	-	4,487	-
Inventories (Notes 5 and 10)	2,991,969	34	2,638,591	36
Prepayments to suppliers (Note 15)	161,961	2	98,350	1
Prepayments (Notes 15 and 28)	39,715	-	29,607	1
Total current assets	<u>7,578,647</u>	<u>86</u>	<u>6,088,003</u>	<u>83</u>
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using the equity method (Note 12)	27,554	-	29,682	-
Property, plant and equipment (Note 13)	1,052,947	12	1,004,208	14
Right-of-use assets (Note 14)	71,062	1	43,304	1
Other intangible assets	38,295	-	35,360	1
Deferred tax assets (Note 23)	27,337	-	26,915	-
Prepayments for equipment	51,693	1	96,796	1
Refundable deposits	6,139	-	3,338	-
Other non-current assets	1,754	-	1,792	-
Total non-current assets	<u>1,276,781</u>	<u>14</u>	<u>1,241,395</u>	<u>17</u>
<b>TOTAL</b>	<u>\$ 8,855,428</u>	<u>100</u>	<u>\$ 7,329,398</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 16 and 28)	\$ 2,199,443	25	\$ 1,880,038	26
Financial liabilities at fair value through profit or loss - current (Notes 7 and 27)	8,240	-	40	-
Contract liabilities - current (Notes 19 and 21)	71,122	1	44,818	1
Notes payable	19,155	-	18,630	-
Accounts payable (Notes 18 and 28)	257,337	3	380,337	5
Other payables (Note 19)	254,971	3	236,463	3
Current tax liabilities (Note 23)	38,230	-	10,243	-
Lease liabilities - current (Note 14)	12,983	-	9,874	-
Current portion of bonds payable (Note 17)	398,061	5	-	-
Current portion of long-term borrowings (Note 16)	119,055	1	-	-
Other current liabilities	262	-	232	-
Total current liabilities	<u>3,378,859</u>	<u>38</u>	<u>2,580,675</u>	<u>35</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Note 17)	-	-	394,858	5
Long-term borrowings (Note 16)	1,062,736	12	266,049	4
Deferred tax liabilities (Note 23)	211,075	3	199,694	3
Lease liabilities - non-current (Note 14)	25,647	-	2,146	-
Total non-current liabilities	<u>1,299,458</u>	<u>15</u>	<u>862,747</u>	<u>12</u>
Total liabilities	<u>4,678,317</u>	<u>53</u>	<u>3,443,422</u>	<u>47</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)</b>				
Share capital	1,680,000	19	1,680,000	23
Capital surplus	916,905	11	916,905	13
Retained earnings				
Legal reserve	384,779	4	338,169	4
Special reserve	282,190	3	147,118	2
Unappropriated earnings	1,132,782	13	1,072,906	15
Total retained earnings	1,799,751	20	1,558,193	21
Exchange differences on translation of the financial statements of foreign operations	(234,646)	(3)	(282,190)	(4)
Total equity attributable to owners of the Company	4,162,010	47	3,872,908	53
<b>NON-CONTROLLING INTERESTS</b>	15,101	-	13,068	-
Total equity	<u>4,177,111</u>	<u>47</u>	<u>3,885,976</u>	<u>53</u>
<b>TOTAL</b>	<u>\$ 8,855,428</u>	<u>100</u>	<u>\$ 7,329,398</u>	<u>100</u>

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

# TONG MING ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Notes 21, 28 and 34)	\$ 9,171,338	100	\$ 8,807,059	100
OPERATING COSTS				
Cost of goods sold (Notes 10, 22 and 28)	<u>(7,898,297)</u>	<u>(86)</u>	<u>(7,585,139)</u>	<u>(86)</u>
GROSS PROFIT	<u>1,273,041</u>	<u>14</u>	<u>1,221,920</u>	<u>14</u>
OPERATING EXPENSES (Notes 22 and 28)				
Selling and marketing expenses	(384,379)	(4)	(369,158)	(4)
General and administrative expenses	(167,022)	(2)	(180,359)	(2)
Research and development expenses	(27,256)	(1)	(31,589)	-
Expected credit loss	<u>(1,301)</u>	<u>-</u>	<u>13,485</u>	<u>-</u>
Total operating expenses	<u>(579,958)</u>	<u>(7)</u>	<u>(567,621)</u>	<u>(6)</u>
PROFIT FROM OPERATIONS	<u>693,083</u>	<u>7</u>	<u>654,299</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES (Note 22)				
Interest income	6,239	-	7,390	-
Other income	23,771	-	15,859	-
Other gains and losses	(29,814)	-	24,031	-
Finance costs	(99,982)	(1)	(118,367)	(1)
Share of profit of associates and joint ventures	<u>(2,698)</u>	<u>-</u>	<u>5,263</u>	<u>-</u>
Total non-operating income and expenses	<u>(102,484)</u>	<u>(1)</u>	<u>(65,824)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	590,599	6	588,475	7
INCOME TAX EXPENSE (Note 23)	<u>(95,775)</u>	<u>(1)</u>	<u>(120,971)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>494,824</u>	<u>5</u>	<u>467,504</u>	<u>5</u>

(Continued)

# TONG MING ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE LOSS</b>				
Items that will not be reclassified subsequently to profit or loss:				
Exchange differences arising on translation to the presentation currency	\$ 31,426	1	\$ (142,459)	(1)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>16,321</u>	<u>-</u>	<u>6,845</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>47,747</u>	<u>1</u>	<u>(135,614)</u>	<u>(1)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 542,571</u>	<u>6</u>	<u>\$ 331,890</u>	<u>4</u>
<b>NET PROFIT ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 493,558	5	\$ 466,098	5
Non-controlling interests	<u>1,266</u>	<u>-</u>	<u>1,406</u>	<u>-</u>
	<u>\$ 494,824</u>	<u>5</u>	<u>\$ 467,504</u>	<u>5</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 541,102	6	\$ 331,026	4
Non-controlling interests	<u>1,469</u>	<u>-</u>	<u>864</u>	<u>-</u>
	<u>\$ 542,571</u>	<u>6</u>	<u>\$ 331,890</u>	<u>4</u>
<b>EARNINGS PER SHARE (Note 24)</b>				
Basic	<u>\$ 2.94</u>		<u>\$ 2.77</u>	
Diluted	<u>\$ 2.81</u>		<u>\$ 2.67</u>	

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

(Concluded)

**TONG MING ENTERPRISE CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company										
	Share Capital		Retained Earnings			Capital Surplus		Unappropriated Earnings		Other Equity	
	Shares (In Thousands)	Amount	Legal Reserve	Special Reserve	Special Reserve	Legal Reserve	Unappropriated Earnings	Foreign Operations	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2019	168,000	\$ 1,680,000	\$ 284,582	\$ 80,869	\$ 1,062,644	\$ (147,118)	\$ 3,877,882	\$ 13,496	\$ 3,891,378		
Appropriation of 2018 earnings	-	-	-	-	(53,587)	-	-	-	-	-	-
Legal reserve	-	-	53,587	-	(66,249)	-	-	-	-	-	-
Special reserve	-	-	-	66,249	(336,000)	-	(336,000)	-	-	-	(336,000)
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(1,292)	(1,292)	(1,292)
Net profit for the year ended December 31, 2019	-	-	-	-	466,098	-	466,098	-	466,098	1,406	467,504
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	-	(135,072)	(135,072)	(542)	(135,614)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	466,098	-	466,098	(135,072)	331,026	864	331,890
BALANCE AT DECEMBER 31, 2019	168,000	1,680,000	338,169	147,118	1,072,906	(282,190)	3,872,908	13,068	3,885,976		
Appropriation of 2019 earnings	-	-	-	-	(46,610)	-	-	-	-	-	-
Legal reserve	-	-	46,610	-	(135,072)	-	-	-	-	-	-
Special reserve	-	-	-	135,072	(252,000)	-	(252,000)	-	-	-	(252,000)
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	564	564	564
Net profit for the year ended December 31, 2020	-	-	-	-	493,558	-	493,558	-	493,558	1,266	494,824
Other comprehensive income for the year ended December 31, 2020, net of income tax	-	-	-	-	-	-	-	47,544	47,544	203	47,747
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	493,558	-	493,558	47,544	541,102	1,469	542,571
BALANCE AT DECEMBER 31, 2020	168,000	\$ 1,680,000	\$ 384,779	\$ 282,190	\$ 1,132,782	\$ (234,646)	\$ 4,162,010	\$ 15,101	\$ 4,177,111		

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

# TONG MING ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 590,599	\$ 588,475
Adjustments for:		
Depreciation expenses	161,118	143,458
Amortization expenses	4,628	3,548
Expected credit loss (gain) recognized on accounts receivable	1,301	(13,485)
Net gain on fair value changes of financial assets designated as at fair value through profit or loss	(21,897)	(49,759)
Interest expense	99,982	118,367
Interest income	(6,239)	(7,390)
Dividend income	(743)	(3,224)
Share of profit of associates and joint ventures	2,698	(5,263)
Loss on disposal of property, plant and equipment	3,557	10,826
Gain on lease modification	(103)	-
Write-downs of inventories	7,457	-
Changes in operating assets and liabilities		
Notes receivable	(37,321)	(44,203)
Accounts receivable	(177,962)	(103,592)
Other receivables	(21,119)	2,219
Inventories	(360,835)	212,491
Prepayments	(73,719)	3,918
Contract liabilities	26,304	(35,413)
Notes payable	525	(11,576)
Accounts payable	(123,000)	49,071
Other payables	21,586	(14,511)
Other current liabilities	30	(91)
Cash generated from operations	96,847	843,866
Income tax paid	(91,683)	(142,600)
Net cash generated from operating activities	<u>5,164</u>	<u>701,266</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	(54,537)	(79,510)
Purchase of financial assets at fair value through profit or loss	(2,269,710)	(1,873,159)
Proceeds from sale of financial assets at fair value through profit or loss	2,291,008	1,947,847
Payments for property, plant and equipment	(117,192)	(125,892)
Proceeds from disposal of property, plant and equipment	788	4,592
Increase in refundable deposits	(2,801)	(2,734)
Payments for intangible assets	(6,846)	(17,174)
Decrease in other non-current assets	38	286
Increase in prepayments for equipment	(20,815)	(28,998)
Interest received	6,801	6,819
Dividends received from associates	743	3,224
Net cash used in investing activities	<u>(172,523)</u>	<u>(164,699)</u>

(Continued)

# TONG MING ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ 319,405	\$ -
Repayments of short-term borrowings	-	(577,550)
Proceeds from long-term borrowings	915,742	266,049
Repayment of the principal portion of lease liabilities	(18,827)	(13,072)
Dividends paid to owners of the Company	(252,000)	(336,000)
Interest paid	(95,578)	(112,340)
Dividends paid to non-controlling interests	<u>564</u>	<u>(1,292)</u>
Net cash generated from (used in) financing activities	<u>869,306</u>	<u>(774,205)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>64,133</u>	<u>(72,114)</u>
NET INCREASE IN (DECREASE) CASH AND CASH EQUIVALENTS	766,080	(309,752)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,179,624</u>	<u>1,489,376</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,945,704</u>	<u>\$ 1,179,624</u>

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

(Concluded)

# TONG MING ENTERPRISE CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Tong Ming Enterprise Co., Ltd. (Cayman) (the “Company”) was incorporated in the Cayman Islands in November 2009. The Company was established mainly to restructure the organization for public listing on the Taiwan Stock Exchange (TWSE). The Company has been the holding company of all its subsidiaries. The Company and its subsidiaries (collectively referred to as the “Group”) mainly manufacture and sell fasteners and wires.

The Company’s shares have been listed on TWSE since December 16, 2013.

The functional currency of the Company is the renminbi. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since the Company’s shares are listed on the Taiwan Stock Exchange.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 16, 2021.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies:

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
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”	June 1, 2020

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	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 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

## 1) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Group chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- e) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

## 2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. 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.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries, including structured entities).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 11, Tables 7 and 8 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity in the Group, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction (i.e., not retranslated).

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate). The exchange differences accumulated in equity, which resulted from the translation of the assets and liabilities of the entities in the Group into the presentation currency, are not subsequently reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, supplies and finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate and joint venture. The Group also recognizes the changes in the Group's share of the equity of associates attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent that interests in the associate are not related to the Group.

h. Property, plant and equipment

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

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. Each significant part is depreciated separately. If the lease terms are shorter than their useful lives, such assets are depreciated over their lease terms. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

i. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 28: Financial Instruments.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

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

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

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

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

iii. Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- i) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and

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

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

b) Impairment of financial assets and contract assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables, lease receivables and contract assets. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

## 2) Financial liabilities

### a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

#### Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on such financial liability. Fair value is determined in the manner described in Note 28.

### b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

## 3) Convertible bonds

The conversion option component of the convertible bonds issued by the Group, which will be settled other than by the exchange of a fixed amount of cash or other financial assets for a fixed number of the Company's own equity instruments, is classified as a derivative financial liability.

On initial recognition, the derivative financial liability component of the convertible bonds is recognized at fair value, and the initial carrying amount of the non-derivative financial liability component is determined by deducting the amount of the derivative financial liability component from the fair value of the hybrid instrument as a whole. In subsequent periods, the non-derivative financial liability component of the convertible bonds is measured at amortized cost using the effective interest method. The derivative financial liability component is measured at fair value, and the changes in fair value are recognized in profit or loss. Transaction costs that relate to the issuance of the convertible notes are allocated to the derivative financial liability component and the non-derivative financial liability component in proportion to their relative fair values. Transaction costs relating to the derivative financial liability component are recognized immediately in profit or loss. Transaction costs relating to the non-derivative financial liability component are included in the carrying amount of the liability component.

## 4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

#### l. Revenue recognition

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

##### Revenue from the sale of goods

Revenue from the sale of goods comes from sales of fasteners and wires. Sales of fasteners and wires are recognized as revenue when the goods are delivered to the customer's specific location or the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Sales and trade receivables are recognized concurrently.

