



TUNG HO STEEL ENTERPRISE CORPORATION

2020 Annual Report

Date of Publication: April 27, 2021

Link to Annual Report:

Market Observation Post System of TWSE: mops.twse.com.tw

Company Website: www.tunghosteel.com

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V. Name of the exchange house where overseas eligible securities are traded and the method of inquiry on the mentioned securities

Exchange house for trading on Global Depository Receipts (GDR): Bourse de Luxembourg

Website for Information Query on Global Depositary Receipts (GDR): mops.twse.com.tw

VI. Company Website: www.tunghosteel.com

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A. Letter to Shareholders

In 2020, the novel coronavirus COVID-19 pandemic caused serious damage to people's lives and property, leading to countries implementing strict quarantines and border closure measures to combat the spread of the virus, which greatly disrupted economic activities such as production, consumption, and trade and investment, resulting in a global economic recession. Governments have launched various emergency fiscal and financial relief measures in order to boost the economy, mitigate business closures and high unemployment rates. Central banks have also increased money supply and expanded the super-easy monetary policy and ultra-low interest rate policy that they have adopted since 2008 to boost the lackluster economy after the financial tsunami. The excessive supply of money has resulted in an overflow of global capital and an unprecedented boom in financial asset prices, which runs counter to the lackluster real economy.

In Taiwan, the epidemic negative effects were mild due to the implementation of proper prevention measures. Except for the catering and tourism industry, which was more severely hit, people's lives as well as production and consumption activities were not greatly affected. In addition to beneficial spillovers from the US-China trade war brought about by industrial supply chain shifts and order transfers this year, which provided new impetus for Taiwan's economic growth, domestic and foreign investment in Taiwan for new factories, as well as new demand for factory construction and housing construction, have also lifted the export industry in addition to the construction and related industries. In addition, the home office, video conferencing, distance learning, online games, as well as other home economy and cloud economy business opportunities that have flourished in response to the isolation and quarantines imposed are driving the explosive growth of new applications and new demands for 5G mobile communications, the IoT, artificial intelligence and high-speed computing. Most of the critical semiconductor chips and electronic components required for the operation of these emerging industries are supplied by Taiwan's semiconductor electronics industry, which is home to the most comprehensive and competitive industrial cluster. All the above favorable conditions have enabled Taiwan's economy to ride out the challenges and maintain strong growth with a growth rate of 3.11%, the highest amongst developed countries. Taiwan's economic performance has attracted attention from the world along with its outstanding pandemic prevention efforts.

The global steel industry has been weak this year due to the epidemic, and both raw materials and finished products have seen a decline in shipments and prices. Taiwan, however, due to its strong manufacturing performance, has seen a rebound in the overall steel industry. The construction steel industry has benefited from strong demand due to domestic and foreign investment in factories, the huge demand from semiconductor and electronics manufacturers in factory expansion, as well as the booming construction industry, which has led to a strong

demand in the market, a rise in prices and quantity, and overall profitability.

The Company has also benefited from the booming steel bar industry, with a significant increase in production capacity and volume, and a significant decrease in production costs. In addition, we have been able to maintain stable profitability in a highly volatile price environment due to effectively managing the balance of volume and price between sales, procurement and production. In addition, the Company's profit has grown significantly as a result of the excellent operation performance of its reinvestment company, Tung Ho Steel; the Company's operations in Vietnam have progressed well, with a significant reduction in losses and even a turnaround in profits contributing towards the Company's profitability this year.

A consolidated overview of the 2020 business performance of the Company and its primary reinvestment businesses is outlined below.

I. Results of Production and Sales:

Unit: Thousands of New Taiwan Dollars

	Production value			Sales value		
	2020	2019	Growth rate (%)	2020	2019	Growth rate (%)
Billet	28,068,661	31,870,845	(11.93)	408,201	1,522,153	(73.18)
Re-bar	17,873,188	18,954,052	(5.70)	21,033,467	21,568,314	(2.48)
H-beam	9,211,570	9,080,525	1.44	11,491,399	10,933,327	5.10
Steel plate (self-made)	1,757,755	1,813,511	(3.07)	1,144,587	912,354	25.45
Steel plate (transaction)	0	0	0.00	123,919	32,327	283.32
Channel	648,342	708,728	(8.52)	679,283	778,305	(12.72)
I-Beam	32,318	54,759	(40.98)	50,975	46,989	8.48
Steel structure	6,250,131	8,157,790	(23.38)	6,720,585	8,360,839	(19.62)
Environmental protection processing	208,521	128,983	61.67	208,521	128,914	61.75
Steel sheet piles	49,573	12,059	311.09	61,951	13,949	344.11
Wind power generation	53,248	55,146	(3.44)	53,248	55,146	(3.44)
Construction revenues	438,778	77,552	465.78	429,904	77,682	453.41
Others	464,773	519,908	(10.60)	460,250	433,301	6.22
Total	65,056,858	71,433,858	(8.93)	42,866,290	44,863,600	(4.45)

II. Profitability Analysis:

Unit: Thousands of New Taiwan Dollars

	2020	2019	Growth rate (%)
Operating revenue	42,866,290	44,863,600	(4.45)
Operating costs	36,245,586	40,731,834	(11.01)
Gross profit	6,620,704	4,131,766	60.24
Operating expenses	2,199,217	2,025,168	8.59
Net operating profit	4,421,487	2,106,598	109.89
Net profit before tax	4,489,570	2,122,132	111.56
Net income after tax	3,556,583	1,557,798	128.31

III. Financial structure and profitability analysis:

Analysis Item		Year	2020	2019	
Financial structure (%)	Debt-to-assets ratio		37.62	49.04	
	Long-term fund to fixed assets ratio		166.42	162.97	
Profitability	Return on assets (%)		8.05	3.73	
	Return on shareholder's equity (%)		13.68	6.45	
	Paid-in capital ratio (%)	Operating income		41.76	20.98
		Income before tax		42.40	21.14
	Net profit margin (%)		8.3	3.47	
	Earnings per share (NT\$)		3.52	1.56	

IV. Overview of Technology and R&D

The Company's research and development expenses for 2020 was NT\$38,966,428, equivalent to 0.11% of the revenue. The research and development achievements of steelmaking include: Development of high-definition, high-strength steel blanks and flat steel billets for SM570 steel plates with thickness of 50 mm and continuous development of ultra-high strength steel. The research and development achievements of steel rolling include: Developing the technology of continuous uninterrupted rolling of re-bars with billets, the direct rolling process to increase the strength of ultra-high strength earthquake resistant re-bars by more than 1.6 times, the universal rolling technology UE (Universal Edging) to roll H-beam with B-value ≥ 300 mm, and the automatic in-line dimensional measurement and surface defect detection system for H-beams/plates. The major R&D projects in 2021 include: 1. Continuous H-beams UE new rolling technology development project 2. Angle steel and flat steel H/V (horizontal/vertical rolling) co-rolling development project 3. Application of artificial intelligence to smart chemical plant technology development 4. Carbon steel oxidation ballast asphalt concrete paving and testing research 5. Electric furnace waste steel preheating and low carbon green process technology development.

The Company's operational development strategy: Continue to actively refine our technological capabilities, improve management efficiency, reduce production costs, closely coordinate production, sales, and procurement to enhance our competitive edge in the domestic market, actively venture into new markets and customers abroad, research and develop new steel products and applications, and promote environmental protection and greenhouse gas emission reduction in order to build a solid foundation for sustainable operation.

Looking ahead to 2021, the novel coronavirus epidemic is expected to gradually subside with mass vaccination. The global economy should return to normal and recover rapidly after border restrictions are lifted. The steel industry in Taiwan is in a favorable environment and already performing well due to a mild epidemic situation with no disruptions to industrial production this year. The outlook is further boosted with economic recoveries in other countries which will create impetus for growth. However, the biggest risk and worry is the fluctuation and big jump in cost of raw materials and steel prices are. The slightest improper response could easily lead to losses. Therefore, while we remain optimistic, we should always be cautious and prevent negligence in business management. With the concerted efforts of all our employees, the Company has performed well with strong revenue and impressive profitability, which is truly remarkable. Going forward, all our employees will continue to uphold the Tungho spirit of self-discipline, wisdom and optimism. We will aim to strengthen competitiveness, reduce costs, improve management, develop new markets and new products, improve performance and create maximum value for our shareholders.

We wish you all good health and best of luck

Chairman **Henry C. T. Ho**

B. Company Profile

I. Date of Establishment

May 30, 1962

II. Company Profile

(I) Mergers, acquisitions, and transfers of re-invested companies for the most recent year and up to the date of publication of the annual report

May 1962	The Company was founded in Chiayi County, Taiwan Province. The funding capital was NTD 4.5 million. The Company's business at that time was disassembling steamships and trading old vessels, metal and iron materials, and mechanical and electrical materials. The Board elected Mr. Jindui Hou as the Chairman and Mr. Zhengting Hou as the General Manager.
May 1965	The Company acquired 44,525 square meters of reclaimed land at Port of Kaohsiung to build Cian-jhen rolling factory.
December 1965	The Company moved offices from Chiayi County to No.3, Kuojian Rd., Cianjhen Dist., Kaohsiung City.
September 1974	The Company acquired industrial land of 91,375 square meters in Linhai Industrial Park in the Siaogang District of Kaohsiung to build office buildings and steel plants.
January 1975	The Chairman, Mr. Jindui Hou, passed away from illness due to overwork. The Board then elected Mr. Zhengting Hou as the succeeding chairman and Mr. Zhenxiong Hou as the General Manager.
April 1977	The Kaohsiung Plant installed 20 ton electric arc furnace.
September 1977	The Kaohsiung Plant installed the first continuous casting machine in Taiwan.
March 1978	The Company moved to No.8, Jiaxing Street, Siaogang District, Kaohsiung City.
July 1981	The Kaohsiung Plant completed trial run tests on its automatic tandem rolling machines and started to produce steel and steel rods, making the company a one-stop-shop steel manufacturer that can handle both steel refining and rolling.
June 1986	The Company purchased and installed two 50 ton electric arc furnaces at the Bade Plant in Taoyuan. The Company halted its ship-disassembling business in the same year.
April 1987	The head office was moved to 6F, No. 9, Sec. 1, Chang'an East Road, Taipei City.
July 1988	The Taoyuan Bade Plant's electric furnaces started production. The Company became listed on the Taiwan stock market.

April 1990	The Chairman, Mr. Zhengting Hou, resigned. The Board elected Mr. Zhenxiong Hou as the succeeding chairman and the General Manager, and appointed Mr. Zhengting Hou as the honorary chairman.
July 1992	The Taichung Office and Delivery Center was established.
August 1993	The Miaoli Plant completed trial tests on steel refining.
October 1993	The Miaoli Plant completed trial tests on steel rolling.
November 1993	The H-beam steel product was launched.
July 1994	The Miaoli Plant started mass production and operations.
January 1996	The Company received the Special Award for ROC 3rd Nuclear Energy Safety Group from the Atomic Energy Council of the Executive Yuan of the Republic of China.
May 1996	The Kaohsiung Plant officially initiated operation expansion.
October 1996	The Miaoli Plant completed trial tests on refining furnaces.
November 1996	The Company was granted the Highest Honor of Academic Award by the Chinese Institute of Mining and Metallurgical Engineering.
April 1997	The Company's publication, "The Ordinary", won the Taipei City Government Labor Bureau Secretary Award. The Company's publication, "CI", was granted Taipei City Mayor Award by the Taipei City Government and Excellence Award by the Council of Labor Affairs, Executive Yuan.
December 1997	The Kaohsiung Plant completed trial tests on rolling H-beam steel and officially discharged its steel-refining furnaces from production.
March 1998	The section steel mill at the Kaohsiung Plant was built and started mass production.
November 1998	The Miaoli plant launched the opening of its newly constructed Oxygen Factory. The Miaoli Plant started the production of narrow steel plates.
July 2002	The No. 2 caster in the Miaoli Plant started mass production.
October 2005	The Taoyuan Bade Plant successfully developed and started producing D43 steel bars.
June 2006	The committee on Taoyuan Plant expansion was formed to take charge of the preparation for the expansion of the plant.
April 2007	The Miaoli plant officially launched the opening of its crushed iron plant.
November 2007	The Taichung Office and Delivery Center was moved to Taichung Port, forming the Logistics Center at Taichung Port.
November 2008	The construction of the Taoyuan Plant officially commenced.
October 2009	The Board appointed Mr. Jieteng Hou as General Manager.
May 2010	The Taoyuan Plant completed trial run tests on furnaces and continuous

	casting equipments of the steel-refining mill.
June 2010	The committee on Taoyuan Plant expansion was dismissed. Construction of the new Taoyuan plant was completed.
July 2010	The Taoyuan Plant completed trial run tests on hot rolling system of the steel-rolling mill, making the plant the first in Taiwan that adopted a procedure in hot rolling steel billets directly, without using an additional heating furnace.
June 2011	The Taoyuan Plant officially started production of steel wire rods and bars.
November 2011	The Miaoli Plant obtained the BV Verification Declaration for the carbon footprint of beam and steel plate products.
May 2012	The Company hosted a press conference on the launch of steel rebar and coupler products. The Tung Ho Steel Cultural Foundation was established.
June 2013	The beam products of Kaohsiung and Miaoli Plants passed the ACRS S0 certification, becoming the first steel plant worldwide that manufactures the ACRS S0-certified beam products.
September 2013	The Taoyuan and Miaoli Plants were authorized by the Ministry of Economic Affairs to use the MIT Smile Label.
December 2013	The Kaohsiung Plant purchased the rebar mesh welding machine, completed trial tests on the machine, and officially started production using the machine.
June 2014	The Board elected Mr. Jieteng Hou as the succeeding chairman and general manager and Mr. Zhenxiong Hou as the honorary chairman.
July 2014	Construction for the expansion of the Taoyuan Plant Steel Rolling Line 2 officially began.
November 2014	The Kaohsiung Plant obtained the BV Verification Declaration for the carbon footprint of five beam and steel plate products, and was awarded the Glass Trophy from the Industrial Technology Research Institute, becoming the first steel plant in Taiwan to have acquired the Carbon Footprint Certificate.
June 2015	The Company hosted a press conference on the launch of steel plate pile products.
July 2015	The Company was invited to participate in the 2015 Flag Presentation Ceremony for Energy-Saving Service Groups hosted by the Ministry of Economic Affairs Bureau of Energy.
September 2015	The Miaoli Plant obtained the BV Verification Declaration for the carbon footprint of 5 types of products.
January 2016	The Company invested in the acquisition of Fuco International Ltd. and

- assembled the Steel Rolling Expansion Committee.
- August 2016 Tung Kang Wind Power Co., Ltd., a subsidiary, obtained a license to operate for 25 years from the Bureau of Energy, Ministry of Economic Affairs, and began selling electricity.
- September 2016 The H-beam and steel plate products of the Miaoli and Kaohsiung plants have passed the Korean Industrial Standards (KS) certification. Phu Quoc Steel Vietnam changed its name to Tung Ho Steel Vietnam Ltd, or THSVC in English.
- October 2016 Awarded the 17th National Standardization Award by the Bureau of Standards, Metrology and Inspection, Ministry of Economic Affairs, for "Promotion of Orthographic Marking".
- November 2016 Awarded "2016 TCSA Taiwan Corporate Sustainability Award", Silver Award of Corporate Sustainability Report Award [Traditional Manufacturing Industry].
- July 2017 The Miaoli Plant obtained the BV Verification Declaration for the carbon footprint of re-bar and steel plate products.
- September 2017 The Taoyuan plant rolling line expansion project was completed and begun production.
- November 2017 The Taoyuan plant has obtained the ISO 50001 quality management system certification. Awarded "2017 TCSA Taiwan Corporate Sustainability Award", Silver Award of Corporate Sustainability Report Award [Traditional Manufacturing Industry].
- January 2018 Miaoli Plant has obtained the "Green Product Certification for Resource Recycling" for carbon steel billets for electric furnaces. The company became an official member of WSA (World Steel Association).
- July 2018 Taoyuan plant steel products have obtained the Korean National Standard (KS) certification.
- September 2018 Participated in the Corporate Energy Conservation Service Group organized by the Bureau of Energy, Ministry of Economic Affairs, to promote conservation efforts, and was awarded the "Outstanding Performance" award for energy conservation implementation results from 2015 to 2017.
- November 2018 Awarded "2018 TCSA Taiwan Corporate Sustainability Award", Gold Award of Corporate Sustainability Report Award [Traditional Manufacturing Industry].
- March 2019 The THSVC steel rolling production line was completed and put into operation, and a new product launch event was held on March 19.

- October 2019 The Taoyuan Plant co-hosted the “Project of Consulting on Water Saving for Major Water Users in Central Taiwan 2019” with the Water Resources Agency and was awarded the certificate of appreciation for the [On-site Observation Activity for Units with Excellent Water Conservation Results].
The Taoyuan plant obtained the Material Flow Cost Accounting (MFCA) verification statement and was awarded the "Material Flow Cost Analysis Demonstration Plant" award by the Industrial Development Bureau, MOEA.
- November 2019 The Taoyuan plant obtained the "Carbon Footprint Verification Declaration" for the product.
Awarded "2019 TCSA Taiwan Corporate Sustainability Award", Gold Award of Corporate Sustainability Report Award [Traditional Manufacturing Industry].
- November 2020 Awarded "2020 TCSA Taiwan Corporate Sustainability Award", Gold Award of Corporate Sustainability Report Award [Traditional Manufacturing Industry].
- January 2021 The Miaoli Plant passed the UL certification in the United States and obtained Environmental Product Declarations (EPD) for steel sections and steel plates, the first steel company in Taiwan to obtain EPD for steel sections and steel plates.

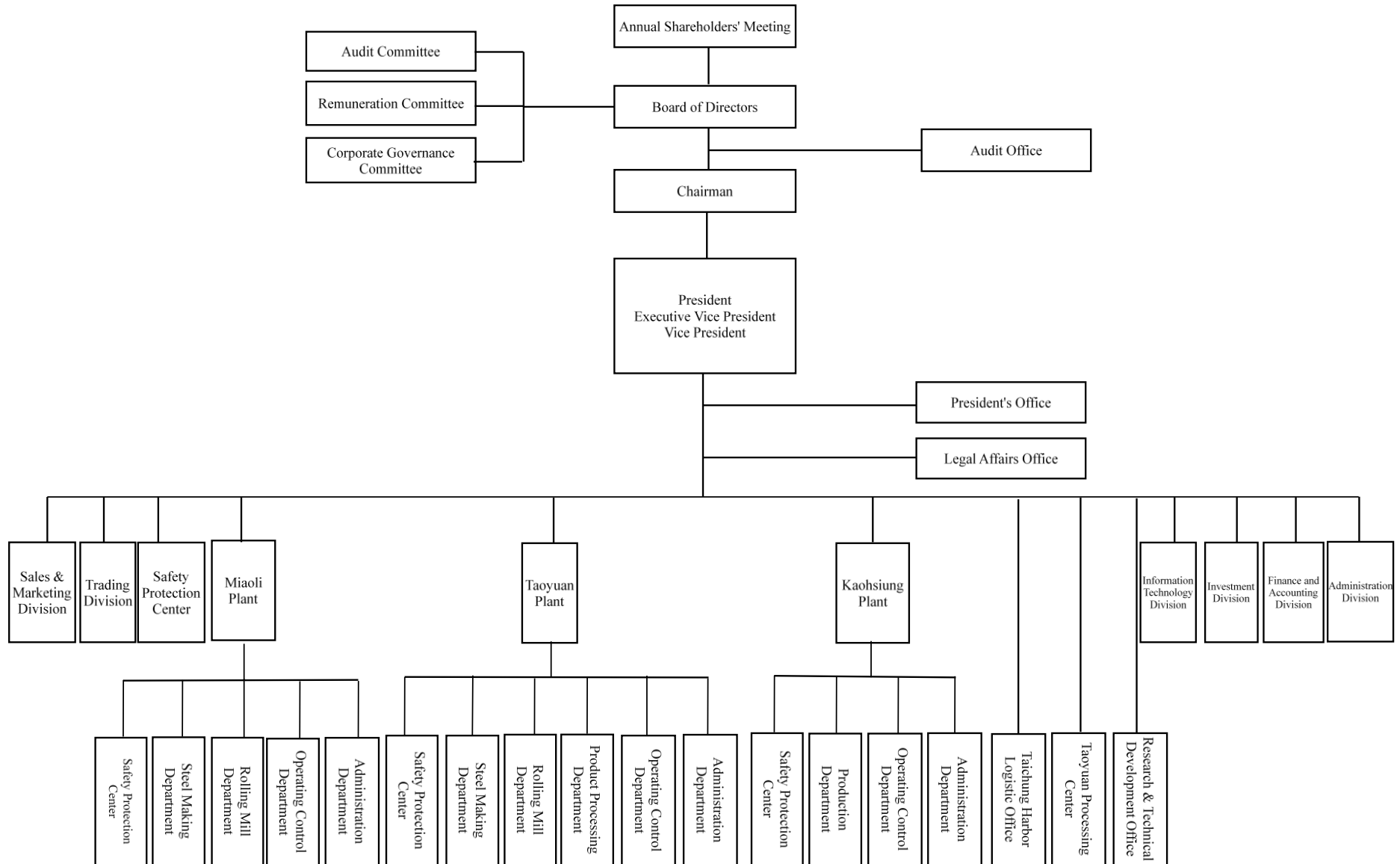
- (II) Mergers, acquisitions, re-investment companies for the most recent year and up to the date of publication of the annual report: None.**
- (III) Substantial transfer or replacement of shareholdings of directors or substantial shareholders holding more than 10% of the company’s shares during the latest year and up to the date of printing of the annual report: None.**
- (IV) Changes in management rights from the most recent fiscal year to the publication date of this annual report: None.**
- (V) Significant changes in management methods or business content for the most recent year and up to the date of printing of the annual report: None.**
- (VI) Other significant events affecting shareholders' equity in the most recent year and up to the date of printing of the annual report and their impact on the Company: None.**

C. Corporate Governance

I. Organization

(I) Organizational Structure

Organizational Chart of Tung Ho Steel Enterprise Corporation



(II) Business and functions of main departments:

General Manager Office: Responsible for budget control, business analysis, bonus system, project planning, credit management, and customer service.

1. Legal Affairs Office: Responsible for research and handling of legal affairs, and providing legal advice.
2. Auditing Office: Responsible for establishing, promoting, and execution of the internal auditing system.
3. Management Department: Responsible for establishing the company's organizational and management system related to the personnel, education and training, logistics, and asset management.
4. Accounting Department: Responsible for establishing the Company's accounting system and managing accounting, costs, finances, foreign exchange, securities investment, and shareholder services.
5. Investment Division: Responsible for short, medium and long-term strategic investment planning and managing investee companies.
6. Information Technology Division: Responsible for the management of information and planning, development, maintenance and performance enhancement of the computing environment.
7. Operations Department: Responsible for domestic and foreign client quotations, bidding, and sales.
8. Assets and Trade Department: Responsible for bulk purchases of raw materials, machinery, and equipment.
9. Miaoli Plant: Responsible for the production of H-beam and steel plates, as well as other plant management affairs.
10. Taoyuan Plant: Responsible for the production of steel bars, as well as other plant management affairs.
11. Kaohsiung Plant: Responsible for the production of steel bars and H-beam, as well as other plant management affairs.
12. R&D Division: Responsible for research and development of metallurgical technology, product development, and projects-related technologies.
13. Work safety center: Responsible for managing and supervising safety/health affairs at departments and plants.

II. Information of Directors, President, Vice President, Assistant Manager, Managers of Departments and Branches

(I) Director information - 1

April 26, 2021

Title	Nationality or registered place	Name	Gender	Date of taking office	Office term	Date first elected	Shares held upon appointment		Number of shares held currently		Shares held by spouse and underage children		Shareholding by nominee arrangement		Main experiences (educational background)	Concurrent duties in the company and in other companies	Spouse or relatives of second degree or closer acting as Supervisors or other department heads			Note
							Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)			Title	Name	Relationship	
Corporate director	Taiwan	Mao Sheng Investment Inc.	N/A	2020.05.19	3 years	2017.06.16	60,407,877	6.02	66,173,877	6.07	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	None
Chairman	R.O.C.	Mao Sheng Investment Inc. Representative: Henry C. T. Ho	Male	2020.05.19	3 years	2002.06.27	142,426	0.01	142,426	0.01	113,000	0.01	0	0	Department of Economics, Harvard University	General manager of Tung Ho Steel Enterprise Corporation Chairman of Tung Kang Steel Structure Co., Ltd. Chairman of Tung Kang Wind Power Co., Ltd. Chairman, Far East Steel Inc. Chairman, Earle Ho and Sons, Ltd. Chairman of Wan Nian Department Stores Co., Ltd. Chairman, He Zhao Investment Co., Ltd. Chairman, Mao Sheng Investment Inc.	Vice Chairman	George Y. S. Ho	Brother	The Chairman of the Board of Directors also serves as the President of the Company, and the streamlining of management powers leads to smooth operations. In order to maintain the effectiveness and efficiency of operations, it is necessary to maintain this model for the time being, where more than half of the board of directors do not serve as employees or managers for supervision purposes; however,

Title	Nationality or registered place	Name	Gender	Date of taking office	Office term	Date first elected	Shares held upon appointment		Number of shares held currently		Shares held by spouse and underage children		Shareholding by nominee arrangement		Main experiences (educational background)	Concurrent duties in the company and in other companies	Spouse or relatives of second degree or closer acting as Supervisors or other department heads			Note
							Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)			Title	Name	Relationship	
															Director of Shang Fu Industrial Inc. Director of Katec Creative Resources Corp. Director of Katec R&D Corporation Director of Tung Kang Engineering & Construction Co., Ltd. Director of Fata Xingye Co. Ltd. Director of Tung Ho Steel Vietnam Corp.,Ltd. Director of Goldham Development Ltd. Director of 3 Oceans International Inc. Director of Tung Yuan International Corp. Director of Fujian Sino-Japan Metal Corp. Dung Tang Energy Service				considering the need for long-term and sound corporate governance, we are actively nurturing a successor to the President and will appoint one at an appropriate time depending on actual requirements.	

Title	Nationality or registered place	Name	Gender	Date of taking office	Office term	Date first elected	Shares held upon appointment		Number of shares held currently		Shares held by spouse and underage children		Shareholding by nominee arrangement		Main experiences (educational background)	Concurrent duties in the company and in other companies	Spouse or relatives of second degree or closer acting as Supervisors or other department heads			Note
							Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)			Title	Name	Relationship	
															Co., Ltd. Director of Mingtai Yule Co. Ltd. Director of Eturnity Corp. Director of Tung Ho Steel Cultural Foundation was established Chairman of THS Foundation					
Vice Chairman	R.O.C.	Mao Sheng Investment Inc. Representative: George Y. S. Ho	Male	2020.05.19	3 years	1996.05.23	10,000	0	10,000	0	0	0	0	0	Department of Environment and Visual Arts, Harvard University, USA	Supervisor of Earle Ho and Sons, Ltd. Director of He Zhao Investment Co., Ltd. Director of He Xing Investment Co., Ltd. Director of Far East Steel Inc. Director of Spring Foundation was established	Chairman	Henry C. T. Ho	Brother	None
Corporate director	Taiwan	Earle Ho and Sons, Ltd.	N/A	2020.05.19	3 years	1988.08.18	139,505,779	13.89	146,136,779	13.41	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	None
Directors	R.O.C.	Earle Ho and Sons, Ltd.	Male	2020.05.19	3 years	2014.06.18	128,432	0.01	128,432	0.01	0	0	0	0	Taipei Engineering	None	None	None	None	None

Title	Nationality or registered place	Name	Gender	Date of taking office	Office term	Date first elected	Shares held upon appointment		Number of shares held currently		Shares held by spouse and underage children		Shareholding by nominee arrangement		Main experiences (educational background)	Concurrent duties in the company and in other companies	Spouse or relatives of second degree or closer acting as Supervisors or other department heads			Note
							Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)			Title	Name	Relationship	
		Representative: Hui-Ming Wu												Professional School, Mining and Metallurgical Engineering						
Directors	R.O.C.	Earle Ho and Sons, Ltd. Representative: Joshua P.H. Tung	Male	2020.05.19	3 years	2020.05.19	23,381	0	23,381	0	0	0	160,000	0.01	Master's degree in Business Management from the Business Institute, National Chengchi University	Senior vice general manager of Tung Ho Steel Enterprise Corporation Director of Tung Kang Wind Power Co., Ltd. Director of Tung Kang Steel Structure Co., Ltd. Director of Tung Yuan International Corp. Director of Goldham Development Ltd.	None	None	None	None
Corporate director	Taiwan	Episil Holding Incorporation	N/A	2020.05.19	3 years	2014.06.18	5,055,649	0.50	5,055,649	0.46	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	None
Directors	R.O.C.	Episil Holding Incorporation Representative: Chih-Ming Huang	Male	2020.05.19	3 years	1988.08.18	484,337	0.05	484,337	0.04	0	0	0	0	MBA, California State University, USA	Chairman, Episil Holding Incorporation Director of Far East Steel Inc. Director of Yu Tai	None	None	None	None

Title	Nationality or registered place	Name	Gender	Date of taking office	Office term	Date first elected	Shares held upon appointment		Number of shares held currently		Shares held by spouse and underage children		Shareholding by nominee arrangement		Main experiences (educational background)	Concurrent duties in the company and in other companies	Spouse or relatives of second degree or closer acting as Supervisors or other department heads			Note
							Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)			Title	Name	Relationship	
															Investment Co., Ltd. Supervisor of Eternity Corp. Supervisor of Hsieh Ho Refractory Industrial Co. Ltd.					
Corporate director	Taiwan	Liang Cheng Investment Co., Ltd.	N/A	2020.05.19	3 years	2014.06.18	11,185,973	1.11	11,185,973	1.03	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	None
Directors	R.O.C.	Representative of Liang Cheng Investment Co., Ltd.: Pao-He Chen	Male	2020.05.19	3 years	1988.08.18	1,073,205	0.11	1,073,205	0.10	5,106	0	0	0	Royal Roads University MBA	Chairman, He-cheng Investment Inc. Chairman, Chi-cheng Investment Inc. Chairman, Jian-qing Investment Inc. Chairman, Liang Cheng Investment Co., Ltd. Chairman, Jingmei Xuesheng Technology Co., Ltd. Chairman, Mengcheng Technology Co.,	None	None	None	None

Title	Nationality or registered place	Name	Gender	Date of taking office	Office term	Date first elected	Shares held upon appointment		Number of shares held currently		Shares held by spouse and underage children		Shareholding by nominee arrangement		Main experiences (educational background)	Concurrent duties in the company and in other companies	Spouse or relatives of second degree or closer acting as Supervisors or other department heads			Note
							Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)			Title	Name	Relationship	
															Ltd. Chairman, Shuizhiyuan Bio-Technology Co., Ltd. Director, Jinqunbao Industrial Inc. (Professional) Manager, Zhucheng Construction Co., Ltd.					
Directors	R.O.C.	Yen-Liang Ho	Male	2020.05.19	3 years	1999.05.23	361,670	0.04	361,670	0.03	0	0	0	0	EMBA at Aalto University, Finland	Chairman, Enzen GS Chemical Co., LTD. Chairman, Hao-Han Investment Co., Ltd. Chairman, Sensuous Biotech Co.,Ltd Director, Apply Information Service Corp.,Ltd	None	None	None	None
Corporate director	Taiwan	Taiwan Zhi Di Co. Ltd.	N/A	2020.05.19	3 years	2014.06.18	65,000	0.01	65,000	0.01	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	None
Directors	R.O.C.	Representative of Taiwan Zhi Di	Male	2020.05.19	3 years	2011.06.24	318,887	0.03	318,887	0.03	0	0	0	0	Department of Economics,	Chairman of Rui Nian	None	None	None	None

Title	Nationality or registered place	Name	Gender	Date of taking office	Office term	Date first elected	Shares held upon appointment		Number of shares held currently		Shares held by spouse and underage children		Shareholding by nominee arrangement		Main experiences (educational background)	Concurrent duties in the company and in other companies	Spouse or relatives of second degree or closer acting as Supervisors or other department heads			Note
							Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)			Title	Name	Relationship	
		Co. Ltd.: Chao-He Lin												Soochow University	Management & Consulting Co., Ltd.					
Independent Directors	R.O.C.	I-Chi Liu	Male	2020.05.19	3 years	2014.06.18	0	0	0	0	0	0	0	0	M.S., Department of Accounting, National Chengchi University	Supervisor, Tah Tong Textile Co., Ltd. Independent Director, Mitwell Inc.	None	None	None	None
Independent Directors	R.O.C.	Chuang-Hsi Chang	Male	2020.05.19	3 years	2014.06.18	6,685	0	6,685	0	6,685	0	0	0	PhD in Law, Political Science and Sociology at the Pantheon-Assas University	None	None	None	None	None
Independent Directors	R.O.C.	Der-Ming Lieu	Male	2020.05.19	3 years	2017.06.16	0	0	0	0	0	0	0	0	Ph.D. in Economics, The Ohio State University, USA	Independent Director, Lasertek Taiwan Co., Ltd. Independent Director, CSBC Corporation	None	None	None	None

Table 1: Substantial shareholders of corporate shareholder

April 26, 2021

Name of institutional shareholder (Note 1)	Substantial shareholders of corporate shareholder (Note 2)
Mao Sheng Investment Inc.	Shu-Chau Wang Ho 41.78%, Henry C. T. Ho 11.73%
Earle Ho and Sons, Ltd.	Shu-Chau Wang Ho 78.92%
Episil Holding Incorporation	Zheng Mei Chu 47.10%, Huang Yun Xuan 24%, Huang Yu Xuan 24%, Chih-Ming Huang 4.80%
Liang Cheng Investment Co., Ltd.	British Virgin Island JUSTIN investment management 100%
Taiwan Zhi Di Co. Ltd.	Shengyu Chen 52%, Shuzhen Hou 46%

Note 1: Directors who represent institutional shareholders should indicate the institution names they represent.

Note 2: Enter the names of the major shareholders of the corporate shareholders (the top ten in terms of shareholding) and their respective shareholding ratios. If the major shareholders are corporate shareholders, the following table 2 should be completed.

Table 2: Table 1 Major shareholders who are corporate shareholders and their major shareholders

April 26, 2021

Institution Name	Substantial shareholders of corporate shareholder
N/A	None

Director information - 2

December 31, 2020

Name	Condition	Has at least 5 years of work experience and meet one of the following professional qualifications		Meet the independence requirement (Note)												Number of companies the person serves as an independent director
		An Instructor or higher position in a department of commerce, law, finance, accounting, or other discipline related to the Company's business in a public or private College or University.	Certified judge, prosecutor, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	11	
Mao Sheng Investment Inc. Representative: Henry C. T. Ho			✓			✓	✓		✓			✓		✓		0
Mao Sheng Investment Inc. Representative: George Y. S. Ho					✓	✓	✓		✓	✓		✓		✓		0
Earle Ho and Sons, Ltd. Representative: Hui-Ming Wu			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Earle Ho and Sons, Ltd. Representative: Joshua P.H. Tung			✓			✓	✓		✓	✓	✓	✓	✓	✓	✓	0
Episil Holding Incorporation Representative: Chih-Ming Huang			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Liang Cheng			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Name	Condition	Has at least 5 years of work experience and meet one of the following professional qualifications		Meet the independence requirement (Note)												Number of companies the person serves as an independent director	
		An Instructor or higher position in a department of commerce, law, finance, accounting, or other discipline related to the Company's business in a public or private College or University.	Certified judge, prosecutor, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	11		12
Investment Co., Ltd. Representative: Pao-He Chen																	
Yen-Liang Ho			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Taiwan Zhi Di Co. Ltd. Representative: Chao-He Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Directors: I-Chi Liu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Independent Directors: Chuang-Hsi Chang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Directors: Der-Ming Lieu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note: If any of the following conditions listed below apply to a director within 2 years before being elected or during the director's tenure, please write a "✓" in the open space under each condition code.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates (This does not apply to those who are independent directors of the Company or its parent company, or of a subsidiary with the same parent company in accordance with the laws of the country it is based in).