#### m. Leases

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

##### 1) The Group as lessor

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

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

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

##### 2) The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

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

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

n. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred taxes for the year

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2020	2019
Cash on hand	\$ 862	\$ 949
Checking accounts and demand deposits	<u>1,944,842</u>	<u>1,178,675</u>
	<u>\$ 1,945,704</u>	<u>\$ 1,179,624</u>

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2020	2019
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts (g)	\$ 178	\$ 2
Non-derivative financial assets - foreign quoted shares	-	38,987
Hybrid financial assets		
Structured deposits (a-f)	<u>262,620</u>	<u>215,250</u>
	<u>\$ 262,798</u>	<u>\$ 254,239</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Convertible options (Note 18 - bonds payable)	<u>\$ 8,240</u>	<u>\$ 40</u>

- a. The Group entered into a wealth management product contract with Lujiazui Trust Co., Ltd. on December 31, 2020. The contract amount is RMB60,000 thousand.
- b. The Group entered into a non-guaranteed, floating profit contract with China Minsheng Trust Co., Ltd. on December 31, 2019. The contract amount is RMB10,000 thousand, and the contract can be redeemed after 7 days. The anticipated annual yield rate is 5.8% and the anticipated profit is linked to the domestically liquid financial assets.

- c. The Group entered into a non-guaranteed, floating profit contract with China Minsheng Trust Co., Ltd. on December 31, 2019. The contract amount is RMB10,000 thousand, and the contract can be redeemed after 49 days. The anticipated annual yield rate is 6.3% and the anticipated profit is linked to the domestically liquid financial assets.
- d. The Group entered into a non-guaranteed, floating profit contract with China Minsheng Trust Co., Ltd. on December 31, 2019. The contract amount is RMB20,000 thousand, and the contract can be redeemed after 16 days. The anticipated annual yield rate is 6.1% and the anticipated profit is linked to the domestically liquid financial assets.
- e. The Group entered into a non-guaranteed, floating profit contract with China Minsheng Trust Co., Ltd. on December 31, 2019. The contract amount is RMB10,000 thousand, and the contract can be redeemed after 16 days. The anticipated annual yield rate is 5.8% and the anticipated profit is linked to the domestically liquid financial assets.
- f. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>December 31, 2020</u>			
Sell	NTD/USD	2021.01.25-2021.06.21	NTD26,197/USD933
<u>December 31, 2019</u>			
Sell	NTD/USD	2020.01.30-2020.03.02	NTD7,183/USD240

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

## 8. FINANCIAL ASSETS AT AMORTIZED COST

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Current</u>		
Time deposits with original maturity of more than 3 months	<u>\$ 154,142</u>	<u>\$ 99,605</u>
a. The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 0.3%-0.815% and 2.28%-2.45% per annum as of December 31, 2020 and 2019, respectively.		
b. Time deposits with original maturity of more than 3 months as stated above were not pledged as security at the end of the reporting period.		

## 9. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 349,522	\$ 312,201
Less: Allowance for impairment loss	<u>(1,182)</u>	<u>-</u>
	<u>\$ 348,340</u>	<u>\$ 312,201</u>
Notes receivable - operating	<u>\$ 348,340</u>	<u>\$ 312,201</u>
<u>Aging analysis of notes receivable</u>		
Not past due	\$ 348,340	\$ 312,201
Over 180 Days	1,182	-
Less: Allowance for impairment loss	<u>(1,182)</u>	<u>-</u>
	<u>\$ 348,340</u>	<u>\$ 312,201</u>

The movements of the loss allowance of trade receivables and notes receivables were as follows:

	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ -	\$ -
Add: Net remeasurement of loss allowance	1,131	-
Foreign exchange gains and losses	<u>51</u>	<u>-</u>
Balance at December 31	<u>\$ 1,182</u>	<u>\$ -</u>

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 1,648,910	\$ 1,472,938
Less: Allowance for impairment loss	<u>(5,273)</u>	<u>(5,867)</u>
	1,643,637	1,467,071
At fair value through other comprehensive income	<u>5,337</u>	<u>4,228</u>
	<u>\$ 1,648,974</u>	<u>\$ 1,471,299</u>

### Trade Receivables

#### a. At amortized cost

The average credit period of sales of goods was 90-120 days. No interest was charged on trade receivables.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation, or when the trade receivables are over 180 days past due, whichever occurs earlier. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

December 31, 2020

	<b>Not Past Due</b>	<b>Less than 60 Days</b>	<b>61 to 120 Days</b>	<b>120 to 180 Days</b>	<b>Over 180 Days</b>	<b>Total</b>
Expected credit loss rate	0%-0.02%	0%-1.4%	0.06%-6.75%	1.57%-46.98%	100%	
Gross carrying amount	\$ 1,542,047	\$ 99,004	\$ 1,147	\$ 1,794	\$ 4,918	\$ 1,648,910
Loss allowance (lifetime ECL)	<u>(586)</u>	<u>(109)</u>	<u>(4)</u>	<u>(207)</u>	<u>(4,367)</u>	<u>(5,273)</u>
Amortized cost	<u>\$ 1,541,461</u>	<u>\$ 98,895</u>	<u>\$ 1,143</u>	<u>\$ 1,587</u>	<u>\$ 551</u>	<u>\$ 1,643,637</u>

December 31, 2019

	<b>Not Past Due</b>	<b>Less than 60 Days</b>	<b>61 to 120 Days</b>	<b>120 to 180 Days</b>	<b>Over 180 Days</b>	<b>Total</b>
Expected credit loss rate	0%-0.74%	0.01%-13.19%	0.41%-16.52%	7.35%-45.45%	100%	
Gross carrying amount	\$ 1,322,812	\$ 126,147	\$ 13,098	\$ 1,928	\$ 8,953	\$ 1,472,938
Loss allowance (lifetime ECL)	<u>(1,290)</u>	<u>(1,113)</u>	<u>(52)</u>	<u>-</u>	<u>(3,412)</u>	<u>(5,867)</u>
Amortized cost	<u>\$ 1,321,522</u>	<u>\$ 125,034</u>	<u>\$ 13,046</u>	<u>\$ 1,928</u>	<u>\$ 5,541</u>	<u>\$ 1,467,071</u>

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

	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 5,867	\$ 22,471
Add: Net remeasurement of loss allowance	170	-
Less: Amounts written off	(881)	(2,447)
Less: Net remeasurement of loss allowance	-	(13,485)
Foreign exchange gains and losses	<u>117</u>	<u>(672)</u>
Balance at December 31	<u>\$ 5,273</u>	<u>\$ 5,867</u>

b. At FVTOCI

For trade receivables that are sold, the Group will decide whether to sell these trade receivables to banks without recourse based on its level of working capital. These trade receivables are classified as at FVTOCI because they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The average credit period of sales of goods was 75 days. No interest was charged on trade receivables.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation, or when the trade receivables are over 180 days past due, whichever occurs earlier. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

December 31, 2020

	Not Past Due	Less than 60 Days	61 to 120 Days	120 to 180 Days	Over 180 Days	Total
Expected credit loss rate	0%	0%	0%	0%	100%	
Gross carrying amount	\$ 5,337	\$ -	\$ -	\$ -	\$ -	\$ 5,337
Loss allowance (lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 5,337</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,337</u>

December 31, 2019

	Not Past Due	Less than 60 Days	61 to 120 Days	120 to 180 Days	Over 180 Days	Total
Expected credit loss rate	0%	0%	0%	0%	100%	
Gross carrying amount	\$ 4,228	\$ -	\$ -	\$ -	\$ -	\$ 4,228
Loss allowance (lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 4,228</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,228</u>

## 10. INVENTORIES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Finished goods	\$ 1,458,585	\$ 1,324,149
Raw materials and supplies	<u>1,533,384</u>	<u>1,314,442</u>
	<u>\$ 2,991,969</u>	<u>\$ 2,638,591</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was \$ 7,898,297 thousand and \$7,585,139 thousand, respectively.

The cost of goods sold included inventory write-downs of \$7,457 thousand and \$0 thousand, respectively.

## 11. SUBSIDIARIES

### Subsidiaries Included in Consolidated Financial Statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			<u>December 31</u>		
			<u>2020</u>	<u>2019</u>	
Tong Ming Enterprise Co., Ltd. (Cayman)	Tong Group Limited	Investment	100.0	100.0	
	China Rich International Holding Limited	Investment	100.0	100.0	
	Winlink Fasteners Co., Ltd.	Selling and marketing of fasteners and wires	100.0	100.0	
	Tong Win International Co., Ltd.	Selling and marketing of fasteners and wires	100.0	100.0	
	Fast Link	Selling and marketing of fasteners and wires	83.33	-	*
Tong Group Limited	Tong Ming Enterprise (Zhejiang) Co., Ltd.	Manufacturing, selling and marketing of fasteners and wires	90.2	90.2	
China Rich International Holding Limited	Tong Ming Enterprise (Zhejiang) Co., Ltd.	Manufacturing, selling and marketing of fasteners and wires	9.5	9.5	
Tong Ming Enterprise (Zhejiang) Co., Ltd.	Eastar Trade (Shanghai) Co., Ltd.	Selling and marketing of fasteners and wires	100.0	100.0	*
	Tong Ming Trading Limited	Buying and selling raw materials	100.0	100.0	*
	Tong Ming Holding Limited	Investment	100.0	100.0	*
	Shenzhen Yiqin Industrial Fastener Co., Ltd.	Selling and marketing of fasteners and wires	100.0	100.0	*
	Tong Win Trading (Jiaxing) Co., Ltd.	Selling and marketing of fasteners and wires	100.0	100.0	*

\* The entity is not a major subsidiary; its financial statements have not been audited.

## 12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

### a. Investments in associates

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Associates that are not individually material	<u>\$ 27,554</u>	<u>\$ 29,682</u>

### b. Aggregate information of associates that are not individually material

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
The Group's share of:		
Profit from continuing operations	\$ 2,698	\$ 5,263
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>\$ 2,698</u>	<u>\$ 5,263</u>

Investments were accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have not been audited. Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of which has not been audited.

## 13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment and Other Equipment	Property under Construction	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 1,745	\$ 624,666	\$ 1,668,207	\$ 54,624	\$ 167,142	\$ 54,163	\$ 2,570,547
Additions	-	18,294	37,948	8,088	49,545	(144)	113,731
Disposals	-	-	(10,307)	8,649	(4,680)	-	(23,636)
Reclassification	-	35,411	65,767	-	18,505	(53,765)	65,918
Effects of foreign currency exchange differences	<u>-</u>	<u>11,343</u>	<u>29,565</u>	<u>702</u>	<u>4,494</u>	<u>(254)</u>	<u>45,850</u>
Balance at December 31, 2020	<u>\$ 1,745</u>	<u>\$ 689,714</u>	<u>\$ 1,791,180</u>	<u>\$ 54,765</u>	<u>\$ 235,006</u>	<u>\$ -</u>	<u>\$ 2,772,410</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ -	\$ 346,786	\$ 1,095,935	\$ 34,330	\$ 89,288	\$ -	\$ 1,566,339
Depreciation expenses	-	18,281	90,388	5,768	29,168	-	143,605
Disposals	-	-	(8,577)	(7,415)	(3,299)	-	(19,291)
Reclassification	-	(156)	666	130	(640)	-	-
Effects of foreign currency exchange differences	<u>-</u>	<u>6,208</u>	<u>20,213</u>	<u>455</u>	<u>1,934</u>	<u>-</u>	<u>28,810</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 371,119</u>	<u>\$ 1,198,625</u>	<u>\$ 33,268</u>	<u>\$ 116,451</u>	<u>\$ -</u>	<u>\$ 1,719,463</u>
Carrying amounts at December 31, 2020	<u>\$ 1,745</u>	<u>\$ 318,595</u>	<u>\$ 592,555</u>	<u>\$ 21,497</u>	<u>\$ 118,555</u>	<u>\$ -</u>	<u>\$ 1,052,947</u>
<u>Cost</u>							
Balance at January 1, 2019	\$ 1,745	\$ 640,262	\$ 1,629,453	\$ 53,489	\$ 125,594	\$ 25,743	\$ 2,476,286
Additions	-	3,163	28,850	6,956	54,145	36,400	129,514
Disposals	-	(421)	(71,903)	(4,353)	(9,905)	-	(86,582)
Reclassification	-	5,489	147,768	-	3,410	(5,489)	151,178
Effects of foreign currency exchange differences	<u>-</u>	<u>(23,827)</u>	<u>(65,961)</u>	<u>(1,468)</u>	<u>(6,102)</u>	<u>(2,491)</u>	<u>(99,849)</u>
Balance at December 31, 2019	<u>\$ 1,745</u>	<u>\$ 624,666</u>	<u>\$ 1,668,207</u>	<u>\$ 54,624</u>	<u>\$ 167,142</u>	<u>\$ 54,163</u>	<u>\$ 2,570,547</u>

(Continued)

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment and Other Equipment	Property under Construction	Total
Accumulated depreciation and impairment							
Balance at January 1, 2019	\$ -	\$ 337,437	\$ 1,113,186	\$ 33,225	\$ 84,290	\$ -	\$ 1,568,138
Depreciation expenses	-	22,964	84,935	5,692	15,158	-	128,749
Disposals	-	(372)	(60,197)	(3,616)	(6,979)	-	(71,164)
Effects of foreign currency exchange differences	-	(13,243)	(41,989)	(971)	(3,181)	-	(59,384)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 346,786</u>	<u>\$ 1,095,935</u>	<u>\$ 34,330</u>	<u>\$ 89,288</u>	<u>\$ -</u>	<u>\$ 1,566,339</u>
Carrying amounts at December 31, 2019	<u>\$ 1,745</u>	<u>\$ 277,880</u>	<u>\$ 572,272</u>	<u>\$ 20,294</u>	<u>\$ 77,854</u>	<u>\$ 54,163</u>	<u>\$ 1,004,208</u>

(Concluded)

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life as follows:

Buildings	
Main buildings	20 years
Renovation	10 years
Machinery and equipment	5-10 years
Transportation equipment	5 years
Office equipment and other equipment	5-10 years

As of December 31, 2020 and 2019, the property and equipment were not pledged as collateral.