3. Shareholders holding more than 1% of the total issued shares of the company under another name except him/herself, his/her spouse or children (minor). Those holding such amount of shares on behalf of others; or the top 10 natural person shareholders.
4. Not (1) a professional manager listed, a spouse, relative of second degree or closer, or direct blood relative of third degree or closer to any person listed in (2), (3).
5. A director, supervisor or employee of a corporate shareholder who indirectly holds more than 5% of the total number of issued shares of the Company, is listed as one of the top five shareholders, or who designates a representative as a director or supervisor of the Company in accordance with Article 27(1) or (2) of the Company Act (except in cases where the independent directors of the Company and its parent company, subsidiary or subsidiary of the same parent company established in accordance with this Act or the laws of the local country are concurrently appointed)
6. A director, supervisor or employee of another company that is not controlled by the same person as the company's directors or more than half of the voting shares (except in the case for independent directors of the company or its parent company, subsidiaries or subsidiaries of the same parent company established under this Act or the laws of the local country who serve concurrently with each other).
7. A director (director), supervisor (supervisor), or employee of another company or organization who is not the same person or spouse of the chairman, president, or equivalent of the company (except in the case for independent directors of the company or its parent company, subsidiaries or subsidiaries of the same parent company established under this Act or the laws of the local country who serve concurrently with each other).
8. A director (director), supervisor (supervisor), manager or shareholder holding more than 5% of the shares of a specific company or organization that does not have financial or business dealings with the Company (Except for cases where the specific company or organization holds more than 20% but not more than 50% of the total issued shares of the Company and is an independent director of the Company and its parent company, subsidiary or subsidiary of the same parent company established in accordance with this Act or the laws of the local country that is concurrently appointed).
9. Professionals, sole proprietors, partners, directors (directors), supervisors (supervisors), managers, and their spouses who do not provide audit or remuneration for the Company or its affiliates for business, legal, financial, accounting, or other related services for less than NT\$500,000 in the last two years. However, members of the Remuneration Committee, the Public Tender Offer Review Committee or the Special Committee on Mergers and Acquisitions who perform their duties and responsibilities in accordance with the Securities and Exchange Act or the relevant laws and regulations of the Business Mergers and Acquisitions Act are not subject to this limitation.
10. Not a spouse or relative of second degree or closer to any other directors.
11. Does not meet the criteria listed in any Sections of Article 30 of the Company Act.
12. Not a representative in the name of a government, institution, or its representative as defined in Article 27 of the Company Law.

(II) Information of President, Vice President, Assistant Manager, Managers of Departments and Branches

April 26, 2021

Title	Nationality	Name	Gender	Date of taking office	Shareholding		Shares held by spouse and underage children		Shareholding by nominee arrangement		Main experiences (educational background)	Other positions in other companies held currently	Has a spouse or a relative within the second degree of kinship who are the Company's managers			Note
					Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding Percentage (%)			Title	Name	Relationship	
President	R.O.C.	Henry C. T. Ho	Male	2009.10.16	142,426	0.01	113,000	0.01	0	0	Department of Economics, Harvard University	Chairman of Tung Kang Steel Structure Co., Ltd. Chairman of Tung Kang Wind Power Co., Ltd. Chairman, Far East Steel Inc. Chairman, Earle Ho and Sons, Ltd. Chairman of Wan Nian Department Stores Co., Ltd. Chairman, He Zhao Investment Co., Ltd. Chairman, Mao Sheng Investment Inc. Director of Shang Fu Industrial Inc. Director of Katec Creative Resources Corp. Director of Katec R&D Corporation Director of Tung Kang Engineering & Construction Co., Ltd. Director of Fata Xingye Co., Ltd. Director of Tung Ho Steel Vietnam Corp., Ltd. Director of Goldham Development Ltd. Director of 3 Oceans International Inc.	None	None	None	The Chairman of the Board of Directors also serves as the President of the Company, and the streamlining of management powers leads to smooth operations. In order to maintain the effectiveness and efficiency of operations, it is necessary to maintain this model for the time being, where more than half of the board of directors do not serve as employees or managers for supervision purposes;

Title	Nationality	Name	Gender	Date of taking office	Shareholding		Shares held by spouse and underage children		Shareholding by nominee arrangement		Main experiences (educational background)	Other positions in other companies held currently	Has a spouse or a relative within the second degree of kinship who are the Company's managers			Note
					Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding Percentage (%)			Title	Name	Relationship	
												Director of Tung Yuan International Corp. Director of Fujian Sino-Japan Metal Corp. Dung Tang Energy Service Co., Ltd. Director of Mingtai Yule Co., Ltd. Director of Eturnity Corp. Director of Tung Ho Steel Cultural Foundation was established Chairman of THS Foundation				however, considering the need for long-term and sound corporate governance, we are actively nurturing a successor to the President and will appoint one at an appropriate time depending on actual requirements.
Executive Vice President	R.O.C.	Binghua Huang	Male	2019.05.14	6,444	0	0	0	1,075,000	0.10	Master degree from Material Development Institute of National Cheng Kung University	Chairman of Tung Ho Steel Vietnam Corp., Ltd. Director of Tung Kang Steel Structure Co., Ltd. Director of Dongjing Investment Co., Ltd. Director of Tung Ho Steel Cultural Foundation was established	None	None	None	None
Senior Vice General Manager	R.O.C.	Fu-jing Chen	Male	2020.06.30	589	0	0	0	504,000	0.05	Kaohsiung Municipal Kaohsiung Industrial High School	Chairman of Katec Creative Resources Corp. Director, Taiwan Steel United Inc.	None	None	None	None

Title	Nationality	Name	Gender	Date of taking office	Shareholding		Shares held by spouse and underage children		Shareholding by nominee arrangement		Main experiences (educational background)	Other positions in other companies held currently	Has a spouse or a relative within the second degree of kinship who are the Company's managers			Note
					Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding Percentage (%)			Title	Name	Relationship	
Vice General Manager of Sales Division	R.O.C.	Kuanren Gu	Male	2009.10.16	99,855	0.01	100	0	0	0	Department of Economics, Chinese Culture University	Director of Tung Kang Engineering & Construction Co., Ltd. Chairman of Fata Xingye Co. Ltd. Vice Chairman of Tung Kang Steel Structure Co., Ltd. Supervisor, Fujian Tung Kang Steel Co., Ltd. Director of Tung Ho Steel Cultural Foundation was established	None	None	None	None
Vice General Manager of Trading Division	R.O.C.	Qixie Lin	Male	2009.10.16	21,799	0	0	0	0	0	Department of Materials Science and Engineering, Tsinghua University	Chairman of Fujian Sino-Japan Metal Corp. Director of 3 Oceans International Inc. Director of Tung Yuan International Corp. Director, Siaogang Warehousing Inc. Director, Chien Shing Harbour Service Co., Ltd. Director of Tung Ho Steel Vietnam Corp., Ltd. Director of Duc Hoa International J. S. C. Director of Tung Ho Steel Cultural Foundation was established	None	None	None	None
Senior Vice General Manager, Finance and	R.O.C.	Joshua P.H. Tung	Male	2020.11.12	23,381	0	0	0	160,000	0.01	Master's degree in Business Management from the Business Institute, National	Director of Tung Kang Wind Power Co., Ltd. Director of Tung Kang Steel Structure Co., Ltd.	None	None	None	None

Title	Nationality	Name	Gender	Date of taking office	Shareholding		Shares held by spouse and underage children		Shareholding by nominee arrangement		Main experiences (educational background)	Other positions in other companies held currently	Has a spouse or a relative within the second degree of kinship who are the Company's managers			Note
					Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding Percentage (%)			Title	Name	Relationship	
Accounting Division											Chengchi University Department of Economics at National Taiwan University	Director of Tung Yuan International Corp. Director of Goldham Development Ltd.				
Assistant manager of the sales department	R.O.C.	Ru-ying Fan	Female	2009.11.01	16,000	0	0	0	0	0	International Trade Major, International Business Professional School	None	None	None	None	None
Assistant manager of the investment division	R.O.C.	Zhenyuan Chen	Male	2009.11.01	0	0	0	0	0	0	Department of International Trade, Feng Chia University	None	None	None	None	None
Assistant manager of the investment division	R.O.C.	Hou-sheng Jian	Male	2009.11.01	870	0	0	0	0	0	M.S., College of Technology Management, Tsinghua University Industrial Engineering Major, Taipei Engineering Professional School	Chairman of Duc Hoa International J. S. C. President of Duc Hoa International J. S. C.	None	None	None	None
Assistant manager of the investment division	R.O.C.	Zhengbin Qiu	Male	2010.06.01	5,027	0	0	0	0	0	Mechanical Engineering Major, United Engineering Professional School	Chairman, Fujian Tung Kang Steel Co., Ltd. Director of Goldham Development Ltd. General Manager of Tung Kang Steel Structure Co., Ltd. Director of Tung Kang Steel Structure Co., Ltd. Director, Li-Yu Venture Capital	None	None	None	None

Title	Nationality	Name	Gender	Date of taking office	Shareholding		Shares held by spouse and underage children		Shareholding by nominee arrangement		Main experiences (educational background)	Other positions in other companies held currently	Has a spouse or a relative within the second degree of kinship who are the Company's managers			Note
					Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding Percentage (%)			Title	Name	Relationship	
												Inc. Supervisor of Fujian DongSheng metal processing Co., Ltd. Director, Li-Shi Venture Capital Inc.				
Assistant manager of the investment division	R.O.C.	Xu Yizhi	Male	2019.02.11	307	0	0	0	0	0	EMBA, Tsinghua University Master degree from Material Development Institute of National Cheng Kung University	Director of Duc Hoa International J. S. C. President of Tung Ho Steel Vietnam Corp., Ltd.	None	None	None	None
Investment Division Manager	R.O.C.	Zhao Liu	Male	2019.11.11	8,000	0	4,141	0	0	0	Fu Jen Catholic University Department of Accounting	Supervisor of Tung Kang Engineering & Construction Co., Ltd. Supervisor of Fata Xingye Co. Ltd. Supervisor of Dung Tang Energy Service Co., Ltd. Director of Tung Kang Wind Power Co., Ltd. Director of Katec Creative Resources Corp. Supervisor of Duc Hoa International J. S. C.	None	None	None	None
Head of Corporate Governance and Assistant Manager of the Management	R.O.C.	Ruyu He	Female	2011.10.01	7,000	0	0	0	0	0	Master degree in Business Administration from Institute of Business, Chung Yuan Christian University	Director of Katec R&D Corporation Supervisor of Katec Creative Resources Corp. Supervisor, Tung Kang Wind Power Co., Ltd.	None	None	None	None

Title	Nationality	Name	Gender	Date of taking office	Shareholding		Shares held by spouse and underage children		Shareholding by nominee arrangement		Main experiences (educational background)	Other positions in other companies held currently	Has a spouse or a relative within the second degree of kinship who are the Company's managers			Note
					Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding Percentage (%)			Title	Name	Relationship	
Department																
Assistant manager of IT Department	R.O.C.	Zhe-chong Lin	Male	2005.05.01	9,822	0	18,000	0	0	0	Master degree in Information Management from Institute of Management, National Sun Yat-sen University	None	None	None	None	None
Manager of Work Safety Center	R.O.C.	Yilin Wang	Male	2008.12.01	18,444	0	8,242	0	0	0	Department of Economics, Tamkang University	None	None	None	None	None
Manager of Legal Affairs Office	R.O.C.	Junxian Zhao	Male	2012.09.01	4,318	0	0	0	0	0	Department of Law, Chinese Culture University	None	None	None	None	None
Assistant Deputy Manager, Auditing Office	R.O.C.	Yiru Chen	Female	2011.10.01	0	0	0	0	0	0	Department of Statistics, Feng Chia University	None	None	None	None	None
Director of Taoyuan Works	R.O.C.	Te-xiu Chen	Male	2019.02.11	56,911	0.01	0	0	0	0	Master's degree in Information, New Jersey Institute of Technology	None	None	None	None	None
Director of Miaoli Works	R.O.C.	Ming-zong Liu	Male	2008.09.01	0	0	0	0	290,000	0.03	Master's in Materials Science and Engineering, National Taiwan University	Director, Taiwan Steel United Inc. Director of Fujian Sino-Japan Metal Corp.	None	None	None	None

Title	Nationality	Name	Gender	Date of taking office	Shareholding		Shares held by spouse and underage children		Shareholding by nominee arrangement		Main experiences (educational background)	Other positions in other companies held currently	Has a spouse or a relative within the second degree of kinship who are the Company's managers			Note
					Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding Percentage (%)			Title	Name	Relationship	
Director of Kaohsiung Works	R.O.C.	Zong-yu Wang	Male	2011.07.01	37	0	0	0	5,000	0	Master's degree in Financial Management, National Sun Yat-sen University	None	None	None	None	None

III. Remuneration paid last year to directors, the president and vice president

(I) Remuneration for directors (including independent directors)

December 31, 2020

Title	Name	Directors' remuneration (NT\$)								Total Remuneration (A+B+C+D) as a % of Net Income		Remuneration received as the Company's employee (NT\$)								Total Remuneration (A+B+C+D+E+F+G) as a (%) of Net Income		Whether or not remuneration from the parent company or investee companies from outside the subsidiaries were received
		Remuneration (A)		Resignation/retirement pension (B)		Director remuneration (C)		Business execution expenses (D)				Salaries, bonuses, and special allowances (E)		Resignation/retirement pension (F)		Employee remuneration (G)						
		This company	All companies in the financial report	This company	All companies in the financial report	This company	All companies in the financial report	This company	All companies in the financial report	This company	All companies in the financial report	This company	All companies in the financial report	This company		All companies in the financial report		This company	All companies in the financial report			
Chairman	Mao Sheng Investment Inc. Representative: Henry C. T. Ho	2,520,000	2,520,000	0	0	13,326,861	13,326,861	45,000	45,000	0.45	0.45	12,101,347	13,733,347	550,225	550,225	995,420	0	995,420	0	0.83	0.88	None
Directors	Mao Sheng Investment Inc. Representative: George Y. S. Ho	360,000	360,000	0	0	13,326,861	13,326,861	45,000	45,000	0.39	0.39	0	0	0	0	0	0	0	0	0.39	0.39	None
Directors	Earle Ho and Sons, Ltd. Representative: Hui-Ming Wu	360,000	360,000	0	0	36,163,591	36,163,591	45,000	45,000	1.03	1.03	0	0	0	0	0	0	0	0	1.03	1.03	None
Directors	Earle Ho and Sons, Ltd. Representative: Joshua P.H. Tung	210,000	210,000	0	0	22,300,881	22,300,881	30,000	30,000	0.63	0.63	4,636,080	4,636,080	238,465	238,465	390,060	0	390,060	0	0.78	0.78	None
Directors	Episil Holding Incorporation Representative: Chih-Ming Huang	360,000	360,000	0	0	2,062,827	2,062,827	45,000	45,000	0.07	0.07	0	0	0	0	0	0	0	0	0.07	0.07	None
Directors	Liang Cheng Investment Co., Ltd. Representative: Pao-He Chen	360,000	360,000	0	0	4,564,147	4,564,147	45,000	45,000	0.14	0.14	0	0	0	0	0	0	0	0	0.14	0.14	None

Directors	Yen-Liang Ho	360,000	360,000	0	0	147,570	147,570	45,000	45,000	0.02	0.02	0	0	0	0	0	0	0	0.02	0.02	None
Directors	Taiwan Zhi Di Co. Ltd. Representative: Chao-He Lin	360,000	360,000	0	0	26,522	26,522	45,000	45,000	0.01	0.01	0	0	0	0	0	0	0	0.01	0.01	None
Independent Directors	I-Chi Liu	1,080,000	1,080,000	0	0	0	0	45,000	45,000	0.03	0.03	0	0	0	0	0	0	0	0.03	0.03	None
Independent Directors	Chuang-Hsi Chang	1,200,000	1,200,000	0	0	0	0	45,000	45,000	0.03	0.03	0	0	0	0	0	0	0	0.03	0.03	None
Independent Directors	Der-Ming Lieu	1,080,000	1,080,000	0	0	0	0	45,000	45,000	0.03	0.03	0	0	0	0	0	0	0	0.03	0.03	None

1. Please describe the policy, system, criteria and structure for the remuneration of independent directors, and the relevance to the amount of remuneration paid based on the responsibilities, risks and time commitment:
- (1) Independent directors receive monthly fixed remuneration and do not participate in the distribution of earnings, and are paid attendance fees on a per-meeting basis based on the actual number of meetings attended.
 - (2) The above fixed remuneration is based on each independent director's participation in and contribution to the Company's operations and the value of their contributions to the Company. It is proposed to the Board of Directors after evaluation and discussion by the Remuneration Committee, taking into account the payout to listed companies in the same industry and related industries.
 - (3) For serving as a member of each functional committee of the Company, the functional committee member shall be paid a fixed monthly remuneration and shall be paid attendance fees in accordance with the actual number of meetings attended.
2. Except as disclosed in the table above, the remuneration received by the directors of the Company for services rendered to all companies listed in the financial statements (e.g. as consultants to non-employees, etc.) in the most recent year: None.

Note: Remuneration paid to the driver assigned to the Chairman in 2020 was NT\$574, 899.

(II) Remuneration Paid to the President and Vice President

December 31, 2020

Title	Name	Compensation (A) (NT\$)		Resignation/retirement pension (B) (NT\$)		Bonuses and Allowances, etc. (C) (NT\$)		Employee remuneration amount (D) (NT\$)				Total Remuneration (A+B+C+D) as a % of Net Income		Whether or not remuneration from the parent company or investee companies from outside the subsidiaries were received
		This company	All companies in the financial report	This company	All companies in the financial report	This company	All companies in the financial report	This company		All companies in the financial report		This company	All companies in the financial report	
								Cash amount	Share value	Cash amount	Share value			
President	Henry C. T. Ho	20,493,581	22,125,581	2,067,646	2,067,646	18,852,454	18,852,454	3,063,800	0	3,063,800	0	1.25	1.29	None
Executive Vice President	Binghua Huang													
Senior Vice General Manager	Fu-jing Chen													
Senior Vice General Manager	Joshua P.H. Tung													

Vice President	Kuanren Gu													
Vice President	Qixie Lin													

Remuneration scale table

Levels of remuneration paid to General Manager and Vice General Manager of the Company	Name of President and Vice President	
	This company	All companies in the financial report
Less than NT\$1,000,000	None	None
NT\$1,000,000 (inclusive)–NT\$2,000,000 (exclusive)	None	None
NT\$2,000,000 (inclusive)–NT\$3,500,000 (exclusive)	None	None
NT\$3,500,000 (inclusive)–NT\$5,000,000 (exclusive)	None	None
NT\$5,000,000 (inclusive)–NT\$10,000,000 (exclusive)	Binghua Huang, Fu-jing Chen, Joshua P.H. Tung, Kuanren Gu, Qixie Lin	Binghua Huang, Fu-jing Chen, Joshua P.H. Tung, Kuanren Gu, Qixie Lin
NT\$10,000,000 (inclusive)–NT\$15,000,000 (exclusive)	Henry C. T. Ho	Henry C. T. Ho
NT\$15,000,000 (inclusive)–NT\$30,000,000 (exclusive)	None	None
NT\$30,000,000 (inclusive)–NT\$50,000,000 (exclusive)	None	None
NT\$50,000,000 (inclusive)–NT\$100,000,000 (exclusive)	None	None
Over NT\$100,000,000	None	None
Total	6 persons	6 persons

(III) Manager's name and the distribution of employee remuneration

December 31, 2020

	Title	Name	Share value (NT\$)	Cash amount (NT\$)	Total (NT\$)	Ratio (%) accounted compared to the total net income
Manager	President	Henry C. T. Ho	0	6,220,480	6,220,480	0.17
	Executive President	Binghua Huang				
	Senior Vice General Manager	Fu-jing Chen				
	Senior Vice General Manager	Joshua P.H. Tung				
	Vice General Manager	Kuanren Gu				
	Vice General Manager	Qixie Lin				
	Plant director	Te-xiu Chen				
	Plant director	Ming-zong Liu				
	Plant director	Zong-yu Wang				
	Assistant manager	Ru-ying Fan				
	Assistant manager	Zhenyuan Chen				
	Assistant manager	Hou-sheng Jian				
	Assistant manager	Zhengbin Qiu				
	Assistant manager	Xu Yizhi				
	Assistant manager	Ruyu He				
Assistant manager	Zhe-chong Lin					

(IV) Comparison of remuneration paid by the Company and all the consolidated entities in the last two years to the Company's directors, president and vice president as a percentage to the net income of individual financial statement. Explanation on remuneration policies, standards and combination of the procedures in determining remuneration, and association with business performance and future risks.

1. Remuneration paid by the Company and all the consolidated entities to the Company's directors, president and vice president as a percentage to the income of the individual financial statement.

Remuneration of the Company's directors, president and vice president as a percentage to the net income (%) of the individual financial statement.	2019		2020	
	This company	All companies in the financial report	This company	All companies in the financial report
	5.83	5.93	4.07	4.12

2. The policy, criteria and composition of remuneration payments, the procedures for determining remuneration, and the correlation with operating performance and future risks
 - (1)(Professional) Manager remuneration
 - a.The (Professional) manager's remuneration is determined based on the overall market position of the company, the results of salary surveys in related industries, and the achievement of the manager's goals, contributions, and other correlated considerations.
 - b.The (Professional) manager's remuneration includes a fixed salary, supervisor's bonus, fuel subsidy, work bonus (or sales bonus), various allowances, bonuses, year-end bonus, and employee remuneration.
 - c.The (Professional) manager's remuneration is determined in accordance with the Company's relevant rules and regulations, and the Remuneration Committee periodically evaluates the reasonableness of the remuneration.
 - (2)Directors' remuneration:
 - a.In accordance with the Company's Articles of Incorporation, up to 2% of the Company's profit for the year may be allocated as remuneration to the Company's directors for the year, and the amount shall be allocated based on the results of the performance evaluation of each director for the year.
 - b.In accordance with Article 22-1 of the Company's Articles of Incorporation, the Remuneration Committee shall recommend a fixed monthly remuneration with reference to the standards of relevant industries and listed companies, and the responsibilities assumed by the directors, and shall submit it to the Board of Directors for approval.
 - c.In addition to the fixed monthly remuneration, the directors shall receive a monthly attendance fee based on the actual number of meetings attended.
 - d.If concurrently serving as a member of the various functional committees of the Company, the director shall be paid a fixed monthly remuneration and attendance fees in accordance with the actual number of meetings attended.
 - (3)Independent directors' remuneration:
 - a.Independent directors receive monthly fixed remuneration and do not participate in the distribution of earnings, and are paid attendance fees on a per-meeting basis based on the actual number of meetings attended.
 - b.The above fixed remuneration is based on each independent director's participation in and contribution to the Company's operations and the value of their contributions to the Company. It is proposed to the Board of Directors after evaluation and discussion by the Remuneration Committee, taking into account the payout to listed companies in the same industry and related industries.
 - c.For serving as a member of each functional committee of the Company, the functional committee member shall be paid a fixed monthly remuneration and shall be paid attendance fees in accordance with the actual number of meetings attended.

IV. Corporate Governance Practices

(I)1.Board of Directors Operation Status

In the last year, board meetings were held 9 (A) times. The attendance status is as follows:

Title	Name	Number of actual attendee (participant) (B)	Attendance by proxy	Actual attendance (participation) rate (%) [B/A]	Note
Chairman	Mao Sheng Investment Inc. Representative: Henry C. T. Ho	9	0	100	Re-appointed on May 19, 2020
Vice Chairman	Mao Sheng Investment Inc. Representative: George Y. S. Ho	6	0	100	Appointed on May 19, 2020
Directors	Mao Sheng Investment Inc. Representative: George Y. S. Ho	3	0	100	Period in office ended on May 19, 2020
Directors	Earle Ho and Sons, Ltd. Representative: Hui-Ming Wu	9	0	100	Re-appointed on May 19, 2020
Directors	Earle Ho and Sons, Ltd. Representative: Joshua P.H. Tung	6	0	100	Appointed on May 19, 2020
Directors	Episil Holding Incorporation Representative: Chih-Ming Huang	9	0	100	Re-appointed on May 19, 2020
Directors	Liang Cheng Investment Co., Ltd. Representative: Pao-He Chen	9	0	100	Re-appointed on May 19, 2020
Directors	Taiwan Zhi Di Co. Ltd. Representative: Chao-He Lin	9	0	100	Re-appointed on May 19, 2020
Directors	Yen-Liang Ho	9	0	100	Re-appointed on May 19, 2020
Independent Directors	I-Chi Liu	9	0	100	Re-appointed on May 19, 2020
Independent Directors	Chuang-Hsi Chang	9	0	100	Re-appointed on May 19, 2020
Independent Directors	Der-Ming Lieu	9	0	100	Re-appointed on May 19, 2020

Other matters that should be recorded:

I. The operation of the board of directors' meeting shall state the date and period of the board meeting, the content of the motion, the opinions of all independent directors and the Company's handling of the opinions of the independent directors if any of the following circumstances apply:

(I) Matters listed in Article 14-3 of the Securities and Exchange Act: The Company has established an audit committee, which is not applicable.

(II) In addition to the above items mentioned, other matters resolved by the Board of Directors with the objection or reservation of the independent directors that are recorded or stated in writing: None.

II. The directors' avoidance of interest motion should indicate the names of the directors, content of the motion and reasons of avoidance of interest as well as the involvement in voting.

Date and Time	Content of motion	Reason for recusal of conflicts of interest	Voting participation
2020.06.03 2nd meeting of the 24th board	Appointment of the members of the 4th Remuneration Committee of the Company.	The independent directors of the Company, Chuang-Hsi Chang and I-Chi Liu, are nominated in this case.	Except for the above mentioned directors who were recused due to their interest involvement, all other directors passed the motion without objection.
2020.06.03 2nd meeting of the 24th board	Appointment of the members of the 2nd Corporate Governance Committee of the Company.	The Chairman of the Board, Henry C. T. Ho, the Independent Director, Chuang-Hsi Chang, and the Independent Director, Der-Ming Lieu, are nominees, and the Vice Chairman, George Y. S. Ho, is a relative of the Chairman, Henry C. T. Ho.	The case was discussed and voted on by I-Chi Liu, the acting chairman of the independent directors; except for the above-mentioned directors who were recused due to their interest involvement, the rest of the directors passed the case without objection.
2020.06.03 2nd meeting of the 24th board	Mr. Hou Jincheng was appointed as a consultant of the Company.	The director, Yen-Liang Ho, in this case is a first degree relative of one of the appointees.	Except for the above mentioned directors who were recused due to their interest involvement, all other directors passed the motion without objection.
2020.06.22 3rd meeting of the 24th board	Contribution to the activities and expenses of the Tung Ho Steel Cultural Foundation.	The Chairman of the Board, Henry C. T. Ho, is a director of the Foundation and the Vice Chairman, George Y. S. Ho, is a second degree relative of the Chairman, Henry C. T. Ho.	The case was discussed and voted on by I-Chi Liu, the acting chairman of the independent directors; except for the above-mentioned directors who were recused due to their interest involvement, the rest of the directors passed the case without objection.
2020.06.22 3rd meeting of the 24th board	Proposed remuneration for the Chairman and Vice Chairman of the Board of Directors.	Chairman Henry C. T. Ho and Vice Chairman George Y. S. Ho are the parties to this motion.	The case was discussed and voted on by I-Chi Liu, the acting chairman of the independent directors; except for the

			above-mentioned directors who were recused due to their interest involvement, the rest of the directors passed the case without objection.
2020.06.22 3rd meeting of the 24th board	It is proposed that the remuneration of the corporate representative director of the Company be established.	Directors Hui-Ming Wu, Joshua P.H. Tung, Chih-Ming Huang, Pao-He Chen and Chao-He Lin are the parties to the motion.	Except for the above mentioned directors who were recused due to their interest involvement, all other directors passed the motion without objection.
2020.06.22 3rd meeting of the 24th board	Proposed remuneration for Director Yen-Liang Ho.	Director Yen-Liang Ho is a party to this motion.	Except for the above mentioned directors who were recused due to their interest involvement, all other directors passed the motion without objection.
2020.06.22 3rd meeting of the 24th board	Proposed remuneration for independent directors.	The independent directors of the Company, Chuang-Hsi Chang, I-Chi Liu, and Der-Ming Lieu are parties to this motion.	Except for the above mentioned directors who were recused due to their interest involvement, all other directors passed the motion without objection.
2020.06.22 3rd meeting of the 24th board	Proposed remuneration for functional committee members.	The Chairman of the Board, Henry C. T. Ho, the Independent Director, Chuang-Hsi Chang, and the Independent Director, Der-Ming Lieu, are functional committee members, and the Vice Chairman, George Y. S. Ho, is a second degree relative of the Chairman, Henry C. T. Ho.	The case was discussed and voted on by Chih-Ming Huang, the acting chairman of the board; except for the above-mentioned directors who were recused due to their interest involvement, the rest of the directors passed the case without objection.
2020.06.22 3rd meeting of the 24th board	The Company intends to sign a technical service contract and assign a manager to Dong Youn Xin Industrial Corporation.	The chairman of the board of directors, Henry C. T. Ho, and the director, Chih-Ming Huang, are the directors and supervisors of Dong Youn Xin Industrial Corporation, and the vice chairman, George Y. S. Ho, is a second degree relative of the chairman, Henry C. T. Ho.	The case was discussed and voted on by Chuang-Hsi Chang, the independent director and acting chairman of the board; except for the above-mentioned directors who were recused due to their interest involvement, the rest of the directors passed the case without objection.
2020.11.12 5th meeting of	Appointment of Senior vice general manager	Director Joshua P.H. Tung is a party to this	Except for the above mentioned directors who were recused due to their

the 24th board	of the Company.	motion.	interest involvement, all other directors passed the motion without objection.
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III. Listed companies should disclose information on the periodicity and duration, scope, method and content of the evaluation of the self (or peer) evaluation by the board of directors, and fill out Exhibit 2(2) on the implementation of the board evaluation.

IV. Programs this year and in the recent year in strengthening the functionality of the Board (for example, set up an auditing committee, improve transparency, etc.) and execution evaluation:

(I) The Company's important rules and regulations and corporate governance-related regulations are disclosed on the Company's website or on the Market Observation Post System in accordance with regulations.

(II) To enhance the professional knowledge of directors and to implement corporate governance, in FY2020, in addition to arranging relevant education courses according to the needs of individual directors, two further education courses for directors are planned, namely, "Corporate Risks and Crises in the Face of the Digital Wave" and "Management Rights Competition and Case Analysis". The information on the directors' training is disclosed on the Company's website and the Market Observation Post System.

(III) The Company has taken out the "Directors' and Supervisors' and Key Employees' Liability Insurance" to mitigate the risk of directors' legal liability and enhance corporate governance. The Company has submitted the report of the 24th session (5th meeting) Board of Directors' Meeting on November 12, 2020.

V. Succession planning for board members and key management personnel:

The company must, in accordance to its own development direction and goals, plan for a successor who possess not only professional ability, but also the personality traits of honesty and integrity and one who holds values that are consistent with the company.

(I) Succession planning for Board of Directors

The Company currently has 11 directors (including 3 independent directors), all of whom possess business, financial accounting or corporate business skills. The future composition of the Company's Board of Directors and the background of its members will continue to adopt this framework.

With regard to the succession planning of the board of directors, we maintain periodic good communication with the existing corporate shareholders and discuss the succession planning with them. With regard to independent directors, they are required by law to have working experience in the fields of business, law, finance, accounting or corporate business. Therefore, they will be selected by professionals in domestic academic and industrial fields.

(II) Management succession plan

The company regularly reviews and selects the potential list of candidates for each level, establishes a talent pool, and conducts training programs. The content of the talent development program includes professional ability, management ability, individual development program (IDP) and job rotations:

1. Develop the ability to make decisions and evaluations through the mechanism of work practice reports and participation in important meetings on goals and management. Provide guidance and feedback for individuals throughout the process via regular performance evaluations by supervisors.

2. Cultivate diversified working abilities and nurture broadened horizons, and provide practical experience through cross-functional or cross-departmental (factory) job rotation, project planning and execution, part-time duties, work agency or assignment to investee companies, etc.

3. Participate in internal and external related training to develop decision making and judgment ability according to annual individual development needs.

4. Establish a comprehensive training record and regularly review the talent development plan in

order to implement adjustments according to the organization's operational needs.

5. Encourage middle and senior level talents to unleash their creativity and to initiate further study, research or alternative training and internship programs. The company will provide resource support or adjust the content of their duties, so as to facilitate the diversity and resilience of the company's overall human resources.

2. Board of Directors' Evaluation of Implementation Status

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content
Performed once a year	To evaluate the performance of the board of directors from January 1, 2020 to December 31, 2020.	This includes performance evaluation of the board of directors, individual board members, and functional committees (Remuneration Committee, Audit Committee, and Corporate Governance Committee).	Conducted via self-evaluation The evaluation results are sent to the Remuneration Committee for review on March 19, 2021, and the review results will be submitted to the 24th session (8th meeting) board of directors' meeting report on March 23, 2021, as the basis for review and improvement.	(I)The "Self-Evaluation Questionnaire for board members" is filled out by all board members, and the evaluation aspects include: There are 28 items in 6 categories: mastery of corporate goals and tasks, awareness of directors' responsibilities, participation in corporate operations, internal relations and communication, professionalism and continuing education of directors, as well as internal control. (II)The "Functional Committee Performance Appraisal Self-Evaluation Questionnaire" is evaluated by the convenor of each functional committee. Evaluation aspects include: There are five major aspects: participation in the company's operation, awareness of functional committee responsibilities, improvement of the quality of functional committee decisions, composition and selection of functional committee members, and internal control. (III)The "Board of Directors' Performance Self-Evaluation Questionnaire" is evaluated by the Head of Corporate Governance for. Evaluation aspects include: There are 45 items in 5 major categories: participation in company operations, improving the quality of board decisions, board composition and structure, selection and continuing education of directors, and internal control.

(II) Audit Committee Operation Status

In the last year, audit committee meetings were held 8 (A) times. The attendance status of independent directors is as follows:

Title	Name	Actual attendance number (B)	Attendance by proxy	Actual attendance rate (%) [B/A]	Note
Independent Directors	I-Chi Liu	8	0	100.00	Re-appointed on May 19, 2020
Independent Directors	Chuang-Hsi Chang	8	0	100.00	Re-appointed on May 19, 2020
Independent Directors	Der-Ming Lieu	8	0	100.00	Re-appointed on May 19, 2020

Other matters that should be recorded:

I. The operation of the board of directors' meeting shall state the date and period of the board meeting, the content of the motion, the audit committee review results and the Company's handling of the audit committee's opinions if any of the following circumstances apply:

(I) Matters listed in Article 14-5 of the Securities and Exchange Act:

Date and Time	Content of motion	Audit committee review results	The Company's handling of the audit committee review opinions
2020.02.27 1st session (20th meeting)	1. 2019 Ratified business report and financial report	All members present agreed to approve the proposal and submit it to the board of directors for resolution. The independent directors have no objection.	The resolution of the board of directors was approved as written.
	2. Surplus allocation table for 2019		
	3. Issuance of the "Statement of Internal Control" for the year 2019		
	4. Endorsement and guarantee of credit facilities to subsidiaries		
2020.05.12 1st session (22nd meeting)	1. Passed the company's Quarter 1 consolidated financial reports for 2020.	All members present agreed to approve the proposal and submit it to the board of directors for resolution. The independent directors have no objection.	The resolution of the board of directors was approved as written.
	2. Endorsement and guarantee of credit facilities to subsidiaries		
2020.06.22 2nd session (1st meeting)	1. Contribution to the activities and expenses of the Tung Ho Steel Cultural Foundation	All members present agreed to approve the proposal and submit it to the board of directors	The resolution of the board of directors was approved as written.
	2. Endorsement and guarantee of credit facilities to		

	subsidiaries	for resolution. The independent directors have no objection.	
2020.08.13 2nd session (2nd meeting)	1.Passed the company's Quarter 2 consolidated financial reports for 2020	All members present agreed to approve the proposal and submit it to the board of directors for resolution. The independent directors have no objection.	The resolution of the board of directors was approved as written.
	2.Endorsement and guarantee of credit facilities to subsidiaries		
2020.11.12 2nd session (3rd meeting)	1.Passed the company's Quarter 3 consolidated financial reports for 2020	All members present agreed to approve the proposal and submit it to the board of directors for resolution. The independent directors have no objection.	The resolution of the board of directors was approved as written.
	2.Accountant public expenses review proposal for 2020		
	3.Proposal on the 7th issuance of domestic unsecured convertible bonds		
	4.Contracting for the construction of additional plants at Taichung Harbor Logistic Office		
	5.Appointment of the Company's accounting supervisor		
6.Endorsement and guarantee of credit facilities to subsidiaries			
2020.12.22 2nd session (4th meeting)	1.Amendments to the Internal Control System and Guidelines for the Implementation of Internal Audits.	All members present agreed to approve the proposal and submit it to the board of directors for resolution. The independent directors have no objection.	The resolution of the board of directors was approved as written.
	2.Endorsement and guarantee of credit facilities to subsidiaries		

(II) In addition to the above mentioned items, other resolutions not approved by the Audit Committee but approved by two-thirds or more of the Company's directors: None.

II. The independent directors' avoidance of interest motion should indicate the names of the independent directors, content of the motion and reasons of avoidance of interest as well as the involvement in voting: None.

III. Independent directors' communication with internal auditors and accountants (for example, methods and results of communication over the Company's financial and business status, etc.):

(I) Communication status between independent directors and accountants:

Prior to the annual review of the financial statements, the independent directors and the certified public accountants will discuss and communicate the scope and manner of the review, and the key audit issues.

The certified public accountant communicates with the independent directors at the audit committee meetings on a quarterly basis regarding the review results or financial statement audits of the Company and its subsidiaries, and has reached consensus on relevant matters through adequate and excellent communication.

The accountant will explain and communicate with the independent directors on an irregular basis regarding the update of relevant regulations and whether the amendment of laws and regulations affects the way of accounting.

Summary of communication for FY 2020:

Date	Communication content	Handling and implementation results
2020.01.06 Audit Committee	Pre-audit discussion and communication regarding the scope of audit, audit approach, and key audit issues for the 2019 financial report.	No inconsistency of opinion.
2020.02.27 Audit Committee	To communicate and discuss the results of the 2019 individual and consolidated financial report audit.	No inconsistency of opinion.
2020.05.12 Audit Committee	To communicate and discuss the results of the 2020 Quarter 1 individual and consolidated financial report audit.	No inconsistency of opinion.
2020.08.13 Audit Committee	To communicate and discuss the results of the 2020 Quarter 2 individual and consolidated financial report audit.	No inconsistency of opinion.
2020.11.12 Audit Committee	To communicate and discuss the results of the 2020 Quarter 3 individual and consolidated financial report audit.	No inconsistency of opinion.

(II) Communication between independent directors and internal auditors:

The Company's head of internal audit sends monthly audit reports and tracking report related information to the independent directors for review, who will provide guidance to the internal audit unit through this communication mechanism.

The head of internal audit attends and presents business reports at the board of directors and audit committee meetings.

Summary of communication for FY 2020:

Date	Communication content	Handling and implementation results
2020.02.27 Audit Committee	Audit of business execution and missing items tracking improvement report on January 2020, as well as communication and discussion on related issues.	No inconsistency in opinions, submission to the board of directors.
2020.03.31 Audit Committee	1. Audit of business execution and missing items tracking improvement report on February 2020, as well as communication and discussion on related issues.	No inconsistency in opinions, submission to the board of directors.
	2. In response to the impact of the novel coronavirus epidemic, the audit office proposed an amendment to	No inconsistency in opinions, submission

	the "2020 Audit Plan" to adjust the audit schedule for overseas subsidiaries; committee members suggested that follow-up audits should still be conducted regularly for overseas subsidiaries.	to the board of directors.
2020.05.12 Audit Committee	Audit of business execution and missing items tracking improvement report for March - April 2020, as well as communication and discussion on related issues.	No inconsistency in opinions, submission to the board of directors.
2020.06.22 Audit Committee	1.Audit of business execution and missing items tracking improvement report for May 2020, as well as communication and discussion on related issues.	No inconsistency in opinions, submission to the board of directors.
	2.In response to the impact of the novel coronavirus epidemic, the audit office proposed an amendment to the "2020 Audit Plan" to adjust the audit plan and method for overseas subsidiaries.	Proposal to conduct a remote audit and submit it to the board of directors; the resolution was approved by the board of directors as written.
2020.08.13 Audit Committee	Audit of business execution and missing items tracking improvement report for June - July 2020, as well as communication and discussion on related issues.	No inconsistency in opinions, submission to the board of directors.
2020.11.12 Audit Committee	1.Audit of business execution and missing items tracking improvement report for August - October 2020, as well as communication and discussion on related issues.	No inconsistency in opinions, submission to the board of directors.
	2.The audit office submitted the "Audit Plan for 2021".	No inconsistency in opinions, submission to the board of directors.
2020.12.22 Audit Committee	1.Audit of business execution and missing items tracking improvement report for November 2020, as well as communication and discussion on related issues.	No inconsistency in opinions, submission to the board of directors.
	2.Amendments to the "Internal Control System" and "Guidelines for the Implementation of Internal Audits" by the audit office.	No inconsistency in opinions, submission to the board of directors.

IV.Audit Committee 2020 Work Agenda:

- 1.Review the appropriateness of the annual financial report and quarterly reports.
- 2.Review the business report and the distribution of earnings.
- 3.Review the independence and suitability of the accountant and the accountant's fee.
- 4.Review the appointment of the Company's accounting supervisor
- 5.Review the operating procedures related to the internal control system.
- 6.Review the annual audit plan.
- 7.Assessment of the effectiveness of the internal control system.
- 8.Review major asset transactions and major investment cases.
- 9.Review of derivative transactions, major capital loans, and provision of endorsements and guarantees.

(III) Differences and Reasoning for the Status of Corporate Governance and Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies

Assessed areas	Operations		Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
I. Does the company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The "Corporate Governance Best Practice Principles" was approved by the 23rd session (12th meeting) Board of Directors' Meeting on March 26, 2019 and is posted on the Company's website. Please refer to the Company's website/Investor Services/Corporate Governance/Important Regulations of the Company (https://www.tunghosteel.com/investors/norm).	No difference.
II. Company Stock Equity Structure and Shareholders' Rights (I) Did the company establish internal procedures	✓		(I) The Company has a spokesperson and an acting spokesperson to explain and disseminate important information to the public, and to handle and reply to investors' suggestions. The Company has a dedicated contact window for various external stakeholders, which is posted on the Company's website to receive notifications, suggestions, complaints and reports on the Company, and assigns dedicated personnel to handle and reply to such feedback.	No difference.

Assessed areas	Operations			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>for addressing shareholder suggestions, doubts, disputes, and litigation matters and implement the procedures accordingly?</p> <p>(II)Does the company have in possession the list of major shareholders that have actual control over the company as well as the list of major shareholders with final control?</p> <p>(III)Did the</p>			<p>(II)The Company's share operations are handled by a professional share agent, and a person is responsible for the reporting of changes in shareholdings of internal and major shareholders.</p> <p>(III)Guarantee endorsement and financing for affiliated enterprises are subjected to strict internal regulations. The</p>	

Assessed areas	Operations			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>company establish and execute risk control mechanism for affiliates, and firewall methods?</p> <p>(IV)Did the company establish internal regulations stipulating that employees shall not use undisclosed information to engage in the transaction of marketable securities?</p>			<p>"Regulations Governing Related-Party Transactions" have been established to improve the financial transactions between the Company and its related companies and to prevent non-conventional transactions or improper transfer of benefits.</p> <p>(IV)The company has a "Code of Ethics for Directors, Supervisors and Managers" to prohibit employees from using undisclosed information to engage in the transaction of marketable securities, and also regularly promotes awareness on insider trading related laws.</p>	
III.Board compositions and	✓			No difference.

Assessed areas	Operations			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
responsibilities (I)Did the board establish diverse goals based on its member compositions and realize such goals?			<p>(I)Specific management objectives and achievements of the board's diversity policy:</p> <p>1.Board of directors' composition diversity policy:</p> <p>(1)In accordance with Chapter 3, Article 22 of the "Corporate Governance Best Practice Principles", the Company shall strengthen the functions and regulations of the Board of Directors, and shall consider diversity in the composition of the Board of Directors and formulate appropriate diversity guidelines for its operations, business model and development needs, including but not limited to the following two major criteria:</p> <p>a.Basic qualifications and value: Gender, age, nationality and culture.</p> <p>b.Professional knowledge and skills: Professional background (e.g. legal, accounting, industry, finance, marketing, or technology), professional skills and industry experience, etc.</p> <p>(2)Each board member shall have the necessary knowledge, skill, and ability. To achieve the desired objectives of corporate governance, the board as a whole must have abilities that include: Operational judgment, accounting and financial analysis, operational management, crisis management, industry knowledge, international market perspective, leadership, decision-making, and sustainability management.</p> <p>2.Board of Directors Diversity Specific Management Objectives:</p> <p>The Board of Directors shall direct the Company's strategies, supervise management, and be responsible to the Company and its shareholders. The operations and arrangements of the Company's corporate governance system shall ensure that the Board of Directors exercise its authority in accordance with the provisions of the Act, the Articles of Incorporation, or the resolution of the shareholders' meeting. Specific management objectives are as follows:</p> <p>(1)The Company's board of directors also places emphasis on gender equality and should include at least one female director.</p> <p>(2)The Company's board of directors places emphasis on operational judgment, management and crisis management capabilities. At least 2/3 of the members of the Board of Directors should be competent in the relevant core items.</p> <p>(3)Independent directors may not serve more than three consecutive terms in order to stay independent.</p> <p>(4)The number of directors who are employees of the Company, its parent, subsidiary or sister company shall be less than (including) 1/3 of the total number of directors for the purpose of supervision.</p> <p>3.Progress in Diversity Goals for Board Members:</p> <p>The Company's board members possess the knowledge, skills, and education necessary for business execution, as</p>	

Assessed areas	Operations		Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons																												
	Yes	No																														
			<p>well as the ability for management and decision-making. The Company continues to arrange a variety of continuing education programs for its board members in order to enhance the quality of their decision-making and supervisory responsibilities, and to further strengthen the functions of the board of directors.</p> <p>The 24th board of directors of the company has 11 members, including 3 independent directors, to ensure the independeny nature of the board of directors. There are 2 concurrent employees, accounting for 18.18% of the board. The Company expects to add one female director in the future to achieve the goal of gender equality.</p> <p>The members of the Board of Directors are highly qualified in management, possess relevant professional backgrounds and the necessary professional knowledge, skills and education to perform their duties; at least 1/3 of the members possess the relevant business execution capabilities for each of the 9 core items, and more than 80% of the members possess core capabilities for each of the 3 keys items including operational judgment, management and crisis management.</p> <p>The Company also resolved at the 8th meeting of the 24th session of the Board of Directors on March 23, 2021 to change the name of the Corporate Governance Committee to "Corporate Governance and Nomination Committee" in order to strengthen the mechanism for the appointment of directors (independent directors) and to establish a diverse and professional board of directors.</p> <div style="display: flex; justify-content: space-around;"> <div data-bbox="450 963 1050 1362" data-label="Figure"> <table border="1"> <caption>Achievement rate</caption> <thead> <tr> <th>Category</th> <th>Achievement Rate</th> </tr> </thead> <tbody> <tr> <td>Sustainable management ability</td> <td>100.00%</td> </tr> <tr> <td>Decision-making</td> <td>100.00%</td> </tr> <tr> <td>Leadership</td> <td>90.91%</td> </tr> <tr> <td>International market perspective</td> <td>72.73%</td> </tr> <tr> <td>Knowledge of the Industry</td> <td>45.45%</td> </tr> <tr> <td>Crisis management</td> <td>81.82%</td> </tr> <tr> <td>Business management</td> <td>90.91%</td> </tr> <tr> <td>Accounting and financial analysis</td> <td>81.82%</td> </tr> <tr> <td>Business judgments</td> <td>100.00%</td> </tr> </tbody> </table> </div> <div data-bbox="1084 963 1429 1362" data-label="Figure"> <table border="1"> <caption>AGE OF DIRECTORS</caption> <thead> <tr> <th>Age Group</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Above 70 years of age</td> <td>27%</td> </tr> <tr> <td>Below 60 years of age</td> <td>37%</td> </tr> <tr> <td>60-70 years of age</td> <td>36%</td> </tr> </tbody> </table> </div> </div>	Category	Achievement Rate	Sustainable management ability	100.00%	Decision-making	100.00%	Leadership	90.91%	International market perspective	72.73%	Knowledge of the Industry	45.45%	Crisis management	81.82%	Business management	90.91%	Accounting and financial analysis	81.82%	Business judgments	100.00%	Age Group	Percentage	Above 70 years of age	27%	Below 60 years of age	37%	60-70 years of age	36%	
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	Yes	No	Summary																
			Whether or not he/she is also an employee of the Company	Age of director			Independent director's office term			Core item									
				Below 60 years of age	60-70 years of age	Above 70 years of age	1st session	2nd session	3rd session	Ability to make sound business judgments	Accounting and financial analysis ability	Operational management ability	Crisis management ability	Industry knowledge	An understanding of international markets	Leadership ability	Decision-making ability	Sustainable management ability	
			Henry C. T. Ho	R.O.C.	Male	✓	✓					✓	✓	✓	✓	✓	✓	✓	
			George Y. S. Ho	R.O.C.	Male		✓					✓				✓	✓	✓	
			Hui-Ming Wu	R.O.C.	Male			✓				✓	✓	✓	✓	✓	✓	✓	
			Joshua P.H. Tung	R.O.C.	Male	✓		✓				✓	✓	✓	✓	✓	✓	✓	
			Chih-Ming Huang	R.O.C.	Male			✓				✓	✓	✓	✓	✓	✓	✓	
			Pao-He Chen	R.O.C.	Male			✓				✓	✓	✓	✓		✓	✓	
			Yen-Liang Ho	R.O.C.	Male		✓					✓	✓	✓	✓		✓	✓	
			Chao-He Lin	R.O.C.	Male			✓				✓	✓	✓	✓	✓	✓	✓	
			I-Chi Liu	R.O.C.	Male			✓			✓	✓	✓	✓	✓		✓	✓	
			Chuang-Hsi Chang	R.O.C.	Male		✓				✓	✓		✓		✓	✓	✓	
			Der-Ming Lieu	R.O.C.	Male			✓			✓	✓	✓				✓	✓	
4.The board of directors diversity policy is disclosed on the Company's website, please refer to the Company's website/Investor Services/Corporate Governance/Board of Directors/Board of Directors Diversity Policy for																			

Assessed areas	Operations			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>(II) Does the company voluntarily establish other functional committees in addition to compensation committee and audit committee?</p> <p>(III) Does the Company have a set of board of directors performance evaluation guidelines and its evaluation</p>			<p>specific management objectives and progress (https://www.tunghosteel.com/investors/member).</p> <p>(II) The Company also has a corporate governance committee, in addition to the remuneration committee and audit committee. It was resolved to amend the articles of incorporation at the 24th session (8th meeting) Board of Directors on March 23, 2021, to change the name of the corporate governance committee to "Corporate Governance and Nomination Committee".</p> <p>(III) In 2017, the Company adopted the "Board of Directors' Performance Evaluation Guidelines", which stipulates that the internal performance evaluation of the Board of Directors shall be conducted once a year, and that the evaluation may be conducted by an external professional and independent organization or a team of external experts and scholars as necessary; the evaluation shall be disclosed on the Company's website, annual report and the Market Observation Post System in accordance with regulations.</p> <p>The performance evaluation results of the board of directors for the year 2020, the performance evaluation results of the board members, functional committees and the board of directors as a whole are above the evaluation standards, indicating that the overall operation status is good.</p> <p>The performance evaluation report of the board of directors will be submitted at the board of directors' meeting on March 23, 2021, for review and improvement and as a reference for reappointment nomination after being reviewed at the 4th session (3rd meeting) remuneration committee on March 19, 2021; the relevant evaluation contents, evaluation methods, implementation status and evaluation results will be disclosed on the Company's website (please refer to the Company's website/Investor Services/Corporate Governance/Board of Directors/Board of Directors Performance Evaluation Report for 2020 (https://www.tunghosteel.com/investors/member)), the Annual Report (the implementation status of the relevant board evaluation for 2020 is also listed in schedule 2 of</p>	

Assessed areas	Operations			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>method, conduct performance evaluation annually and regularly, and report the results of performance evaluation to the board of directors to serve as reference of individual director's remuneration and nomination for reappointment?</p> <p>(IV)Does the company evaluate</p>			<p>the annual report on the board of directors' operations), and will be presented to shareholders at the 2021 Annual General Meeting.</p> <p>The Board of Directors previously resolved at the 18th meeting of the 23rd session on December 31, 2019 to approve the method of calculating the remuneration of directors, taking into account the results of the performance evaluation of directors.</p> <p>(IV)In accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies", the Company evaluates the independence and suitability of the appointed accountants once a year:</p> <ol style="list-style-type: none"> 1.The certified accountant reports to the audit committee on a quarterly basis on the content of the performance review/check and independence compliance. 2.A letter of independence is issued by the certified accountant. 3.The accounting department conducted a preliminary assessment of the independence and suitability of the 	

Assessed areas	Operations			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
the independence of CPAs on a regular basis?			certified public accountants for the year 2020 by taking reference from the assessed items set forth in the R.O.C. Professional Ethics Guidelines No. 10, "Integrity, Impartiality, Objectivity and Independence", and Article 47 of the Certified Public Accountant Act. The evaluation report was submitted to the 2nd session (6th meeting) of the Audit Committee for discussion and then proposed to the 24th session (8th meeting) Board of Directors Meeting on March 23, 2021 for approval.	
IV.Does the listed company have a suitable and appropriate number of corporate governance personnel and does the company designate a corporate governance officer to be responsible for corporate governance related matters (including but not limited to providing	✓		<p>The Company has allocated a suitable and appropriate number of corporate governance personnel and approved the appointment of Ms. Ruyu He as the Head of Corporate Governance at the 23rd session (12th meeting) of the Board of Directors on March 26, 2019, as the top executive responsible for corporate governance related matters.</p> <p>Please refer to the Company's website/Investor Services/Corporate Governance/Board Operations/Corporate Governance Officer (https://www.tunghosteel.com/investors/resolution) for the annual highlights of corporate governance-related business and the training of the corporate governance officer.</p>	No difference.

Assessed areas	Operations			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
information necessary for directors and supervisors to perform their operational duties, assisting directors and supervisors to comply with laws and regulations, conducting board and shareholders' meeting related matters in accordance with the law, and preparing minutes of board and shareholders' meetings, etc.)?				

Assessed areas	Operations			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
V.Does the company establish communication channels (including but not limited to shareholders, employees, customers and suppliers, etc.) and build a designated section on its website for stakeholders, and properly respond to corporate social responsibility issues of concern to the stakeholders?	✓		<p>Tung Ho Steel values the rights and opinions of its stakeholders, establishes an open and direct communication channel with them, and publishes an annual CSR report. In addition to providing information on the management of Tung Ho Steel's corporate social responsibility, Tung Ho Steel also provides information on issues that are of concern to its stakeholders in order to continuously review and improve the performance of its corporate social responsibility.</p> <p>(I)Shareholder communication channel:</p> <ol style="list-style-type: none"> 1.The shareholders' meeting is held in the second quarter of each year and motions are voted on a case-by-case basis. Shareholders can exercise their voting rights through electronic means and fully participate in the voting process. 2.The annual report of the shareholders' meeting is issued annually for investors. 3.Hold corporate meetings on an irregular basis. Held two corporate meetings in 2020. 4.The shareholders' area of the Company's website (https://www.tunghosteel.com/shareowner/shareholders) discloses information related to shareholders' meetings, announces revenue and significant information, the contact window for the Company's spokesperson, proxy spokesperson, as well as stock transfer agent and stock transfer agent. Shareholders can respond by phone or email. <p>(II)Community: Participate in local activities from time to time to listen to the opinions of the residents; designate a person responsible for handling the suggestions or reactions of the residents, and keep in touch with them at all times to ensure adequate communication and to establish good relations.</p> <p>(III)Customers: Hold monthly dealer meetings and conduct regular customer satisfaction surveys. Our sales staff visit customers from time to time to gain an in-depth understanding of customer needs and obtain customer feedback.</p> <p>(IV)Employees: Employees may file complaints and reports in writing, by e-mail, verbally or by telephone to the unit supervisor or to the management of each plant. If the Company receives complaints or reports via designated units or personnel, the Company will make a report and notify the independent directors in writing if significant violations are found or if there is a risk of significant harm to the Company; if any violations by directors or managers are substantiated after investigation, the Company will immediately disclose the relevant information on the Market Observation Post System. The Company shall endeavor to protect the identity and safety of the whistleblower against retaliation and any form of threats. An employee can also fully express his/her opinions through the Company's labor union or regular labor meetings.</p>	No difference.

Assessed areas	Operations			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>(V)A stakeholder area has been set up on the Company's website (Company Website/Corporate Social Responsibility/Sustainability Management/Stakeholders, https://www.tunghosteel.com/CSR/mp_investment.html), providing a contact window for each stakeholder and a complaint mailbox at:</p> <p>1.Tungho mailbox tungho@tunghosteel.com</p> <p>2.External stakeholder contact window Customers: Weng Ruihong (02)2551-1100 ext.538 rhwend@tunghosteel.com Shareholder and media: Shumei Kuo (02)2551-1100 ext.568 ksm@tunghosteel.com Suppliers: Pam Mingchong(02)2551-1100 ext.604 pcm@tunghosteel.com</p> <p>3.Internal stakeholder contact window *Tungho mailbox: tungho@tunghosteel.com *Independent directors' feedback mailbox I-Chi Liu 617ycliu@gmail.com Chuang-Hsi Chang drachang@livemail.tw Der-Ming Lieu dmlieu@hotmail.com</p>	
VI.Does the company designate a professional shareholder service agency to deal with shareholder affairs?	✓		<p>The Company's shareholders' meeting will be handled by Yuanta Securities Co., Ltd's stock agent department. Address: B1, No. 210, Sec. 3, Chengde Rd, Taipei City. Tel: (02)2586-5859 (Representative code) Website: https://www.yuanta.com</p>	No difference.
VII.Information	✓			No

Assessed areas	Operations			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>disclosure</p> <p>(I) Has the company established a corporate website to disclose information regarding the company's financial, business and corporate governance status?</p> <p>(II) Did the company adopt other information disclosure methods (such as establishin</p>			<p>(I) The Company has set up a website to disclose the important rules and regulations of the Company, as well as the related information and execution of financial, business and corporate governance.</p> <p>(II) The Company's information is disclosed in the following manner:</p> <ol style="list-style-type: none"> 1. We have set up a website in English and Chinese, and appointed dedicated staff to collect and disclose relevant information. 2. Designated a spokesperson and an acting spokesperson. 3. The Company's financial information is disclosed to public investors through the Company's website and the Market Observation Post System. 4. Information and presentation materials related to the corporate meeting are announced on the Company's website for investors' reference. 	<p>difference.</p>

Assessed areas	Operations			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>g English websites, assign dedicated personnel to collect and disclose company data, implement the spokesperson system, upload the investor conference processes to the company's website, etc.)?</p> <p>(III)Did the Company announce and report the annual financial report</p>			<p>(III)The financial reports for the first, second and third quarters as well as the operating results for each month were announced and reported within the prescribed time limits.</p>	

Assessed areas	Operations			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
within two months after the end of the fiscal year? Did the Company announce and report the first, second, and third quarter financial reports and the monthly operating conditions well in advance of the required deadline?				
VIII. Is there any other important	✓		(I)The company has formulated Management Regulations for Transactions with Related Parties. Each related party and the Company have complied with such regulations and recused from matters of conflict of interests. (II)The Company established a Corporate Governance Best Practice Principles in March 2019, which was disclosed on	No difference.

Assessed areas	Operations			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the			<p>the Market Observation Post System and the Company's website.</p> <p>(III)The establishment of the Company's risk management policy was approved at the 24th session (3rd meeting) of the Board of Directors on June 22, 2020; the establishment of the "Risk Management Policy and Procedures" was approved at the 24th session (5th meeting) of the Board of Directors on November 12 of the same year.</p> <p>(IV)The amendment to the "Intellectual Property Management Regulations" was approved at the 24th session (4th meeting) of the Board of Directors' Meeting on August 13, 2020, which incorporates intellectual property management into the corporate governance structure and elevates it's supervision level to that of the Board of Directors.</p> <p>(V)The "Intellectual Property Management Plan in Conjunction with Operational Objectives" was formulated in 2020 and submitted to the 24th session (6th meeting) of the Board of Directors on December 22, 2020.</p> <p>(VI)The "Compensation Policy", "Greenhouse Gas Management Strategy, Reduction Targets and Plans" and "Supplier Management Policy" were formulated in 2020 and approved at the 24th session (6th meeting) of the Board of Directors on December 22, 2020.</p> <p>(VII)Directors will participate in various training programs as required and will disclose the status of their training on the Company's website and the Market Observation Post System.</p> <p>(VIII)The company has a systematic approach for collecting, analyzing and integrating business information pertaining to exchange rates, market situations and the economy and for formulating necessary strategies. Furthermore, the company convenes meetings to track and review such information to identify risks so that necessary response measures can be taken.</p> <p>(IX)The company has purchased liability insurances for directors to reduce and disperse the risks of directors from causing major damages to the company and its shareholders due to illegal actions; After the policy is renewed for the year 2020, it will be submitted to the 24th session (5th meeting) Board of Directors on November 12, 2020.</p> <p>(X)Please reference the operations overview section of the annual report for related comments on laborer and supplier relations.</p>	

Assessed areas	Operations			Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No			
implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?					

IX. Please describe the improvements that have been made based on the corporate governance evaluation released by the Corporate Governance Center of the Taiwan Stock Exchange Corporation in the most recent year, and propose priorities and measures to enhance areas that have not yet been improved.

The following is a description of the evaluation indicators based on the results of the Company's 7th Corporate Governance Review, for which the Company did not achieve the required scores but has made improvements.

(I)(Indicator 2.2): Does the Company have a policy on diversity of board members? Does the Company disclose the specific management objectives and implementation of the diversity policy on the Company's website and annual report?

Improvement progress: The Company has established a policy on diversity of board members, and the contents of the "Specific Management Objectives

Assessed areas	Operations			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>and Progress of the Policy on Diversity of Board Members" have been amended and disclosed on the Company's website and annual report.</p> <p>(II)(Indicator 2.3): Are the Chairman of the Board of Directors and the General Manager or other person of equivalent rank (top manager) not the same person or are they related to each other as spouses or first degree relatives?</p> <p>Improvement progress: The Chairman of the Board of Directors also serves as the President of the Company, and the streamlining of management powers leads to smooth operations. In order to maintain the effectiveness and efficiency of operations, it is necessary to maintain this model for the time being, where more than half of the board of directors do not serve as employees or managers for supervision purposes; however, considering the need for long-term and sound corporate governance, we are actively nurturing a successor to the President and will appoint one at an appropriate time depending on actual requirements.</p> <p>(III)(Indicator 2.6): Does the company's board of directors include at least one female director?</p> <p>Improvement progress: The Company also resolved at the 24th session (8th meeting) of the Board of Directors on March 23, 2021 to change the name of the Corporate Governance Committee to "Corporate Governance and Nomination Committee" in order to strengthen the mechanism for the appointment of directors (independent directors) and to establish a diverse and professional board of directors. In the future, if the opportunity arises, the Company will add one female director to achieve the goal of gender equality.</p> <p>(IV)(Indicator 2.23): Does the Company's Board of Directors' performance evaluation guidelines, as approved by the Board of Directors, specify that an external evaluation will be conducted at least once every three years? Will the evaluation will be conducted in accordance with the deadlines specified in the plan? Will the implementation status and evaluation results be disclosed on the Company's website or in the annual report?</p> <p>Improvement progress: The Company will amend the Board of Directors' Performance Evaluation Guidelines in 2021 to specify that external evaluations will be conducted at least once every three years, that evaluations will be conducted in accordance with the deadlines set forth in the Regulations, and that the status of implementation and evaluation results will be announced on the Company's website or in the annual report.</p> <p>(V)(Indicator 3.1): Did the company follow the procedures for investigation and public handling of any material information of listed companies and was the Company subject to penalties for any breach of contract?</p> <p>Improvement progress: The Company will continue to pay attention to the verification and public handling procedures of material information to avoid oversight and omission of reporting.</p>	

Board of Directors Performance Evaluation Guidelines

Article 1 In order to ensure corporate governance and enhance the functions of the Company's Board of Directors, and to establish performance targets to strengthen the efficiency of the Board of Directors' operations, the Company establishes these rules and regulations for compliance.

Article 2 The main evaluation cycle, evaluation period, evaluation scope and method, evaluation implementation unit, evaluation procedures and other matters to be followed in the performance evaluation method of the Company's Board of Directors shall be in accordance with the provisions of these Regulations.

Article 3 The Company shall conduct internal board performance evaluation annually in accordance with the evaluation procedures and evaluation indicators stipulated in these guidelines. The Company may appoint an external professional and independent organization or a team of external experts and scholars to conduct the evaluation as necessary.

Article 4 The Company's board evaluation scope may cover the evaluation of the board as a whole, individual directors and functional committees.

Methods of evaluations include the internal evaluation of the board, self-evaluation by individual board members, and evaluation by appointed external professional institutions, experts, or other appropriate methods.

Article 5 The Remuneration Committee of the Company is the review unit of the Board of Directors for performance evaluation.

Article 6 At the end of each year, the Board of Directors' Meeting Affairs Unit shall collect information related to the activities of the Board of Directors and distribute the "Self-Assessment Questionnaire for Board Members" (Table 1-A-01-17-1). After the questionnaires are collected, the evaluation will be conducted according to the evaluation indexes of this method. The evaluation results will be computed and sent to the Remuneration Committee for review together with the "Performance Evaluation Self-Assessment Questionnaire for the Functional Committee" (Exhibit II-A-01-17-2) and the "Performance Evaluation Self-Assessment Questionnaire for the Board of Directors" (Exhibit III-A-01-17-3). The results of the evaluation shall be submitted to the Board of Directors at its most recent meeting as a basis for review and improvement.

Article 7 The Company shall comply with the following requirements if it arranges for an external evaluation agency or a team of external experts and experts to conduct performance evaluation of the Board of Directors:

- I. The external evaluation organization or team of external experts should be professional and independent.
- II. The external evaluation institution shall be an institution or management consulting firm mainly engaging in the provision of services for educational and training programs for board of directors and improvement of corporate governance of enterprises, as well as the writing of external evaluation analysis reports.
- III. The panel of external experts and scholars shall appoint at least three experts or scholars specialized in the fields of board of directors or corporate governance to conduct evaluations of board performance of the company and prepare external evaluation analysis reports. The results of the external evaluation shall be reported to the Remuneration Committee and the Board of Directors at the most recent meeting.

Article 8 The Company's Board Performance Evaluation shall include at least the following five major aspects:

- I. Participation in the operation of the company.
- II. Improvement of the quality of the board of directors' decision making.
- III. Composition and structure of the board of directors.
- IV. Election and continuing education of the directors.

V.Internal control.

The criteria for evaluating the performance of the board members should cover, at a minimum, the following six aspects:

- I.Familiarity with the goals and missions of the company.
- II.Awareness of the duties of a director.
- III.Participation in the operation of the company.
- IV.Management of internal relationship and communication.
- V.The director's professionalism and continuing education.
- VI.Internal control.

The Functional Committee's Performance Evaluation shall include at least the following five major aspects:

- I.Participation in the operation of the company.
- II.Awareness of the duties of the functional committee.
- III.Improve the quality of functional committee decisions.
- IV.Composition and selection of functional committee members.
- V.Internal control.

The indexes of board performance evaluation shall be determined based on the operation and needs of the Company and suitable and appropriate for evaluations by the company. The Remuneration Committee will review and make recommendations on a regular basis.

Scoring criteria may be modified and adjusted based on the company's needs. The weighted scoring method may be adopted based on the aspects of evaluation.

Article 9 The evaluation results of each evaluation questionnaire according to this method are:

- I.A score of 90 or above is considered "excellent".
- II.A score of 80 or more to less than 90 is considered "above satisfactory".
- III.A score of 70 or more to less than 80 is considered "satisfactory".
- IV.A score of 60 or more to less than 70 is considered "less than satisfactory".
- V.A score of less than 60 is "room for improvement"

Article 10 The results of the Board Performance Evaluation shall be used as a reference for the selection or nomination of directors; and the results of the performance evaluation of individual directors shall be used as a reference for setting their individual remuneration.

Article 11 This policy shall be disclosed on the Company's website, annual report and Market Observation Post System.

The Company should disclose the content of the Board Performance Evaluation, the evaluation method, the implementation status and the evaluation results in the annual report, and submit the results of the performance evaluation to the shareholders' meeting. If external institution or experts are appointed to conduct evaluations of board performance, the Company, in the annual report, discloses the names of the external evaluation institution, names and expertise of the experts, and indicates if the external institution and experts have business dealings with the Company and if they are independent.

Article 12 These Rules shall come into effect by resolution of the board of directors. The same applies to all subsequent amendments.

Article 13 These Rules were formulated on December 18, 2017.