#### 14. LEASE ARRANGEMENTS

##### a. Right-of-use assets

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amount</u>		
Land	\$ 31,112	\$ 31,787
Buildings	<u>39,950</u>	<u>11,517</u>
	<u>\$ 71,062</u>	<u>\$ 43,304</u>
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Additions to right-of-use assets	<u>\$ 46,273</u>	<u>\$ 6,160</u>
Depreciation charge for right-of-use assets		
Land	\$ 1,199	\$ 1,233
Buildings	<u>16,314</u>	<u>13,476</u>
	<u>\$ 17,513</u>	<u>\$ 14,709</u>

b. Lease liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amount</u>		
Current	<u>\$ 12,983</u>	<u>\$ 9,874</u>
Non-current	<u>\$ 25,647</u>	<u>\$ 2,146</u>

Range of discount rates for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Land	-	-
Buildings	1.945%-4.76%	4.608%-4.76%

c. Material lease-in activities and terms

The Group leases certain land and buildings for the use of plant and offices with lease terms of 1 to 44 years. The lease contract for land located in China is prepaid land use rights for 50 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease term. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying asset without the lessor's consent.

d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses relating to short-term leases	<u>\$ 8,177</u>	<u>\$ 5,269</u>
Total cash outflow for leases	<u>\$ (27,004)</u>	<u>\$ (18,341)</u>

The Group's leases of certain office assets qualify as short-term leases. The Group has elected to apply the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

All lease commitments with lease terms commencing after the balance sheet dates are as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Lease commitments	<u>\$ 1,858</u>	<u>\$ 4,921</u>

## 15. OTHER ASSETS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Prepayments		
Prepayments to suppliers	\$ 161,961	\$ 98,350
Prepaid expenses	15,773	14,083
Other prepayments	16,252	12,807
Tax allowance	<u>7,690</u>	<u>2,717</u>
	<u>\$ 201,676</u>	<u>\$ 127,957</u>

## 16. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Secured borrowings</u>		
Bank loans	\$ 131,310	\$ 142,065
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>2,068,133</u>	<u>1,737,973</u>
	<u>\$ 2,199,443</u>	<u>\$ 1,880,038</u>

The range of weighted average effective interest rates on bank loans was 3%-4.75% and 3.4%-4.57% per annum as of December 31, 2020 and 2019, respectively.

### b. Long-term borrowings

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 1,181,791	\$ 266,049
Less: Current portion	<u>(119,055)</u>	<u>-</u>
	<u>\$ 1,062,736</u>	<u>\$ 266,049</u>

During the year ended December 31, 2020, the Group acquired new bank borrowings in the amount of \$919,170 thousand, with a fixed interest rate of 4.49%-4.75% which is adjusted every 12 months and will be repayable by stages from June 2021.

## 17. BONDS PAYABLE

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Unsecured domestic convertible bonds	\$ 400,000	\$ 400,000
Less: Discounts of bonds payable	(1,939)	(5,142)
Less: Current portion	<u>(398,061)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 394,858</u>

As of August 23, 2018, the Group issued 4 thousand convertible bonds, 0% NT-denominated unsecured convertible bonds in Taiwan, with an aggregate principal amount of \$400,000 thousand.

The major terms of conversion and redemption of unsecured domestic convertible bonds are as follows:

- a. From 3 months after the date of issuance to 40 days before the maturity date, the Group will have the right, at such bondholder's option, to require The Group to redeem, in whole or in part, the principal amount of such bondholder's bonds at the redemption amount.
- b. From 3 months after the date of issuance to the next day of the maturity date, each bondholder will have the right to request the issuer to convert the bonds into ordinary shares at the conversion price of NT\$50 per share. The issuer will redeem the bondholder's bonds without conversion at the redemption amount after the maturity date.
- c. Unless the bonds have been previously redeemed, repurchased and cancelled, or converted by holders of the bonds (the "bondholders"), the bonds will be repaid by the issuer on the maturity date at 102.27% of the principal amount of the bonds, and the yield to maturity of the bonds is 0.75% per annum.

The effective interest rate of the liability component was 0.8026% per annum on initial recognition.

Proceeds from issuance (less transaction costs of \$6,030 thousand)	\$ 395,170
Value of conversion	(4,728)
Value of redemption	<u>80</u>
Liability component at the date of issuance (less transaction costs allocated to the liability component of \$5,958 thousand)	<u>390,522</u>
Liability component at January 1, 2019	391,664
Interest charged at an effective interest rate of 0.8026%	<u>3,194</u>
Liability component at December 31, 2019	394,858
Interest charged at an effective interest rate of 0.8026%	<u>3,203</u>
Liability component at December 31, 2020	<u>\$ 398,061</u>

## 18. TRADE PAYABLE

The average credit period on purchases of certain goods was 1 month and was expected to be paid on the 25<sup>th</sup> of the next month. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 19. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Other payables		
Payables for salaries or bonuses	\$ 64,822	\$ 67,907
Payables for insurance	120,706	122,686
Payables for business tax	12,045	11,060
Payables for remuneration of directors	840	840
Payables for interest	4,704	4,321
Others	<u>51,854</u>	<u>29,649</u>
	<u>\$ 254,971</u>	<u>\$ 236,463</u>

## 20. EQUITY

### a. Share capital

#### Ordinary shares

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Number of shares authorized (in thousands)	<u>250,000</u>	<u>250,000</u>
Shares authorized	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>168,000</u>	<u>168,000</u>
Shares issued	<u>\$ 1,680,000</u>	<u>\$ 1,680,000</u>

### b. Capital surplus

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*</u>		
Issuance of ordinary shares	\$ 212,915	\$ 212,915
Organization restructured	703,860	703,860
<u>May not be used for any purpose</u>		
From share of changes in equities of subsidiaries	<u>130</u>	<u>130</u>
	<u>\$ 916,905</u>	<u>\$ 916,905</u>

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

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 22-6.

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

The appropriations of earnings for 2019 and 2018 were approved in the shareholders' meetings on June 15, 2020 and June 14, 2019, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Legal reserve	<u>\$ 46,610</u>	<u>\$ 53,587</u>
Special reserve	<u>\$ 135,072</u>	<u>\$ 66,249</u>
Cash dividends	<u>\$ 252,000</u>	<u>\$ 336,000</u>
Cash dividends per share (NT\$)	<u>\$ 1.5</u>	<u>\$ 2</u>

The appropriation of earnings for 2020 which were proposed by the Company's board of directors on March 16, 2021 were as follows:

	<b>For the Year Ended December 31, 2020</b>
Legal reserve	<u>\$ 49,356</u>
Special reserve	<u>\$ (47,544)</u>
Cash dividends	<u>\$ 302,400</u>
Cash dividend per share (NT\$)	<u>\$ 1.8</u>

The appropriation of earnings for 2020 are subject to the resolution of the shareholders' meeting to be held on June 17, 2021.

## 21. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Revenue</u>		
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 9,171,338</u>	<u>\$ 8,807,059</u>

## Contract Balance

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Trade receivables (Note 9)	<u>\$ 1,648,974</u>	<u>\$ 1,471,299</u>
Contract liabilities		
Sales of goods	<u>\$ 71,122</u>	<u>\$ 44,818</u>

Refer to Note 35 for information about disaggregation of revenue.

## 22. PROFIT BEFORE INCOME TAX

### a. Interest income

	<u>For the Year Ended December 31</u>	
	<b>2020</b>	<b>2019</b>
Bank deposits	\$ 4,277	\$ 5,273
Financial assets at amortized cost	1,553	1,891
Others	<u>409</u>	<u>226</u>
	<u>\$ 6,239</u>	<u>\$ 7,390</u>

### b. Other income

	<u>For the Year Ended December 31</u>	
	<b>2020</b>	<b>2019</b>
Income from government grants	\$ 12,007	\$ 7,750
Rental income	2,316	2,436
Dividend income	743	3,224
Others	<u>8,705</u>	<u>2,449</u>
	<u>\$ 23,771</u>	<u>\$ 15,859</u>

### c. Other gains and losses

	<u>For the Year Ended December 31</u>	
	<b>2020</b>	<b>2019</b>
Net foreign exchange losses	\$ (40,366)	\$ (10,200)
Loss on disposal of property, plant and equipment	(3,557)	(10,826)
Gain on fair value changes of financial assets designated as at FVTPL	21,897	49,759
Others	<u>(7,788)</u>	<u>(4,702)</u>
	<u>\$ (29,814)</u>	<u>\$ 24,031</u>

d. Finance costs

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Interest on bank loans	\$ (95,961)	\$ (114,358)
Interest on lease liabilities	(818)	(815)
Interest on convertible bonds	<u>(3,203)</u>	<u>(3,194)</u>
	<b><u>\$ (99,982)</u></b>	<b><u>\$ (118,367)</u></b>

No interest has been capitalized in 2020 and 2019.

e. Depreciation and amortization

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
An analysis of depreciation by function		
Operating costs	\$ 83,507	\$ 68,870
Operating expenses	<u>77,611</u>	<u>74,588</u>
	<b><u>\$ 161,118</u></b>	<b><u>\$ 143,458</u></b>
An analysis of amortization by function		
Operating costs	\$ -	\$ -
Operating expenses	<u>4,628</u>	<u>3,548</u>
	<b><u>\$ 4,628</u></b>	<b><u>\$ 3,548</u></b>

f. Employee benefits expense

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Post-employment benefits		
Defined contribution plans	\$ 770	\$ 691
Other employee benefits	<u>413,665</u>	<u>392,076</u>
	<b><u>\$ 414,435</u></b>	<b><u>\$ 392,767</u></b>
An analysis of employee benefits expense by function		
Operating costs	\$ 238,524	\$ 217,222
Operating expenses	<u>175,911</u>	<u>175,545</u>
	<b><u>\$ 414,435</u></b>	<b><u>\$ 392,767</u></b>

g. Compensation of employees and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued compensation of employees and remuneration of directors and supervisors at rates of no less than 0% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors. The compensation of employees and the remuneration of directors and supervisors for the years ended December 31, 2020 and 2019, which were approved by the Company's board of directors on March 16, 2021 and March 18, 2020, respectively, are as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Compensation of employees	-	-
Remuneration of directors and supervisors	0.17%	0.18%

Amount

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Cash</b>	<b>Shares</b>	<b>Cash</b>	<b>Shares</b>
Compensation of employees	\$ -	\$ -	\$ -	\$ -
Remuneration of directors and supervisors	840	-	840	-

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Foreign exchange gains	\$ 2,276	\$ 3,169
Foreign exchange losses	<u>(42,642)</u>	<u>(13,369)</u>
	<u>\$ (40,366)</u>	<u>\$ (10,200)</u>

## 23. INCOME TAXES RELATING

### a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax		
In respect of the current period	\$ 65,498	\$ 63,298
Income tax on unappropriated earnings	562	1,005
Adjustments for prior periods	<u>(5,811)</u>	<u>1,210</u>
	<u>60,249</u>	<u>65,513</u>
Deferred tax		
In respect of the current period	<u>35,526</u>	<u>55,458</u>
Income tax expense recognized in profit or loss	<u>\$ 95,775</u>	<u>\$ 120,971</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit before tax	<u>\$ 590,599</u>	<u>\$ 588,475</u>
Income tax expense calculated at the statutory rate (15%)	\$ 88,590	\$ 88,271
Deductible gains in determining taxable income	(21,023)	(16,156)
Income tax on unappropriated earnings	562	1,005
Deferred tax effect of earnings of subsidiaries	41,792	42,041
Unrecognized deductible temporary differences	1,458	6,387
Effects of different tax rates of entities in the Group operating in other jurisdictions	(9,793)	(1,787)
Effects of tax rate changes	-	-
Adjustments for prior years' tax	<u>(5,811)</u>	<u>1,210</u>
Income tax expense recognized in profit or loss	<u>\$ 95,775</u>	<u>\$ 120,971</u>

- 1) The applicable tax rate used by Tong Ming Enterprise Co., Ltd. in China is 15% from 2020 to 2022, due to their status as holders of high-tech enterprise certificates.
- 2) The applicable tax rate used by Easytrade (Shanghai) Co., Ltd. and Shenzhen Easy Fasteners Co., Ltd. in China is 25%.
- 3) In 2020, the applicable corporate income tax rate used by the Group in the ROC is 20%.

### b. Current tax assets and liabilities

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax liabilities		
Income tax payable	<u>\$ 38,230</u>	<u>\$ 10,243</u>

c. Deferred tax assets and liabilities

The Group offset certain deferred tax assets and deferred tax liabilities which met the offset criteria. The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2020

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Exchange Differences</b>	<b>Others</b>	<b>Closing Balance</b>
Temporary differences					
Accrued insurance	\$ 17,257	\$ -	\$ 288	\$ -	\$ 17,545
Unrealized loss on Inventory	5,681	(339)	130	-	5,472
Allowance for impairment loss	3,200	(2,621)	316	-	895
Temporary differences on sales	650	(201)	24	-	473
Other	<u>127</u>	<u>3,139</u>	<u>(314)</u>	<u>-</u>	<u>2,952</u>
	<u>\$ 26,915</u>	<u>\$ (22)</u>	<u>\$ 444</u>	<u>\$ -</u>	<u>\$ 27,337</u>

<b>Deferred Tax Liabilities</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Exchange Differences</b>	<b>Others</b>	<b>Closing Balance</b>
Temporary differences					
Unappropriated earnings of subsidiaries	\$ (178,978)	\$ (41,792)	\$ (3,082)	\$ 28,179	\$ (195,673)
Associates	(13,125)	2,254	(444)	-	(11,315)
Interest capitalized	(3,016)	228	(73)	-	(2,861)
Unrealized expense	(634)	(551)	43	-	(1,142)
Financial assets at FVTPL	(3,878)	4,381	(503)	-	-
Others	<u>(63)</u>	<u>(24)</u>	<u>3</u>	<u>-</u>	<u>(84)</u>
	<u>\$ (199,694)</u>	<u>\$ (35,504)</u>	<u>\$ (4,056)</u>	<u>\$ 28,179</u>	<u>\$ (211,075)</u>

For the year ended December 31, 2019

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Exchange Differences</b>	<b>Others</b>	<b>Closing Balance</b>
Temporary differences					
Accrued insurance	\$ 16,609	\$ 1,257	\$ (609)	\$ -	\$ 17,257
Unrealized loss on Inventory	8,835	(2,800)	(354)	-	5,681
Allowance for impairment loss	3,324	-	(124)	-	3,200
Temporary differences on sales	628	21	1	-	650
Other	<u>6,649</u>	<u>(6,226)</u>	<u>(296)</u>	<u>-</u>	<u>127</u>
	<u>\$ 36,045</u>	<u>\$ (7,748)</u>	<u>\$ (1,382)</u>	<u>\$ -</u>	<u>\$ 26,915</u>

<b>Deferred Tax Liabilities</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Exchange Differences</b>	<b>Others</b>	<b>Closing Balance</b>
Temporary differences					
Unappropriated earnings of subsidiaries	\$ (188,114)	\$ (42,041)	\$ 6,281	\$ 44,896	\$ (178,978)
Associates	(11,330)	(2,200)	405	-	(13,125)
Interest capitalized	(3,373)	229	128	-	(3,016)
Unrealized expense	(825)	159	32	-	(634)
Financial assets at FVTPL	-	(3,845)	(33)	-	(3,878)
Others	<u>(51)</u>	<u>(12)</u>	<u>-</u>	<u>-</u>	<u>(63)</u>
	<u>\$ (203,693)</u>	<u>\$ (47,710)</u>	<u>\$ 6,813</u>	<u>\$ 44,896</u>	<u>\$ (199,694)</u>

d. Income tax examination

- 1) The income tax returns through 2019 of Winlink Fasteners Co., Ltd. have been assessed by the tax authorities in the ROC. The companies in other jurisdictions have been examined according to their local laws.
- 2) Tong Group Limited and China Rich International Holding Limited used 10% of China's statutory tax rate of earnings remittance to estimate the subsidiaries' remittance tax of earning in China.

## 24. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Basic earnings per share		
From continuing operations	<u>\$ 2.94</u>	<u>\$ 2.77</u>
Diluted earnings per share		
From continuing operations	<u>\$ 2.81</u>	<u>\$ 2.67</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share from continuing operations are as follows:

### Net Profit for the Year

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Earnings used in the computation of basic earnings per share	\$ 493,558	\$ 466,098
Effects of potentially dilutive ordinary shares		
Interest on convertible bonds (after tax)	<u>3,203</u>	<u>3,194</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 496,761</u>	<u>\$ 469,292</u>

The weighted average number of ordinary shares outstanding (in thousand shares) is as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	168,000	168,000
Effects of potentially dilutive ordinary shares		
Convertible bonds	<u>8,929</u>	<u>8,000</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>176,929</u>	<u>176,000</u>

The Group may settle the compensation or bonuses paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## **25. NON-CASH TRANSACTION**

For the years ended December 31, 2020 and 2019, the Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statements of cash flows:

- a. The Group reclassified prepayment for equipment with an aggregated value of \$65,918 thousand as property, plant and equipment in 2020 (refer to Note 13).
- b. The Group acquired property, plant and equipment with an aggregate fair value of \$113,731 thousand, with a cash payment of 117,192 thousand and an offset of \$3,461 thousand was reduced from other payables (refer to Note 13).
- c. The Group reclassified prepayment for equipment with an aggregated value of \$151,178 thousand as property, plant and equipment in 2019 (refer to Note 13).
- d. The Group acquired property, plant and equipment with an aggregate fair value of \$129,514 thousand, with a cash payment of 125,892 thousand and an offset of \$3,622 thousand was increased from other payables (refer to Note 13).

## **26. CAPITAL MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings, other equity and non-controlling interests).

The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

## 27. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments not measured at fair value

The management of the Group considers the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements to be approximate amounts of their fair values.

### b. Fair value of financial instruments measured at fair value on a recurring basis

#### 1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-principal structured deposits	\$ -	\$ -	\$ 262,620	\$ 262,620
Derivative				
Forward exchange contracts	-	178	-	178
	<u>\$ -</u>	<u>\$ 178</u>	<u>\$ 262,620</u>	<u>\$ 262,798</u>
Financial liabilities at FVTPL				
Derivative				
Convertible options	<u>\$ -</u>	<u>\$ 8,240</u>	<u>\$ -</u>	<u>\$ 8,240</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-principal structured deposits	\$ -	\$ -	\$ 215,250	\$ 215,250
Derivative				
Forward exchange contracts	-	2	-	2
Listed shares	<u>38,987</u>	<u>-</u>	<u>-</u>	<u>38,987</u>
	<u>\$ 38,987</u>	<u>\$ 2</u>	<u>\$ 215,250</u>	<u>\$ 254,239</u>
Financial liabilities at FVTPL				
Derivative				
Convertible options	<u>\$ -</u>	<u>\$ 40</u>	<u>\$ -</u>	<u>\$ 40</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2020

<b>Financial Assets</b>	<b>Financial Assets at FVTPL Derivatives</b>
Balance at January 1, 2020	\$ 215,250
Purchases	2,269,710
Sales/settlements	(2,242,741)
Recognized in profit or loss (included in other gains and losses)	12,280
Effects of exchange rates	<u>8,121</u>
	<u>\$ 262,620</u>

For the year ended December 31, 2019

<b>Financial Assets</b>	<b>Financial Assets at FVTPL Derivatives</b>
Balance at January 1, 2019	\$ 247,591
Purchases	1,853,004
Sales/settlements	(1,891,387)
Recognized in profit or loss (included in other gains and losses)	23,368
Effects of exchange rates	<u>(17,326)</u>
	<u>\$ 215,250</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of financial instruments at FVTPL are determined by net asset value method.

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	\$ 262,798	\$ 254,239
Financial assets at amortized cost (1)	4,116,867	3,062,988
Financial assets at FVTOCI		
Debt instruments	5,337	4,228
<u>Financial liabilities</u>		
Financial liabilities at FVTPL		
Held for trading	8,240	40
Financial liabilities at amortized cost (2)	4,244,959	3,107,491

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, and notes receivable, accounts receivable and other receivables.
  - 2) The balances include financial liabilities at amortized cost, which comprise short-term loans, short-term bills payable, trade payables and other payables, corporate bonds payable - current portion, long-term loans payable - current portion, bonds issued, and long-term borrowings.
- d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, notes receivables and accounts receivable, accounts payable, borrowings and bonds payable. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including: Foreign exchange forward contracts to hedge the exchange rate risk arising on the export of products.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

Several subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 15% of the Group's sales is denominated in currencies other than the functional currency of the Group making the sale, whilst almost 15% of costs is denominated in the Group's functional currency. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 31.

Sensitivity analysis

The Group is mainly exposed to the US dollar.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	<b>Impact on Profit</b>	
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
USD	\$ 2,112	\$ 3,334

This was mainly attributable to the exposure outstanding on US dollar Bank deposits, receivables and payables, which were not hedged at the end of the reporting period.

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite ensuring the most cost-effective hedging strategies are applied.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Fair value interest rate risk		
Financial liabilities	\$ 436,691	\$ 406,878
Cash flow interest rate risk		
Financial assets	2,098,984	1,278,280
Financial liabilities	3,381,234	2,146,087

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. The 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2020 and 2019 would have decreased by \$12,823 thousand and \$8,678 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

## 2) Credit risk

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

The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during 2020 and 2019.

The Group's concentration of credit risk by geographical locations was mainly in mainland China, which accounted for 97% and 94% of total trade receivables as of December 31, 2020 and 2019, respectively.

The Group transacts with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

## 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the Group had available unutilized short-term bank loan facilities set out in (b) below.

### a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

#### December 31, 2020

	<b>Weighted Average Effective Interest rate</b>	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-interest bearing Lease liabilities	1.94503%-4.76%	\$ 9,817 1,675	\$ 335,141 3,088	\$ 120,706 11,098	\$ - 26,226	\$ - -
Variable interest rate liabilities	3%-4.75%	43,770	243,524	2,172,344	1,097,175	-
Fixed interest rate liabilities	0.8026%	-	-	398,061	-	-
		<u>\$ 55,262</u>	<u>\$ 581,753</u>	<u>\$ 2,702,209</u>	<u>\$ 1,123,401</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ 15,861	\$ 26,226	\$ -	\$ -	\$ -	\$ -

December 31, 2019

	Weighted Average Effective Interest rate	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing Lease liabilities	4.608%-4.76%	\$ 9,189	\$ 432,022	\$ 125,335	\$ -	\$ -
Variable interest rate liabilities	3.4%-4.75%	823	1,646	7,405	2,146	-
Fixed interest rate liabilities	0.8026%	-	333,515	1,593,317	275,243	-
		\$ 10,012	\$ 767,183	\$ 1,726,057	\$ 672,247	\$ -

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ 10,073	\$ 2,210	\$ -	\$ -	\$ -	\$ -

b) Financing facilities

	<u>December 31</u>	
	2020	2019
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	\$ 3,249,923	\$ 2,004,022
Amount unused	<u>2,062,765</u>	<u>2,662,598</u>
	<u>\$ 5,312,688</u>	<u>\$ 4,666,620</u>
Secured bank overdraft facilities, received annually		
Amount used	\$ 131,310	\$ 142,065
Amount unused	<u>1,159,604</u>	<u>1,284,318</u>
	<u>\$ 1,290,914</u>	<u>\$ 1,426,383</u>

c. Transfers of financial assets

Factored trade receivables for the years ended December 31, 2020 and 2019 were as follows:

Counterparties	Receivables Sold	Amounts Collected	Amounts Uncollected Year End	Advances Received Year End	Interest Rates on Advances Received (%)	Credit Line
<u>2020</u>						
CTBC Bank Co., Ltd.	\$ 26,502 (US\$ 880,326)	\$ 21,165 (US\$ 692,926)	\$ 5,337 (US\$ 187,398)	\$ -		US\$ 1,000,000
<u>2019</u>						
CTBC Bank Co., Ltd.	\$ 35,128 (US\$ 1,139,613)	\$ 30,900 (US\$ 998,593)	\$ 4,228 (US\$ 141,020)	\$ -		US\$ 1,000,000

The above credit lines may be used on a revolving basis.

Pursuant to the Group's factoring agreements, losses from commercial disputes (such as sales returns and discounts) are borne by the Group, while losses from credit risk are borne by the banks.

As of December 31, 2020 and 2019, the carrying amount of these trade receivables that have been transferred but not derecognized was \$5,337 thousand and \$4,228 thousand, respectively.

For the years ended December 31, 2020 and 2019, the Group transferred a portion of its banker's acceptance bills in mainland China to some of its suppliers in order to settle the trade payables to these suppliers. As the Group has transferred substantially all risks and rewards relating to these bills receivable, it derecognized the full carrying amount of the bills receivable and the associated trade payables. However, if the derecognized bills receivable are not paid at maturity, the suppliers have the right to request that the Group pay the unsettled balance; therefore, the Group still has continuing involvement in these bills receivable.

As of December 31, 2020 and 2019, the carrying amount of these banker's acceptance bills that have been transferred but not derecognized was \$57,969 thousand and \$78,506 thousand, respectively.

## 28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed as follows.

### a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Tong Heer Fasteners Co., Sdn Bhd.	Other related party
Tong Heer Fasteners (Thailand) Co., Ltd.	Other related party
Apex Glory Limited	Other related party
A-Land International Limited	Other related party
Go Link Limited	Other related party
Tong Hwei Co., Ltd.	Other related party
Tong Yi Qin (Shanghai) Co., Ltd.	Associate
Tong You Co., Ltd. (Jiaxing)	Associate
Jiaxing Chun You Co., Ltd. (Jiaxing)	Associate
Jiaxing Famous Hotel Management Co., Ltd.	Other related party
Tsai, Ching-Tung	Key management personnel
Tsai, Hung-Chuan	Key management personnel
Brighton-Best International (Taiwan) Inc.	Related party in substance*

\* It is a related party from June 15, 2020, and the transaction amount disclosed in this note is all related to the related party.

b. Sales of goods

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2020	2019
Sales	Associate		
	Others	\$ 119,580	\$ 107,852
	Other related parties		
	Others	76,847	307,172
	Related party in substance		
	Others	<u>291,780</u>	<u>-</u>
		<u>\$ 488,207</u>	<u>\$ 415,024</u>

The sales prices and payment terms to related parties were not significantly different from those of sales to third parties.

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Associate		
Others	\$ 15,992	\$ 13,086
Other related parties		
Others	<u>521,965</u>	<u>694,761</u>
	<u>\$ 537,957</u>	<u>\$ 707,847</u>

The sales prices and payment terms to related parties were not significantly different from those of purchased from third parties.

d. Manufacturing overhead - material consumption

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2020	2019
Manufacturing overhead - material consumption	Associate		
	Others	<u>\$ 17,870</u>	<u>\$ 15,061</u>

e. Receivables from related parties (excluding loans to related parties and contract assets)

Line Item	Related Party Category/Name	December 31	
		2020	2019
Notes receivable	Associate		
	Others	<u>\$ 14,219</u>	<u>\$ 8,599</u>
Accounts receivable	Associate		
	Others	\$ 50,367	\$ 32,861
	Other related parties		
	Others	10,047	8,067
	Related party in substance		
Others	<u>11,977</u>	<u>-</u>	
		<u>\$ 72,391</u>	<u>\$ 40,928</u>

f. Other receivables

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>December 31</b>	
		<b>2020</b>	<b>2019</b>
Other receivables	Other related parties		
	Others	\$ <u>103</u>	\$ <u>90</u>

g. Prepayments

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>December 31</b>	
		<b>2020</b>	<b>2019</b>
Prepayments	Associate		
	Others	\$ 650	\$ -
	Other related parties		
	Others	<u>448</u>	<u>969</u>
		<u>\$ 1,098</u>	<u>\$ 969</u>

h. Payables to related parties (excluding loans from related parties)

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>December 31</b>	
		<b>2020</b>	<b>2019</b>
Accounts payable	Associate		
	Others	\$ 3,427	\$ 2,887
	Other related parties		
	Others	<u>1,503</u>	<u>16,483</u>
		<u>\$ 4,930</u>	<u>\$ 19,370</u>

i. Lease arrangements

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>December 31</b>	
		<b>2020</b>	<b>2019</b>
Lease liabilities	Key management personnel		
	Others	\$ <u>426</u>	\$ <u>822</u>

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
		<b>2020</b>	<b>2019</b>
Interest expense	Key management personnel		
	Others	\$ <u>15</u>	\$ <u>23</u>

The Group leased office from related parties. The lease terms and prices were both determined in accordance with mutual agreements. The rental expense were paid to related parties per annum.

j. Others

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2020	2019
Non-operating income - rental income	Associate Others	\$ <u>2,322</u>	\$ <u>2,395</u>

The Group provide equipment and office to associate. The lease terms and prices were both determined in accordance with mated agreements. The rental expense were paid to associated per mensem and annum.

k. Endorsements and guarantees

Endorsements given by related parties

Related Party Category/Name	December 31	
	2020	2019
Key management personnel		
Amount endorsed	\$ 1,290,914	\$ 1,426,383
Amount utilized (reported as secured bank loans)	131,310	142,065

l. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ <u>20,697</u>	\$ <u>19,706</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

## 29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

None of assets was provided as collateral for bank borrowings, issuing the letters of credit and other contracts as of December 31, 2020 and 2019.