The 1st amendment was on December 18, 2018.

The 2nd amendment was on December 31, 2019.

Table 1 (A-01-17-1)**Self-Assessment Questionnaire for Directors of Tung Ho Steel Enterprise Corporation for year 0000**

Evaluation Items	Evaluation results					Note
	1 Strongly disagree	2 Disagree	3 Average	4 Disagree	5 Strongly agree	
A.Familiarity with the goals and missions of the company						
1.I understand that integrity is a core value of our company.						
2.I understand the company's policies and goals for future development.						
3.I understand the characteristics and risks of the industry in which the Company operates.						
B.Awareness of the duties of a director						
4.I understand the legal obligations of a director.						
5.I understand the duties of a director and have exercised a high degree of self-discipline and prudence in carrying out my duties and responsibilities with due diligence and good stewardship.						
6.I am familiar with the operation and environment of the company.						
7.I shall observe the duty of confidentiality with respect to the internal information of the Company obtained in the course of my duties as an Executive Director.						
8.I have not improperly interfered with the Company's decisions or impeded its business activities, and I have refrained from interfering with my personal interests.						
C.Participation in the operation of the company						
9.I have physically attended this year's Board meeting (excluding attendance by proxy).						5 points: 100% attendance rate 4 points: 90% and above attendance rate 3 points: 80% and above attendance rate

Evaluation Items	Evaluation results					Note
	1 Strongly disagree	2 Disagree	3 Average	4 Disagree	5 Strongly agree	
						2 points: 70% and above attendance rate 1 point: Less than 70% attendance rate
10.I have personally attended this year's Annual General Shareholders' Meeting.		/	/	/		5 points: Attendance: 1 point: Absent
11.I will read and understand the meeting information before attending so that I can fully perform my duties at the Board meeting.						
12.I have devoted sufficient time to board-related matters.						
13.I actively participate in the discussion of motions at Board meetings and provide specific suggestions in a timely manner in order to make effective contributions.						
14.I read the contents of the Board of Directors' meeting minutes carefully and confirm that they have properly recorded the discussions, reservations or concerns.						
15.I am able to exercise professional and appropriate judgment to understand the dynamics of the company's management team and the industry environment to which it belongs.						
16.I have assessed and monitored the existence or potential risks of the Company and have paid attention to the implementation and tracking of internal control systems.						
17.We understand and monitor the appropriateness of the Company's operating reports, accounting system, financial position and financial statement presentation.						
18.I do not hold any directorships in more than five listed companies and I do not hold any independent directorships in more than three other publicly traded companies.		/	/	/		5 points: Not more than the required number 1 point: More than the required number

Evaluation Items	Evaluation results					Note
	1 Strongly disagree	2 Disagree	3 Average	4 Disagree	5 Strongly agree	
D.Management of internal relationship and communication						
19.I regularly communicate with the management team on information related to the company's operations and maintain good interaction with them.						
20.Before the Board of Directors makes its decisions, I will fully consider the opinions of the management team, make independent and objective judgments and decisions.						
21.I communicate well with other Board members when the Board of Directors' meetings are held and respect different opinions.						
22.I have had good communication with the certified accountant.						
E.The director's professionalism and continuing education						
23.I have the necessary expertise to execute the decisions of the Board of Directors.						
24.In the current year, the number of hours of study has been fulfilled in accordance with the "Key Points of Continuing Education for Directors and Supervisors of Listed and OTC Companies".						5 points: More than 6 hours of training 4 points: 6 hours of training 1 point: Less than 6 hours of training
25.I continue to pursue a wide range of courses outside of corporate governance and professional competencies in order to refine my professional knowledge and skills.						
F.Internal control						
26.Confirmed recusal in the event that the relevant motion requires recusal of interest.						
27.The effectiveness of the internal control system and risk management (including supervision and management of subsidiaries) is regularly evaluated and monitored,						

Evaluation Items	Evaluation results					Note
	1 Strongly disagree	2 Disagree	3 Average	4 Disagree	5 Strongly agree	
and the "Statement of Internal Control System" is issued.						
28.I am able to understand and monitor the company's accounting system, financial status and financial reports, audit reports and their tracking.						New item added
Other supplementary explanations						

Note 1. Please specify in the comment box if the score of each indicator cannot be fully expressed.

Note 2. The evaluation period is from January 1 to December 31 of the year under evaluation.

Note 3. The evaluation period shall be completed and reported to the Board of Directors by the end of the first quarter of the following year from evaluation.

Note 4. Evaluation score explanation:

(1) Corresponding scores of evaluation results: 5 for strongly agree, 4 for agree, 3 for agree, 2 for disagree, and 1 for strongly disagree. The scores were summed and converted into percentages; score = (total score of assessment results ÷ total score of assessment indicators) × 100.

(2) Performance evaluation results:

Evaluation scores	Evaluation results
Above 90	Excellent
80 points or more ~ less than 90 points	Above satisfactory
70 points or more ~ less than 80 points	Satisfactory
60 points or more ~ less than 70 points	Less than satisfactory
Below 60	Room for improvement

_____ (Signature and date of filling out the form)

(The following is to be filled in by the executive unit)

Evaluation indicators	Evaluation indicators full score	Evaluation score results
A. Familiarity with the goals and	15	

missions of the company		
B. Awareness of the duties of a director	25	
C. Participation in the operation of the company	50	
D. Management of internal relationship and communication	20	
E. The director's professionalism and continuing education	15	
F. Internal control	15	
Total	140	

Evaluation scores: ___point

Performance evaluation results: Excellent Above satisfactory Satisfactory Less than satisfactory
Room for improvement

Table 2 (A-01-17-2)

Self-evaluation Questionnaire for ooo committee of Tung Ho Steel Enterprise Corporation for year
0000

Evaluation Items	Evaluation results					Note
	1 Strongly disagree	2 Disagree	3 Average	4 Disagree	5 Strongly agree	
A.Participation in the operation of the company						
1. The average actual attendance of functional committees by members (excluding delegated attendance).						5 points: 100% attendance rate 4 points: 90% and above attendance rate 3 points: 80% and above attendance rate 2 points: 70% and above attendance rate 1 point: Less than 70% attendance rate
2. Members have read and understood the information before the meeting so that they can fully perform their duties during the meeting.						
3. All members are able to make effective contributions to the functional committees.						
4. This functional committee conducts regular meetings.						
B.Awareness of the duties of the functional committee						
5. The various rights and responsibilities of the functional committees are clear and appropriate.						
6. The functional committee is able to assess and monitor the existence or potential risks of the company.						
7. The Functional Committee is able to make timely, professional and objective						

Evaluation Items	Evaluation results					Note
	1 Strongly disagree	2 Disagree	3 Average	4 Disagree	5 Strongly agree	
recommendations to the Board of Directors for discussion and decision making.						
8. The Audit Committee and the certified public accountants have had sufficient communication and exchange of views (a meeting is required in case of implementation of new accounting standards or significant adjustments to the financial statements).						Applicable to the Audit Committee
9. The Audit Committee regularly evaluates the independence and suitability of the appointed accountants.						Applicable to the Audit Committee
10. The Remuneration Committee establishes and regularly reviews the policies, systems, standards and structures for performance evaluation and remuneration of directors and managers.						Applicable to the Remuneration Committee
11. The Remuneration Committee periodically reviews and submits to the Board of Directors for approval the performance evaluation standards of the Company's directors and sets the directors' remuneration based on the results of the performance evaluation.						Applicable to the Remuneration Committee
C.Improve the quality of functional committee decisions.						
12. The information provided by the Company to the Functional Committee is comprehensive, timely and of such quality as to enable the Committee to carry out its duties successfully. If necessary, relevant managers, internal auditors, accountants, legal advisors or other personnel will be invited to attend the meeting.						
13. Sufficient discussion time for the Functional Committee.						
14. The Company resolution submitted to the functional committee is appropriate.						
15. In the case of a motion requiring recusal of a member's interest, the member's recusal has been confirmed and the minutes of the meeting have been recorded.						
16. The minutes of functional committee meetings appropriately record discussions and, where appropriate, individual or collective reservations or concerns.						
17. Each functional committee meeting's resolution has appropriate follow-up implementation.						

Evaluation Items	Evaluation results					Note
	1 Strongly disagree	2 Disagree	3 Average	4 Disagree	5 Strongly agree	
18.This functional committee has regular and efficient performance evaluation.						
D.Composition and selection of functional committee members						
19.The membership of the functional committee is appropriately composed and has the required expertise for decision-making processes.						
20.Members of the Functionality Committee maintain their independence during their term of office.						
21.The selection of functional committee members is based on the actual needs of the Company, taking into full consideration the skills, knowledge and experience of the board members, as well as the performance evaluation results of the functional committee.						
E.Internal control						
22.The Audit Committee is able to effectively evaluate and monitor the effectiveness of various internal control systems and risk management.						Applicable to the Audit Committee
23.The internal control system approved by the Audit Committee contains five major elements/principles and covers control practices for all operating activities and transaction cycles.						Applicable to the Audit Committee
24.The Audit Committee understands and monitors the Company's accounting system, financial position and financial reports, audit reports, and their tracking status.						Applicable to the Audit Committee
Other supplementary explanations						
Chairman evaluation						

Note 1.Please specify in the comment box if the score of each indicator cannot be fully expressed.

Note 2.The evaluation period is from January 1 to December 31 of the year under evaluation.

Note 3.The evaluation period shall be completed and reported to the Board of Directors by the end of the first quarter of the following year from evaluation.

Note 4.Evaluation score explanation:

(1)Corresponding scores of evaluation results: 5 for strongly agree, 4 for agree, 3 for agree, 2 for disagree, and 1 for strongly disagree. The scores were summed and converted into percentages; score = (total score of assessment results ÷ total score of assessment indicators) × 100.

(2)Performance evaluation results

Evaluation scores	Evaluation results
Above 90	Excellent
80 points or more ~ less than 90 points	Above satisfactory
70 points or more ~ less than 80 points	Satisfactory
60 points or more ~ less than 70 points	Less than satisfactory
Below 60	Room for improvement

_____ (Signature and date of filling out the form)

(The following is to be filled in by the executive unit)

Evaluation indicators	Full scores for the Audit Committee assessment indicators	Full scores for the Remuneration Committee assessment indicators	Full scores for the Corporate Governance Committee assessment indicators	Evaluation score results
A.Participation in the operation of the company	20	20	20	
B.Awareness of the duties of the functional committee	25	25	15	
C.Improve the quality of functional committee decisions.	35	35	35	
D.Composition and selection of functional committee members	15	15	15	
E.Internal control	15	-	-	
Total	110	95	85	

Evaluation scores: ___point

Performance evaluation results: Excellent Above satisfactory Satisfactory Less than satisfactory Room for improvement

Table 3 (A-01-17-3)

Self-evaluation Questionnaire for the Board of Directors of Tung Ho Steel Enterprise Corporation for year 0000

Evaluation Items	Evaluation results					Note
	1 Strongly disagree	2 Disagree	3 Average	4 Disagree	5 Strongly agree	
A. Participation in the operation of the company						
1. Physical attendance of Board members at Board meetings during the year (excluding attendance by proxy).						5 points: 100% attendance rate 4 points: 90% and above attendance rate 3 points: 80% and above attendance rate 2 points: 70% and above attendance rate 1 point: Less than 70% attendance rate
2. Attendance of board members at shareholders' meetings during the year.						5 points: 100% attendance rate 4 points: 90% and above attendance rate 3 points: 80% and above attendance rate 2 points: 70% and above attendance rate 1 point: Less than 70% attendance rate
3. Members of the Board were able to understand the content of the motion before the meeting and actively participated in the discussion of the motion.						

Evaluation Items	Evaluation results					Note
	1 Strongly disagree	2 Disagree	3 Average	4 Disagree	5 Strongly agree	
4. The interaction between the Board members and the management team is good.						
5. The Board of Directors has ensured that the management team complies with legal regulations and guidelines.						
6. Board members are able to make an effective contribution to the Board.						
7. The Board of Directors continues to promote the formulation of corporate governance-related regulations, support the Company's participation in corporate evaluation, and adequately protect shareholders' rights and interests in order to enhance corporate governance.						
8. The members of the Board of Directors have sufficient understanding of the internal environment, the management team and the dynamics of the industry in which the Company operates.						
9. The Board of Directors is able to evaluate and monitor management strategies as well as the existence or potential risks of the Company, and monitors the implementation and tracking of internal control systems.						
10. The Board of Directors ensures that it understands and monitors the adequacy of the Company's operating reports, accounting system, financial position and presentation of financial statements.						
11. There is good communication between the Board of Directors and the certified accountant.						
12. The Board of Directors regularly reviews the management performance of the management team and provides timely guidance.						
13. The Board is able to obtain adequate and timely reports on the performance of the Company's operations and to keep abreast of any adverse trends.						
B.Improvement of the quality of the board of directors' decision making						
14. The frequency of the Board of Directors' meetings is appropriate.						5 points: Held for more than 6 times 4 points: Held for more than

Evaluation Items	Evaluation results					Note
	1 Strongly disagree	2 Disagree	3 Average	4 Disagree	5 Strongly agree	
						5 times 3 points: Held for more than 4 times 2 points: Held for more than 3 times 1 point: Held for less than 3 times
15.The information provided by the Company to the Board of Directors for its proceedings is comprehensive, timely, and of such quality as to enable the members of the Board of Directors (including the independent directors) to perform their duties successfully.						
16.The Board of Directors' meeting minutes appropriately record the content of discussions, individual or collective reservations or concerns.						
17.Appropriate time is allocated for each motion at the Board meeting to facilitate adequate discussion by the Directors.						
18.The Company submits motions to the Board of Directors for discussion as appropriate. (As required by law or to be brought to the Board of Directors for discussion as determined by the approval authority of the Company.)						
19.All independent directors were present at the Board of Directors' meeting for the resolution which required the attendance of all independent directors by law.						5 points: All in-person attendance 3 points: With proxy attendance
20.The Company provides a good communication channel for the independent directors to properly communicate with the directors, accountants, auditing unit and the management team.						
21.Each resolution by the Board of Directors has appropriate follow-up implementation.						
22.In the event that the relevant motion requires the recusal of a director due to conflict of interest, the relevant director has either recused himself/herself, or the chairman had requested for the recusal and recorded the proceedings.						

Evaluation Items	Evaluation results					Note
	1 Strongly disagree	2 Disagree	3 Average	4 Disagree	5 Strongly agree	
23.The Board of Directors, Board of Directors members, and functional committees perform regular and efficient performance evaluations and disclose the results on the Company's website or in the annual report.						
C.Composition and structure of the Board of Directors						
24.The Board of Directors has established the number of independent directorships in compliance with the relevant regulations.						5 points: The number of seats satisfies the requirements 1 point: The number of seats does not satisfy the requirements
25.The Company's independent directors possess the requisite professional knowledge and maintain their independence during their term in office.						
26.Members of the Board of Directors do not hold any directorships in more than five listed companies and do not hold any independent directorships in more than three other publicly traded companies.						5 points: Not more than the required number 1 point: More than the required number
27.The Board of Directors has established appropriate and sufficient functional committees.						
28.The existing functional committees are capable of performing the duties appointed by the Board of Directors.						
29.The Company has a policy of diversity for the composition of the Board of Directors in accordance with the development needs of the Company.						
30.No more than two members of the Board of Directors shall be related to each other as spouses or two-degree relatives, and the Board of Directors must be able to operate objectively and independently.						
31.The Board of Directors' composition is appropriate and has the necessary expertise in the decision-making process.						

Evaluation Items	Evaluation results					Note
	1 Strongly disagree	2 Disagree	3 Average	4 Disagree	5 Strongly agree	
D.Election and continuing education of the directors						
32.The Company has a rigorous and transparent process for the election of directors and a succession plan.						
33.The election process of board members is based on the criteria of the Company's board member diversity policy.						
34.The selection process of board members takes into account the results of individual directors' performance evaluation.						
35.The selection process of the Board members is based on the actual requirements of the Company and with due consideration to the various skills, knowledge and experience of the Board members.						
36.The Board has arranged appropriate job orientation for new directors to enable them to understand their duties and familiarize themselves with the operations and environment of the Company.						
37.Members of the Board of Directors continue to pursue diversified courses in addition to corporate governance and professional competency, and have fulfilled the required number of hours of study as stipulated in the "Guidelines of Continuing Education for Directors and Supervisors at Listed Companies".						
38.Training hours for board members are formally documented and there is a continuous professional development program to enhance the knowledge and skills of board members.						
E.Internal control						
39.The Board of Directors ensures that management integrates risk assessment and control into the corporate decision-making process.						
40.The Board of Directors regularly evaluates and monitors the implementation and tracking status of each internal control system, reviews the effective implementation of risk management policies, and issues a "Statement of Internal Control System".						

Evaluation Items	Evaluation results					Note
	1 Strongly disagree	2 Disagree	3 Average	4 Disagree	5 Strongly agree	
41.The internal control system approved by the Board of Directors contains five major elements/principles and covers control practices for all operating activities and transaction cycles.						
42.The Company’s Head of auditor attends the Board of Directors' meetings and presents internal audit reports in accordance with the regulations, and delivers the audit reports (including follow-up reports) to the audit committee and independent directors.						
43.The appointment, removal, evaluation, and remuneration of internal auditors shall be submitted to the Board of Directors or signed by the Head of Audit for approval by the Chairman.						
44.The Board regularly evaluates the independence and suitability of the certified accountant to ensure that the objectivity and independence of the accountant is maintained when providing non-audit services.						
45.Members of the Board of Directors are able to understand and monitor the company's accounting system, financial status and financial reports, audit reports and their tracking.						
Other supplementary explanations						
Chairman evaluation						

Note 1.Please specify in the comment box if the score of each indicator cannot be fully expressed.

Note 2.The evaluation period is from January 1 to December 31 of the year under evaluation.

Note 3.The evaluation period shall be completed and reported to the Board of Directors by the end of the first quarter of the following year from evaluation.

Note 4.Evaluation score explanation:

(1)Corresponding scores of evaluation results: 5 for strongly agree, 4 for agree, 3 for agree, 2 for disagree, and 1 for strongly disagree. The scores were summed and converted into percentages; score = (total score of assessment results ÷ total score of assessment indicators) × 100.

(2)Performance evaluation results:

Evaluation scores	Evaluation results
Above 90	Excellent
80 points or more ~ less than 90 points	Above satisfactory

70 points or more ~ less than 80 points	Satisfactory
60 points or more ~ less than 70 points	Less than satisfactory
Below 60	Room for improvement

_____ (Signature and date of filling out the form)

(The following is to be filled in by the executive unit)

Evaluation indicators	Evaluation indicators full score	Evaluation score results
A. Participation in the operation of the company	65	
B. Improvement of the quality of the board of directors' decision making	50	
C. Composition and structure of the Board of Directors	40	
D. Election and continuing education of the directors	35	
E. Internal control	35	
Total	225	

Evaluation scores: ___point

Performance evaluation results: Excellent Above satisfactory Satisfactory Less than satisfactory Room for improvement

(IV) If the company has established a remuneration committee, the committee's composition and operations must be disclosed.

1. Remuneration Committee Member Information

Identity	Name	Condition	Meet the independence requirement (Note)											Also served as a member of remuneration committees for how many other companies	Note		
		Has at least 5 years of work experience and meet one of the following professional qualifications	1	2	3	4	5	6	7	8	9	10					
		Above public and private college lecturer data are required for business, law, finance, accounting, or company operations.	Certified judge, prosecutor, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Have work experience in commerce, law, finance, or accounting or a profession necessary for the business of the Company													
Independent Directors	Chuang-Hsi Chang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Re-appointed on June 3, 2020
Independent Directors	I-Chi Liu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Re-appointed on June 3, 2020
Others	Kuntong Yu	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Period in office ended on May 19, 2020
Others	Chengming Zhu	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Appointed on June 3, 2020

Note: If any of the following conditions listed below apply to a member within 2 years before being elected or during the member's tenure, please write a "✓" in the open space under each condition code.

- (1) Not an employee of the company or its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates (This does not apply to those who are independent directors of the Company or its parent company, or of a subsidiary with the same parent company in accordance with the laws of the country it is based in).
- (3) Shareholders holding more than 1% of the total issued shares of the company under another name except him/herself, his/her spouse or children (minor). Those holding such amount of shares on behalf of others; or the top 10 natural person shareholders.
- (4) Not (1) a professional manager listed, a spouse, relative of second degree or closer, or direct blood relative of third degree or closer to any person listed in (2), (3).
- (5) A director, supervisor or employee of a corporate shareholder who indirectly holds more than 5% of the total number of issued shares of the Company, is listed as one of the top five shareholders, or who designates a representative as a director or supervisor of the Company in accordance with Article 27(1) or (2) of the Company Act (except in cases where the independent directors of the Company and its parent company, subsidiary or subsidiary of the same parent company established in accordance with this Act or the laws of the local country are concurrently appointed)
- (6) A director, supervisor or employee of another company that is not controlled by the same person as the company's directors or more than half of the voting shares (except in the case for independent directors of the company or its parent company, subsidiaries or subsidiaries of the same parent company established under this Act or the laws of the local country who serve concurrently with each other).
- (7) A director (director), supervisor (supervisor), or employee of another company or organization who is not the same person or spouse of the chairman, president, or equivalent of the company (except in the case for independent directors of the company or its parent company,

subsidiaries or subsidiaries of the same parent company established under this Act or the laws of the local country who serve concurrently with each other).

- (8) A director (director), supervisor (supervisor), manager or shareholder holding more than 5% of the shares of a specific company or organization that does not have financial or business dealings with the Company (Except for cases where the specific company or organization holds more than 20% but not more than 50% of the total issued shares of the Company and is an independent director of the Company and its parent company, subsidiary or subsidiary of the same parent company established in accordance with this Act or the laws of the local country that is concurrently appointed).
- (9) Professionals, sole proprietors, partners, directors (directors), supervisors (supervisors), managers, and their spouses who do not provide audit or remuneration for the Company or its affiliates for business, legal, financial, accounting, or other related services for less than NT\$500,000 in the last two years. However, members of the Remuneration Committee, the Public Tender Offer Review Committee or the Special Committee on Mergers and Acquisitions who perform their duties and responsibilities in accordance with the Securities and Exchange Act or the relevant laws and regulations of the Business Mergers and Acquisitions Act are not subject to this limitation.
- (10) Does not meet the criteria listed in any Sections of Article 30 of the Company Act.

2. Operation status information for the remuneration committee

- (1) The company's remuneration committee comprised 3 members.
- (2) Current term for the members: The term of the 24th board of directors expires on June 3, 2020. The latest remuneration committee has held three meetings (A); member qualifications and attendance records are as follows:

Title	Name	Actual attendance number (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Note
Convener	Chuang-Hsi Chang	3	0	100.00	Re-appointed on June 3, 2020
Committee Members	I-Chi Liu	3	0	100.00	Re-appointed on June 3, 2020
Committee Members	Kuntong Yu	1	0	100.00	Period in office ended on May 19, 2020
Committee Members	Chengming Zhu	2	0	100.00	Appointed on June 3, 2020

Other matters that should be recorded:

I. If the board meeting does not adopt or revise the remuneration committee's proposals, the board meeting's date, period, motion contents, and resolution decisions as well as the method in which the company handles the compensation committee's opinions shall be disclosed in detail (e.g. if the salary rate adopted by the board committee is superior to that proposed by the remuneration committee, the differences and reasons shall be explained):

Date and Time	Content of motion	Remuneration Committee Resolution	The Company's handling of the Remuneration Committee review opinions
2020.02.21 3rd session (7th meeting)	1. Report on the 2019 distribution of remunerations to employees and directors.	All members present agreed to approve the proposal and submit it to the board of directors for resolution.	The resolution of the board of directors was approved as written.
	2. 2019 Board of Directors Performance Evaluation Guidelines	All members present agreed to approve the proposal and submit it to the board of directors for	Acknowledged by the Board of Directors

		resolution.	
	3. Amend some provisions of the "Employee Remuneration Method" of the Company.	Proposal passed.	Amended in accordance with the content of the resolution, announced and implemented.
2020.06.16 4th session (1st meeting)	(1) To review the remuneration of the 24th director of the Company.	All members present agreed to approve the proposal and submit it to the board of directors for resolution.	The resolution of the board of directors was approved as written.
	(2) To consider the remuneration of Chuang-Hsi Chang as an independent director and a member of the various functional committees.	The Chairman, Chuang-Hsi Chang, was recused in accordance with the law, and I-Chi Liu, the acting Chairman, presided over the discussion and voting of this case. With the consent of the remaining members present, the proposal was submitted to the Board of Directors for resolution.	The resolution of the board of directors was approved as written.
	(3) To consider the remuneration of I-Chi Liu as an independent director and a member of the various functional committees.	Committee member I-Chi Liu recused himself in accordance with law, and with the consent of the Chairman and in consultation with the remaining members present, the case was submitted to the Board of Directors for resolution.	The resolution of the board of directors was approved as written.
	(4) To consider the remuneration of Der-Ming Lieu as an independent director and a member of the various functional committees.	All members present agreed to approve the proposal and submit it to the board of directors for resolution.	The resolution of the board of directors was approved as written.
	(5) To consider the remuneration of Henry C. T. Ho as the Chairman of the Board of Directors and a member of the Corporate Governance Committee.	All members present agreed to approve the proposal and submit it to the board of directors for resolution.	The resolution of the board of directors was approved as written.

	(6)To consider the remuneration of Chengming Zhu as a member of the Remuneration Committee.	Committee member Chengming Zhu recused himself in accordance with law, and with the consent of the Chairman and in consultation with the remaining members present, the case was submitted to the Board of Directors for resolution.	The resolution of the board of directors was approved as written.
	(7)Appointed Fu-jing Chen as the Company's Senior Vice General Manager and considered the remuneration proposal.	All members present agreed to approve the proposal and submit it to the board of directors for resolution.	The resolution of the board of directors was approved as written.
2020.12.11 4th session (2nd meeting)	(1)Amended the "Remuneration Committee Charter" partially	Upon discussion, some articles were amended and submitted to the Board of Directors for resolution.	The resolution of the board of directors was approved as written.
	(2)Formulated the remuneration policy of our company.	Upon discussion, some articles were amended and submitted to the Board of Directors for resolution.	The resolution of the board of directors was approved as written.
	(3)The percentage of directors' and employees' remuneration in fiscal 2020.	All members present agreed to approve the proposal and submit it to the board of directors for resolution.	The resolution of the board of directors was approved as written.
	(4)Review the performance evaluation standards for professional managers in 2020.	Proposal passed.	Implemented in accordance with the contents of the resolution.
	(5)Year-end bonus for 2020 resolution.	All members present agreed to approve the proposal and submit it to the board of directors for resolution.	The resolution of the board of directors was approved as written.

II.If there are objections or reservations by the members that have been recorded in writing during the remuneration committee resolution, the remuneration committee meeting's date, period, motion content, the opinions of all of the members, and treatment of the member's opinions must be disclosed in detail. None.

(V)Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation

Assessed areas	Operations			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation										
	Yes	No	Summary											
I.Does the company conduct risk assessment on environmental, social and corporate governance issues related to its operations in accordance with the principle of materiality, and establish relevant risk management policies or strategies?	✓		The Company has a Corporate Governance Committee, which is responsible for formulating and monitoring policies, management policies and objectives on corporate governance, corporate social responsibility, ethical corporate management, environmental sustainability and risk management. The Company's risk management policy was approved at the 24th session (3rd meeting) Board of Directors in June 2020. The policy is "to effectively identify, prevent and control risks through systematic and institutionalized management to maintain normal operations and achieve sustainable business operation for the Company". In November 2020, the 24th session (5th meeting) Board of Directors established risk management policies and operating procedures to classify risks into four major areas, including operational risks, financial risks, environmental risks, and operational risks, with respect to environmental, social, and corporate governance issues. Risk identification, risk measurement, risk response, and risk monitoring will be performed by relevant departments in accordance with their duties and responsibilities, and submitted to the Corporate Governance Committee for discussion and implementation on an annual basis.	No difference.										
II.Did the company establish full (part) time corporate social responsibility promotional units, and did the board of directors authorize high-level managements to handle such units and report to the board regarding handling status?	✓		<p>The Corporate Governance Committee is a non-statutory functional committee. The Committee meets at least twice a year with three members, more than half of whom are independent directors with professional competence in management, corporate governance, finance and risk control.</p> <table border="1"> <thead> <tr> <th>Job position</th> <th>Name</th> <th>Gender</th> <th>Education</th> <th>Professional competence</th> </tr> </thead> <tbody> <tr> <td>Convener</td> <td>Henry C. T. Ho</td> <td>Male</td> <td>Department of Economics,</td> <td>Management, Corporate Governance, Finance,</td> </tr> </tbody> </table>	Job position	Name	Gender	Education	Professional competence	Convener	Henry C. T. Ho	Male	Department of Economics,	Management, Corporate Governance, Finance,	No difference.
Job position	Name	Gender	Education	Professional competence										
Convener	Henry C. T. Ho	Male	Department of Economics,	Management, Corporate Governance, Finance,										

Assessed areas	Operations				Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation															
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			<p>Responsibilities include:</p> <ol style="list-style-type: none"> 1.Review of Corporate Governance Best Practice Principles, related regulations and the effectiveness of their implementation 2.Formulation, monitoring and review of corporate social responsibility policies, systems or related management policies. 3.To establish, monitor and review ethical corporate management policies and prevention programs. 4.Establishment, monitoring and review of environmental sustainability systems and objectives. 5.The Company establishes, monitors and reviews risk management policies and management mechanisms. 6.Other matters as directed by the Board of Directors. <p>The General Manager assigns the head of the relevant unit to be in charge of the execution of each plan, reports on the handling of the plan on a regular basis each year, and submits it to the Board of Directors after discussion by the Corporate Governance Committee. The Corporate Governance Committee reported at the 24th session (3rd meeting) Board of Directors on June 22, 2020</p>																	

Assessed areas	Operations			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation
	Yes	No	Summary	
			<p>and the 24th session (6th meeting) Board of Directors on December 22, 2020 on the handling of the and promotion of corporate governance, including:</p> <ol style="list-style-type: none"> 1.Report on ethical corporate management performance. 2.2019 Corporate Social Responsibility Report. 3.Establish risk management policy and supplier management policy. 4.Develop intellectual property management plans that are linked to operational objectives. 5.Program to prevent dishonest behavior. 6.2020 Stakeholder Identification and Communication. 7.Risk, information security, and vendor management. 8.The Environmental sustainability team operation. 9.Formulation of greenhouse gas management strategies, reduction targets and plans. 	
<p>III.Environmental issues</p> <p>(I)Did the company establish an appropriate environmental management system based on its industry characteristics?</p> <p>(II)Is the company committed to improving the efficiency of the various resources and using recycled materials which have a low impact on the environment?</p>	✓		<p>(I)Each factory has obtained the environmental management system (ISO 14001) certification, and comply to the legal requirements of the environmental management system (ISO 14001 the matters related). Monthly compliance audits and annual compliance assessments are conducted in January of each year to ensure the applicability of relevant environmental protection policies at the plant.</p> <p>(II)The Company’s main raw material is scrap steel. Iron resources are reusable, remanufactured and have the highest recycling rate, therefore playing an important role in the recycling process. In 2020, the proportion of recyclable raw materials used in the production of steel scrap was 98.86% by weight; the water used in the manufacturing process was recycled and reused several</p>	No difference.

Assessed areas	Operations			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation
	Yes	No	Summary	
(III)Did the company assess the potential risks and opportunities of climate change for the business now and in the future, and take measures to address climate related issues?			<p>times, and the water recycling rate for the whole area of each plant was over 91%.</p> <p>(III)The Company pays close attention to global climate changes and international response trends, includes climate change as one of the major issues and critical risk items for corporate sustainability, continues to analyze and manage climate change, and is committed to greenhouse gas emission adaptation and mitigation. Since 2003, we have been conducting greenhouse gas emission inventories, participating in voluntary reduction programs, and proactively disclosing greenhouse gas management information. Short-term and medium-term reduction targets will be set from 2019 onwards and based on the actual emission intensity in 2019. The reduction targets will be set as follows: Short-term goals (2021~2023): 1% reduction in emission intensity from 2019 Medium-term goals (2024~2030): 2% reduction in emission intensity from 2019</p> <p>The Taoyuan, Miaoli and Kaohsiung plants all reached their targets in 2020. Starting in 2020, the Company will refer to TCFD's Climate Related Financial Information Disclosure Proposal to assess the possible risks and opportunities based on its climate related financial information, and in 2020, the Environmental Sustainability Group of the Corporate Governance Committee will assess the risks of climate change including: the five risks: "change in average rainfall", "total control/emissions trading", "increased pricing of greenhouse gas emissions", "tropical cyclones", and "renewable energy regulations"; the opportunities: "Use of more efficient production", "Use of low carbon energy". In February 2021, the Company will officially sign up as TCFD Supporters, and we expect to issue a TCFD report in 2021. In response to global warming and to effectively mitigate the impact of climate change, the Company has been actively promoting energy conservation and carbon reduction by continuing to participate in the World</p>	

Assessed areas	Operations			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation
	Yes	No	Summary	
(IV)Has the company compiled statistics on greenhouse gas emissions, water consumption and total weight of waste for the past two years, and formulated policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?			<p>Steel Association's Climate Action Plan as well as actively attending energy conservation and carbon reduction seminars and regulatory presentations to seek possible improvement opportunities.</p> <p>The Company started the EPD certification process in the second half of 2020 and has been verified by UL, obtained a third-party verification institute, and obtained the certificates for steel sections and steel plates at the end of January 2021. The Company expects to obtain the EPD certificate for steel bars in 2021.</p> <p>(IV)The Company's total greenhouse gas emissions in 2020 will be 819,129 metric tons of CO₂e, an increase of 2.9% from 796,076 metric tons of CO₂e in 2019 due to increased production capacity (actual emissions are based on inventory results from external verification institutes). The Company's total water withdrawal in 2020 was 2,155.620 million liters, an increase of 0.59% compared to 2,142.965 million liters in 2019; total waste weight in 2020 was 308,785 metric tons, an increase of 1.33% compared to 304,733 metric tons in 2019. The Company ensures compliance with environmental regulations and implements policies to manage energy, implement pollution prevention, conserve energy, and promote industrial waste reduction. The Company will continue to improve our production operations, products and services, establish an environmental management system, focus on the control of pollution sources and on pollution prevention, in order to reduce the impact on the natural environment and achieve environmental improvement results.</p>	
<p>IV.Social issues</p> <p>(I)Did the company formulate management policies and procedures in accordance with related regulations and internationally recognized conventions</p>	✓		<p>(I)The Company respects and supports internationally recognized human rights norms and principles, including the Universal Declaration of Human Rights, the UN Global Compact, and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, and complies with the laws and regulations of the jurisdiction where the Company is</p>	No difference.