## 30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments were as follows:

	December 31	
	2020	2019
Acquisition of property, plant and equipment	\$ <u>4,080</u>	\$ <u>50,297</u>

b. Tong Ming Enterprise (Zhejiang) Co., Ltd. proposed a plan for expanding manufacturing capacities, which were approved by the Company's board of directors on December 2, 2020. The subsidiary signed an investment technical reform agreement with Jiaying Economic-Technological Development Area. The total amount is expected to be not less than RMB350 million.

### 31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2020

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 7,442	6.5249 (USD:RMB)	\$ 212,534
EUR	1,021	8.0009 (EUR:RMB)	35,765
<u>Financial liabilities</u>			
Monetary items			
USD	48	6.5249 (USD:RMB)	1,368
NTD	397,334	0.2285 (NTD:RMB)	397,334

December 31, 2019

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 11,171	6.9762 (USD:RMB)	\$ 335,499
EUR	974	7.803 (EUR:RMB)	32,747
<u>Financial liabilities</u>			
Monetary items			
USD	69	6.9762 (USD:RMB)	2,065
NTD	394,858	0.2323 (NTD:RMB)	394,858

For the years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange losses were \$40,366 thousand and net foreign exchange gains were \$10,200 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group.

### 32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 3)

- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 4)
  - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
  - 9) Trading in derivative instruments (Note 7)
  - 10) Intercompany relationships and significant intercompany transactions (Table 6)
  - 11) Information on investees (Table 7)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 8)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 8):
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
    - c) The amount of property transactions and the amount of the resultant gains or losses
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds (Table 1)
    - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)

### 33. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's principal geographical areas is China.

a. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Fasteners	\$ 5,923,052	\$ 5,381,368
Wire	1,742,227	1,657,524
Others	<u>1,506,059</u>	<u>1,768,167</u>
	<u>\$ 9,171,338</u>	<u>\$ 8,807,059</u>

b. Geographical information

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
China	\$ 6,620,581	\$ 5,972,894
America	1,142,943	1,219,090
Asia	779,743	800,108
Others	<u>628,071</u>	<u>814,967</u>
	<u>\$ 9,171,338</u>	<u>\$ 8,807,059</u>

c. Information about major customers

The Group has no client who contributes over 10% to the Group's total revenue for the years ended December 31, 2020 and 2019.

TABLE 1

## TONG MING ENTERPRISE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
1	Tong Ming Enterprise (Zhejiang) Co., Ltd.	Hengye Precision Hardware Enterprise Co., Ltd. (Kunshan)	Other receivables	No	\$ 88	\$ 88	\$ -	4.35	1	\$ 194	-	\$ -	None	\$ -	88	\$ 1,664,804	
		Group Exhibition Metal Enterprise Co., Ltd. (Wuxi)	Other receivables	No	219	219	-	4.35	1	469	-	-	None	-	219	1,664,804	
		Hua Yuan Guang Mao Enterprise Co., Ltd. (Shijiazhuang)	Other receivables	No	219	219	-	4.35	1	541	-	-	None	-	219	1,664,804	
		Nan Hai Tai Feng Enterprise Co., Ltd. (Foshan)	Other receivables	No	219	219	-	4.35	1	1,447	-	-	None	-	219	1,664,804	
		Termess Technology Enterprise Co., Ltd. (Tianjin)	Other receivables	No	263	263	-	4.35	1	536	-	-	None	-	263	1,664,804	
		Jian Chi Enterprise Co., Ltd. (Guangdong)	Other receivables	No	263	263	-	4.35	1	547	-	-	None	-	263	1,664,804	
		Gao Zhujiang Hardware Enterprise Co., Ltd. (Jiangmen)	Other receivables	No	263	263	-	4.35	1	550	-	-	None	-	263	1,664,804	
		Shang Tuo Enterprise Co., Ltd. (Yantai)	Other receivables	No	263	263	-	4.35	1	4,995	-	-	None	-	263	1,664,804	
		Tight Wins Enterprise Co., Ltd. (Dongguan)	Other receivables	No	307	306	-	4.35	1	671	-	-	None	-	306	1,664,804	
		Bai Si Te Enterprise Co., Ltd. (Shenyang)	Other receivables	No	350	350	-	4.35	1	850	-	-	None	-	350	1,664,804	
		Ao Ke Enterprise Co., Ltd. (Shenyang)	Other receivables	No	438	438	-	4.35	1	405	-	-	None	-	438	1,664,804	
		Lei En Enterprise Co., Ltd. (Kunshan)	Other receivables	No	438	438	-	4.35	1	480	-	-	None	-	438	1,664,804	
		Ya Zhi Neng Enterprise Co., Ltd. (Suzhou)	Other receivables	No	438	438	-	4.35	1	1,030	-	-	None	-	438	1,664,804	
		Te Er Si Enterprise Co., Ltd. (Guangzhou)	Other receivables	No	482	481	-	4.35	1	1,084	-	-	None	-	481	1,664,804	
		Ding Shang Enterprise Co., Ltd. (Chongqing)	Other receivables	No	657	657	-	4.35	1	1,515	-	-	None	-	657	1,664,804	
		Dong Gu Enterprise Co., Ltd. (Dongguan)	Other receivables	No	701	700	-	4.35	1	2,764	-	-	None	-	700	1,664,804	
		Dong Xin Enterprise Co., Ltd. (Shenzhen)	Other receivables	No	788	788	-	4.35	1	1,612	-	-	None	-	788	1,664,804	
		Yudong Metal Materials Enterprise Co., Ltd. (Shaoning)	Other receivables	No	832	832	-	4.35	1	1,832	-	-	None	-	832	1,664,804	
		Liyuan Enterprise Co., Ltd. (Huamen)	Other receivables	No	832	832	-	4.35	1	1,941	-	-	None	-	832	1,664,804	
		Gang Hao Enterprise Co., Ltd. (Zhongshan)	Other receivables	No	919	919	-	4.35	1	2,161	-	-	None	-	919	1,664,804	
		Jin Li Hua Enterprise Co., Ltd. (Harbin)	Other receivables	No	920	919	-	4.35	1	2,249	-	-	None	-	919	1,664,804	
		Fan Xing Enterprise Co., Ltd. (Jinan)	Other receivables	No	963	963	-	4.35	1	2,307	-	-	None	-	963	1,664,804	
		Hebang Machinery Enterprise Co., Ltd. (Jiaxing)	Other receivables	No	1,313	1,313	-	4.35	1	1,006	-	-	None	-	1,313	1,664,804	
		Fan Yi Enterprise Co., Ltd. (Shenzhen)	Other receivables	No	1,313	1,313	-	4.35	1	3,211	-	-	None	-	1,313	1,664,804	
		Jiaoheng Technology Enterprise Co., Ltd. (Zhuzhou)	Other receivables	No	1,576	1,576	-	4.35	1	4,716	-	-	None	-	1,576	1,664,804	
		Dao Qin Enterprise Co., Ltd. (Jinan)	Other receivables	No	1,926	1,926	-	4.35	1	4,667	-	-	None	-	1,926	1,664,804	
		Bontan Industry Enterprise Co., Ltd. (Shanghai)	Other receivables	No	2,058	2,057	-	4.35	1	5,028	-	-	None	-	2,057	1,664,804	
		Tao Yue Enterprise Co., Ltd. (Shanghai)	Other receivables	No	2,540	2,539	-	4.35	1	5,788	-	-	None	-	2,539	1,664,804	
		Fan Yi Enterprise Co., Ltd. (Guangzhou)	Other receivables	No	1,051	1,050	-	4.35	1	3,440	-	-	None	-	1,050	1,664,804	

(Continued)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
		Dong Kunning Enterprise Co., Ltd. (Y angzhou)	Other receivables	No	\$ 131	\$ 131	\$ 131	4.35	1	\$ 319		\$ -	None	-	131	\$ 1,664,804	
		Dong Wei Enterprise Co., Ltd. (Changzhou)	Other receivables	No	350	350	147	4.35	1	772		-	None	-	350	1,664,804	
		Kang Zhisheng Enterprise Co., Ltd. (Wuxi)	Other receivables	No	175	175	169	4.35	1	325		-	None	-	175	1,664,804	
		Mei Zhi Enterprise Co., Ltd. (Guangdong)	Other receivables	No	263	263	262	4.35	1	532		-	None	-	263	1,664,804	
		Escape Enterprise Co., Ltd. (Guangdong)	Other receivables	No	963	963	524	4.35	1	2,267		-	None	-	963	1,664,804	
		Dong Yu Enterprise Co., Ltd. (Guangdong)	Other receivables	No	1,051	1,050	1,050	4.35	1	1,708		-	None	-	1,050	1,664,804	
		Jiao Yue Enterprise Co., Ltd. (Shenzhen)	Other receivables	No	1,664	1,663	1,288	4.35	1	3,967		-	None	-	1,663	1,664,804	
		Wan Jie Tong Enterprise Co., Ltd. (Qingdao)	Other receivables	No	2,146	2,145	1,623	4.35	1	5,153		-	None	-	2,145	1,664,804	
		He Xu Enterprise Co., Ltd. (Huizhou)	Other receivables	No	1,751	1,751	1,751	4.35	1	4,205		-	None	-	1,751	1,664,804	
2	Tong Ming Trading Limited	Fast Link	Other receivables related party	Yes	7,120	7,120	7,120	2.00	2	-	Operational turnover	-	None	-	1,664,804	1,664,804	

Note 1: Financing provided to others are numbered as follows:

- "0" for the Company.
- Subsidiaries are numbered from "1".

Note 2: The nature for the financing is as follows:

- No. 1 represents the business contact.
- No. 2 represents the need for short-term financing.

Note 3: The limit amount is calculated as follows:

- The total amount for lending to a company for a short-term period shall not exceed  $\$4,162,010 \times 40\% = \$1,664,804$  (in thousands) of the net worth of Tong Ming Enterprise Co., Ltd.
- There were business transactions: The total loan to borrower shall not exceed  $\$4,162,010 \times 40\% = \$1,664,804$  (in thousands) of the net worth of Tong Ming Enterprise Co., Ltd.
- There need for short term financing: The total loan to borrower shall not exceed  $\$4,162,010 \times 40\% = \$1,664,804$  (in thousands) of the net worth of Tong Ming Enterprise Co., Ltd.

(Concluded)

## TONG MING ENTERPRISE CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guaranteee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Tong Ming Enterprise Co., Ltd.	Winlink Fasteners Co., Ltd. TongWin International Co., Ltd. Fast Link	b b b	\$ 832,402 832,402 832,402	\$ 90,600 86,864 (US\$ 3,050) 28,480 (US\$ 1,000)	\$ 90,600 86,864 (US\$ 3,050) 28,480 (US\$ 1,000)	\$ - - -	\$ - - -	2.18 2.09 0.68	\$ 2,081,005 2,081,005 2,081,005	Y Y Y	N N N	N N N	

Note 1: Number should be noted in number column.

- "0" for the Company.
- Subsidiaries are numbered from "1".

Note 2: Relationship information of endorser and endorsee should be noted.

- Trading partner.
- Majority owned subsidiary.
- The Company and subsidiary own over fifty percent (50%) ownership of the investee company.
- Directly or through subsidiaries owned over fifty percent (50%) of the Company's ordinary shares.
- Guaranteed by the Company according to the construction contract.
- An investee company of which the guarantees were provided based on the Company's proportionate share in the investee company.

Note 3: The limit amount is calculated as follows:

- The total amount of guarantee shall not exceed 50% of the net worth of Tong Ming Enterprise Co., Ltd. which is \$4,162,010 × 50% = \$2,081,005 (in thousands).
- The total amount of guarantee provided by Tong Ming Enterprise Co., Ltd. to any individual entity shall not exceed 20% of the net worth of Tong Ming Enterprise Co., Ltd. which is \$4,162,010 × 20% = \$832,402 (in thousands).

## TONG MING ENTERPRISE CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020			Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	
Tong Ming Enterprise (Zhejiang) Co., Ltd.	Structured deposits Lujiazui Trust Co., Ltd. - Hongyu Financial City No. 1 wealth investment product	None	Financial assets at FVTPL - current		\$ 262,620 (RMB 60,000)		\$ 262,620 (RMB 60,000)

Note 1: Marketable securities are shares, bonds and beneficiary certificates within the scope of IFRS 9.

Note 2: Refer to information of subsidiary, associate and joint venture in Tables 7 and 8.

## TONG MING ENTERPRISE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST NTS300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities (Note 1)	Financial Statement Account	Counterparty (Note 2)	Relationship (Note 2)	Beginning Balance		Acquisition (Note 3)		Disposal (Note 3)		Gain (Loss) on Disposal		Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Gain (Loss) on Disposal	Amount	Shares	Amount (Note 4)
Tong Ming Enterprise (Zhejiang) Co., Ltd.	ICBC - Tain Li Bao wealth investment product	Financial assets at FVTPL - current	-	-	-	\$ -	-	\$ 1,900,103 (RMB 445,000)	-	\$ 1,909,256 (RMB 447,144)	\$ 1,900,103 (RMB 445,000)	\$ 9,153 (RMB 2,144)	-	\$ -

Note 1: Marketable Securities in this table include shares, bonds, beneficiary certificates and derivative products.

Note 2: Fill in the two columns if marketable securities are accounted for using equity method.

Note 3: The accumulated amount of acquisition/disposal were calculated separately.

Note 4: Paid-in capital is the paid-in capital of the parent company. Shares of issuers without par value or not NTS10 per share are calculated according to 10% of total equity attributable to owners of the Company regarding the regulation on transaction amount of 20% of paid-in capital.

## TONG MING ENTERPRISE CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	
Tong Win International Co., Ltd.	Tong Heer Fasteners (Thailand) Co., Ltd.	Other related parties	Purchase	\$ 482,653	7	T/T after shipment	\$ -	-	\$ 1,503	1
Tong Win International Co., Ltd.	Brighton-Best International (Taiwan) Inc.	Related party in substance	Sale	228,295	2	T/T at sight 5 days of B/L copy	-	-	6,437	1

Note: The prices and payments to related parties were not significantly different from those of purchases/sales from third parties.

**TONG MING ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets
1	Tong Ming Enterprise (Zhejiang) Co., Ltd.	Tong Win International Co., Ltd.	c	Sales revenue	\$ 102,109	T/T at sight	1

Note 1: Intercompany relationships and significant intercompany transactions information are noted within the number column as follows:

Number 0 represents the parent company.  
Number 1 represents subsidiaries.

Note 2: Parties involved in the transaction have a direct relationship noted by the following:

Note "a" represents transactions from parent company to subsidiary.  
Note "b" represents transactions from subsidiary to parent company.  
Note "c" represents transactions between subsidiaries.

Note 3: The amounts of asset and liability are calculated as a percentage of the combined total assets. The amounts of income are calculated as a percentage of the combined total sales.

Note 4: Balance and transactions between the Company and subsidiaries, which are related parties of the Company, have been eliminated on consolidation.

## TONG MING ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019		Share of Profit (Loss)	Note		
				December 31, 2019	December 31, 2018	Number of Shares	%			Carrying Amount	Net Income (Loss) of the Investee
Tong Ming Enterprise Co., Ltd. (Clayman)	Tong Group Limited	Hong Kong	Investment	\$ 1,879,889 (RMB 429,493)	\$ 1,879,889 (RMB 429,493)	1,000,000	100.00	\$ 3,980,405	\$ 376,446	\$ 376,446	1
	China Rich International Holding Limited	Hong Kong	Investment	197,935 (RMB 45,222)	197,935 (RMB 45,222)	10,000	100.00	419,222	39,648	39,648	1
	Winlink Fasteners Co., Ltd.	Taiwan	Selling and marketing of fasteners and wires	15,989	15,989	1,500,000	100.00	97,672	6,225	6,911	1
	Tong Win International Co., Ltd.	Samoa	Selling and marketing of fasteners and wires	-	-	500,000	100.00	190,500	93,222	93,222	1
	Fast Link	Japan	Selling and marketing of fasteners and wires	6,920 (JPY 25,000)	-	500	83.33	6,367	(657)	(547)	
Tong Ming Enterprise (Zhejiang) Co., Ltd.	Tong Ming Trading Limited	Hong Kong	Buying and selling raw materials	1,428 (US\$ 50)	1,428 (US\$ 50)	50,000	100.00	56,497	(13)	(13)	
	Tong Ming Holding Ltd.	Hong Kong	Investment	-	-	50,000	100.00	(49)			

Note 1: The carrying amount was based on the net assets of the investee whose financial statements were not audited as of December 31, 2020.

Note 2: For information of investments in mainland China, refer to Table 8.

Note 3: The exchange rate was US\$1=NT\$28.56; RMB1=NT\$4.377; JPY1=NT\$0.2768 as of December 31, 2020.

## TONG MING ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Tong Group Limited Tong Ming Enterprise (Zhejiang) Co., Ltd.	Manufacturing, selling and marketing of fasteners and wires	3,090,162 (RMB 706,000)	Direct investment	\$ -	\$ -	\$ -	\$ -	458,624	90.20	\$ 413,678	\$ 4,157,429	\$ -	Note 1
China Rich International Holding Limited Tong Ming Enterprise (Zhejiang) Co., Ltd.	Manufacturing, selling and marketing of fasteners and wires	3,090,162 (RMB 706,000)	Direct investment	-	-	-	-	458,624	9.50	43,569	437,867	-	Note 1
Tong Ming Enterprise Co., Ltd. (Zhejiang) Eastar trade (Shanghai) Co., Ltd.	Selling of marketing of fasteners and wires	21,736 (RMB 4,966)	Direct investment	-	-	-	-	(17,219)	100.00	(17,219)	927	-	
Shanghai Dongyiqin Industrial Fastener Co., Ltd.	Selling of marketing of fasteners and wires	2,189 (RMB 500)	Direct investment	-	-	-	-	3,874	40.00	1,550	7,686	-	
Jiaxing Spring You Precise Mold Co., Ltd.	Manufacturing and selling of molds	24,899 (RMB 5,689)	Direct investment	-	-	-	-	(12,258)	47.50	(5,823)	13,949	-	
Jiaxing Toyou Hardware Co., Ltd.	Selling of marketing of fasteners and wires	4,377 (RMB 1,000)	Direct investment	-	-	-	-	3,938	40.00	1,575	5,918	-	
Shenzhen Yiqin Industrial Fastener Co., Ltd.	Selling of marketing of fasteners and wires	13,131 (RMB 3,000)	Direct investment	-	-	-	-	6,981	100.00	6,981	43,264	-	
Tong Win Trading (Jiaxing) Co., Ltd.	Selling of marketing of fasteners and wires	6,566 (RMB 1,500)	Direct investment	-	-	-	-	(570)	100.00	(570)	6,165	-	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
N/A	N/A	N/A

Note 1: The carrying amount was based on the net assets of the investee whose financial statements were audited as of December 31, 2020.

Note 2: The significant transactions with investee companies in mainland, either directly or indirectly through a third party: None.

Note 3: The condition of negotiable instrument endorsements or guarantees or pledges of collateral with investee companies in mainland, either directly or indirectly through a third party: None.

Note 4: The condition of financing of funds with investee companies in mainland, either directly or indirectly through a third party: None.

Note 5: Other transactions that have a material effect on the profit or loss for the year or on the financial position with investee companies in mainland, either directly or indirectly through a third party: None.

**TONG MING ENTERPRISE CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Capitaland Limited	29,781,500	17.72
Tong One Holdings Limited	24,000,000	14.28
Richard Internation	24,000,000	14.28
Tsai, Yi-Ting	19,381,500	11.53
Tsai, Ming-Ti	16,426,875	9.77
Oriental Union Chemical Corp., in custody of Chinatrust Commercial Bank	10,713,000	6.37

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

## Seven. Review and Analysis of Financial Position and Performance and Associated Risks

### I. Financial Position

Unit: NTS 1,000

Items \ Fiscal Year	2019	2020	Difference	
			Amount	%
Current Assets	6,088,003	7,578,647	1,490,644	24.48
Fixed Assets	1,004,208	1,052,947	48,739	4.85
Other Assets	237,187	223,834	-13,353	-5.63
Total Assets	7,329,398	8,855,428	1,526,030	20.82
Current Liabilities	2,580,675	3,378,859	798,184	20.82
Long-Term Liabilities	660,907	1,062,736	401,829	60.80
Other Liabilities	201,840	236,722	34,822	17.25
Total Liabilities	3,443,422	4,678,317	1,234,895	35.86
Capital	1,680,000	1,680,000	—	—
Capital Surplus	916,905	916,905	—	—
Retained earnings	1,558,193	1,799,751	241,558	15.50
Exchange differences on translation of foreign financial statements	(282,190)	(234,646)	47,544	16.84
Total Stockholders' Equity	3,885,976	4,177,111	291,135	7.49

Reason and impact for varying over 20% and amount changed up to NTS 10,000 thousand from 2019 to 2020 are as follows:

- (1) Increase in current assets: The increase in current assets was mainly due to the increase in bank financing and loans obtained in response to operational needs and the increase in accounts receivable as a result of the growth in turnover in 2020, as well as the increase in inventory provision in anticipation of future shipments and the trend of raw material prices.
- (2) Increase in current liabilities: The increase in current liabilities was mainly due to the increase in bank financing for the business growth and the transfer to current liabilities as the bonds payable will mature within one year.
- (3) Increase in long-term liabilities: Mainly due to the increase in long-term bank borrowings in response to the Company's operational needs.

## II. Financial Performance

### (I) Reasons and Impact of Significant Changes in Asset, Liability and Equity

Unit: NT\$ 1,000

Items \ Fiscal Year	2019	2020	Increase(Decrease) Amount	Variable ratio (%)
Net Operating Revenue	8,807,059	9,171,338	364,279	4.14
Operating Cost	7,585,139	7,898,297	313,158	4.13
Gross profit	1,221,920	1,273,041	51,121	4.18
Operating Expenses	567,621	579,958	12,337	2.17
Operating Profit	654,299	693,083	38,784	5.93
Non-operating income	(65,824)	(102,484)	(36,660)	(55.69)
Income Before Tax	588,475	590,599	2,124	0.36
Income Tax Benefit (expense)	(120,971)	(95,775)	25,196	(20.83)
Net benefits	467,504	494,824	27,320	5.84

Reason and impact for varying over 20% and amount changed up to NT\$ 10,000 thousand from 2019 to 2020 are as follows:

1. Increase in non-operating expenses: Mainly due to the increase in foreign exchange loss recognized in 2020 due to exchange rate changes.
2. Decrease in income tax expense: Mainly due to the decrease in income tax expense as a result of the higher deductible R&D expenses in 2020.

### (II) Expected Sales Volume with Basis, and Its Impact on the Company's Finance and Business and Action Plan:

The Company makes the target of annual delivery with the expected sales volume which is based on the effective sales in previous year and the demand estimated with economy growth prospection of the market where the major business entities in, plus the situation and lead time of raw material. And the Company dedicates itself to the stable increasing of performance with numbers of high-quality products and diversified sales channel and platform. The Company will continue to optimize the unique e-commerce business model that integrates production and channels in China, with a variety of sales channels and platforms, in order to maintain steady growth in performance.

### III. Cash Flow

#### (I) Variance Analysis of Cash Flows in 2019:

Unit: NT\$ 1,000

Item \ Year	2019	2020	Increase (Decrease) Amount	Increase (Decrease) Ratio (%)
Net cash generated by operating activities:	701,266	5,163	(696,103)	(99.26)
Net cash used in investing activities:	(164,699)	(172,523)	(7,824)	(4.75)
Net cash generated by financing activities:	(774,205)	869,306	1,643,511	(212.28)

Reason and impact for varying over 20% and amount changed up to NT\$ 10,000 thousand from 2019 to 2020 are as follows:

1. The decrease in cash inflow from operating activities was mainly due to the net cash outflow from accounts receivable as some receivables were not yet collected due to the development of revenue at the end of 2020, and the increase in inventory stocking in anticipation of future order demand and raw material price trend.
2. The increase in cash inflow from fund raising activities was mainly due to the increase in bank borrowings for operating purposes.

#### (2) Liquidity Analysis for 2021 and action plan for insufficient liquidity

Cash balance at beginning of period	Net cash flow from operating activities for the year	Annual cash outflow	Cash shortage amount	Remedies for cash shortage	
				Investment Plan	Financing Plan
1,945,704	11,005,724	(13,342,338)	(390,910)	—	Cash capital increase and bank financing

1. Analysis of changes in cash flows in the coming year:
  - (1) The net cash inflow from operating activities is mainly from operating income.
  - (2) Cash outflow is mainly used for operating expenses, repayment of corporate bonds, bank loans and cash dividends.
2. Estimated cash shortage and liquidity analysis: The Company's estimated cash outflow in the coming year is mainly based on its future operating needs, which will be supported by cash inflows from operating activities and, in the event of cash shortage, by bank borrowings and cash capital increase.

#### IV. Major Capital Expenditures in 2020 and Their Impacts on the Company's Finance and Operation

The Company spent total \$117,192 thousand for fixed assets in 2020, that was, the production equipment for increasing output and hardware of warehouse management system for accelerating shipment and improving efficiency. The amount was not so big and will not impact the normal running of the Company's finance and operation.

#### V. Reinvestment Policies of 2020, Main Reasons for Investment Gains or Losses, Improvement Plans, and Investment Plans of 2021

##### (1) Reinvestment Policies

The Company's reinvestment policies focuses on this industry and will not involve into non-related ones; except the regulation of investment cycle in internal control system, the Company has established the "Rules for Business Group, Specific Companies and Affiliates", "Procedures for Acquisition and Disposal of Assets" and "Rules for Supervision and Management of Subsidiaries", which has been approved by the Board of Directors or Shareholders' Meeting. And it will also assist the reinvested companies to set up proper internal control system in consideration of the local laws and regulations and their actual operating status.

##### (2) Main Reasons for Reinvestment Gains or Losses in 2018

Unit: NTS 1,000

Reinvestment	Net profit in 2018	Status
Tong Group Limited	376,446	Good operating condition
Tong Ming Enterprise Co., Ltd	39,648	Good operating condition
Winlink Fasteners Co., Ltd.	6,911	Good operating condition
Tong Win International Co., Ltd.	93,222	Good operating condition
FastLink Inc	(547)	Initial stage of establishment
Tong Ming Enterprise Co., Ltd	457,247	Good operating condition
Easy Trade (Shanghai)Co., Ltd.	(17,219)	In line with the parent company's business strategy, it will be cancelled in January 2021
Jiaxing Chunyou Precision Mould Co., Ltd.	(5,823)	Caused by Covid19
Tong Ming Trading Limited	(13)	Good operating condition
Shanghai Dongqin Trading Co., Ltd.	1,550	Lower sales volume
Tong Ming Holding Limited	-	Good operating condition
Jiaxing Dongyou Hardware Co., Ltd.	1,575	No business activities
Shenzhen Easy Fasterner Co., Ltd.	6,981	Good operating condition
Tong Win International(Jia Xing) Co., Ltd	(570)	Caused by Covid19

##### (3) Investment plan in following year: None

## **VI. Risk Analysis and Assessment in 2019 and as of the Publishing Date of this Annual Report**

### **(1) The impact of the Fluctuation in Interest Rates, Foreign Exchange Rates and Inflation on the Company's Profitability, and Associated Action Plans**

#### **A. Interest Rate Fluctuation**

##### **(a) The Impact on the Company's Revenue and Profit**

The interest income of the Company in 2019 and 2020 was NT\$ 7,390 thousand and NT\$6,239 thousand, respectively, amounting to a consolidated net operating income of 0.08% and 0.07% respectively for the same period. The interest expenditure in 2019 and 2020 was NT\$ 118,367 and NT\$ 99,982 respectively, amounting to a consolidated net operating expense of 1.34% and 1.09% respectively for the same period. As a whole, the impact on the Company's profitability was under control, since the ratio of interest income and expenditure to consolidated net operating revenue was not excessive.

##### **(b) Action Plans**

The Company has always had good relationships with the corresponding banks, and the financing policy is mainly used for short-term working capital and loans for material acquisitions. Going forward, it will actively maintain these good relationships with the banks, not only to secure more favorable interest rates, but to also closely watch the changes to the financial regulations inside and outside of mainland China, and the fluctuation in the interest rates so as to best make use of these regulations and reduce the risk of interest rate fluctuation.