Assessed areas	Operations			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation
	Yes	No	Summary	
<p>for human rights?</p> <p>(II)Did the Company establish and implement reasonable employee benefits (including remuneration, vacation and other benefits) and appropriately reflect operational performance or results in employee remuneration?</p>			<p>located. Regularly cooperate with relevant laws and regulations, take inventory of company related forms and documents, and review the legality of various operation processes.</p> <p>(II)In order to provide comprehensive care of our employees and their living conditions, and to provide reasonable and competitive remuneration to attract, retain and motivate talents for the long-term development of the company and to achieve business objectives, the Company pays salaries based on stable remuneration, and also pays flexible remuneration by taking into account the content of respective duties, the responsibilities undertaken, the degree of contribution and the performance of each individual. Based on the principle of profit-sharing, the Company has established a remuneration policy and related remuneration, bonuses and performance appraisal methods to effectively link performance with individual remuneration. Article 28 of the Company's Articles of Incorporation also specified that if the Company achieves a profit for the year, the contribution to employees' remuneration shall not be less than 2.5%.</p> <p>In order to meet the needs of employees, in addition to providing basic protection in accordance with the law, the Company provides or sponsors the promotion of various welfare programs. Through the establishment of joint employee welfare committees in each factory, the Company organizes various employee welfare activities and subsidies, such as: education scholarships for employees' children, gifts for festivals, birthday gifts, wedding and funeral subsidies, community subsidies and retirement subsidies, etc. The Company has formulated retirement policy for employees in accordance with the Labor Standard Act and Labor Pension Act and was approved to set up a "retirement reserve fund supervisory committee," Calculate the labor pensions under the old system year by year (the</p>	

Assessed areas	Operations			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation
	Yes	No	Summary	
(III)Did the company provide workers with a safe and healthy working environment as well as periodic operational safety and health education?			<p>contribution rate is 7% from 2008 to 2017 and 10% from 2018), and hold regular meetings to protect the rights and interests of employees. The pension fund as of the end of 2020 will be sufficient to pay for the retirement benefits of eligible employees in the following year. Employees who are eligible for the new pension system will contribute 6% monthly to their individual pension accounts according to their pension brackets.</p> <p>(III)In order to provide a safe and healthy working environment for employees, an Occupational Safety and Health Committee is formed in each plant, with the plant manager serving as the chairman and the head of the Labor and Safety Center as the management representative. The committee convenes a meeting once a month to review potential safety and health risks, discuss and track safety and health issues, give instructions on safety and health related issues, and invite representatives of contractors/consultants to attend. In addition to communication, coordination and resolution of health and safety issues with workers through occupational safety and health committee meetings,the Company also performs monthly work safety inspections, safety observations, safety interviews, annual health inspections, health management, and occasional work safety promotion meetings and occupational disaster prevention promotions by the Labor Inspection Division. In view of the harm caused by unsafe behaviors and a dangerous environment, the AI team of the Information Technology Department has started to apply AI image auto-detection, environment recognition monitoring and alarm, AI interlock auto-protection, immediately stopping operation upon detection of personnel entering, warning or broadcasting to expel intruders, according to the respective hazardous equipment and equipment areas informed by the three plants to control (manage) the unsafe behaviors or environment in order to enhance on-site safety and health management.</p> <p>Each plant arranges monthly health consultation for colleagues performed</p>	

Assessed areas	Operations			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation
	Yes	No	Summary	
<p>(IV)Did the company establish effective training and development programs for employees' career development?</p> <p>(V)Did the company follow relevant laws, regulations and international standards regarding customer health and safety, customer privacy, marketing and labeling of products and services, and has a policy and complaint procedure to safeguard consumer rights?</p>			<p>by occupational medicine specialists, and performs arranges health seminars and individual doctor consultation for level 2 (and above) staff who perform special operations. In 2020, there were 1,555 general health check-ups and 1,618 special health check-ups, with examination fees totaling approximately 2.66 million NTD, an 18% increase over 2019.</p> <p>In 2020, each plant arranged education and training for new recruits as well as various types of on-the-job education and training related to safety and health, with an investment of about 1.92 million NTD and a total of 16,528 participant hours. Each plant will follow the PDCA of the occupational safety and health management system to implement safety and health management step by step. Each plant has also converted to ISO 45001 certification in 2020. The scope of implementation of this system and the applicable items cover the operating sites and all workers in each plant, contractors or consultants will be stipulated in the contract. This occupational safety and health management system is applicable for ISO 45001: 2018 and all operational activities covered under TOSHMS.</p> <p>(IV)The company offers training programs, builds a positive environment necessary for operational requirements and duty planning, and arranges career development programs depending on occupational adaptability and career planning.</p> <p>(V)In order to ensure the appropriateness of the quality assurance system, each plant has set up a quality management committee and a quality control laboratory to maintain a good quality standard of products. We actively value the feedback of our customers in order to provide them with excellent products and satisfactory services. In addition to dedicating staff to provide procurement services, consultation and advice, we also have a dedicated email address to handle and respond to customer comments and suggestions. In 2020, we did not receive any reports from customers regarding data privacy violations or data breaches. The Company has passed verification</p>	

Assessed areas	Operations			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation
	Yes	No	Summary	
			<p>standards of relevant certification organizations:</p> <ol style="list-style-type: none"> 1.CNS trademark certification from the Bureau of Standards, Ministry of Economic Affairs 2.Bureau of Standards, Ministry of Economic Affairs, product registration and certification records 3.ISO 9001 quality management system certification (Valid till: December 7, 2021) 4.ISO 14001 quality management system certification (Valid till: June 28, 2022) 5.ISO 50001 quality management system certification (Valid till: November 30, 2023) 6.Ministry of Economy, Trade and Industry JIS MARK factory certification 7.British Lloyd's E.U. construction use steel material CE Mark certification 8.Australasian Certification Authority for Reinforcing and Structural Steels hot-rolled steel product ACRS certification 9.American Bureau of Shipping ABS marine steel manufacturing certification 10.Det Norske Veritas DNV marine steel manufacturing certification 11.Zulassungsbcheinigung GL marine steel manufacturing certification 12.Bureau Veritas BV marine steel manufacturing certification 13.British Lloyd's Register LR marine steel manufacturing certification 14.Nippon Kaiji Kyokai Class NK marine steel manufacturing certification 15.KS certification from Korea Standards Association for hot rolled steel products 	

Assessed areas	Operations			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation
	Yes	No	Summary	
(VI) Does the company have a supplier management policy that requires suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights issues, as well as their corresponding implementation?			<p>16.Type III Product Environmental Declaration (EPD) Certificate Certification</p> <p>(VI)The Company's supplier management policy: Tung Ho Steel views our suppliers as important operation partners. In addition to ensuring the quality, cost, delivery and service capability of our suppliers, the Company also urges our suppliers to jointly implement environmental protection, information disclosure in response to the impact of climate change and on labor human rights, in order to fulfill our social responsibility and to grow together with our suppliers for mutual benefit and to establish a long-term stable supply chain.</p> <ol style="list-style-type: none"> 1.The Company views economic, environmental and social aspects as the core of our common development and urge suppliers to comply with laws and regulations in order to achieve sustainable development and create a win-win situation. 2.We safeguard the rights and interests of stakeholders, and include social responsibility, labor safety, human rights and environmental protection issues as the basis for management decisions and implementation. 3.Business ethics and morality, equality of opportunity and fair trade are the highest guiding principles of supply chain interaction, eliminating illegal interests and severely punishing illegal acts. 4.We will work together to strengthen the response and disclosure of information on the impact of climate change and take action on greenhouse gas emissions. <p>The Company has established the "Regulations for the Selection and Evaluation of Suppliers of Raw Materials, By-products and Materials" to establish basic information on suppliers and to effectively manage the selection and evaluation of suppliers. At the same time, the integration of</p>	

Assessed areas	Operations			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation
	Yes	No	Summary	
			<p>suppliers of by-products includes guiding them to take into account of product quality, energy-saving and environmental protection requirements. For example, the selected suppliers should pass ISO 9000 quality management system certification, ISO 14001 environmental management system certification, use environmental labels for products, use environmentally friendly and recyclable packaging methods and materials, and comply with our environmental policy and related industrial waste reduction, energy conservation, pollution prevention, and environmental protection laws and regulations; in addition, suppliers should be urged to pay attention to labor rights, workplace safety and hygiene, and improve unfavorable labor conditions. Suppliers who sign contracts with the Company from November 13, 2020 onwards are required to sign a corporate social responsibility pledge, which covers labor rights and human rights, environmental protection, climate change mitigation and adaptation, as well as honest management and ethical standards. By 2020, a total of 257 companies have signed the pledge, with the proportion of signatories reaching 17%. In the event of actual or foreseeable significant poor environmental, labor conditions, human rights, social or other impacts on existing suppliers, they will be obliged to improve or terminate the contract immediately.</p>	
V.Does the company make reference to international standards or guidelines for the preparation of reports, such as corporate social responsibility reports that disclose non-financial information about the company? Did you obtain confirmation or assurance from a third-party verifier for	✓		<p>The Company's CSR Report 2019 published in 2020 has been verified by British Standards Institution (BSI), a third-party impartial organization and meets the requirements of GRI Standards (Core) and AA1000AS Type 1 Medium Assurance Level. The report is publicly disclosed in the CSR section of the website.</p>	No difference.

Assessed areas	Operations			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation
	Yes	No	Summary	
your report?				

VI.If the company itself has established its own corporate social responsibility principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies", please specify the differences between its own principles and the code. No difference.

VII.Other critical information conducive to understanding the corporate social responsibility practices:

- (I)Our company is concerned about social issues and actively participates in public welfare. The total pro bono public donation for 2020 is NTD 6.88 million.
- (II)Tung Ho Steel is committed to caring for social welfare and fulfilling its responsibility to thrive along with Taiwan. The Company established the Tung Ho Steel Foundation with the purpose of promoting cultural and artistic qualities, actively cultivating artistic talents, promoting artistic education, promoting the development of cultural and creative industries, and organizing or sponsoring cultural and artistic activities. Since its establishment, the foundation has held six "Tung Ho Steel International Artist-in-Residence Program", which is one of the most important cases of collaboration between Taiwanese enterprises and the arts community, which has created a new synchrony between industrial production and artistic expression.
- (III)The Company was ranked in the top 6%-20% of the Stock Exchange's corporate governance rating for five consecutive years from 2015-2019, and was selected as a constituent stock of the "Taiwan Corporate Governance 100 Index" from 2018-2020, demonstrating the Company's achievements in promoting corporate governance.
- (IV)The TCSA Taiwan Corporate Sustainability Awards, organized by the Taiwan Corporate Sustainability Institute, are known as the "Oscars of Corporate Sustainability in Taiwan". In 2020, the company was awarded the "Traditional Manufacturing Industry - Gold Award" again. In addition, we have taken actions to fulfill our commitment to sustainability reporting, to demonstrate our corporate social responsibility and the implementation of sustainability issues, and to drive our company toward sustainable development.

(VI)The Company's compliance with the integrity of its operations and deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation

Assessed areas	Operations			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
<p>I. Formulate ethical corporate management policies and programs</p> <p>(I) Has the company established an ethical corporate management policy approved by the board of directors, and has the policy and practice of ethical corporate management been stated in the bylaws and external documents? Is there commitment from the board of directors and the senior management to actively implement the management policy?</p> <p>(II) Has the company established a mechanism to assess the risk of dishonest acts, regularly analyzed and evaluated the business activities within the scope of business that have a higher risk of dishonest acts, and formulated a corresponding plan to prevent dishonest acts. Does the plan cover the preventive measures for the acts mentioned in Article 7, Paragraph 2 of the "Code of</p>	✓		<p>(I)The Company has established the Ethical Corporate Management Policy, the Ethical Corporate Management Operating Procedures and Code of Conduct, which have been approved by the Board of Directors, implemented and publicly disclosed on the Company's website. In order to implement the ethical corporate management policy, we have established the "Commitment to Ethical Conduct", which is signed by the management and employees, as well as the "Declaration of Compliance", which is signed by the directors, to implement the ethical corporate management best practice principles.</p> <p>(II)In order to prevent unethical behavior in business activities, the Company's code of conduct for ethical corporate management stipulates the prohibition of unethical behavior, benefits and attitudes, and the "Procedures and Conduct Guidelines for Ethical Corporate Management" to specifically regulate and prevent unethical behavior. The Company also conducts risk assessment and prepares necessary preventive measures annually when each department performs self-evaluation of its internal control system. The Company has established stringent behavioral norms, ethical standards and regulations relating to appeal, reward and punishment systems in the company's "Board of Directors' Meeting Procedure", "Ethical Code of Conduct for Directors, Supervisors and Managers", "Critical Internal</p>	No difference.

Assessed areas	Operations			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
<p>Conduct for Listed Companies with Integrity"?</p> <p>(III) Has the Company established policies to prevent unethical conduct with relevant procedures, guidelines of conduct, punishment for violation, rules of appeal clearly stated in the policies? Has the Company implemented the policies and regularly reviewed and amended the said policy?</p>			<p>Material Information Processing Procedures" and "Work Rules". On October 28, 2020, the Company instructed each unit to perform risk assessment of unethical acts and to prepare necessary prevention plans and measures.</p> <p>(III)In accordance with the code of conduct for ethical corporate management, the Company has established the "Procedures and Guidelines for Ethical Corporate Management" to prevent unethical behavior, and has regularly reviewed the procedures, guidelines, disciplinary actions, complaint system, and has established the "Employee Rotation Regulations". The company encourages its employees to report to the directors, supervisors, managers, internal audit directors, or director of management department, in the event that they discover or suspect violation of laws and regulations or standards of ethical conduct and provide sufficient evidence proving thereof.</p>	
<p>II.Implement Ethical Corporate Management</p> <p>(I) Has the company evaluated the ethical records of parties it does business with and stipulated ethical conduct clauses in business contracts?</p>	✓		<p>(I)The company appoints its General manager's office to provide customer credit surveys during the company's external business activities and designates Legal Affairs Office to review and execute contract terms. In accordance with Article 20 of the Company's "Ethical Corporate Management Operating Procedures and Code of Conduct," when the Company enters into a contract with another party, the Company shall fully understand the other party's integrity ethical corporate management status and include compliance with ethical corporate management in the contract terms. Starting from May 2020, the Company requires that the terms of ethical corporate behavior be stipulated in procurement and business</p>	No difference.

Assessed areas	Operations			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
<p>(II) Does the Company have a dedicated unit under the Board of Directors to promote ethical corporate management, and report regularly (at least once a year) to the Board of Directors on its ethical management policies and plans to prevent unethical practices and monitor their implementation?</p> <p>(III) Did the company establish policies that prevent conflict of interests, provide appropriate channels for filing related complaints and implement such policies and channels?</p> <p>(IV) Has the Company established an effective accounting system and internal</p>			<p>contracts, and requests credit units to include ethical corporate behavior in the credit history and credit evaluation criteria.</p> <p>(II) The dedicated unit of the Company's ethical corporate management is the Corporate Governance Committee, which meets at least twice a year with three members, more than half of whom are independent directors; the Management Department and the Legal Affairs Office are considered part-time units. The information on the implementation of ethical corporate management is discussed annually by the Corporate Governance Committee and reported to the Board of Directors; on October 28, 2020, each unit was asked to perform risk assessment of unethical acts and to prepare necessary preventive plans and measures. The implementation of the 2020 Unethical Corporate Practices Prevention Program was reported to the 24th session (6th meeting) Board of Directors Meeting on December 22, 2020.</p> <p>(III) In order to prevent conflicts of interest, the Company has set forth the principles of preventing conflicts of interest in the "Rules of Procedure for the Board of Directors' Meetings", "Ethical Corporate Management Operating Procedures and Code of Conduct", "Code of conduct for Ethical Corporate Management, "Code of Ethical Conduct for Directors and Managers" and other relevant regulations. The Company also announces on its website that it accepts notifications, suggestions, complaints and reports on the Company, and has set up mailbox for internal and external stakeholders to voice their complaints.</p> <p>(IV) The Company has established an effective accounting system and prepared financial statements in accordance with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and the</p>	

Assessed areas	Operations			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
<p>control system for the implementation of ethical corporate management, and has the internal audit unit prepared an audit plan based on the evaluation results of the risk of unethical acts? Has the Company checked the compliance of the unethical act prevention plan accordingly, or appointed an accountant to perform the audit?</p> <p>(V)Did the company periodically provide internal and external training programs on ethical corporate management?</p>			<p>"International Financial Reporting Standards, IFRS" in order to properly present its operating results and financial position. Through each unit's annual internal control system self-evaluation, the Company also reviews and amends the system constantly to ensure that the design and implementation of the system continues to be effective in response to changes in the company's internal and external environment. Based on the risk evaluation results, the audit office will include the higher risk operation items in the annual audit plan to review the actual implementation of the operation. Statement of Financial Accounting Standards issued by the accountant in 2020: "In the course of this audit, no doubts about the integrity of management were raised and no fraud was found to have been committed by management."</p> <p>(V)The company occasionally promotes integrity management principles on its quarterly magazines, official websites or during major meetings and requests its employees to comply with such principles. On August 19, 2020, the "Anti-Corruption Regulation and Case Analysis under the Principle of Ethics" training course was held for 118 participants, totaling 236 hours, including all company and affiliated companies' supervisors at or above the division level, sales staff, IT/information personnel, finance and accounting personnel, and purchasing personnel. On November 2, 2020, the Company conducted an online insider trading related law promotion on the company's internal platform, targeting all employees of the company and related companies. On November5, 2020, the Company educated directors and managers on the importance of insider shareholding changes.</p>	

Assessed areas	Operations			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
<p>III.Operation of the company's whistle-blowing system</p> <p>(I) Did the company establish a specific whistle-blowing, reward and punishment system, set up a convenient complaint channel and assign designated personnel to handle the reported complaint?</p> <p>(II)Does the Company have standard operating procedures for investigation of whistleblower matters, follow-up</p>	✓		<p>(I)In order to protect the rights and interests of employees and to follow the rules for reporting improper violations of the company's interests, the Company has established the "Employee Grievance and Reporting Rules" and has set up a grievance box in each factory, where employees can submit complaints and reports to the unit manager or the management of each factory through the grievance box or email, verbally or by phone. When handling a report, the Management Department, the Audit Office, the Legal Office, and the relevant department heads as necessary will form an investigation team to conduct a factual investigation. In addition, the "Code of Ethical Conduct for Directors and Managers" has been established to encourage employees to report to the directors, audit committee members, managers, internal audit supervisors or the head of the management department with sufficient evidence if they discover any violation of laws and regulations or violation of the Code of Ethical Conduct by a director or manager. The Company will reward the whistleblowing employee in accordance with relevant regulations if the report is substantiated. When material violations or concerns involving material impairment to the Company come to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors or supervisors in writing.</p> <p>(II)The Company's "Employee Grievance and Whistleblower Policy" provides for the following grievance handling procedures: Preliminary hearings,</p>	No difference.

Assessed areas	Operations			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
<p>measures to be taken after the completion of the investigation and the related confidentiality mechanism?</p> <p>(III)Did the company adopt measures for protecting the whistle-blower against improper treatment or retaliation?</p>			<p>fact-finding, findings and resolutions. The relevant personnel responsible for handling the complaint (prosecution) shall maintain absolute confidentiality and shall not disclose it to the public. If the case information is leaked due to intentional negligence, the responsible personnel will be punished in accordance with the relevant regulations corresponding to the severity of the leak.</p> <p>(III)According to the nature of the reported case and the situation of the whistle-blower, the company adopts necessary protective measures for keeping the whistle-blower's identity confidential to protect the whistle-blower against retaliation.</p>	
<p>IV.Strengthen information disclosure</p> <p>Did the company disclose the content and effectiveness of its integrity management principles on the company's website and the Market Observation Post System?</p>	✓		<p>The Company has established the Ethical Corporate Management Policy, the Ethical Corporate Management Operating Procedures and Code of Conduct, which have been publicly disclosed on the Company's website. The Company has also regularly reported on the progress of prevention of unethical conduct to the Board of Directors.</p>	No difference.
<p>V.The company shall establish its own Code of Business Integrity based on the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and clearly articulate the differences between its operations and the established code.</p> <p>The company has established its own principles of integrity management based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies". There are no differences in the company's operation and the regulations specified in the code.</p>				
<p>VI.Other critical information conducive to understanding the operation of the company's integrity management: (e.g., review/revision of the company's integrity corporate management principles)</p> <p>(I)Suppliers who sign contracts with the Company from 2020 onwards are required to sign a corporate social responsibility pledge, which covers labor</p>				

Assessed areas	Operations			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
			<p>rights and human rights, environmental protection, climate change mitigation and adaptation, as well as honest management and ethical standards.</p> <p>(II)The "Rules of Procedure for the Board of Directors' Meetings" clearly describes that a director shall recuse himself or herself when matters that involve his or her interests arise. If his or her participation is likely to damage the interest of the Company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting. He or she may not exercise voting rights as a proxy for another director. The company's directors uphold a high level of self-discipline. If a motion involves the interests of the directors themselves, the directors shall adhere to the principles of recusal and abstain from participation.</p> <p>(III)The company has established Critical Internal Material Information Processing Procedures, which mandates that the company's directors, supervisors, managers and employees shall exercise due administrative diligence and duty of loyalty, undertake business activities according to the procedures and may not disclose important internal information to other parties.</p>	

(VII)If the company has established corporate governance codes and related bylaws, their query methods shall be disclosed:

The Company's Code of Corporate Governance Best Practices was approved by the 23rd session (12th Meeting) on March 26, 2019 and is disclosed on the Company's website:<https://www.tunghosteel.com/Home/Index>, Path: Investor Services / Corporate Governance / Important Company Regulations).

(VIII)Critical information that can enhance the understanding of the company's corporate governance practices shall be disclosed

Operations relevant to the company and its subsidiaries' corporate governance and material information, for example: the company's crucial regulations, Board of directors nomination and election methods, continuing education of directors and supervisors, and key resolutions of the Board of directors are all disclosed on the company's website (<https://www.tunghosteel.com/Home/Index>, path: CSR/Corporate Governance).

(IX)The internal control system implementation status shall disclose the following matters

Tung Ho Steel Enterprise Corporation

Internal Control System Statement

Date: March 23, 2021

Based on the results of self-evaluation, the Company's 2020 internal control system hereby declares the following:

- I.The Company acknowledges that the Company's Board of Directors and managers are responsible for the implementation and maintenance of the internal control system, and that the company has already established such a system. The objective is to provide reasonable assurances that the goals of operational effectiveness and efficiency (including profitability, performance, asset security, etc.), financial report reliability, timeliness, transparency, and regulatory compliance will be achieved.
- II.Internal control regulations possess inherent shortcomings. Regardless of its design, an effective internal control system can only provide reasonable assurance of the three objectives as mentioned above. Furthermore, its effectiveness may change due to changes in the Company's environment and circumstances. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- III.The Company shall determine the effectiveness of the internal control system design and execution based on the internal control system effectiveness review items as provided by the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereafter "Handling Regulations"). The criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk assessment, 3. Control operations, 4. Information and communication, and 5. Monitoring operations. Each component also comprised several items. Please refer to "Governing Regulations" for details.
- IV.The company has already adopted the aforementioned internal control system judgment items to inspect the effectiveness of the internal control system design and implementation.
- V.Based on the aforementioned evaluation results, the company believes that the design and execution of its December 31, 2020 internal control system (including those adopted for supervision and management of subsidiary branches) are effective in terms of understanding of operational effectiveness, level of efficiency fulfillment, financial reporting reliability, timeliness, transparency, and regulatory compliance-related internal control system items; and that the company can reasonably achieve the aforementioned goals.
- VI.This statement will be the main content of the Company's annual report and public statement, and will be made available to the public. Should any of the aforementioned disclosure contents be fictitious or concealed in an illegal manner, the company shall bear legal responsibilities pursuant to Articles 20, 32, 171, and 174 of the Securities Exchange Act.
- VII.This declaration statement has been authorized by the Board of Directors on March 23, 2021, and all eleven attendees of the Board have approved the contents of the declaration statement.

Tung Ho Steel Enterprise Corporation

Chairman: **Henry C. T. Ho**

General manager: **Henry C. T. Ho**

2. If the internal control system review is conducted by commissioned accountants, the said accountant review's report shall be disclosed: None.

(X)The Company's major deficiencies improvement status for internal personnel who have received penalties for violating provisions provided by the internal control system in recent years and up to the publication date of this annual report must be listed clearly for situations when the said penalties may impact shareholders' interest or share prices: None.

(XI)Critical resolutions made during shareholders and Board of Directors' meetings in recent years and up to the publication date of this annual report

Date	Meeting	Critical resolution matters	Board of Directors (Shareholder's meeting) Resolution result
2020.02.27	19th meeting of the 23rd board	<ol style="list-style-type: none"> 1.2019 Board of Directors Performance Evaluation Report 2.Passed the independence and suitability evaluation of the accountant. 3.Passed the distribution of employee and director remuneration for 2019. The total employee remuneration was NT\$54,696,060, and the total remuneration to directors was NT\$43,756,848. 4.Passed the Company's 2019 business report and financial statements. 5.Passed the Company's 2019 earnings appropriation of cash dividend at NT\$1.35 per share. 6.Passed the endorsement/ guarantee for the subsidiary Tung Ho Steel Vietnam Corp., Ltd. for the renewal of the short term credit obligation in Cathay United Bank. 	The entire Board adopted without objection.
2020.03.31	20th meeting of the 23rd board	<ol style="list-style-type: none"> 1.Passed the amendment to the agenda of the Company's 2020 shareholders meeting. 2.Passed the 24th director candidate list review. 3.Passed the removal of non-compete clause for the 24th board of directors and their representatives by resolution of the 2020 shareholders meeting. 4.Established the baseline date for distribution of cash dividends and issue date in 2019. 5.Passed the amendment of the Company's 2020 Audit Plan. 	The entire Board adopted without objection.
2020.05.12	21th meeting of the 23rd board	<ol style="list-style-type: none"> 1.Passed the Company's Quarter 1 consolidated financial reports for 2020. 2.Passed the endorsement/ guarantee for the subsidiary Tung Ho Steel Vietnam Corp., 	The entire Board adopted without objection.

		<p>Ltd. for the renewal of the short term credit obligation in Cathay United Bank.</p> <p>3. Passed the guarantee endorsement application short term credit obligation case with the Fubon Bank (China) Co., Ltd. for the subsidiary Fujian Dong Gang Steel Co, Ltd.</p>	
2020.05.19	Shareholder's meeting	<p>Important resolutions of the 2020 annual shareholders' meeting and the implementation status:</p> <p>1. Ratifications:</p> <p>(1) The 2019 business report and financial report.</p> <p>Status of implementation: Proposal passed.</p> <p>(2) The surplus allocation table for 2019.</p> <p>Status of implementation: Other items in the Company's surplus allocation table has been approved by resolution of the 2020 shareholders' meeting, including the legal reserve, the contra equity item special reserve, and changes in re-measurement of defined benefit plan. (Distribution of cash dividends of NT\$1,355,481,821 was approved by the board of directors on 2020.02.27, with dividend per share of NT\$1.35. On March 31, 2020, the board of directors has approved on setting the ex-dividend date on June 20, 2020, and the distribution of cash dividends was completed on July 17, 2020).</p> <p>2. Matters for Discussion: Amendment of the "Articles of Incorporation."</p> <p>Status of implementation: Passed the partial amendments which are disclosed of the company website (https://www.tunghosteel.com, path: <u>Investor Services / Corporate Governance / Important Company Regulations/ Articles of Incorporation</u>).</p> <p>3. Elections: Passed the re-election of the board of directors.</p> <p>Status of implementation: Passed the election of 11 directors for the 24th term board (including 3 independent directors), and the change registration was approved by the Ministry of Economic Affairs and disclosed on the company website on June 5, 2020.</p> <p>4. Other matters for discussion: Removed the non-compete clause for the newly elected directors and their representatives.</p> <p>Status of implementation: Representative of Mao Sheng Investment Inc.: Director Henry C. T. Ho, Representative of Mao Sheng Investment Inc.: Director Yushu Hou, Representative of Earle Ho and Sons, Ltd.: Director Joshua P.H. Tung, Representative of Episil Holding Incorporation: Director Chih-Ming Huang, Representative of Liang Cheng Investment Co., Ltd.: Directors Pao-He</p>	The chairman required all shareholders to be present, and the request passed without dissent.

		<p>Chen and Yen-Liang Ho, Representative of Taiwan Zhi Di Co. Ltd.: Directors Chao-He Lin, Independent Directors I-Chi Liu and Der-Ming Lieu may compete with themselves or against others within the Company's business scope. The proposal was passed without dissent and implemented.</p> <p>The aforementioned important resolutions are disclosed on the company website (https://www.tunghosteel.com,path:___Investor_Services_/Shareholders'_Section_/Important_Company_Regulations_/Investor_Services_/Shareholders'_Section_/2020_Information_of_the_Shareholders'_Meeting_/Minutes_of_the_2020_Shareholders'_Meeting).</p>	
2020.05.19	1st meeting of the 24th board	Passed the election of Mao Sheng Investment Inc. legal representative director Henry C. T. Ho as Chairman of the board, and Mao Sheng Investment Inc. legal representative director George Y. S. Ho as the Vice Chairman.	The entire Board adopted without objection.
2020.06.03	2nd meeting of the 24th board	<ol style="list-style-type: none"> 1.Independent directors Chuang-Hsi Chang and I-Chi Liu, and Professor Chengming Zhu of Applied Economics and Management of National Ilan University, were appointed as members of the Company's 4th term Remuneration Committee. 2.Passed the appointment of Chairman Henry C. T. Ho, and independent directors Chuang-Hsi Chang and Der-Ming Lieu as members of the Company's 2nd term Corporate Governance Committee. 	The entire Board adopted without objection.
2020.06.22	3rd meeting of the 24th board	<ol style="list-style-type: none"> 1.Report on ethical corporate management performance. 2.2019 Corporate Social Responsibility Report. 3.Passed the formulation the Company's risk management policies as follows: Through institutional systematic management procedures, we can effectively identify, prevent and control risks to maintain normal operations and achieve corporate sustainability. 4.Donation of NT\$5 million and 160 tons of scrap steel to the "Tung Ho Steel Foundation" for organizing steel sculpture artistic creation exhibitions and conference expenses. If the COVID-19 border control measures affect the participation of foreign artists and delays in on-site design schedules, donations will be made in periodic installments according to the design progress. 5.Passed the endorsement/ guarantee short term credit obligation case of US\$8 million with Cathay United Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd. 6.Passed the endorsement/ guarantee short term credit obligation renewal case of US\$29.5 	The entire Board adopted without objection.

		<p>million with Taipei Fubon Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p> <p>7. Passed the endorsement/ guarantee short term credit obligation case of US\$3 million with Taishin International Bank for the subsidiary Fujian Dong Gang Steel Co, Ltd.</p>	
2020.08.13	4th meeting of the 24th board	<p>1. Passed the company's Quarter 2 consolidated financial reports for 2020</p> <p>2. Passed the amendment to the "Intellectual Property Management Regulations", which incorporates intellectual property management into the corporate governance structure and elevates its supervision level to that of the Board of Directors.</p> <p>3. Passed the endorsement/ guarantee medium term credit obligation case of US\$25 million with Taipei Fubon Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p> <p>4. Passed the endorsement/ guarantee short term credit obligation renewal case of US\$20 million with Bank SinoPac for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p> <p>5. Passed the endorsement/ guarantee short term credit obligation renewal case of US\$15 million with Mega International Commercial Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p> <p>6. Passed the endorsement/ guarantee short term credit obligation renewal case of US\$47 million with Mizuho Bank Taiwan for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p> <p>7. Passed the endorsement/ guarantee collateralized credit obligation renewal case of US\$5 million with Bank SinoPac for the subsidiary Fujian Dong Gang Steel Co, Ltd.</p>	The entire Board adopted without objection.
2020.11.12	5th meeting of the 24th board	<p>1. Passed the Company's Quarter 3 consolidated financial reports for 2020.</p> <p>2. Passed the liability insurance report of directors, supervisors and major staff.</p> <p>3. Passed the proposal for 2021 Audit Plan.</p> <p>4. Passed the accountant public expenses review proposal for 2020.</p> <p>5. Passed the contracting of NT\$91.88 million (excluding tax) of the subsidiary Tung Kang Engineering & Construction Corp. for expansion project of Taichung Harbor Logistic Office.</p> <p>6. Passed the formulation of Risk Management Policies and Operating Procedures.</p> <p>7. Passed the appointment of the Company's accounting supervisor.</p> <p>8. Passed the endorsement/ guarantee short term credit obligation renewal case of US\$8 million with BNP Paribas, Ho Chi Minh City</p>	The entire Board adopted without objection.

		<p>Branch and Hanoi Branch for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p> <p>9. Passed the endorsement/ guarantee short term credit obligation renewal case of US\$13 million with First Commercial Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p> <p>10. Passed the endorsement/ guarantee short term credit obligation renewal case of RMB\$25 million with Bank of Taiwan Fuzhou Branch for the subsidiary Fujian Tung Kang Steel Corp., Ltd.</p> <p>11. Passed the endorsement/ guarantee collateralized credit obligation renewal case of US\$50 million with Mizuho Bank (China), Ltd. Shenzhen Branch for the subsidiary Fujian Tung Kang Steel Corp., Ltd.</p>	
2020.12.22	6th meeting of the 24th board	<p>1. The promotion of corporate governance:</p> <ul style="list-style-type: none"> o Develop intellectual property management plans that are linked to operational objectives o Program to prevent dishonest behavior o 2020 Stakeholder Identification and Communication o Risk management o Information security management o Supplier management o The Environmental sustainability team operation <p>2. Passed the budget for the Company's Taoyuan Processing Center.</p> <p>3. Formulation of the Remuneration Policies.</p> <p>4. Formulation of greenhouse gas management strategies, reduction targets and plans.</p> <p>5. Formulation of supplier management policy.</p> <p>6. Amendment of the Board of Directors' Meeting Procedure.</p> <p>7. Passed the endorsement/ guarantee short term credit obligation renewal case of US\$15 million and additional credit of US\$5 million with Taishin International Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p>	The entire Board adopted without objection.
2021.01.18	7th meeting of the 24th board	Passed the formulation of redemption procedures for the Company's 7th domestic unsecured convertible bonds, the suspension of listing at Taipei Exchange, and other related matters.	The entire Board adopted without objection.
2021.03.23	8th meeting of the 24th board	<p>1. 2020 Board of Directors Performance Evaluation Report</p> <p>2. Passed the independence and suitability evaluation of the accountant.</p> <p>3. Passed the distribution of employee and director remuneration for 2020. The total employee remuneration was NT\$114,899,075, and the total remuneration to directors was NT\$91,919,260.</p>	The entire Board adopted without objection.

		<p>4. Passed the Company's 2020 business report and financial statements.</p> <p>5. Passed the Company's 2020 earnings appropriation of cash dividend at NT\$1.5 per share.</p> <p>6. Passed the cash capital reduction and refund, the cash capital reduction totaled NT\$3,596,575,520, with cash capital reduction ratio of 33%, and shareholders can receive cash refund of NT\$3.3 per share. After the capital reduction, paid-in capital dropped to NT\$7,302,138,180, translating to common shares of 730,210,000 shares.</p> <p>7. Passed the short term credit obligation case of US\$35 million for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p> <p>8. Passed the endorsement/ guarantee short term credit obligation renewal case of US\$20 million with Cathay United Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p> <p>9. Passed the endorsement/ guarantee short term credit obligation renewal case of US\$3 million with Taishin International Bank for the subsidiary Fujian Dong Gang Steel Co, Ltd.</p>	
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(XII) The primary content of directors who have dissented on critical resolutions passed by the Board of Directors, where such dissents have been recorded or documents in recent years up to the annual report publication date: None.