#### **B. Foreign Exchange Rates Fluctuation**

##### **(a) The Impact on the Company's Revenue and Profit**

Any sales and purchasing transactions outside of mainland China are mainly made in US dollars, and those inside are in RMB. Natural hedging often takes place for the fluctuation of foreign exchange rates since the overseas sales volumes are almost equivalent to that of the overseas purchases. Foreign exchange loss amounted to NT\$ 10,200 in 2019 and NT\$ 40,366, in 2020 with a loss of, amounting to -0.12% and -0.44% of the consolidated net operating revenue and -1.73% and -6.83% of the consolidated income before tax. The impact on the Company's profitability was manageable since the ratio of gains and losses to operating revenue and income before tax was not excessive.

The main functional currency of the Company is RMB and there has been no significant risk of foreign exchange rates until now.

## (b) Action Plans

The Company will continue to strengthen awareness in their financial staff for exchange hedging, analyzing trends in the exchange rate using a real-time, online system and by keeping in close contact with financial institutions to provide a reference for exchange settlement. Moreover, natural hedging will still be used as a major strategy for risk control, with assets and liabilities in foreign currencies adjusted properly to reduce the risk of exchange rate fluctuations.

## C. Inflation

Inflation did not have a significant impact on the Company's profitability in 2019 and 2020. According to the announcement made by National Bureau of Statistics of China, the Consumer Price Index decreased at an annual rate of 5.13% in February 110, indicating that there is no significant inflationary trend in China.–

Although the price of roller steel wire, the primary raw material the Company uses, is easily impacted by the fluctuation of international Nickel prices (which is a special pricing property of the stainless steel industry) there is no direct causality with inflation. Moreover, due to floating adjustment of raw material purchasing and product sales, the Company not only closely watches the fluctuation of the regional economy and market prices of raw material and terminal products but it also maintains good relationships with its suppliers and customers. Therefore, any estimated inflation or deflation has no significant impact on the Company's profitability.

- (2) The policies, main reasons for gains or losses, and action plans with respect to high-risk, highly-leveraged investment, lending funds to other parties, endorsements and guarantee and derivative trading in 2018:

In maintaining the principle of being steady and practical, the Company did not engage in any high-risk or highly-leveraged investments, and it did not endorse or offer guarantees for other companies. Meanwhile, the Company has established the "Management of Lending and Endorsement Guarantee" as the basis of such operations and deals, with a forward contract for the sole purpose of avoiding the risk of exchange rate fluctuation. , For efficient use of funds, the Company purchase open-end non-principal-protected floating-income instruments from local correspondent banks to obtain a better return than normal deposits. The Company has also set up the "Procedures for Acquisition and Disposal of Assets (including the "Procedure for Derivative Trading")" for itself and its affiliates. Capital loans to others follow the "Procedures for Lending Funds to Other Parties", and there has been no significant impact on the Company's finances and business.

(3) Future Research and Development Plans and Estimated Expenses:

The Company has been committed to the development of new products and the improvement of the production process over the years. For the development of new products, besides continuing to develop new model standard parts to meet the market requirement, the Company also works hard on special non-standard products and materials to extend the application of products. For the improvement of the production process, the Company pays more attention to improving the processes and upgrading the facilities. The R&D center staff not only collaborate with upstream facility suppliers on new production technology and technology transformation applications but also apply for patents for their own R&D achievements.

The ratio of R&D expenses to net operating revenue in 2019 and 2020 was 0.36% and 0.30%, respectively. Although the figures were not high, the Company has over 15 years production experience in the field of stainless steel fasteners and is a leader in the speed of product R&D and the improvement of the production process, with a National High-Tech Enterprise certification. It will continuously invest in research and development to enhance the Company's technical strength and industrial competitiveness.

(4) The Impact of Changes in Major Domestic and Overseas Policies and Regulations on the Company's Finances and Business, and Associated Action Plans:

The company is registered in the Cayman Islands and operates primarily in mainland China. The Cayman Island's major economic activities are financial services, and mainland China has become the major economy in the world. The Company's business of stainless steel fasteners and wire does not belong to the franchising industry, which is heavily regulated both home and abroad. The Company keeps a close watch on policy trends and any changes to the regulations, along with any variations in the market so as to take proper action. Therefore, changes to major domestic and overseas policies and regulations have no significant impact on the Company's finances and business.

(5) The Impact of Changes in Technology and Industry on the Company's Finances and Business, and Associated Action Plans:

Our products are widely used in various industries. Apart from grasping market and technology trends, the Company is also dedicated to the research of material, intensity and corrosion resistance, continues to make an improvement to the mould and production process to provide more competitive products and services for expanding the market share, and introduces new technology into existing products to cope with a dynamic industrial variation. Furthermore, online shopping is increasingly popular and the platform is perfect in mainland China where the major business is located. The Company has set up a complete sales mechanism for this distribution channel, so there is no impact of changes in technology and industry on the Company's finances and business.

- (1) The Impact of Changes to the Corporate Image on Corporate Risk Management, and the Associated Action Plans:

As a professional producer of stainless steel fasteners and wire, Zhejiang Tong Ming has been focusing on its operation since it was established, achieving remarkably and establishing a good reputation with more than ten year's hard work. There is no impact to our business on changes to our corporate image.

- (2) Expected Benefits and Risks Relating to Mergers and Acquisitions, and the Associated Action Plans:

The Company has established a procedure for the internal restructure and integration of resources for the purpose of listing on the TWSE. It has not undertaken any other mergers and acquisitions. In the event of a merger in the future, the Company shall carefully evaluate and consider the combined effect of the merger to ensure the shareholders' rights and interests.

- (3) The Expected Benefits and Risks Relating to Plant Expansion, and the Associated Action Plans:

The Company has no plans for plant expansion in the near future.

- (4) The Risks of Concentrated Sources of Sales or Purchases, and the Associated Action Plans:

A. Risk of purchases:

Considering the quality and the lead time of receiving raw materials, the Company will give priority to Tier-one steel manufacturers for the purchase of rolled steel wire and will build long-term relationships with them. Although the purchasing of raw materials has been consolidated to the first three suppliers, they are all Tier-one steel manufacturers with a monthly opening price base. Since other suppliers keep growing in both technology and their scale of operations, the Company can transfer orders to them if there is any supply disruption. There is no significant risk of centralized purchasing of raw materials since the Company has the right to decide the supplier based on our purchasing scale advantage.

B. Risk of sales:

The Company primarily sells stainless steel fasteners and wire to distributors of all sizes to key direct customers in various industries due to the wide application of our products. Therefore, there is no significant risk of sales concentration since our customers are scattered and order large quantities, and the ratio of the sales volume of individual customers to overall revenue is less than 20%.

- (5) The Impact and Risk of the Sale or Transfer of a Significant Number of Shares by the Directors, Supervisors or Shareholders with Over 10% Shareholding, and the Associated Action Plans: None.
- (6) The Impact and Risk of a Change in Management, and the Associated Action Plans: None.
- (7) The Significant Impact of Litigations or Non-litigations on the Interests of Shareholders or Share Prices:
- (a) Major convictions or ongoing Litigations, Non-litigations, or Administrative Disputes in 2017 and 2018 with a Significant Impact on the Interests of Shareholders or Share Prices: None.
  - (b) Major convictions or ongoing Litigations, Non-litigations, or Administrative Disputes in 2017 and 2018 which Involve the Directors, Supervisors, President, De Facto Responsible Person, Major Shareholders with Over 10% Shareholding and Affiliates having a Significant Impact on the Interests of Shareholders or Share Prices: None.
  - (c) Any Events in 2017 and 2018 as stated in Article 157 of the Securities and Exchange Act by the Directors, Supervisors, Managers and Shareholders with Over 10% Shareholding: None
- (8) Other Significant Risks and Associated Action Plans:
- (a) The Risk of Overall Economic, Political and Economic Environment, Foreign Exchange and Laws and Regulations.  
  
The Company is registered in the Cayman Islands and the primary business is in mainland China, so the overall economy, changes to the political environment and any fluctuation to the foreign exchange will all have an impact on the Company's operations.
  - (b) The Risk of Shareholders' Rights and Protection of Interests  
  
There are many differences between the laws and regulations of the Cayman Islands and Taiwan, and the Company amends the Articles of Incorporation as per the "Checklist on the Protection of Shareholders' Rights and Interests at the Registered Place of Foreign Issuers" of the Taiwan Stock Exchange without contradiction to Cayman's laws and regulations.

**VII. Other Significant Matters: None.**

## Eight. Special Notes

### I. Consolidated Business Report of the Affiliates:

**It is same as the financial statement, please refer to page 85~151.**

(1) Chart of Affiliates: Refer to page 4.

(2) Basic Information on Affiliates:

Company Name	Date of Incorporation	Address	Paid-in Capital	Main Business / Products
Tong Ming Enterprise Co., Ltd	Nov. 1995	No. 88 East Changsheng Road, Economic Development Zone, Jiaxing City, Zhejiang Province	RMB 468,000 thousand	Production and sales of SUS fastener and wire, including hardware like SUS screw, threaded rod, wire and nut.
Tong Group Limited	Feb. 2008	Room 2702-03, CC Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong	RMB 429,493 thousand	Investment
China Rich International Holding Limited	Feb. 2008	Room 2702-03, CC Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong	RMB 45,222 thousand	Investment
Tong Ming Trading Limited	May 2011	Room 2702-03, CC Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong	US\$ 50 thousand	Transaction and sales of SUS products
Tong Ming Holding Limited	Jul. 2012	Room 2702-03, CC Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong	Registered capital of US\$ 50 thousand (Not available yet)	Investment
EASY TRADE (SHANGHAI) CO., LTD	Sep. 2005	Building 12, No. 816 Ronghua Road, Chedun Town, Songjiang District, Shanghai	RMB 4,966 thousand	Sales of SUS fastener
Shenzhen Easy Fasteners Co., Ltd.	Dec. 2013	No. 126, Building M07, South China International Hardware, Chemical and Plastic Logistics Zone (Phase I), 1# Huanan Avenue, Pinghu Street, Longgang District, Shenzhen	RMB 3,000 thousand	R&D and sales of SUS fastener and standard parts
Winlink Fasteners Co., Ltd.	Jun. 1996	15 F, No. 140, Zhongshan N. Rd., Gangshan Dist., Kaohsiung City	NT\$ 15,000 thousand	Domestic and overseas transaction of screw, nut and mechanical parts
Tong Win International Co., Ltd.	Aug. 2012	Novasage Chambers, PO Box 3018, Level 2, CCCS Building, Beach Road, Apia, Samoa	Registered capital of US\$ 500 thousand (Not available yet)	Import and export of standard fastener

Company Name	Date of Incorporation	Address	Paid-in Capital	Main Business / Products
FastLink Inc	Dec. 2020	7F Honhachiminami Gardencity, 3-6-1 Kitakyuhouji-Machi, Chuou-Ku Osaka, Jspan	JPY 25,000 thousand	Import and export of standard fastener
Tong Win Trading (Jiaxing) Co., Ltd	May. 2019	Room 502-2, Building 1, Fu'an Plaza, Economic and Technological Development Zone, Jiaxing City, Zhejiang Province	RMB 1,500 thousand	Domestic and overseas transaction of screw, nut and mechanical parts

- (3) The Company and its affiliates are principally engaged in the manufacture, processing and sale of stainless steel fasteners and wires. Zhejiang Tong Ming manufactures and sells stainless steel fasteners and wire products in Zhejiang Province; the Shanghai Yiqin and Shenzhen Yiqin Industrial Fasteners Co., Ltd. are engaged in the trading of fasteners in Shanghai and Guangdong, respectively, and some of the products are supplied by the operating entity. Ganshan Tong Ying , Tong Win International Co., Ltd., and Tong Ming Trading (Jiaxing) Co., Ltd. are mainly engaged in the trading of fasteners for the European and American markets, and Tong Ming Trading Limited purchases some of the production materials on behalf of the operating entity is mainly engaged in the trading of fasteners for the Japanese market.
- (4) Shareholders in Common of Tong Ming and Its Affiliates with Deemed Control and Subordination: None

## (5) Operational Highlights of Affiliates:

Unit: NT\$ 1000

Company Name	Capital Stock	Total Assets	Total Liabilities	Net Value	Operating revenues	Operating Profit	Net benefits	Earnings per share(NT\$)
Tong Ming Enterprise Co., Ltd	RMB 706,000 thousand	8,470,103	3,860,980	4,609,123	7,802,428	596,681	458,624	8,470,103
Tong Group Limited	RMB 429,493 thousand	4,157,433	177,028	3,980,045	-	-	376,446	4,157,433
China Rich International Holding Limited	RMB 45,222 thousand	437,867	18,645	419,222	-	-	39,648	437,867
Tong Ming Trading Limited	US\$ 50 thousand	56,497	0	56,497	-	(61)	(13)	56,497
Tong Ming Holding Limited	-	-	49	(49)	-	-	-	-
EASY TRADE(SHANGHAI)CO., LTD	RMB 4,966 thousand	927	0	927	-	(501)	(17,219)	927
Shenzhen Easy Fasteners Co., Ltd.	RMB 3,000 thousand	89,193	45,929	43,264	85,675	7,910	6,891	89,193
Winlink Fasteners Co., Ltd.	NT\$ 15,000 thousand	147,641	49,970	97,671	547,860	11,225	6,225	147,641
Tong Win International Co., Ltd.	-	211,100	21,104	189,997	885,530	91,281	93,222	211,100
FastLink Inc	JPY\$ 25,000 thousand	15,473	7,832	7,641	1,845	(526)	(657)	(1.10)
Tong Win Trading (Jiaxing) Co., Ltd	RMB 1,500 thousand	6,501	336	6,165	5,155	(455)	(570)	-