(XIII) Summary of resignation or dismissal for chairman, general manager, accounting manager, finance director, head of internal audit, corporate governance managers, and R&D managers in recent years up to the annual report publication date: None.

V. Information on fees to CPA

(I) Range

Name of the accounting firm	CPA name		Audit period	Remarks
KPMG International Cooperative	Cihui Li	Hsinying Kuo	202.01~2020.12	None

Unit: NT\$thousand

Public expense item		Public expenses for audit	Non-public expenses for audit	Total
1	Below NT\$2,000,000		✓	✓
2	NT\$2,000,000 (inclusive)–NT\$4,000,000			
3	NT\$4,000,000 (inclusive)–NT\$6,000,000			
4	NT\$6,000,000 (inclusive)–NT\$8,000,000	✓		✓
5	NT\$8,000,000 (inclusive)–NT\$10,000,000			
6	Over NT\$10,000,000			

1. Disclosure of audit fees, non-audit fees and details of non-audit services, if the sum of non-audit fees paid to the CPA, CPA's firm and affiliated companies amount to more than one-quarter of total audit fees:

Unit: NT\$thousand

Name of the accounting firm	CPA name	Public expenses for audit	Non-public expenses for audit					Audit period	Remarks
			System design	Business registration	Human Resources	Others	Subtotal		
KPMG International Cooperative	Cihui Li, Hsinying Kuo	6,310	0	40	0	1,920	1,960	2020.01~2020.12	(1) Public expenses for R&D consultancy in 2020: NT\$240,000. (2) The expenses for 2020 Country-by-Country Report and Master File totaled NT\$930,000. (3) Smart machinery consulting service fees in 2020 was NT\$60,000. (4) Transfer pricing was NT\$690,000 in 2020.

2. If the accounting firm has been changed and the annual audit public expenses were lower for the year of the firm change compared to that of the previous year, then audit public expenses before and after the changes and the reason for such changes should be disclosed: Not applicable.

**3.If the audit public expense has been decreased by over 10% compared to the previous year, the amount, ratio, and reason of the public expense reduction shall be disclosed:
Not applicable.**

(II)The professional fees for auditing services referred to in the preceding item means the professional fees paid by the company to a certified public accountant for auditing, review, and secondary reviews of financial reports, financial forecast reviews, and tax certification.

VI. Exchange accountant information: None.

VII. The company's chairman, general manager and Vice general manager, financial responsible person, or accounting affairs manager who has served in a certified public accountant firm or its affiliates: None.

VIII.Share transfer by directors, managers and shareholders holding more than 10% equity and changes to share pledging by them in the past year and up to the date of report

(I)Share equity change status for directors, managers, and major shareholders

Title	Name	2020		Up to March 31, 2021	
		Number of shares held added (subtracted)	Numbers of pledged shares added (subtracted)	Number of shares held added (subtracted)	Numbers of pledged shares added (subtracted)
Directors	Mao Sheng Investment Inc.	8,175,000	0	850,000	0
Directors	Mao Sheng Investment Inc. Representative: Henry C. T. Ho	0	0	0	0
Directors	Mao Sheng Investment Inc. Representative: George Y. S. Ho	0	0	0	0
Directors	Earle Ho and Sons, Ltd.	11,165,000	0	280,000	0
Directors	Earle Ho and Sons, Ltd. Representative: Hui-Ming Wu	0	0	0	0
Director and concurrent Senior Vice General Manager, Finance and Accounting Division	Earle Ho and Sons, Ltd. Representative: Joshua P.H. Tung (Note 1)	30,000	0	0	0
Directors	Liang Cheng Investment Co., Ltd.	0	0	0	0
Directors	Liang Cheng Investment Co., Ltd. Representative: Pao-He Chen	(2,480,000)	(2,000,000)	0	0
Directors	Episil Holding Incorporation	0	0	0	0
Directors	Episil Holding Incorporation Representative: Chih-Ming Huang	(4,800,000)	0	0	0
Directors	Yen-Liang Ho	0	0	0	0
Directors	Taiwan Zhi Di Co. Ltd.	0	0	0	0
Directors	Taiwan Zhi Di Co. Ltd. Representative: Chao-He Lin	0	0	0	0
Independent Directors	I-Chi Liu	0	0	0	0
Independent Directors	Chuang-Hsi Chang	0	0	0	0
Independent Directors	Der-Ming Lieu	0	0	0	0
Chairman/General manager	Henry C. T. Ho	0	0	0	0
Senior Vice General Manager	Fu-jing Chen	326,000	0	0	0
Vice General Manager of Operations Department	Kuanren Gu	35,000	0	0	0
Executive President	Binghua Huang	0	0	(642)	0
Vice General Manager of Assets and Trade Department	Qixie Lin	0	0	0	0
Assistant manager of the general manager's	Changhong Li (Note 2)	0	0	N/A	N/A

Title	Name	2020		Up to March 31, 2021	
		Number of shares held added (subtracted)	Numbers of pledged shares added (subtracted)	Number of shares held added (subtracted)	Numbers of pledged shares added (subtracted)
office					
Assistant manager of the sales department	Ru-ying Fan	0	0	0	0
Assistant manager of the sales department	Zhengbin Qiu	0	0	0	0
Assistant manager of the investment division	Zhenyuan Chen	0	0	0	0
Assistant manager of the investment division	Xu Yizhi	0	0	0	0
Assistant manager of the investment division	Hou-sheng Jian	0	0	0	0
Assistant manager of IT Department	Zhe-chong Lin	18,000	0	0	0
Head of Corporate Governance and Assistant Manager of the Management Department	Ruyu He	5,000	0	0	0
Director of Taoyuan Works	Te-xiu Chen	0	0	0	0
Director of Miaoli Works	Ming-zong Liu	60,000	0	0	0
Director of Kaohsiung Works	Zong-yu Wang	(240,000)	0	0	0
Major shareholders holding more than 10% of the shares	Earle Ho and Sons, Ltd.	11,165,000	0	280,000	0

Note 1: Director Joshua P.H. Tung, the representative of the corporate director Earle Ho and Sons, Ltd., was newly appointed on May 19, 2020.

Note 2: Senior VP Changhong Li of the President's Office has retired on June 29, 2020.

(II) Share equity transfer information for directors, managers, and shareholders with the shareholding ratio of 10% or greater: None.

(III) Equity pledge information for directors, managers, and shareholders with the shareholding ratio of 10% or greater:

Name	Reason for pledge changes	Date of change	Transaction counterparty	Relationship between the transaction counterparty; company, director, supervisors managers as well as shareholders with more than 10% stake	Number of shares	Shareholding ratio	Pledge ratio	Pledge loan (redemption) amount
Liang Cheng Investment Co., Ltd.	Pledge	2017.11	China Bills Finance Corporation	N/A	10,000,000 Shares	1%	1.00%	None

IX. Information on the relationship between any of the top ten shareholders (related party, spouse, or kinship within the second degree)

April 26, 2021

Name	Personal shareholding		Shares held by spouse and underage children		Total shareholding by nominee arrangement		Shareholders with the top 10 shareholding ratios who are related, or their spouses and second-degree relatives' names and their respective relationships		Remarks
	Shares Held (Shares)	Shareholding Percentage (%)	Shares Held (Shares)	Shareholding Percentage (%)	Shares Held (Shares)	Shareholding Percentage (%)	Title (or full name)	Relationship	
Earle Ho and Sons, Ltd.	146,136,779	13.41	N/A	N/A	0	0	None	None	None
Earle Ho and Sons, Ltd. Representative: Hui-Ming Wu	128,432	0.01	0	0	0	0	None	None	None
Earle Ho and Sons, Ltd. Representative: Joshua P.H. Tung	23,381	0	0	0	160,000	0.01	None	None	None
Mao Sheng Investment Inc.	66,173,877	6.07	N/A	N/A	0	0	None	None	None
Mao Sheng Investment Inc. Representative: Henry C. T. Ho	142,426	0.01	113,000	0.01	0	0	Mao Sheng Investment Inc. Representative: George Y. S. Ho	Brother	None
Mao Sheng Investment Inc. Representative: George Y. S. Ho	10,000	0	0	0	0	0	Mao Sheng Investment Inc. Representative: Henry C. T. Ho	Brother	None
He Zhao Investment Co., Ltd. Representative: Henry C. T. Ho	64,705,150	5.94	N/A	N/A	0	0	None	None	None
Public Service Pension Fund Management Committee	28,437,385	2.61	N/A	N/A	0	0	None	None	None
Yu Tai Investment Co., Ltd. Representative: Chih-Ming Huang	19,381,193	1.78	N/A	N/A	0	0	None	None	None
Goldman Sachs Emerging Markets CORE Equity Portfolio Base Account entrusted to the Sales & Marketing Division of Standard Chartered Bank	12,514,000	1.15	N/A	N/A	0	0	None	None	None

Yuanta Taiwan High-Yield Leading Company Fund Account entrusted to Chang Hwa Commercial Bank	12,310,000	1.13	N/A	N/A	0	0	None	None	None
Vanguard Emerging Market Stock Index Fund Account entrusted to JPMorgan Chase Bank Taipei Branch	11,835,660	1.09	N/A	N/A	0	0	None	None	None
Nan Shan Life Insurance Co., Ltd. Representative: Tang Chen	11,611,000	1.07	N/A	N/A	0	0	None	None	None
Chi-cheng Investment Inc. Representative: Pao-He Chen	11,314,080	1.04	N/A	N/A	0	0	None	None	None

X. The shareholding of the Company, directors, management and an enterprise that is directly or indirectly controlled by the Company in the invested company

December 31, 2020

Reinvestment business	Investment by the Company		Investments by directors, managers and directly or indirectly controlled enterprises		Comprehensive investment	
	Shares (thousands)	Shareholding ratio (%)	Shares (thousands)	Shareholding ratio (%)	Shares (thousands)	Shareholding ratio (%)
Siaogang Warehousing Inc.	2,384	19.87	0	0	2,384	19.87
Hexawave Inc.	2,564	6.39	0	0	2,564	6.39
Taiwan Aerospace	1,621	1.19	0	0	1,621	1.19
Overseas investment	1,000	1.11	0	0	1,000	1.11
Li-Shi Venture Capital Inc.	677	5.68	0	0	677	5.68
Li-Yu Venture Capital Inc.	558	4.76	0	0	558	4.76
Taiwan High Speed Rail Inc.	1,913	0.03	0	0	1,913	0.03
Dongjing Investment	0	9.13	0	0	0	9.13
Industrial Bank of Taiwan	1,313	4.17	0	0	1,313	4.17
Global Venture	2,800	2.33	0	0	2,800	2.33
Chien Shing Harbour Service Co.,Ltd.	8,204	10.11	0	0	8,204	10.11
Katec Creative Resources Corp. - preferred shares	577	65.18	0	0	577	65.18
Tung Kang Wind Power	15,500	100	0	0	15,500	100
Fada	100	100	0	0	100	100

Tung Yuan International Corporation	0.08	100	0	0	0.08	100
Tung Kang Steel Structure Co., Ltd.	197,565	97.48	5,097	2.52	202,103	99.71
Taiwan Steel Union Inc.	24,829	22.31	0	0	24,829	22.31
Katec R&D Corporation	4,705	46.19	0	0	4,705	46.19
Katec Creative Resources Corp.	95,724	99.01	0	0	95,724	99.01
Goldham Development Ltd.	15,000	100	0	0	15,000	100
Tung Ho Steel Vietnam Corp., Ltd.	0	100	0	0	0	100
Fujian Tung Kang Steel Corp., Ltd.	0	0	0	100	0	100
Tung Kang Engineering & Construction Co., Ltd.	0	0	25,000	100	25,000	100
Fujian Sino-Japan Metal Corp.	0	0	0	35	0	35
3 Oceans International Inc.	0	0	1,840	66.67	1,840	66.67
De Or International Enterprise Co., Ltd.	0	0	8,154	96.00	8,154	96
China Merchandise Corp.	0	0	3	0.66	3	0.66
Tech Alliance Corp	0	0	569	5.69	569	5.69
Ding-Xing Development	0	0	150	15	150	15
Fujian DongSheng metal processing co., Ltd.	0	0	0	51	0	51
Dung Tang Energy Service Co., Ltd.	5,400	36	0	0	5,400	36

D. Fund-raising Conditions

I. Capital and Shares

(I) Source of capital

1. Type of shares

April 27, 2021

Type of shares	Authorized capital			Remarks
	Shares issued and outstanding	Unissued shares	Total	
Listed ordinary shares	1,089,871,370	410,128,630	1,500,000,000	None

2. Formation of capital

Year/month	Par value per share (NT\$)	Authorized capital		Paid-up capital		Remarks		
		Shares Held (Shares)	Amount (NT\$)	Shares Held (Shares)	Amount (NT\$)	Source of capital	Offset share amount with assets other than cash	Others
2007.01	10	1,000,000,000	10,000,000,000	824,347,119	8,243,471,190	Converted corporate bonds of NT\$243,601,360	None	Shou-Shang-Zi No. 09601012140 issued on January 18, 2007
2007.05	10	1,000,000,000	10,000,000,000	884,130,387	8,841,303,870	Converted corporate bonds of NT\$597,832,680	None	Shou-Shang-Zi No. 09601100430 issued on May 9, 2007
2007.07	10	1,200,000,000	12,000,000,000	911,739,989	9,117,399,890	Converted corporate bonds of NT\$276,096,020	None	Shou-Shang-Zi No. 09601181070 issued on July 30, 2007
2007.10	10	1,200,000,000	12,000,000,000	937,447,345	9,374,473,450	Converted corporate bonds of NT\$257,073,560	None	Shou-Shang-Zi No. 09601254410 issued on October 17, 2007
2007.12	10	1,200,000,000	12,000,000,000	943,812,404	9,438,124,040	Converted corporate bonds of NT\$63,650,590	None	Shou-Shang-Zi No. 09601310120 issued on December 19, 2007
2009.01	10	1,200,000,000	12,000,000,000	873,812,404	8,738,124,040	Canceled treasury stock of NT\$700,000,000	None	Shou-Shang-Zi No. 09801010110 issued on January 16, 2009
2009.09	10	1,200,000,000	12,000,000,000	900,017,836	9,000,178,360	Capitalization of profits of NT\$262,054,320	None	Shou-Shang-Zi No. 09801200710 issued on September 7, 2009
2009.10	10	1,200,000,000	12,000,000,000	944,517,836	9,445,178,360	Cash capital increase NT\$445,000,000	None	Shou-Shang-Zi No. 09801234430 issued on October 12, 2009
2009.11	10	1,200,000,000	12,000,000,000	947,072,482	9,470,724,820	Converted corporate bonds of NT\$28,526,460 Canceled treasury stock of NT\$2,980,000	None	Shou-Shang-Zi No. 09801265140 issued on November 13, 2009
2010.04	10	1,200,000,000	12,000,000,000	950,189,593	9,501,895,930	Converted corporate bonds of NT\$31,171,110	None	Shou-Shang-Zi No. 09901076350 issued on April 20, 2010
2010.05	10	1,200,000,000	12,000,000,000	970,079,690	9,700,796,900	Converted corporate bonds of NT\$198,900,970	None	Shou-Shang-Zi No. 09901100840 issued on May 18, 2010
2010.07	10	1,200,000,000	12,000,000,000	976,178,411	9,761,784,110	Converted corporate bonds of NT\$60,987,210	None	Shou-Shang-Zi No. 09901150550 issued on July 12, 2010
2011.05	10	1,200,000,000	12,000,000,000	976,295,900	9,762,959,000	Converted corporate bonds of NT\$1,174,890	None	Shou-Shang-Zi No. 10001098990 issued on May 18, 2011

Year/ month	Par value per share (NT\$)	Authorized capital		Paid-up capital		Remarks		
		Shares Held (Shares)	Amount (NT\$)	Shares Held (Shares)	Amount (NT\$)	Source of capital	Offset share amount with assets other than cash	Others
2011.11	10	1,200,000,000	12,000,000,000	980,929,084	9,809,290,840	Converted corporate bonds of NT\$46,331,840	None	Shou-Shang-Zi No. 10001272260 issued on November 30, 2011
2012.09	10	1,200,000,000	12,000,000,000	980,949,968	9,809,499,680	Converted corporate bonds of NT\$208,840	None	Shou-Shang-Zi No. 10101193050 issued on September 14, 2012
2012.11	10	1,200,000,000	12,000,000,000	987,498,693	9,874,986,930	Converted corporate bonds of NT\$65,487,250	None	Shou-Shang-Zi No. 10101236480 issued on November 14, 2012
2013.03	10	1,200,000,000	12,000,000,000	991,771,203	9,917,712,030	Converted corporate bonds of NT\$42,725,100	None	Shou-Shang-Zi No. 10201046600 issued on March 18, 2013
2013.06	10	1,200,000,000	12,000,000,000	998,146,821	9,981,468,210	Converted corporate bonds of NT\$63,756,180	None	Shou-Shang-Zi No. 10201103060 issued on June 3, 2013
2013.09	10	1,200,000,000	12,000,000,000	998,202,069	9,982,020,690	Converted corporate bonds of NT\$552,480	None	Shou-Shang-Zi No. 10201181010 issued on September 3, 2013
2014.12	10	1,200,000,000	12,000,000,000	998,221,448	9,982,214,480	Converted corporate bonds of NT\$193,790	None	Shou-Shang-Zi No. 10301251470 issued on December 5, 2014
2017.12	10	1,200,000,000	12,000,000,000	1,000,224,069	10,002,240,690	Converted corporate bonds of NT\$20,026,210	None	Shou-Shang-Zi No. 10601165320 issued on December 5, 2017
2017.12	10	1,500,000,000	15,000,000,000	1,004,060,608	10,040,606,080	Converted corporate bonds of NT\$38,365,390	None	Shou-Shang-Zi No. 10701033630 issued on March 28, 2018
2020.12	10	1,500,000,000	15,000,000,000	1,016,790,163	10,167,901,630	Converted corporate bonds of NT\$127,295,550	None	Shou-Shang-Zi No. 10901227680 issued on December 18, 2020
2021.04	10	1,500,000,000	15,000,000,000	1,089,871,370	10,898,713,700	Converted corporate bonds of NT\$730,812,070	None	Shou-Shang-Zi No. 11001062940 issued on April 27, 2021

(II) Shareholder structure

April 26, 2021

Shareholder structure Quantity	Government Agencies	Financial Institutions	Other legal person	Individual investors	Foreign organizations and foreign individuals	Total
Number of Shareholders	5	70	270	66,850	388	67,583
Number of shares held	42,388,420	89,136,819	408,183,612	287,253,401	262,909,118	1,089,871,370
Shareholding ratio (%)	3.89	8.17	37.46	26.35	24.13	100

(III) Shareholding distribution status

Par value of NT\$10 per share April 26, 2021

Shareholding classification	Number of shareholders	Number of shares held	Shareholding ratio (%)
1 - 999	30,397	4,995,190	0.46
1,000 - 5,000	28,636	57,518,062	5.28
5,001 - 10,000	4,372	33,018,337	3.03
10,001 - 15,000	1,350	16,603,941	1.52
15,001 - 20,000	762	13,959,244	1.28
20,001 - 30,000	641	15,990,216	1.47
30,001 - 50,000	500	20,129,963	1.85
50,001 - 100,000	381	27,401,767	2.51
100,001 - 200,000	177	25,126,480	2.31
200,001 - 400,000	123	35,475,354	3.26
400,001 - 600,000	64	31,529,927	2.89
600,001 - 800,000	35	24,363,496	2.24
800,001 - 1,000,000	22	19,750,857	1.81
1,000,001 and above	123	764,008,536	70.09
Total	67,583	1,089,871,370	100

(IV) List of major shareholders: Shareholders with equity ratio of more than 5% or the names of the top 10 shareholders as well as their shareholding amount and ratio.

April 26, 2021

Name of the major shareholders	Shares	Number of shares held	Shareholding ratio (%)
Earle Ho and Sons, Ltd.		146,136,779	13.41
Mao Sheng Investment Inc.		66,173,877	6.07
He Zhao Investment Co., Ltd.		64,705,150	5.94
Public Service Pension Fund Management Committee		28,437,385	2.61
Yu Tai Investment Co., Ltd.		19,381,193	1.78
Goldman Sachs Emerging Markets CORE Equity Portfolio Base Account entrusted to the Sales & Marketing Division of Standard Chartered Bank		12,514,000	1.15
Yuanta Taiwan High-Yield Leading Company Fund Account entrusted to Chang Hwa Commercial Bank		12,310,000	1.13
Vanguard Emerging Market Stock Index Fund Account entrusted to JPMorgan Chase Bank Taipei Branch		11,835,660	1.09
Nan Shan Life Insurance Co., Ltd.		11,611,000	1.07
Chi-cheng Investment Inc.		11,314,080	1.04

(V)Market price per share, net worth, earnings, dividends, and the related information for the last 2 years.

Unit: NT\$

Item		Year	2019	2020	Up to March 31, 2021
		Market price per share	Highest		23.75
Lowest			18.55	19.20	35.90
Average			21.53	25.92	40.19
Net worth per share	Before distribution		24.10	27.16	N/A
	After distribution (Note 1)		22.75	25.55 (Note 6)	N/A
Earnings per share	Weighted average number of shares (in thousands)		1,004,061	1,012,599	N/A
	Earnings per share	Before retrospective adjustments (Note 2)	1.56	3.52	N/A
		After retrospective adjustments (Note 2)	1.56	3.52	N/A
Dividend per share	Cash dividends (NT\$)		1.35	1.50	N/A
	Stock dividends	Earnings	0	0	N/A
		Capital Reserve	0	0	N/A
	Accumulated unpaid dividends		0	0	N/A
Return on investment	Price to earnings ratio (Note 3)		13.80	7.36	N/A
	Price to dividends ratio (Note 4)		15.95	17.28	N/A
	Cash dividend yield (Note 5)		6.27	5.79	N/A

Note 1: Fill-in based on the circumstances of the shareholders' meetings for the next year.

Note 2: Imputed based on basic earnings per share.

Note 3: Price earning ratio = average closing price per share for the year / earnings per share.

Note 4: Price earning ratio = average closing price per share for the year / cash dividends.

Note 5: Cash dividend yield = cash dividends / average closing price per share for the year.

Note 6: Passed the 2020 amount of cash dividend by resolution of the board of directors on March 23, 2021.

(VI) Dividend policy and implementation status

1. Dividend policy:

The amendment of the Company's Articles of Incorporation has been approved by resolution of the Shareholders' Meeting in 2019, while the 2020 earnings distribution by cash shall be handled by the resolution of the board of directors and reported to the shareholders meeting.

The Company's dividend policy is formulated by resolution of the board of directors, taking into account the Company's operating conditions, changes in the overall environment and shareholder interests. Without considering other special circumstances, the amount of earnings distributed for the current year shall be no less than 50% of net profit.

In accordance with the Articles of Incorporation, annual surpluses concluded by the Company are first subject to taxation and reimbursement of previous losses, followed by a 10% provision for legal reserves, and provision or reversal of special reserves, as the company operation or laws may require. The residual balance is then added to undistributed earnings carried from previous years and may be distributed as earnings.

The Company's operational life span has reached a positive, stable, and mature stage. With regard to earnings distribution, cash dividends shall be no less than 80% of total dividends, and stock dividends shall be no higher than 20%.

2. Dividend distribution by resolution of the board of directors: After the company's 8th annual Board of Director's meeting of the 24th term has approved to allocate cash dividends of NT\$1.50 per share, amounting to NT\$1,634,807,055 with a total of 1,089,871,370 shares, if the number of shares outstanding is subsequently affected for some other reason, and caused the interest rate for the allocated shares to change as a result, the chairman shall be authorized to provide adjustments accordingly.

(VII) The effects of the stock dividends proposed by the shareholders' meeting on the company's business performances and earnings per share: Not applicable.

(VIII) Remuneration of employees and directors

1. Percentages or ranges of remuneration of employees and directors under the Articles of Incorporation

In accordance with the Articles of Incorporation, if the company sustains profit for the current year, 2.5% or more of the income shall be set aside as remunerations to employees, and 2% or less of the income shall be distributed as director remuneration. The distribution shall be resolved by the Board of directors and reported in the shareholder's meeting. However, an amount shall be set aside first to compensate cumulative losses, if any. The allocation of employee remuneration does not include the employees of the Company's affiliates.

If employee remuneration is distributed in the form of new stock, employee stock shall be calculated based on the closing price of the day before the Board of directors' meeting.

2. Basis for estimating the amount of remuneration of employees and directors, basis for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period:

The distribution of the 2020 remuneration of employees by cash and 2020 director remuneration have been approved by resolution of the board of directors on March 23, 2021. In accordance with the Company's Articles of Incorporation. If the estimated amount differs from the actual distributed amount, the discrepancies will be considered an accounting estimation and adjusted in the annual report.

3. Remuneration proposals passed by the Board of Directors:

(1) Employee and director remuneration will be distributed in cash or stocks:

Unit: NT\$

Item	Resolution of the Board of Directors (March 23, 2021)
Director remuneration (cash)	91,919,260
Employee remuneration (cash)	114,899,075

(2) If the amount is different than the estimated annual expense amounts, the discrepancy amount, reason, and disposal status shall be disclosed:

There was no discrepancy with estimated annual expense amounts.

(3) The amount of employee bonus to be paid in stocks out of the current company-level financial report in terms of the sum of net profit after tax and employee bonus: Not applicable as the Company has no plans on distributing employee stock dividends.

4. Any discrepancy between actual distribution of remuneration of employees and directors (including the number of shares, the amount and stock price) and the recognized remuneration of employees and directors and disclosure of the differences, reasons and responses:

Unit: NT\$

	Actual allocation amount	Resolution of the Board of Directors (February 27, 2020)	Difference
Director remuneration (cash)	43,756,848	43,756,848	None
Employee remuneration (cash)	54,696,060	54,696,060	None

(IX) Status of company share buy back None.

II. Corporate bond issuance status

(I) Corporate bond issuance status

March 31, 2021

Company bond type	The 7th domestic unsecured convertible bonds	
Issuance (processing) date	2018.05.14	
Face value	NT\$100,000	
Location of issuance and transactions	Taipei Exchange	
Issuing price	Issued based on face value	
Total	NT\$2,000,000,000	
Interest rate	0%	
Duration	Five-year maturity date: 2023.05.14	
Guarantee institution	None	
Trustee	Trust Department of Fubon Commercial Bank Co., Ltd.	
Underwriting institution	Taishin Securities Co., Ltd.	
Visa attorney	Yi-Cheng Peng	
CPA	Huizhi Kou and Hsinying Kuo	
Repayment method	Repayment of principal by cash on due date except otherwise for matters related to conversion regulations, exercise of selling rights, early redemption, or repurchase and cancellation.	
Outstanding principal	NT\$0	
The terms of redemption or prepayment	The convertible bonds shall be redeemed at 100.75% face value after three years of issuance, and redeemed at 101.00% face value after four years of issuance.	
Restriction clause	None	
The credit rating institution's name, date of rating, and corporate bond rating results	N/A	
Other rights attached	Converted to ordinary (exchange or subscription) shares, global depository receipts, or other marketable securities as of the date of this annual report	The 7th series convertible bonds were converted to Tung Ho Steel's common shares at NT\$858,107,620.
	Issuance and conversion (exchange or subscription) method	Omitted
Issuance and conversion,	None	

exchange or subscription methods, and the condition of issuance that may dilute share equity and affect equity rights for the existing shareholders	
Name of the commissioned custodian institution for the exchange bid	None

Note: The convertible bond has been suspended listing at Taipei Exchange on March 8, 2021.

(II) Convertible bond data

Unit: NT\$

Company bond type		The 7th domestic unsecured convertible bonds		
Year		2019	2020	From this year to March 5, 2021 (Note 3)
Item				
Market price of the convertible bond	Highest	106.50	173.00	156.00
	Lowest	100.00	100.50	153.00
	Average	102.86	120.00	154.66
Conversion price		24.80 (Note 1)	23.30 (Note 2)	23.30
Issuance date and conversion price during issuance		Issuance date: May 14, 2018, conversion price during issuance NT\$27.80	Issuance date: May 14, 2018, conversion price during issuance NT\$27.80	Issuance date: May 14, 2018, conversion price during issuance NT\$27.80
Method of conversion		Issuance of new shares	Issuance of new shares	Issuance of new shares

Note 1: The conversion price of the 7th domestic unsecured convertible bond was adjusted to NT\$24.80 due to distribution of cash dividend on July 22, 2019.

Note 2: The conversion price of the 7th domestic unsecured convertible bond was adjusted to NT\$23.30 due to distribution of cash dividend on June 20, 2020.

Note 3: The 7th domestic unsecured convertible bond has been suspended listing at Taipei Exchange on March 8, 2021.

III. Issuance of preferred stocks: None.

IV. Issuance of global depositary receipts (GDR)

March 31, 2021

Issuance (processing) date		September 22, 1994	
Item			
Issuance (processing) date		1994.09.22	
Location of issuance and transactions		Bourse de Luxembourg	
Total amount issued		USD103,200,000	
Issue price per GDR		USD17.20	
Units issued		6,000,000 units	
Underlying Securities		Common shares of Tung Ho Steel Enterprise Corporation	
Common Shares Represented		68,610,809 Shares	
Rights and obligations of the GDR holders		Enjoy the same rights and obligations as those of Tung Ho Steel Enterprise Corporation's shareholders	
Trustee		The Bank of New York Mellon	
Depository bank		The Bank of New York Mellon	
Custodian bank		Far Eastern International Bank	
Outstanding Balance		734,513 units	
Allocation method for the related expenses during the issuance and subsisting periods		The issuance expenses shall serve as capital reserve reduction, and the subsisting period expenses shall serve as current expenses	
Terms and conditions for depositary and custodial contracts		The depository institution shall exercise the voting rights of the original securities attached to the depositary receipts in accordance with the instructions provided by the deposit receipt holders as well as the depositary contract and the laws and regulations of the Republic of China	
Market price per unit	2019	Highest	7.67
		Lowest	6.04
		Average	6.95
	2020	Highest	13.60
		Lowest	6.40
		Average	8.82
	Up to March 31, 2021	Highest	15.80
		Lowest	11.20
		Average	12.99

V. Issuance of employee subscription right and restricted stock awards: None.

VI. Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies: None.

VII. Implementation status of the capital utilization plan

Issued the 7th domestic unsecured convertible bonds

(I)The total amount of funds required for this project: NT\$2.5 billion.

(II)Source of funds: The 7th domestic unsecured convertible bonds of 20,000 units, with denomination of NT\$100,000, have been issued at 100.5% face value, which raised total funds of NT\$2.01 billion. The coupon rate is 0% under a bond duration of five years. If the requirement is deemed to be insufficient, it shall be covered by the Company's own funds.

(III)Plan project, expected progress, and the expected possible benefits

Unit: Thousands of New Taiwan Dollars

Project item	Expected completion date	Total amount of capital required	Expected capital spending schedule
			Quarter 2 2018
Repayment of bank loans	Quarter 2 2018	2,512,500	2,512,500
Total		2,512,500	2,512,500
Expected benefits	Repaying the bank loans can save NT\$22,070,000 in interest expenses for 2018, and can save NT\$37,835,000 in interest expenses each year starting from 2019.		

(IV)The anticipated benefits and the actual results: For the fundraising plan, NT\$2,010,000,000 was for the repayment of bank borrowings. Up to Quarter 2 2018, the actual amount spent was NT\$2,010,000,000. Meanwhile, the company has saved interest expenses of NT\$20,583,000 in 2018, and is expected to save interest expenses of NT\$35,286,000 in the following fiscal years. As of Quarter 2 2018, the funding progress and its implementation complies with the original schedule, and there has been no significant difference between the estimated and actual benefits.

(V)Implementation status: As of the second quarter of 2018, the expected capital spending was NT\$2,010,000,000, while the actual amount of expenditure was NT\$2,010,000,000. After the Company completed the repayment of 100% bank borrowings in accordance with the expected capital spending schedule, it reported to the TWSE for complying with the original repayment schedule in July 2018, with no material irregularities.

E. Business Overview of the Company and Its Subsidiaries

I. Business content

(I) Scope of business

1. Main content:

Parent company and subsidiary		Main business item	Main contents and the current product (service) lineup
Parent company	Tung Ho Steel Enterprise Corporation		<ol style="list-style-type: none"> (1) Manufacturing processing and sales of re-bar, flat iron, angle iron, channel iron, plate element, and other steel products. (2) Manufacturing processing and sales of steel and alloy steel, tool steel, high carbon steel, and other special steel. (3) Processing and trading of iron and steel industrial raw materials, hardware, machinery, iron electrical materials, and light metal manufacturing. (4) Iron and steel smelting, rolling, heat treatment, painting, plating, and processing operations. (5) Manufacturing, processing, and trading of steel plates, bars, and rails. (6) Design, manufacture, processing, and trading of various structural steel, steel materials, and mechanical bodies.
Subsidiaries	Tung Kang Steel Structure Co., Ltd.		<ol style="list-style-type: none"> (1) Iron and Steel Rolling, Drawing, and Extruding. (2) Steel Construction.
	Katec Creative Resources Corp.		<ol style="list-style-type: none"> (1) Waste/scraps disposal industry. (2) Waste and resource recycling industry. (3) Iron and steel smelting industry. (4) Other non-ferrous metal basic industries.
	Tung Kang Wind Power Co., Ltd.		Development, production, distribution and sales of wind power.
	Fada Corp.		Recycling, lease, wholesale of recycled supplies, international trade.
	3 Oceans International Inc.		Foreign investments.
	Tung Kang Engineering & Construction Co., Ltd.		<ol style="list-style-type: none"> (1) Comprehensive management of construction and maintenance. (2) Synthesis Construction. (3) Recycling. (4) Wholesale of construction materials. (5) Wholesale of ironware. (6) New plant construction. (7) Construction engineering business. (8) Public works. (9) Iron and Steel Rolling, Drawing, and Extruding. (10) Wholesale of recycled materials.
	Fujian Tung Kang Steel Co., Ltd.		<ol style="list-style-type: none"> (1) Produce steel products and related products as well as provide the corresponding installation and ancillary services. (2) Stone materials, construction and decoration materials, welding materials, plastic products, aluminum alloy products, metallurgical materials, and metal products.
	Tung Ho Steel Vietnam Corp., Ltd.		Production and sales of billets, re-bar, small steel, and wire
	DongSheng Metal Processing		Manufacturing and sales of metal structures.

	Co., Ltd.	
	Dung Tang Energy Service Co., Ltd.	Fertilizer manufacturing and renewable energy self-use generation equipment.
	Duc Hoa International J.S.C. (Note)	Manufacture of quicklime.

Note: Duc Hoa International J.S.C. has been incorporated in the preparation of consolidated financial reports since January 20, 2020.

2.Revenue Breakdown

Products \ Item	As a percentage of cumulative operating revenue for 2019 (%)	As a percentage of cumulative operating revenue for 2020 (%)
Re-bar	48	49
Section beam (Note 1)	28	32
Billet	4	1
Others (Note 2)	20	18
Total	100	100

Note 1: The section beams include H-beams, plates, channels, I-beams, and steel sheet piles.

Note 2: Others refer to the operating income of consolidated subsidiaries from products other than re-bars, section beams and billets in the consolidated financial report after consolidations and write-offs, and the balance on construction contracts (Tung Kang Steel Structure Co., Ltd. and Fujian Tung Kang Steel Corp., Ltd.)

3.New merchandise to be developed

Development of billets with high steel cleanliness and high toughness, development of low-carbon green process technology for electric furnace, electric furnace scrap preheating continuous feeding process research, development of H-beam Universal Edging (UE) new rolling technology, development of H-beam/ steel plate on-line size automatic measurement and surface quality inspection system, development of angle and flat bar H/V (horizontal/ vertical) combination rolling, development of AI applications and smart chemical process technology, and research on carbon steel oxidizing slag asphalt pavement and testing.

(II)Industry overview

1.Current status and development of the industry

Tung Ho Steel's consolidated sales came in at NT\$42.866 billion in 2020, which fell by 4.45% compared to the NT\$44.864 billion in 2019, whereas the consolidated sales volume increased by 3.79% YoY to 2.235 million tons in 2020 from 2.1533 million tons in 2019. Given the ongoing COVID-19 pandemic, the decline in international steel raw material prices slightly dragged down the Group's sales. Nonetheless, the pandemic prevention was successful in Taiwan, and coupled with the affect of US-China trade war, Taiwan's overall economy grew by 2.98% against headwinds, which was top among the developed countries in the world. Tung Ho Steel's 2020 consolidated net profit grew by 128.31% compared to 2019, and hit record

high since the financial tsunami in 2008, while EPS significantly increased to NT\$3.52 in 2020 from NT\$1.56 in 2019. Tung Ho Steel has been adhering to the marketing strategy of complementary products re-bars and H-beams, and implementation of raw material procurement and inventory control, which doubled overall profits in 2020.

Tung Ho Steel Vietnam Corp., Ltd. is Tung Ho Steel's first overseas production base which include electric furnace smelting and rolling mill. Since it commenced re-bar production in 2019, Tung Ho Steel Vietnam Corp., Ltd. brand image has gradually gained market recognition, and turned to profits in the fourth quarter of 2020. Overall, Tung Ho Steel Vietnam Corp., Ltd. suffered losses in 2020, but the amount of loss has reduced year by year. Tung Ho Steel's long-term overseas investment strategy involves deployment in the emerging steel market in Southeast Asia. In view of the rapid economic growth in Vietnam and ASEAN countries, the deployment may contribute to better long-term operating performance of the parent company.

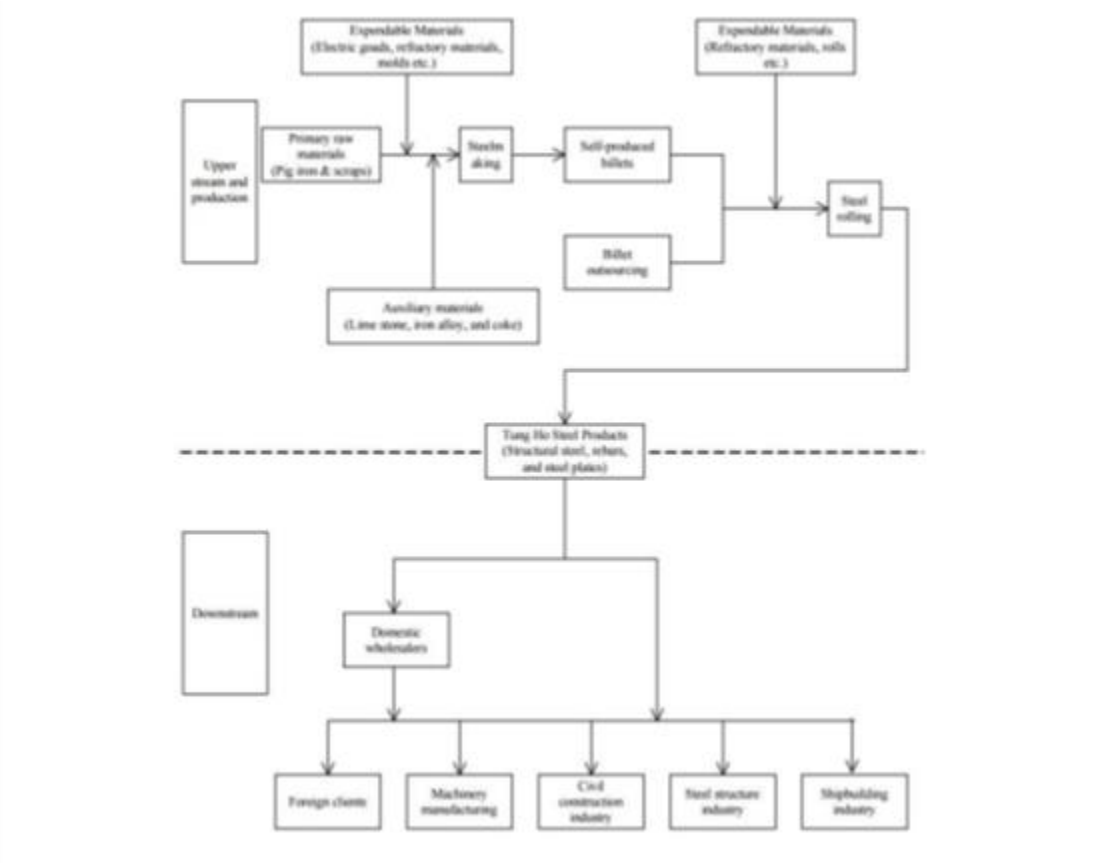
Furthermore, in the first half of 2020, Tung Kang Steel Structure Co., Ltd. 's projects under construction and new constructions were mostly delayed due to the pandemic. This caused the annual sales volume to decrease by 27.87% and 14.19% when compared to 2019. However, with the success of Taiwan's epidemic prevention in the second half of the year, operational performance significantly improved, and with current orders now extending to mid-2022, operational performance continues to grow. On the other hand, with the effects of the pandemic in China and growing anti-China sentiments around the world, Fujian Tung Kang Steel Corp., Ltd. has experienced a dramatic decrease of 53.69% in sales compared to 2019. The domestic and international trade problems faced by foreign companies in China are the key issues and challenges related to operational performance this year.

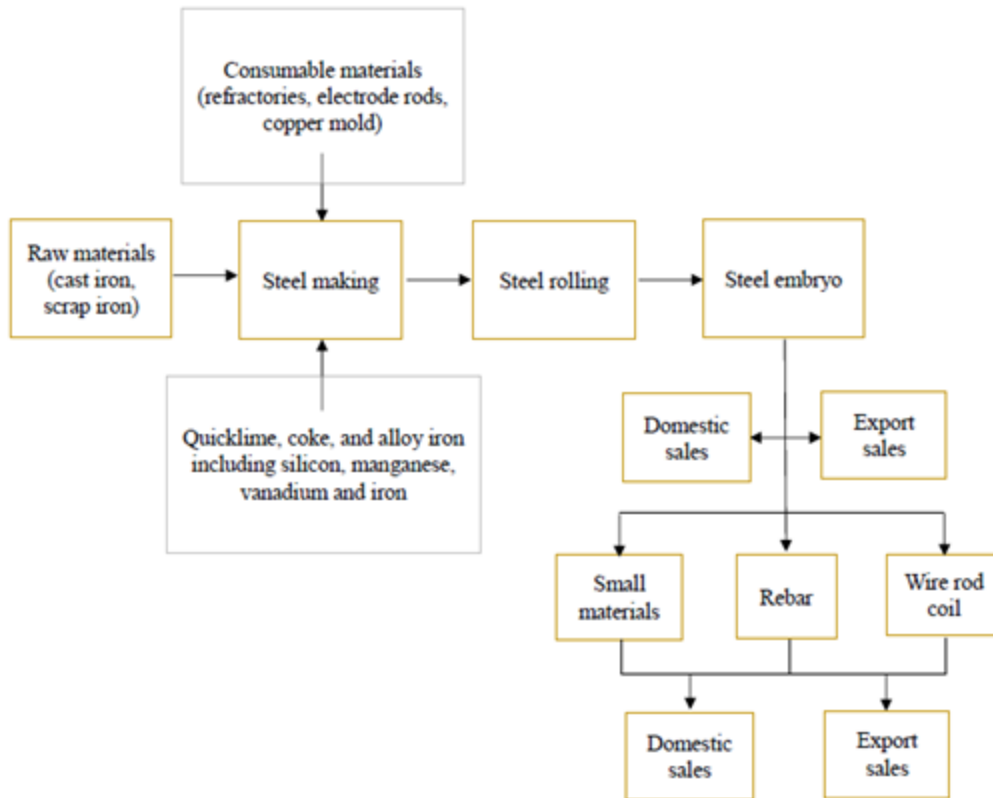
Tung Ho Steel has been actively investing in green energy and environmental protection businesses in the past: The invested companies include Tung Kang Wind Power Corp., Dung Tang Energy Service Co., Ltd., Katec Creative Resources Corp., Katec R&D Corporation and Taiwan Steel Union Inc. Tung Ho Steel's investment in green energy and environmental protection businesses are currently at the seeding stage. These two industries are closely related to Tung Ho's primary business and are key to determining the future competitiveness of steel businesses. In future, green energy, waste reduction and carbon reduction will become the core competitiveness of steel industries, an aspect that Tung Ho aims to incorporate in its long-term investment planning and corporate sustainability. In 2020, the "Major Electricity User Clauses" was officially announced, and the amendment of "Climate Change

Response Act" according to the Greenhouse Gas Reduction and Management Act would be completed. To achieve the goal of carbon neutrality by 2050 in response to global climate change, Tung Ho Steel actively participates in international initiatives related to environment and climate change in 2020, including EPD (Environmental Product Declaration), TCFD (Task force on Climate-related Financial Disclosures), and CDP (Carbon Disclosures Project) - climate change.

2.The status of the upper, middle, and downstream relationships for the industry

(1)Tung Ho Steel





(III) Overview of Technology and R&D

1.R&D plan for the last two fiscal years

Item	2020 R&D program	2021 R&D program
(1) Steelmaking	a.Development of billets with high steel cleanliness and high toughness. b.Development of SM570 steel plate of 50mm thickness. c.Development of high-strength re-bar. d.Development of advanced steel material for ships. e.Development of ultra-high-strength steel. f.Testing of various supplies and refractory materials.	a.Development of billets with high steel cleanliness and high toughness. b.Development of SM570 steel plate of 50mm thickness. c.Development of high-strength re-bar. d.Development of advanced steel material for ships. e.Development of ultra-high-strength steel. f.Testing of various supplies and refractory materials. g.Research on off-gas detection of electric furnaces and dynamic control of burners and combustion chambers. h.Research on ORC power generation technology for electric furnace waste heat recovery. i.Development of low-carbon and green manufacturing technology for electric furnace. j.Electric furnace scrap preheating continuous feeding process research.
(2) Steel rolling	a.Leading R&D plan in developing the new	a.Leading R&D plan in developing the new

	<p>technology for low-energy direct rolling to increase tensile strength of ultra-high-strength re-bar by more than 1.6 times.</p> <p>b.Development of billet welding technology and application of direct rolling technology for continual re-bar rolling.</p> <p>c.The R&D plan of universal edging, a new special rolling technology for the production of H-beams with B value of more than 300mm.</p> <p>d.Development of H-beam/ steel plate on-line size automatic measurement and surface defect detection system.</p> <p>e.Development of smart combustion control system for heating furnace.</p> <p>f.Development of angle and flat bar H/V (horizontal/ vertical) combination rolling.</p> <p>g.R&D plan for tandem reciprocating universal edging round profiled material rolling technology.</p> <p>h.Leading small-scale R&D plan for domestic small steel.</p> <p>i.Development of ultra-high-strength steel.</p>	<p>technology for low-energy direct rolling to increase tensile strength of ultra-high-strength re-bar by more than 1.6 times.</p> <p>b.Development of billet welding technology and application of direct rolling technology for continual re-bar rolling.</p> <p>c.The R&D plan of universal edging, a new special rolling technology for the production of H-beams with B value of more than 300mm.</p> <p>d.Development of H-beam/ steel plate on-line size automatic measurement and surface quality inspection system.</p> <p>e.Development of smart combustion control system for heating furnace.</p> <p>f.Development of angle and flat bar H/V (horizontal/ vertical) combination rolling.</p> <p>g.R&D plan for tandem reciprocating universal edging round profiled material rolling technology.</p> <p>h.Leading small-scale R&D plan for domestic small steel.</p> <p>i.Development of ultra-high-strength steel.</p>
(3) Others	<p>a."Research on Curved Steel Pipes Formed by Cold Bending for Buildings"</p> <p>b."Research on Temperature Change and Post fire resistance Assessment for High-Strength Screw Deformed Rebars and Couplers ”.</p> <p>c."Research on Carbon Steel Oxidizing Slag Asphalt Pavement and Testing" new technology R&D projects.</p>	<p>a.Development of AI applications and smart chemical process technology.</p> <p>b."Research on Temperature Change and Post fire resistance Assessment for High-Strength Screw Deformed Rebars and Couplers ”.</p> <p>c."Research on Carbon Steel Oxidizing Slag Asphalt Pavement and Testing" new technology R&D projects.</p> <p>d.Comprehensive and innovative solutions to promote a circular economy in the steel industry.</p>

2.R&D expenditure in most recent years up to the date of publication of annual report

Unit: NT\$

Year	2019	2020	Up to March 31, 2021
Total research and development expenses for Taoyuan plant	3,603,857	2,652,989	504,371
Total research and development expenses for Miaoli plant	23,675,130	25,720,581	6,018,680
Total research and development expenses for Kaohsiung plant	12,246,451	10,592,858	2,666,591
Total R&D expenditure	39,525,438	38,966,428	9,189,642
Ratio of total R&D expenditure to net sales (%)	0.09	0.09	0.18

(IV) Long- and short-term business development plans:

1.Short-term development plan - marketing business strategies:

- (1) Given successful development and introduction of COVID-19 vaccines and active arrangements of vaccinations, we are optimistic towards global economic recovery, and expect that the world will face inflation. With that, we will further strengthen risk management in accounts receivables and control the volume and scheduling of raw material procurement.
- (2) Observing the impact of continuous steel capacity expansion of emerging countries on the global steel market, especially in India and Southeast Asian countries.
- (3) Observation and evaluation of the follow-up impact on the global steel market since China has lifted export tax rebates on most steel products on May 1, 2021.
- (4) Evaluation of opportunities and risks for global economic development considering that the US-China trade war has led to oppositions between communists and democratic countries, as well as geopolitical turbulence.
- (5) In response to the government's Paris Agreement NDC (National Determined Contribution), Tung Ho Steel has formulated the carbon reduction plan based on greenhouse gas emissions in 2005.
- (6) The key aspects that require careful studying for the medium and long term include: the official announcement of "Major Electricity User Clauses", green power generation issues, and prolonged price tension in domestic electricity.
- (7) The amendment of "Climate Change Response Act" would be completed in 2020, stipulating measures such as imposing carbon taxes and the control of total carbon emissions, which may exert a significant impact on the steel industry.
- (8) Strengthen the monitoring of raw material and steel product international price volatility trends to disperse the sources of raw material procurement.
- (9) Urge the government to pass the CNS international standard verification and registration

system for various types of steel products as soon as possible.

(10) Implement the industry and marketing project involving order-based productions and deepen cost-control project productions.

(11) Strengthen and integrate domestic and foreign sales channels.

2. Long-term development plan - marketing business strategies:

(1) Develop new markets for high value added products.

(2) Respond to the market supply/demand and competition relationship changes, and reintegrate Tung Ho Steel's market position and product orientation.

(3) Prudently develop measures and the possibility to eliminate market trade barriers in developing countries, and strengthen the practical overseas investment feasibility evaluations.

(4) Tapping into the Vietnam and ASEAN markets, and strengthening the knowledge of local legal affairs and taxation, with local market analysis and relevant investments.

II. Status of Market and Sales

(I) Market analysis

1. Sales region for the main products.

Unit: Thousands of New Taiwan Dollars; %

Region \ Year		2020		2019	
		Amount	%	Amount	%
Foreign sales	Asia	3,540,385	8.26	4,402,603	9.81
	America	46,747	0.11	1,616,046	3.60
	Others	675,784	1.58	842,246	1.88
Subtotal		4,262,916	9.95	6,860,895	15.29
Domestic sales		38,603,374	90.05	38,002,705	84.71
Total		42,866,290	100.00	44,863,600	100.00

2. Domestic market share of the Company's main products

Unit: Tons

Item \ Year		2020	2019
		H-beam	Total domestic sales volume
This company	566,482		481,498
Market share (%)	56.99		55.31
Re-bar	Total domestic sales volume	6,589,351	5,982,643
	This company	1,073,104	1,076,545
	Market share (%)	16.29	18.00

Source: Taiwan Steel & Iron Industries Association

3. Supply and Demand for the future market

Looking forward to 2021, given slowdown of COVID-19 pandemic, we are optimistic towards quick global economic recovery. Thanks to Taiwan's successful pandemic prevention and benefits from US-China trade war, we forecast upbeat demand on domestic investment, with orders visible in the short and medium term, and coupled with strong demand in the construction industry, we expect Tung Ho Steel to achieve better business performance.

However, there are still various factors to be observed in 2021. Firstly, despite successful development and introduction of COVID-19 vaccines and active arrangements of vaccinations, the allocation is uneven around the world. Hence, the key factors for the slowdown of COVID-19 pandemic and global economic recovery include whether the COVID-19 pandemic in developing countries may be effectively controlled, and countries around the world can receive the COVID-19 vaccines through the COVAX Mechanism.

Secondly, international brands and companies have faced national boycott in China as they were deemed to "smear and attack China and hurt Chinese interests while making profits in the Chinese market". All individuals and companies must express their own views due to peer pressure, which led to oppositions between communists and democratic countries. In addition, the U.S. recently held a Global Climate Action Summit. The participating countries emphasized on their specific contributions in response to climate change, energy conservation and carbon reduction, whereas China pledges to achieve CO2 emissions peak before 2030, which once again led to oppositions between developed countries and developing countries for long-term climate change issues, and intensified geopolitical turbulence.

Furthermore, China has cancelled export tax rebates on most steel products since May 1, 2021, which immediately alleviated the pressure from Chinese steel dumping in the global steel market. Nonetheless, Chinese steel companies have actively invested in foreign countries in recent years, especially in Southeast Asia, including: Alliance Steel (M) Sdn. Bhd., Dexin Steel Indonesia, Qingshan Iron and Steel Co., Ltd., and Hebei Iron & Steel Group Co. Ltd. plans to jointly establish an integrated steel plant with 8 million tons capacity in the Philippines, and coupled with the rapid growth of steel companies in Southeast Asia, G20 Global Forum on Global Forum on Steel Excess Capacity (GFSEC) announced in the video conference in 2020 that: The steel production capacity of Southeast Asian countries will surge from 89.5 million tons nowadays to 151 million tons in the next few years. Moreover, India has surpassed Japan in 2018, and became second only to China for global crude steel production. According to China Iron and Steel Association, India's steel production capacity is estimated to reach 300 million tons in 2030. These emerging countries

could replace China on influencing the global steel market, and exacerbate the problem of excess capacity in the global steel industry.

Finally, thanks to successful COVID-19 pandemic prevention and benefits from the US-China trade war, we see booming fixed-asset investment (FAI) growth amid strong demand in the construction industry. However, there were unfavorable factors which will exert a negative influence on Taiwan's overall economic growth, including the worsening labor shortage in Taiwan's construction industry due to aging population and unwillingness of youth to participate in the 3K industries, as well as the recent severe water scarcity in Taiwan due to global climate change.

4.Competitive niche

(1)Long years of industry experience

Since its establishment in 1962, the company has specialized in steel rolling and steelmaking for more than 50 years, and its senior management also served in the company for more than a decade, with high professional familiarity in the steel industry, and lead the company in formulating effective competitive strategies in response to industrial changes.

(2)Excellent product quality

In view of fierce competition in the steel industry, the Company adheres to improving product quality to maintain its competitiveness. The Miaoli, Taoyuan, and Kaohsiung plants have obtained ISO certification, while the Company has maintained stable relationships downstream customers over the years on the back of stable steel quality.

(3)R&D excellence

In the past years, the Company's R&D achieved outstanding results. The main steelmaking R&D achievements include: Development of high strength steel billets for rebars, ultra-high strength steel, restored melted slag process development, and furnace material recycle technology development. The main R&D achievements are as follows: High-strength threaded rebar, high-strength threaded rebar coupler, U-shaped steel sheet piles, billet induction heating processing, ultra-thick H-shaped steel and various shaped steels with distinct specifications were developed in order to diversify our products, enhance our technical capability, and increase the Company's revenue and profit. The R&D plans under progress include: Research on off-gas detection of electric furnaces and dynamic control of burners and combustion chambers, development of billets with high steel cleanliness and high toughness, R&D for low-energy direct rolling of ultra-high-strength re-bar, development of billet welding and endless rolling technology technology, R&D for tandem reciprocating universal edging round profiled material rolling technology, development of low-alloy ultra-high-strength steel plate, and development of restored melted slag recycling process.

5.Favorable and unfavorable factors for the development

(1)Favorable factors

- a.Since the Tung Ho Steel Taoyuan Plant was officially put into production on October 31, 2010, its energy conservation and carbon reduction based environmental friendly production process can reduce production costs by approximately 30% to 40% compared to that of the traditional steel plants. The second production line officially commenced production in the 4th quarter of 2017, which will aid Tung Ho steel to further implement an environmental protection process for energy conservation and carbon reduction, and its contributions to Tung Ho Steel's overall operating performance materialized in the past two years. Looking forward, we expect the second production line to strengthen Tung Ho Steel's competitive advantage in the domestic re-bar market.
- b.The Neihu MRT's steel medium-capacity rails and guide rails developed and produced by Tung Ho Steel enables Tung Ho Steel to become the only steel manufacturer in the entire Asia with medium-capacity steel rail projects, which is conducive to the company's expansion to the United States, China, and Southeast Asia export markets.
- c.China lifts export tax rebate on most steel works.
- d.Successful prevention of COVID-19 pandemic in Taiwan and the US-China trade war.
- e.The global warming and greenhouse gas emission issues have received great attention. "Carbon customs tax," "carbon and energy taxes," and "carbon trading" will be common problems that the global industry must face together. Tung Ho Steel's electric arc furnace production process has a competitive advantage compared to that of the blast furnace process, and its investment in energy conservation and carbon reduction equipment is also ahead of its peers.
- f.The amendment of "Climate Change Response Act" would be completed in 2020, stipulating measures such as imposing carbon taxes and the control of total carbon emissions.
- g.Tapping into the Vietnam and ASEAN markets with active deployment.

(2)Unfavorable factors

- a.Whether the emerging developing countries can follow the effective COVID-19 pandemic prevention and control in advanced countries.
- b.Taiwan's water resource in response to global climate change.
- c.The presence of high-cost alternative and green energy will further exacerbate the pressure of operating cost control.
- d.Labor shortage in Taiwan's construction industry due to aging population and unwillingness of youth to participate in the 3K industries.
- e.The US-China trade war has led to tensions between communists and democratic countries, as well as geopolitical turbulence.
- f.Export businesses are facing more severe challenges given rising steel production capacity in developing countries, especially in Southeast Asia and India, as well as the prevalence of trade protectionism.

(3)The external environmental issues:

- a.Despite successful development and introduction of COVID-19 vaccines and active arrangements of vaccinations, the allocation is uneven around the world. It still remains to be seen whether the COVID-19 pandemic in developing countries may be effectively controlled.
- b.Taking into account the impact of COVID-19 pandemic for the deployment of global upstream and downstream supply chains.
- c.The US-China trade war has led to tensions between communists and democratic countries, as well as geopolitical turbulence.
- d.The excess steel production capacity of developed countries and rising steel production capacity of emerging countries.
- e.Green power generation issues and prolonged price tension in domestic electricity.
- f.Taiwan’s water resource management in response to global climate change.
- g.Labor shortage in Taiwan’s construction industry due to aging population and unwillingness of youth to participate in the 3K industries.

(II)Major product manufacturing processes

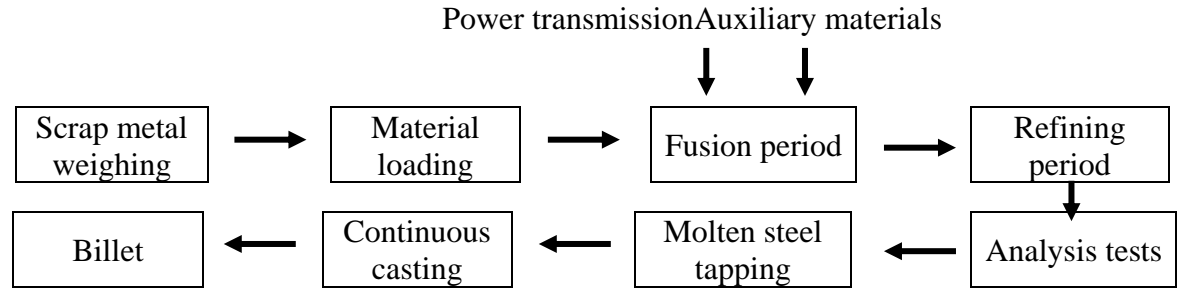
1.Product use

- (1) Rebar: Civil engineering and construction steel material.
- (2) Billet: Production of steel, steel bars, wire rods, H-beams, channel steel, steel semi-finished products.
- (3) H-beam: Structural steel base material for steel construction and civil engineering.
- (4) Universal steel plate: Structural steel materials for assembly type steel such as welded H-beams, box columns, and truss columns.
- (5) Large steel channel: Structural steel materials for steel construction, mechanical and electrical equipment, etc.
- (6) U-shaped steel sheet pile: Broadly used in retaining walls, piers, dams and levees, and other projects. Moreover, it can be recycled and reused, with evident effects of protecting the environment. U-beam steel sheet piles are characterized by high strength, light weight, good waterproofing, durability, and easy of construction.
- (7) Steel structure: Plant, high-rise buildings, span building, civil construction, construction steel materials and consolidated construction.
- (8) Environmental protection business-restored steel: Sold to steel refining plants for use as raw materials for steel refining.
- (9) Environmental protection business-crude zinc oxide: Sold to Zn metal refining plants for use as raw materials.
- (10) Environmental protection business-Slag products: Used as subbase material and aggregates.

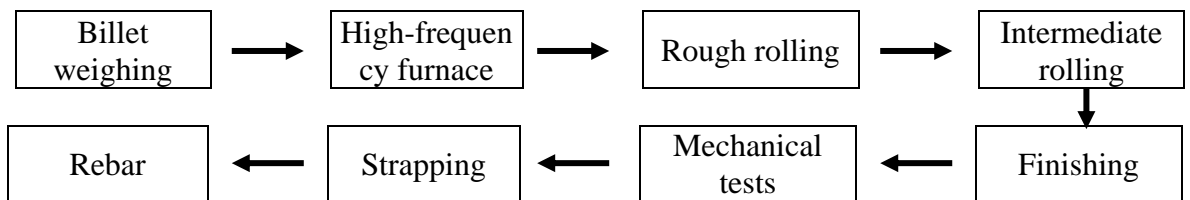
- (11) Wind power generation: The electricity generated is sold to TPC and delivered to users.
- (12) Quicklime: Steel refining auxiliary materials.

2. Production process

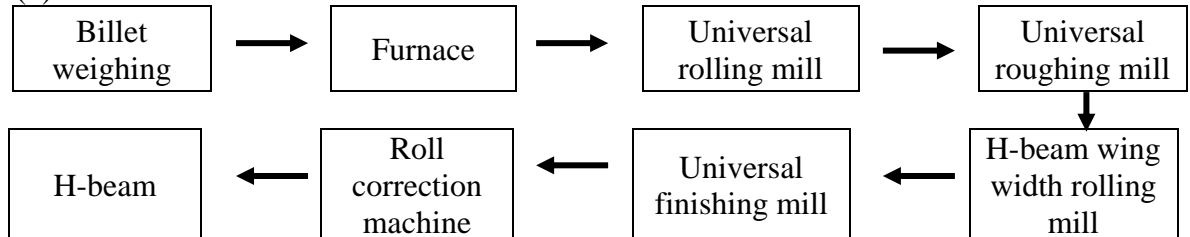
(1) Billet refinement



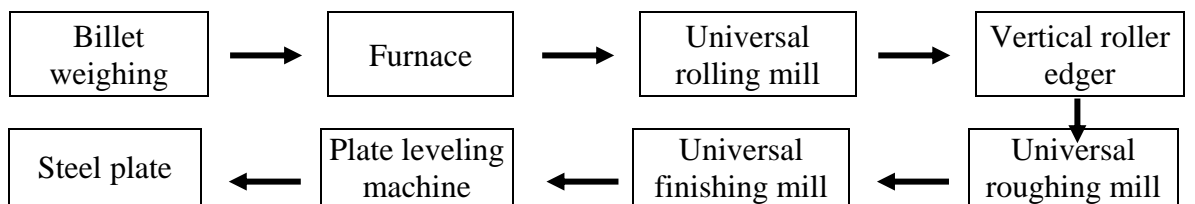
(2) Rolling steel



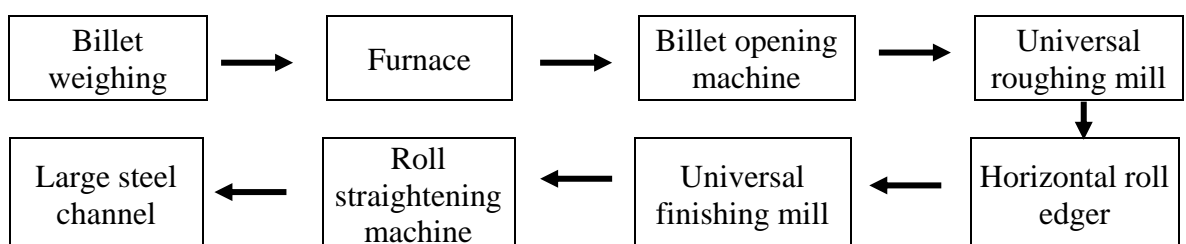
(3) Rolled H-beam



(4) Universal plate rolling



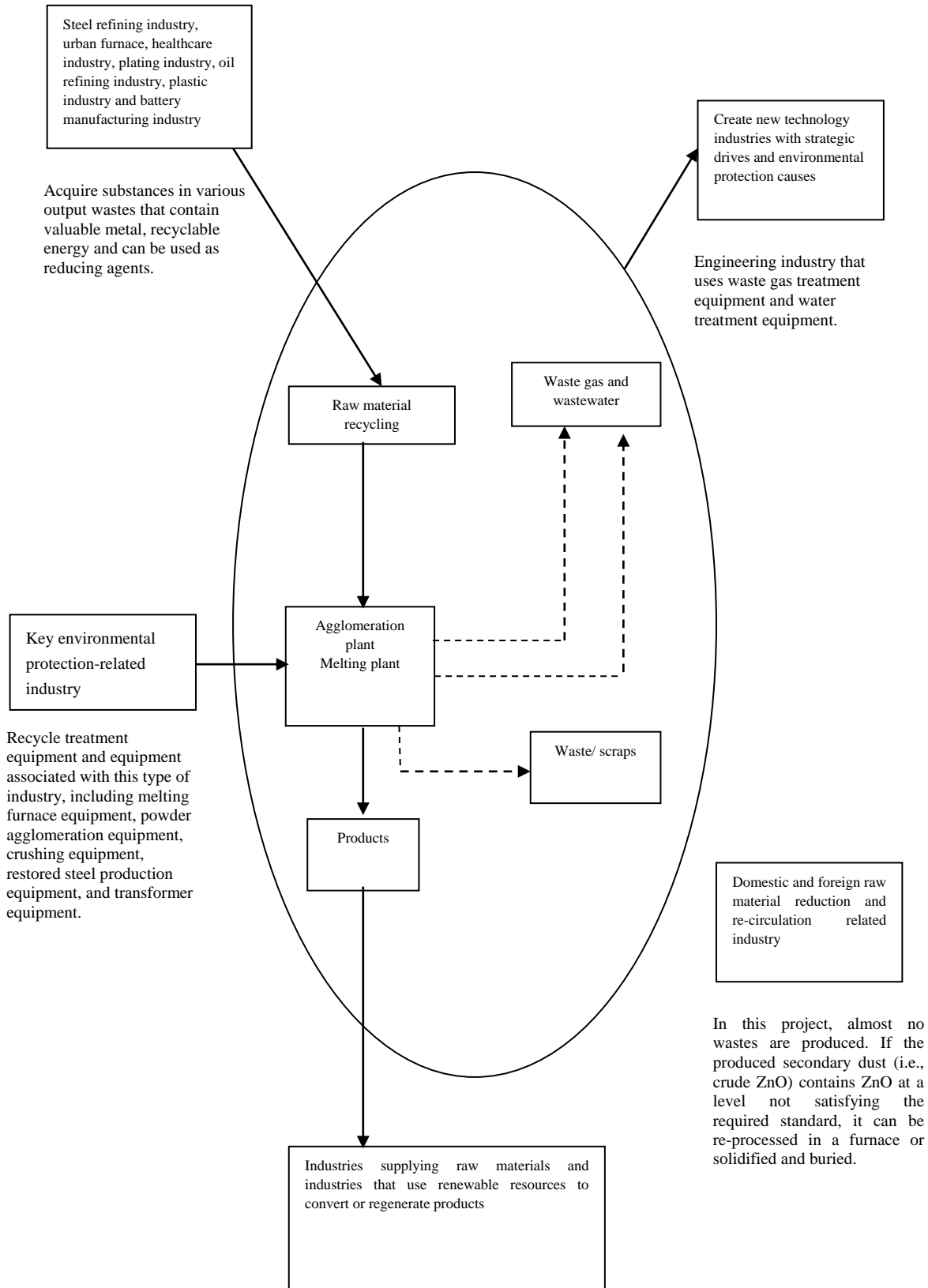
(5) Large channel for rolling



(6) Steel structure manufacturing

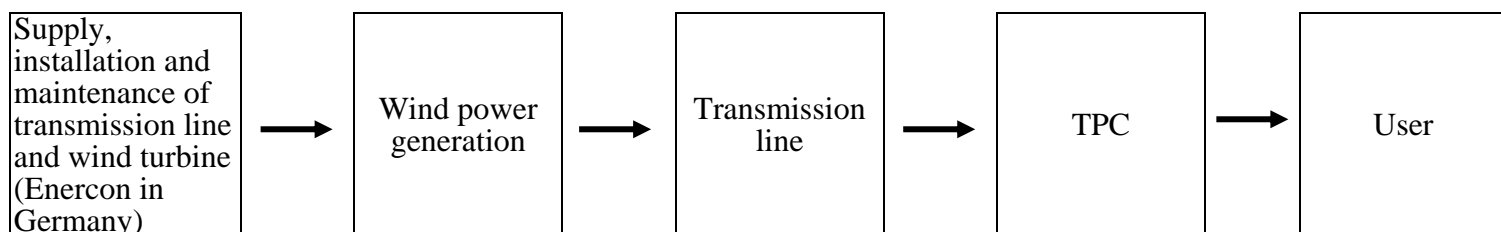


(7) Environmental protection process



Output products such as restored steel, nickel-chromium alloy steel slag and concentrated ZnO-containing secondary dust can be provided to refining plants and raw materials used by metal refining manufacturers. Furnace slags can be used as raw materials for construction developers.