## (6) Information of the Directors, Supervisors and Presidents of the Affiliates:

Company Name	Title	Name or Representative	Shares held	Shareholding
Tong Ming Enterprise Co., Ltd	Director	Tsai, Ching-Tung	-	-
	Director	Tsai, Ming-Ti	-	-
	Director	Tsai, Chia-Yen	-	-
	Director	Tsai, Hung-Chuan	-	-
	Director	Tsai, Cheng-Hsiung		
	Supervisor	Tsai, Chen-Jung	-	-
	Supervisor	Tsai Chen, Su-Kan	-	-
	Supervisor	Chang, Sheng-Chieh	-	-
	President	Tsai, Hung-Chuan	-	-
Tong Group Limited	Director	Tsai, Ching-Tung	-	-
China Rich International Holding Limited	Director	Tsai Chen, Su-Kan	-	-
Tong Ming Trading Limited	Director	Tsai, Cheng-Hsiung	-	-
Tong Ming Holding Limited	Director	Tsai, Ching-Tung	-	-
EASY TRADE(SHANGHAI)CO., LTD	Director	Tsai, Hung-Chuan	-	-
	Supervisor	Tsai, Cheng-Hsiung	-	-
Shenzhen Easy Fasteners Co., Ltd.	Director	Ko, Hsin	-	-
	President	Chen, Peng	-	-
Winlink Fasteners Co., Ltd.	Director	Tsai, Hung-Chuan		
	Director	Tsai, Yi-Ting		
	President	Ko, Wen-Ling		
Tong Win International Co., Ltd	Director	Tsai, Hung-Chuan		
Tong Win Trading (Jiaxing) Co., Ltd	Director	Tsai, Cheng-Hsiung		
	President	Ko, Wen-Ling		
Fastlink Inc.	Director	Tsai, Cheng-Hsiung	-	-
	President	Kenji Tsukada	-	-

(7) Consolidated Financial Statements of Affiliates: it is same as consolidate Financial Statements, refer to page 85~151

(8) Statement of Consolidated Financial Statements of Affiliates: N/A

**II. Private Placement of Securities in 2019 and as of the Publishing Date of this Annual Report: None**

**III. The Company's Shares Held or Disposed of by Subsidiaries in 2018 and as of the Publishing Date of this Annual Report: None.**

**IV. Other Necessary Supplement: None.**

**V. Any Events in 2018 and as of the Publishing Date of this Annual Report that had Significant Impacts on Shareholders' Right or Security Prices as Stated in Subparagraph 2 of Paragraph 3 of Article 36 of the Securities and Exchange Act: None.**

**VI. Major difference with Shareholder Rights Protection Provisions of our Country**

Difference	The Company's Law of the Cayman Island and Interpretation	Articles of Incorporation and Interpretation
<p>"Special Resolution" means: a resolution passed by a majority of the Members, as being entitled to do so, voting in Person or, where proxies are allowed at a general meeting, with such members holding two-thirds or more of the total number of outstanding Shares of the Company attending that meeting; or if the total number of Shares represented by the Members of Public Companies present at a general meeting is not sufficient to meet the criteria specified in the preceding paragraph, the resolution made thereby may be passed by two-thirds or more of the Members, as being entitled to do so, voting in Person or, where proxies are allowed at a general meeting, such Members holding a majority of the total number of outstanding shares of the Company attending that meeting.</p>	<p>Subject to the Company's Laws of the Cayman Islands, a Special Resolution means in theory that the resolution is passed by two-thirds or more of the Members, as being entitled to do so, voting in Person or, where proxies are allowed at a general meeting, and the quorum of the meeting of Members shall be the Members holding a majority of the total number of outstanding shares of the Company attending that meeting</p>	<p>Subject to Letter Tai-Zheng-Shang-Zi No. 0991701319 of TWSE on April 13, 2010, Article 31 and Article 2(1) in the Articles of Incorporation, a special resolution means a resolution passed by two-thirds or more of the Members, as being entitled to do so, voting in Person or, in the case such Members are corporations, by their respective duly authorized representative, or where proxies are allowed, by proxy at a general meeting, which shall also comply with the stipulation in the Company's Law of the Cayman Islands and Company Act of Taiwan for the number of members of a Public Company entitled to vote.</p>
<p>1. When the Company decreases the share capital, without a resolution passed by the meeting of Members, its share shall not be cancelled; the share capital shall be decreased in proportion to the capital paid on the Shares held by the Members. 2. The decreased Share capital shall be returned with properties other than cash and the returned property and the amount compensated shall be approved by a resolution of the meeting of the Members and agreed by the shareholder receiving the properties.</p>	<p>Articles 14 to 18 of the Company Law of the Cayman Islands provide strict procedural and physical regulations for the reduction of a company's capital, and such regulations are mandatory and may not be changed by the Articles.</p>	<p>Articles 14 to 18 of the Cayman Islands Company Law provide for strict procedures and physical regulations for capital reduction, and the relevant regulations are mandatory and cannot be changed by the Articles of Association. For the avoidance of doubt, with the advice of Cayman Islands counsel, The Company hereby enact Article 12 of the Company's Articles of Incorporation, which stipulates that the Company's capital reduction shall be carried out in accordance with the procedures and</p>

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<p>3. The value of the property and the aforementioned compensated amount shall be submitted to the CPA of the ROC for review and certification before the convening of the meeting of the Members.</p>		<p>conditions set forth in the Cayman Islands Law and the Listing (OTC) Regulations. As for the requirements for capital reduction in accordance with the Checklist for the Protection of Shareholders' Rights and Interests, Article 19-1(1) of the Company's Articles of Incorporation stipulates that the shares shall be bought back in proportion to the shareholders' shareholding.</p>
<p>A company that adopts shares without par value shall not be converted into shares with par value.</p>	<p>In accordance with the provisions of the last paragraph of Section 8(1) of the Cayman Islands Companies Law: Provided further that no exempted company shall divide its capital into both shares of a fixed amount and shares without nominal or par value. In the opinion of Cayman Islands counsel, in accordance with the above provisions and taking into account the practical share issuance process, Cayman Islands exempted companies are not allowed to convert par value shares into non-par value shares and vice versa.</p>	<p>Since the Company's issued shares are all par value shares, the requirements of the leftmost column are not applicable to the Company. For the avoidance of doubt, I would like to refer to the purpose of the regulation, and in accordance with the current status of the Company, in Article 7(5) of the Company's Articles of Association: "The Company shall not issue or convert par value shares into par value shares.</p>
<p>1. If a shareholders' meeting is held outside of the ROC, it should be reported to the stock exchange for approval within two days after the board of directors has resolved or the shareholders have obtained permission from the competent authority to convene the meeting. 2. When a shareholders' meeting is held outside of the ROC, the Company shall appoint a professional stock proxy in the ROC to handle the shareholders' voting.</p>	<p>There is no requirement that the meeting of the Members shall be convened with the territory of the Cayman Islands.</p>	<p>The first paragraph of Article 27 of the Company's Articles of Incorporation provides that "During the listing period, all meetings of shareholders of the Company shall be held in the ROC. Therefore, there is no need to separately regulate the procedures for permitting or reporting shareholders' meetings to be held outside of the ROC. In addition, all shareholders' meetings will be held in the ROC during the listing period, but the Company will still appoint a professional stock agent in the ROC to handle the shareholders' voting and other related matters.</p>
<p>Any one or more Members continuously holding in the aggregate of three percent (3%) or more of the paid-up share capital of the Company for a period of one (1) year or longer may, by issuing a written notice setting forth therein the subjects for discussion and the reasons, request the Board to convene an extraordinary general meeting of the Members. If the Board fails to give notice to the Members for convening such meeting within 15 days after the filing of such requisition notice, the requisitionists themselves may, after obtaining approval from the competent authority, convene a special meeting of the Members on his/their own in the same manner.</p>	<p>There is no local competent authority in the Cayman Islands responsible for reviewing whether shareholders can convene shareholders' meetings by themselves.</p>	<p>Since the Company is incorporated under the Companies Law of the Cayman Islands and there is no local authority in the Cayman Islands responsible for examining whether shareholders may convene a shareholders' meeting on their own, the Company refers to letter no.0091701319 issued by TWSE on Apr.13, 2010, establishing Article 28 of Articles of Incorporation, stipulating that "A shareholder who has held more than 3% of the total number of issued shares for more than one year may request the Board of Directors to convene an extraordinary shareholders' meeting by stating in writing the reasons for the request and the reasons</p>

Difference	The Company's Law of the Cayman Island and Interpretation	Articles of Incorporation and Interpretation
		for the request. A shareholder who has held more than 3% of the total number of issued shares for more than one year may request the Board of Directors to convene an interim meeting of shareholders by stating in writing the reasons for the request and the reasons for the request. If the Board of Directors does not give notice of the shareholders' meeting within 15 days after receiving such request, the requesting shareholder may convene a shareholders' meeting on his or her own. No permission from the competent authority is required.
A member who exercises his voting power at a general meeting in writing or by way of electronic transmission shall be deemed to have attended and voted in person at the general meeting.	According to the legal opinions of the Cayman Islands lawyers, shareholders who exercise their voting rights in writing or electronically shall not be deemed to be present in person, but shall be interpreted as appointing the chairman of the shareholders meeting as a proxy.	Article 51(3) of the Company's Articles of Incorporation provides that "A shareholder who exercises his or her voting rights in writing or electronically shall be deemed to have appointed the chairman of the general meeting as his or her proxy to exercise his or her voting rights in accordance with these Articles of Incorporation and the Cayman Law in respect of the contents contained in the written or electronic documents. The chairman of the shareholders' meeting shall not vote as a proxy on matters not mentioned or indicated in the written or electronic documents or on amendments to the original motion. A shareholder who exercises his or her voting rights in writing or electronically shall be deemed to have abstained from voting on the provisional motion and the amendment to the original motion for that meeting of shareholders. This Article does not differ significantly from the provisions of the R.O.C. Law in actual operation, except that the Chairman of the shareholders' meeting is interpreted as a proxy for those shareholders who vote in writing or electronically, in order to comply with the requirement of the Cayman Islands Law that a resolution of a shareholders' meeting must be voted by the participating shareholders in person or by proxy at the same time.
<ol style="list-style-type: none"> <li>1. The Company's Articles of Incorporation may specify that the appropriation of earnings or loss shall be made quarterly or semi-annually after the end of the fiscal year.</li> <li>2. A proposal for the distribution of earnings or appropriation of losses for the first three quarters or the first</li> </ol>	The Cayman Islands law has no relevant regulations.	In accordance with Article 91(2) of the Company's Articles of Incorporation, the Company adopts an annual earnings distribution system and does not adopt an interim earnings distribution system; therefore, the regulation requirements in the leftmost column are not applicable to the Company.

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<p>half of the fiscal year shall be submitted to the supervisor or the audit committee for examination and approval by the board of directors, together with the business report and financial statements.</p> <p>3. When the Company distributes earnings in accordance with the preceding paragraph, the Company shall first estimate and retain taxable contributions, make up for losses in accordance with the law, and set aside legal reserve. However, the legal reserve shall not be used when the legal reserve has reached the amount of paid-in capital.</p> <p>4. If the Company distributes earnings in accordance with the second paragraph by issuing new shares, the attendance of shareholders representing at least two-thirds of the total number of outstanding shares shall be required, and the approval of a majority of the shareholders present shall be required. If the total number of shares present is less than the aforementioned quotas, the Company may do so by the presence of shareholders representing more than half of the total number of outstanding shares and the approval of more than two-thirds of the voting power of the shareholders present.</p> <p>5. The Company shall distribute earnings or make up losses in accordance with the provisions of the preceding four paragraphs in accordance with the financial statements audited or reviewed by an accountant.</p>		
<p>1. If the company has a supervisor, the shareholders' meeting shall elect the supervisor, and at least one of the supervisors must have a residence in the country.</p> <p>2. The term of office of the supervisor shall not exceed three years. However, they may be re-elected for a second term.</p> <p>3. If all the supervisors are dismissed, the board of directors shall convene an interim meeting of shareholders to elect them within 60 days.</p> <p>4. The Supervisor shall supervise the execution of the Company's business, and may at any time investigate the Company's business and financial condition, examine, copy or transcribe bookkeeping</p>	<p>The Cayman Islands law has no relevant regulations.</p>	<p>Since the Company adopts the audit committee system and does not have a supervisor, the requirements of the leftmost column are not applicable to the Company.</p>

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<p>documents, and request the Board of Directors or the Manager to make a report.</p> <p>5. The Supervisor shall examine the various forms prepared by the Board of Directors for the shareholders' meeting and report the opinion to the shareholders' meeting.</p> <p>6. The Supervisor may appoint an accountant or attorney to review the audit on behalf of the Company.</p> <p>7. The supervisor may attend the board of directors' meeting to present opinions. If the Board of Directors or a director performs business in violation of the law, the Articles of Incorporation or a resolution of the shareholders' meeting, the Supervisor shall immediately notify the Board of Directors or the director to cease such action.</p> <p>8. Each of the supervisors may exercise the supervisory power alone.</p> <p>9. The supervisor shall not be a director, manager or other employee of the Company.</p>		
<p>1. A shareholder who continues to hold more than one percent of the Company's outstanding shares for more than six months may request in writing that the Supervisor initiate a lawsuit for the Company against a director, and the Taipei District Court shall be the court of first instance.</p> <p>2. If the supervisor does not file a lawsuit within 30 days after the shareholder's request, the shareholder may file a lawsuit on behalf of the Company and the Taipei District Court shall be the court of first instance.</p>	<p>The Cayman Islands law has no relevant regulations.</p>	<p>Since the Company adopts the audit committee system and does not have a supervisor, in accordance with Article 14-4, Paragraph 3 of the Securities and Exchange Act and the Ministry of Economic Affairs' Letter No. 10000533380 dated March 1, 2011, the independent directors shall replace the supervisory function in the left-hand column. Article 77 of the Company's Articles of Incorporation stipulates that shareholders who continue to hold more than one percent of the total number of outstanding shares for more than six months may request in writing the independent directors of the audit committee to act for the Company before a court of competent jurisdiction (including the Taipei District Court). A shareholder who holds more than one percent of the total number of outstanding shares as provided in Article 77 of the Company's Articles of Incorporation may request in writing that a member of the Audit Committee, who is an independent director, bring an action for the Company in a court of competent jurisdiction (including the Taipei District Court) against a director who has performed his or her duties to the detriment of the Company or who has violated the Cayman Act, the Listing Rules or these Articles of Incorporation. If the independent</p>

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		director does not file a lawsuit within 30 days from the date of receipt of the aforementioned request, the requesting shareholder may file a lawsuit in accordance with the applicable laws and regulations, as permitted by the Cayman Act.

Tong Ming Enterprise Co., Ltd.  
開曼東明控股有限公司

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蔡清東



Tsai, Ching-Tung