(8) Wind power generation

**(III) Main raw material supply of the parent company and subsidiaries**

1. Purchase of main raw materials in 2020

Unit: Tons

Company	Quarter		First quarter	Second quarter	Third quarter	Fourth quarter	Total
	Quantity						
Product name							
Tung Ho Steel	Scraps	Domestic	240,548	218,854	216,726	248,417	924,545
		Foreign	264,068	224,553	244,990	197,228	930,839
	Pig iron	Domestic	2,293	0	0	0	2,293
		Foreign	0	36,459	9,046	0	45,505
	Ferro-silicon	Domestic	0	0	0	0	0
		Foreign	1,400	1,000	400	1,500	4,300
	Ferro-manganese	Domestic	0	0	0	0	0
		Foreign	500	600	500	821	2,421
	Ferro-Silicon-manganese	Domestic	0	0	0	0	0
		Foreign	5,700	5,200	6,200	6,300	23,400
Billet	Domestic	0	0	0	0	0	
	Foreign	13,055	8,000	0	29,150	50,205	
Tung Kang Steel Structure Co., Ltd.	Section beam	Domestic	4,395	9,142	11,155	11,371	36,063
		Foreign	0	0	0	0	0
	Steel plate	Domestic	15,065	20,709	15,690	26,408	77,872
		Foreign	6,726	9,268	8,789	6,437	31,220
Tung Ho Steel Vietnam Corp., Ltd.	Scraps	Domestic	37,045	26,512	43,602	63,931	171,090
		Foreign	51,948	22,828	26,912	71,648	173,336
	Pig iron	Domestic	1,505	0	2,298	4,967	8,770

		Foreign	0	0	0	0	0	
Fujian Tung Kang Steel Corp., Ltd. Steel	Steel plate	Domestic	767	650	692	1,468	3,577	
		Foreign	0	0	0	0	0	
	H-beam	Domestic	771	480	1,992	1,969	5,212	
		Profiled material	Domestic	365	452	374	648	1,839
			Foreign	0	0	0	0	0
Katec Creative Resources Corp.	Dust collection	Domestic	2,089	1,444	1,553	1,721	6,807	
		Foreign	0	0	0	0	0	
	Medical wastes	Domestic	185	219	173	208	785	
		Foreign	0	0	0	0	0	
	Other waste/ scraps	Domestic	149	2,373	1,404	4,179	8,105	
		Foreign	0	0	0	0	0	
Duc Hoa International J.S.C.	Limestone	Domestic	33,229	44,923	31,285	45,195	154,632	
		Foreign	0	0	0	0	0	
	Blind Coal	Domestic	1,738	3,456	2,817	3,185	11,196	
		Foreign	0	0	0	0	0	

2.Primary importing regions for raw materials and the supply status

Company	Product name	Primary importing regions for raw materials	Supply status
Tung Ho Steel	Scrap, pig iron and billet	USA, South & Central America, Japan, Vietnam	Good
	Ferro-silicon, ferro-manganese, ferro-silicon-manganese	China, India, Malaysia	Good
Tung Ho Steel Vietnam Corp., Ltd.	Scraps	USA, Japan, South & Central America, Australia	Good
	Pig iron	Purchased in Vietnam	Good
Tung Kang Steel Structure Co., Ltd.	Steel plate, section beam	Japan	Good
Duc Hoa International J.S.C.	Limestone, blind coal	Purchased in Vietnam	Good

(IV) Names of customers who accounted for more than 10% of the sales in any of the last two years, sales as a percentage of total sales, and the reasons for addition or reduction changes.

1. Customer name for those whose sales volume are more than 10% of the total in any given year for the last 2 years:

2020				2019			
Name	Amount (Thousands of New Taiwan Dollars)	Net sales ratio (%)	Relationship with the issuer	Name	Amount (Thousands of New Taiwan Dollars)	Net sales ratio (%)	Relationship with the issuer
Others	42,866,290	100	None	Others	44,863,600	100	None
Net sales	42,866,290	100	N/A	Net sales	44,863,600	100	N/A

The Company's sales targets are less concentrated, and the amount sold per single target has not exceeded 10% in 2019 and 2020.

2.The top 10 customer name with the highest total sales for the last 2 years.

2021 up to the end of the first quarter				2020				2019			
Name	Amount (Thousands of New Taiwan Dollars)	Total annual net sales ratio (%)	Relationship with the issuer	Name	Amount (Thousands of New Taiwan Dollars)	Total annual net sales ratio (%)	Relationship with the issuer	Name	Amount (Thousands of New Taiwan Dollars)	Total annual net sales ratio (%)	Relationship with the issuer
Lih Dar Steel Co., Ltd.	1,086,885	8.46	Parent company's customer	Lih Dar Steel Co., Ltd.	2,939,052	6.86	Parent company's customer	Lih Dar Steel Co., Ltd.	2,341,627	5.22	Parent company's customer
Cheng Gang Industry	630,213	4.90		Cheng Gang Industry	1,997,500	4.66		Collaborated manufacturing	1,957,647	4.36	Customer of the subsidiary Tung Kang Steel Structure Co., Ltd.
Gir Gai Trading Co., Ltd.	550,998	4.29		Gir Gai Trading Co., Ltd.	1,483,321	3.46		Gir Gai Trading Co., Ltd.	1,373,191	3.06	Parent company's customer
Yulishing Building Utilities	533,853	4.15		Yulishing Building Utilities	1,406,771	3.28		Cheng Gang Industry	1,349,222	3.01	
Lixin	314,550	2.45	Customer of the subsidiary Tung Kang Steel Structure Co., Ltd.	Collaborated manufacturing	1,143,420	2.67	Customer of the subsidiary Tung Kang Steel Structure Co., Ltd.	CÔNG TY CP THÉP POMINA 2	1,344,493	3.00	Vietnamese customer of the subsidiary Tung Kang Steel Structure Co., Ltd.
TSMC	307,493	2.39		Taiwan Kumagai	982,806	2.29		Yulishing Building Utilities	1,161,182	2.59	Parent company's customer
Superiority Steel Co., Ltd.	301,575	2.35	Parent company's customer	Teh Tai Steel Co.	840,628	1.96	Parent company's customer	Far Eastern Construction Co.	1,045,182	2.33	Customer of the subsidiary Tung Kang Steel Structure Co., Ltd.

Teh Tai Steel Co.	282,726	2.20		Superiority Steel Co., Ltd.	762,300	1.78		Superiority Steel Co., Ltd.	964,954	2.15	Parent company's customer
SANWA	277,757	2.16		Kai Hong Steel	717,451	1.67		Tasa Construction Corp.	938,179	2.09	Customer of the subsidiary Tung Kang Steel Structure Co., Ltd.
Chung-Lin General Contractors Ltd.	257,921	2.01	Customer of the subsidiary Tung Kang Steel Structure Co., Ltd.	New Asia	643,109	1.50		SANWA	829,945	1.85	Parent company's customer
Subtotal	4,543,971	35.36		Subtotal	12,916,358	30.13		Subtotal	13,305,622	29.66	
Others	8,306,784	64.64		Others	29,949,932	69.87		Others	31,557,978	70.34	
Total	12,850,755	100.00		Total	42,866,290	100		Total	44,863,600	100	

3.Primary supplier information for the recent two years

Item \ Period	2021 up to the end of the first quarter				2020				2019			
	Name	Amount (Thousands of New Taiwan Dollars)	Total annual net purchase ratio (%)	Relationship with the issuer	Name	Amount (Thousands of New Taiwan Dollars)	Total annual net purchase ratio (%)	Relationship with the issuer	Name	Amount (Thousands of New Taiwan Dollars)	Total annual net purchase ratio (%)	Relationship with the issuer
1	Bestcheer Industrial Ltd.	1,079,458	10.65	None	Others	26,451,323	100	None	Bestcheer Industrial Ltd.	3,148,969	10.35	None
2	Others	9,056,600	89.35	None					Others	27,264,291	89.65	None
Total	Net Purchases	10,136,058	100	N/A	Net Purchases	26,451,323	100	N/A	Net Purchases	30,413,260	100	N/A

The Company's suppliers in 2020 are less concentrated compared to that in 2019, and the amount purchased per single supplier has not exceeded 10% in 2020..

4.Name of top 10 customer with the highest total import volume for the last 2 years

2020			2019		
Name	Amount (Thousands of New Taiwan Dollars)	Total annual net purchase ratio (%)	Name	Amount (Thousands of New Taiwan Dollars)	Total annual net purchase ratio (%)
Bestcheer Industrial Ltd.	2,572,784	9.73	Bestcheer Industrial Ltd.	3,148,969	10.35
Hong Kuan Metal Co., Ltd.	1,293,331	4.89	Metaltrade Pacific Ltd.	2,454,965	8.07
Metaltrade Pacific Ltd.	1,098,703	4.15	Hong Kuan Metal Co., Ltd.	1,005,374	3.31
Qian Jing	871,185	3.29	Hong Mao	980,606	3.22
Chun Ying	754,688	2.85	Chun Ying	768,798	2.53
CSC	730,461	2.76	Qian Jing	715,253	2.35
Nippon Steel Corporation	621,432	2.35	JINIL	563,155	1.85
Hong Mao	527,866	2.00	CSC	551,652	1.81
JINIL	464,047	1.75	Nippon Steel Corporation	541,662	1.78
Daehan Steel	419,284	1.59	NEW ASIA	524,903	1.73

Co., Ltd.					
Total	9,353,781	35.36	Total	11,255,337	37.01
Others	17,097,542	64.64	Others	19,157,923	62.99
Net Purchases	26,451,323	100.00	Net Purchases	30,413,260	100.00

(V) Annual production value for the last 2 years

Unit: Tons; Thousands of New Taiwan Dollars

Year	2020			2019		
Production volume and value Product name	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Re-bar	2,100,000	1,295,821	17,873,188	2,100,000	1,202,128	18,954,052
H-beam	1,200,000	590,919	9,211,570	1,200,000	508,000	9,080,525
Steel plate		111,901	1,757,755		98,521	1,813,511
Channel		36,997	648,342		35,443	708,728
I-Beam		1,835	32,318		2,706	54,759
Steel sheet		3,064	49,573		637	12,059
piles						
Steel structure	123,600	143,385	6,250,131	123,600	197,443	8,157,790
Environmental protection processing	46,368	16,480	208,521	46,368	9,545	128,983
Wind power generation	28,000	26,624	53,248	28,000	27,573	55,146
Construction revenues	0	0	438,778	0	0	77,552
Others (Note)	100,000	93,927	464,773	0	8,407	519,908
Total	7,247,968	4,534,144	65,056,858	7,147,968	4,268,006	71,433,858

Note: Others include fixed-size and formed rebar processing, rebars sold, coupler materials sold and quicklime of the subsidiary.

(VI) Sales value for the last 2 years

Unit: Tons; Thousands of New Taiwan Dollars

Year	2020				2019			
Sales volume and value Product name	Domestic sales		Foreign sales		Domestic sales		Foreign sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Billet	31,528	404,868	6,409	3,333	3,686	51,604	242,510	1,470,548
Re-bar	1,063,294	18,011,420	243,447	3,022,047	1,074,085	19,666,816	5,867	1,901,498
H-beam	530,524	11,012,400	25,893	478,999	419,023	8,843,698	80,684	2,089,629
Steel plate (self-made)	51,791	1,144,587	0	0	39,639	912,354	0	0
Steel plate (transaction)	5,586	123,919	0	0	1,378	32,327	0	0

Year	2020				2019			
Sales volume and value	Domestic sales		Foreign sales		Domestic sales		Foreign sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Product name								
Channel	17,989	340,150	18,607	339,133	14,969	308,825	22,912	469,480
I-Beam	2,090	49,239	70	1,735	1,927	46,214	26	775
Steel structure	120,066	6,334,294	11,853	386,291	166,824	7,461,721	26,233	899,118
Sale and purchase of steel	0	0	0	0	0	0	0	0
Environmental protection processing	16,480	208,521	0	0	9,545	128,914	0	0
Steel sheet piles	2,798	61,951	0	0	634	13,949	0	0
Wind power generation	26,624	53,248	0	0	27,573	55,146	0	0
Construction revenues	0	429,904	0	0	0	77,682	0	0
Others (Note)	49,123	428,873	10,812	31,378	15,736	403,455	0	29,847
Total	1,917,893	38,603,374	317,091	4,262,916	1,775,019	38,002,705	378,232	6,860,895

Note: Others include fixed-size and formed rebar processing, rebars sold, coupler materials sold and quicklime of the subsidiary.

III. Number of employees, average years of service, average age, and education of employees for the last two years until the public date of this report

Year		From this year to March 31, 2021	2020	2019
Number of employees (persons)	Head office	185	188	187
	Kaohsiung Plant	274	271	267
	Taoyuan Plant	539	529	501
	Miaoli Plant	523	525	539
	Temporary	6	8	7
	Foreign employees	237	237	215
	Total - parent company	1,764	1,758	1,716
	Subsidiary (including foreign employees)	1,064	1,076	918
	Total	2,828	2,834	2,634
Average age (Note)		42.02	41.05	41.09
Average years of services (Note)		11.61	11.38	11.72
Degree distribution ratios (%) (Note)	Doctorate	0.04	0.04	0.05
	Master	3.74	3.96	4.18
	University/ College	57.96	57.59	64.45
	High school	19.90	19.35	21.14
	Senior High School and below	18.36	19.06	10.18

(Note) Average age, average years of service, and degree distribution ratios refer to those of formal employees, and excluding those of temporary employees and foreign employees.

IV. Environmental protection expenditures

(I) Losses suffered by the company in the most recent 2 fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken:

Contents of Environmental Protection Penalty Cases		Environmental violations	Penalty	Countermeasures (improvement and preventive measures)
Company				
Parent company	Taoyuan Plant	1. June 12, 2020 (Disposition reference No.: Tao-Huan-Ji-Zi No. 1090100081 issued on October 28, 2020): Inspection by the Environmental Protection Bureau on iron oxide scale produced during steel refining and rolling. The iron oxide scale and its production process were not disclosed in the business waste disposal proposal, which is in violation of Item 1, Paragraph 1, Article 31 of the Waste Disposal Act.	Penalty fine of NT\$6,000.	1. Altered business waste disposal proposal. 2. Check whether other similar items are reported in the business waste disposal proposal.
		2. July 27, 2020 (Disposition reference No.: Tao-Huan-Ji-Zi No. 1090118409 issued on December 28, 2020): Review by the Environmental Protection Bureau on iron oxide scale produced during steel refining and rolling. The iron oxide scale and its production process were not disclosed in the business waste disposal proposal, with no improvements within a specified period, which is in violation of Item 1, Paragraph 1, Article 31 of the Waste Disposal Act.	Penalty fine of NT\$12,000.	1. The Company made improvements and attached relevant supporting documents for altering the business waste disposal proposal, and the iron oxide scale and its production process were disclosed in the business waste disposal proposal. 2. Check whether other similar items are reported in the business waste disposal proposal.
	Miaoli Plant	None	None	None
	Kaohsiung Plant	None	None	None
Subsidiaries		None	None	None

(II) Environmental protection expenditure for this company from the most recent fiscal year to the publication date of this annual report:

The company not only continues to enhance product quality and customer service, but also dedicated efforts in pollution prevention and control, industrial waste reduction, and environmental protection. To fulfill corporate social responsibility, the company also invested on relevant environmental protection activities. In 2020, the parent company's environmental protection expenditure (depreciation) was approximately NT\$79,351,000 and the running expense was approximately NT\$570,384,000, which bring about a total of NT\$649,735,000.

Environmental protection expenditure for the parent company and its subsidiaries from the most recent fiscal year to the publication date of this annual report:

Environmental protection expenditures		Environmental protection expenditures (Unit: Thousands of New Taiwan Dollars)		
		Item	Up to March 31, 2021	2020
Company				
Parent company	Taoyuan Plant	Environmental protection expenditures (depreciation)	11,385	41,362
		Running expenses for environmental protection	71,284	301,763
		Taoyuan Plant Subtotal	82,669	343,125
	Miaoli Plant	Environmental protection expenditures (depreciation)	9,234	37,731
		Running expenses for environmental protection	77,092	259,320
		Miaoli Plant Subtotal	86,326	297,051
	Kaohsiung Plant	Environmental protection expenditures (depreciation)	65	258
		Running expenses for environmental protection	2,913	9,301
		Kaohsiung Plant Subtotal	2,978	9,559
	Total - parent company			171,973
Subsidiaries	Tung Kang Steel Structure Co., Ltd.	Environmental protection expenditures (depreciation)	97,851	391,404
		Running expenses for environmental protection	0	0
	Tung Ho Steel Vietnam Ccorp., Ltd.	Environmental protection expenditures (depreciation)	1,089	4,358
		Running expenses for environmental protection	55	33
	Katec Creative Resources Corp.	Environmental protection expenditures (depreciation)	645	2,581
		Running expenses for environmental protection	929	1,839
	Total - subsidiaries			100,569
Total			272,542	1,049,950

(III) Estimated major environmental protection expenditures in the next two years

- The Company has set extremely high environmental protection standards for plant operations, which fully comply with environmental protection regulations, and can reduce the risk of irregularities. No major pollution has occurred in recent years, and thus improvements had not affected the Company's earnings, competitiveness and capital expenditures.
- The Company has always invested on equipment and staff training for minimizing industrial pollution, and has obtained ISO-14001 Environmental Management System certification, with continual investments according to improvements and the pollution status.

V. Labor-management relations

(I) The company's employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees:

1. Employee welfare:

The company and its subsidiaries deeply believes that employees are a

company's greatest asset and the key driver to business management; therefore, the company is committed to taking care of its employees. In addition to enrolling employees into labor insurance and national health insurance as required by law, the company also buys group insurance for its employees (including foreign labors), including term life insurance, accidental injury, occupational accident, travel insurance for cases of business travel to overseas, in order to protect employees' safety. Other welfare benefits:

(1) Establish a joint employee welfare committee

The company established the Employee Welfare Committee for major operating bases (head office, Taoyuan plant, Miaoli plant, Taichung Harbor Logistic Office and Kaohsiung plant), which is responsible for various employee welfare activities and subsidies, including: employee trips, subsidies for social group events, group insurance, subsidy for education of employees' children, three festive bonuses, wedding, funerals and other celebratory event subsidies, and retirement subsidies. Employees are encourage to create social clubs including hiking, softball, golf, badminton, and health-walk clubs and hold club events at a nonperiodic interval. The company also motivates employees to partake in health-promotion activities such as health-walking, healthy exercise, and aerobic exercise.

(2) Establish employee canteen to ensure a healthy diet for employees.

(3) Establish employee dormitory to offer accommodation to employees who live in remote areas or in areas where transport is inconvenient.

(4) Regular health check-up

Each year, health examinations superior to those required by law are provided to existing employees, including general checkups and health examinations for employees involved in special operations, and assistance on self-health care management is afforded to employees.

(5) Build an integrated occupational medical health service for employees

Physicians are invited to visit the plants and provide individual consultations services and evaluations to employees (including suitability and reinstatement assessments).

Physicians, safety and health professionals, and qualified nurses are gathered to offer preventive medical services in the workplace both remotely and onsite, thus ensuring workplace health and safety. The service content includes medical advices, referrals, health education, occupational injury and disease consultation, diagnosis and prevention, health-promotion planning, safety training, health examinations, health management, survey on the quality of health institutions, and health management of contagious disease.

(6) Nonperiodic provision of medical-related information and hosting of health education activities

Educational information regarding disease prevention, healthy diet, and nutrition is afforded as a reminder to employees that they should monitor their body weight and blood pressure frequently. Furthermore, employees are educated on health-related issues in a timely manner.

(7) Employee remuneration

In accordance with the Company's Articles of Incorporation, if the Company earns a profit in the current year, the proportion of employee remuneration shall be no less than 2.5%, in order to align employees with the Company's operating performance.

(8) Employee stock options: During capital increase, a portion of new outstanding stocks is retained for purchase by employees.

2. Continuing education

Training is based on the principles of career development. Based on business requirements and career planning each year, training programs, internal or external courses are developed and provided to enhance employees' knowledge and skills, cultivate positive work attitudes in employees, promote employee career development, recruit various management and professional talents and encourage employees to improve themselves, thereby enhancing the human resource quality in the organization and developing highly competitive human resources.

3. Retirement System

The company has formulated retirement policy for employees in accordance with the Labor Standard Act and Labor Pension Act and was approved to set up a "retirement reserve fund supervisory committee." In addition to calculating old labor pension fund for each year and convening regular meetings to protect employee rights and interests, the retirement reserve funds as of the end of 2020 are sufficient to cover the pensions of retired employees in the following year. The new labor pension scheme refers to voluntary pension contributions by employees that are subject to the new labor retirement system, which means that the employees can deposit 6% of the employees' monthly wages into their individual labor pension account according to the pension range.

4. Status of Industrial Relations Agreement

The Company has established labor unions at its business offices, and held employer-employee meetings on a regular basis. The labor union members can elect representatives to participate in employer-employee meetings for labor-management

relations, communications, and collaborations. In accordance with the Collective Agreement Act, the labor union of Miaoli plant held meetings to negotiate on the Collective Agreement since September 2019, and completed the signing of Collective Agreement on December 17, 2020. The work unions also elect representatives as committee members of the Employee Welfare Committee and Retirement Reserve Fund Supervisory Committee who are responsible for supervising and protecting employees' rights and interests.

5. Grievance system

The Company attaches great importance to labor-management relations, and regularly holds employer-employee meetings, in order to promote collaborative labor-management relations and improve work efficiency. In addition to employer-employee meetings, the Company has formulated the "Regulations Governing Employee Complaints and Grievances". Employees may submit an appeal for any unfair treatment or unreasonable discrimination in the Company, or any incomplete matters or negligence on the Company's system, rules, or regulations which will damage the rights and interests of employees.

6. Sexual harassment prevention

In the aim to protect its employees from sexual harassment and create a friendly working environment, the company formulated the "Regulations Governing the Prevention of Sexual Harassment". This involves providing regular education and training, and strengthening the advocacy of sexual harassment prevention and complaint channels through websites and bulletin boards. The company also established a Sexual Harassment Complaint Committee, which shall be objective, impartial and professional in dealing with sexual harassment complaints, and adopting prevention measures to create a harassment-free working environment.

(II) Disclose the losses suffered due to industrial relation disputes in recent years up to the publication date of this annual report as well as estimations for similar losses in the future and coping measures:

There is no such industrial relation dispute related losses in recent years up to the publication date of this annual report. The company's management system will continue to improve staff welfare and pursue industrial relation unity, and no losses are expected to occur due to labor disputes.

VI. Significant contracts between parent company and subsidiary

Important contracts		Nature of the contracts	Contracting parties	Start and end dates of the contract	Content	Restriction clause
Company						
Parent company	Taoyuan Plant	Construction contract	Hao Shen Industrial Co., Ltd.	2020.01.01~2020.12.31	Disposal and recycling of oxidizing slag	Relevant monthly settlements are calculated based on the actual carrying capacity.
			Hwa Shen Environmental Co., Ltd.			
			Chium Shing Environmental Protection Co., Ltd.			
		Construction contract	Sunrise PV One Co., Ltd.	2019~2039	Lease and construction of solar PV system installation sites (Estimated installation capacity of 6000Kw)	Completed 2000kw of installation capacity in 2019. Completed 3000kw of installation capacity in 2020. The plant collects rent as a percentage of the amount of electricity generated.
			Cathy Sunrise Electric Power Two Co., Ltd.			
		Equipment procurement	Bonita Enterprise Co., Ltd.	2020.02.05~2020.09.05	Taoyuan plant EF02 main and auxiliary crane speed reducer procurement	Deposit: 30% Acceptance inspection fund: 70%
		Equipment procurement	Formosa Heavy Industries	2020.02.05~2020.09.05	Taoyuan plant LD01 main crane speed reducer procurement	Deposit: 30% Acceptance inspection fund: 70%
		Equipment procurement	Jet Caring Enterprise Co., Ltd.	2019.05.24~2020.05.24	Procurement of Trench series reactors	Deposit: 70% Acceptance inspection fund: 30%
		Equipment procurement	GNP International Ltd.	2020.04.10~2021.01.31	Procurement of Coil Innovation Reactors	Deposit: 30% Acceptance inspection fund: 70%
		Equipment procurement	Metrotek International Co., Ltd.	2020.04.20~2020.05.30	Procurement of Transformational Challenge Reactor (TCR) (Harbin Electric Corp. in China)	Acceptance inspection fund: 100%
		Construction contract	Taiwan Cement Corporation Su-Ao Plant	2019.05.01~2020.04.30	Disposal and recycling of restored melted slag	Charges calculated based on the actual carrying capacity.
			Ruentex Materials Co.,Ltd.	2020.07.01~2025.06.30		
			Taiwan Steel Resources Co., Ltd.	2020.12.01~2021.07.16		
Equipment procurement	Soon Strong Machinery Works Co.,Ltd.	2020.05.25~2020.07.31	Procurement of crushing and screening equipment in restored melted slag processing plants	Deposit: 30% Product delivery: 50% Inspection and acceptance: 20%		
Equipment procurement	Pro Machinery Co., Ltd.	2020.06.24~2021.02.15	Temperature sensing robotic arm and components procurement	Deposit: 30% Product delivery: 70%		

Important contracts		Nature of the contracts	Contracting parties	Start and end dates of the contract	Content	Restriction clause
Company						
		Certification	Advanced management	2020.07.01~2020.10.31	ISO 50001 Qualification Conversion Accreditation	Inspection and acceptance: 100%
		Certification	Good Suitable International Management Consultants Co., Ltd.	2020.08.01~2021.01.30	Consultation on review of JIS Mark certification	Inspection and acceptance: 100%
		Equipment procurement	Tatung Co., Ltd.	2019.10.09~2020.04.30	Procurement of new rolling machine transformer	Inspection and acceptance: 100%
		Equipment procurement	Shang Yu Industrial Co., Ltd.	2020.07.~2021.04.30	Rough and intermediate rolling equipment procurement	Product delivery: 90% Inspection and acceptance: 10%
		Equipment procurement	Shang Yu Industrial Co., Ltd.	2020.09.28~2021.03.31	Purchase agreement for the cutting edge machine of the rolling production line	Product delivery: 90% Inspection and acceptance: 10%
		Construction contract	Jinji Xin Enterprises Ltd.	2019.11.01~2020.12.31	Iron oxide sales contract	Charges calculated based on the actual carrying capacity.
		Equipment procurement	Xinding Engineering Consultants Co., Ltd.	2019.11.20~2020.07.31	Addition of current-differential protection relay equipment for 161KV AC relay panels in change transmission stations	Full payment within 30 days from the month of inspection and acceptance.
		Construction contract	Katec Creative Resources Corp.	2019.12.01-2020.11.30	Commissioned removal of industrial waste (dust)	Settlement once a month, and the sight draft is paid on the 25th of the following month.
		Construction contract	Luo Chin-Cheng Construction Co.	2019.10~ Application for building permit	Architectural planning and detailed design of Taoyuan Processing Center	Contract: 10% Building permit registration: 70% Obtained building permit: 10%
		Equipment procurement	Cheng Ho Hsing Heavy Industries Co., Ltd.	2020.12.01~2021.06.30	120 ton molten steel ladle procurement	Inspection and acceptance: 100%
		Equipment procurement	Formosa Heavy Industries	2020.12~2021.10.31	Procurement of Steel Rolling 7H-12V Gearbox	Deposit: 20% Product delivery: 80%
		Certification	Yicheng International Enterprise Co., Ltd.	2021.01.01~2021.07.31	Taoyuan plant KSA certification outsourcing	Inspection and acceptance: 100%
		Equipment procurement	Cheng Ho Hsing Heavy Industries Co., Ltd.	2021.02.26~2021.07.31	Update of electric furnace	Deposit: 30% Product delivery: 60% Inspection and acceptance: 10%

Important contracts		Nature of the contracts	Contracting parties	Start and end dates of the contract	Content	Restriction clause
Company						
		Equipment procurement	SMS/ELOTHERM	2021.03.15~2022.02.28	Upgrade of billet rolling heater	EUR\$1.537 million Deposit: 20% Product delivery: 70% Inspection and acceptance: 10%
	Miaoli Plant	None				
	Kaohsiung Plant	Technical services	Eternity Corp.	2020.07.01~2022.06.30	1.Plant management technical support services. 2.Provision of administrative and data analysis. 3.Other matters related to the technical service agreement.	None
Subsidiaries	Tung Kang Wind Power Co., Ltd.	Power Procurement Agreement	Taiwan Power Company	2016.09~2031.08	TPC acquires all the electricity produced by Tung Kang Wind Power	The electricity supply (power generation) per hour shall not exceed full capacity with the generation of 5 wind turbines.
		Wind Turbine Operation and Maintenance Contract	Enercon Taiwan Ltd.	2016.08~2026.07	The contracting party is responsible for the maintenance and repair of wind turbines	None
	Tung Kang Engineering & Construction Co., Ltd.	Construction Engineering	Jehng Long Engineering	2020.02.04~completed construction	Construction of a new plant in Taoyuan Industrial Park by Shen Tai Electric Cable Co., Ltd.: Mechanical engineering (materials)	Loan: 90% Reserve fund: 10%
		Construction Engineering	Jehng Long Engineering	2020.02.04~completed construction	Construction of a new plant in Taoyuan Industrial Park by Shen Tai Electric Cable Co., Ltd.: Mechanical engineering (wages)	Construction fund: 90% Reserve fund: 10%
		Construction Engineering	Wu Hsiung Enterprise Co., Ltd.	2020.02.21~2021.07.30	Construction of a new plant in Taoyuan Industrial Park by Shen Tai Electric Cable Co., Ltd.: Ready-mixed concrete (materials)	Loan: 100%
		Construction Engineering	Goldsun Co.,Ltd. Zhongli Plant	2020.01.13~completed construction	Construction of a new plant in Taoyuan Industrial Park by Shen Tai Electric Cable Co., Ltd.: Ready-mixed concrete (materials)	Loan: 100%

Important contracts		Nature of the contracts	Contracting parties	Start and end dates of the contract	Content	Restriction clause
Company						
		Construction Engineering	Ji-Feng Enterprise	2020.01.15~ completed construction	Construction of a new plant in Taoyuan Industrial Park by Shen Tai Electric Cable Co., Ltd.: Formwork engineering for factory buildings (wages)	Construction fund: 90% Reserve fund: 10%
		Construction Engineering	Ji-Feng Enterprise	2020.01.14~ completed construction	Construction of a new plant in Taoyuan Industrial Park by Shen Tai Electric Cable Co., Ltd.: Formwork engineering for factory buildings (materials)	Loan: 90% Reserve fund: 10%
		Construction Engineering	Tung Ho Steel	2020.12.18~ completed construction	Expansion of Tung Ho Steel Taichung Logistics Center Warehouse (construction)	Construction fund: 97% Reserve fund: 3%
		Construction Engineering	Tung Ho Steel	2020.12.18~ completed construction	Expansion of Tung Ho Steel Taichung Logistics Center Warehouse (materials)	Loan: 97% Reserve fund: 3%
		Construction Engineering	Yung Shin Metalworks Co., Ltd.	2020.06.03~ completed construction	Construction of a new plant in Taoyuan Industrial Park by Shen Tai Electric Cable Co., Ltd.: Construction of aluminum doors and windows (including shutters)	Construction fund: 90% Reserve fund: 10%
		Construction Engineering	Chian Aided Engineering	2020.12.03~ completed construction	Construction of a new plant in Taoyuan Industrial Park by Shen Tai Electric Cable Co., Ltd.: Wall & Plastering (plant) - wages	Construction fund: 95% Reserve fund: 5%
	Tung Ho Steel Vietnam Corp., Ltd.	Equipment procurement	DANIELI	2019.04~2021.03	Purchase agreement for re-bar rolling and water quenching equipment	Deposit: 20% equipment fund: 75% acceptance inspection fund: 5%
		Marketing expense	VIETSO	2019.10~2021.05	TV advertising agreement	Deposit: 10% progress payment: 80% acceptance inspection fund: 10%
	Katec Creative Resources Corp.	Plant upgrade	He Guan Machine Engineering	2020.02.06~2020.12.31	Full-plate sealing of old factory dust collection equipment	Deposit fund: 30% Product delivery fund: 30% Installation fund: 20% Acceptance inspection fund: 20%

Important contracts		Nature of the contracts	Contracting parties	Start and end dates of the contract	Content	Restriction clause	
Company		Plant upgrade	Tung Kang Engineering & Construction Co., Ltd.	2020.05.15~2020.06.15	Factory maintenance road	Deposit fund: 30% Completion fund: 60% Acceptance inspection fund: 10%	
		Equipment upgrade	Yi Kai Machinery Co., Ltd.	2020.07.03~2020.10.31	Burning tower renewal construction	Deposit fund: 30% Product delivery fund: 30% Installation fund: 30% Acceptance inspection fund: 10%	
		Plant upgrade	Cheng Shin Metal	2020.09.04~ Passed the acceptance inspection	Renewal of old factory corrugated metal roofing sheets	Deposit fund: 30% Product delivery fund: 20% Installation fund: 45% Acceptance inspection fund: 5%	
		Equipment upgrade	Yi Kai Machinery Co., Ltd.	2020.09.29~2020.11.25	Addition of inlet and discharge conveyor of disc granulators	Deposit fund: 30% Product delivery fund: 30% Installation fund: 30% Acceptance inspection fund: 10%	
		Equipment upgrade	Yi Kai Machinery Co., Ltd.	2020.12.15~2021.03.05	Cooling tower renewal construction	Deposit fund: 30% Product delivery fund: 30% Installation fund: 30% Acceptance inspection fund: 10%	
	Duc Hoa International J.S.C.	Purchase agreement (agreement in principle)	ANLAN Coal	2017.01.01	Procurement of blind coal	None	
		Purchase agreement (agreement in principle)	Great Wall Mineral	2019.02.15	Procurement of limestone	None	
		Sales agreement	Tung Ho Steel	2021.01.01~2021.12.31	Sales of quicklime	None	
		Sales agreement	Tung Ho Steel Vietnam Corp., Ltd.	2021.01.01~2021.12.31	Sales of quicklime	None	
		Sales agreement	GT Co., Ltd.	2021.01.01~2021.12.31	Sales of quicklime	None	
		Sales agreement	Katec Creative Resources Corp.	2021.01.01~2021.12.31	Sales of quicklime	None	
	Fada Corp.	None					

F. Financial Status Overview of the Company and Its Subsidiaries

I. Condensed balance sheet and condensed consolidated income statement for the last 5 years

(I)1. Condensed balance sheet - consolidated

Unit: Thousands of New Taiwan Dollars

Year		Financial information for the last 5 years				
		2016	2017	2018	2019	2020
Item						
Current assets		12,504,478	14,835,353	22,968,952	23,009,268	21,192,142
Property, plant and equipment (Note 1)		17,888,505	20,582,554	20,694,943	19,648,493	18,390,406
Intangible assets		213,235	190,187	186,738	177,149	163,396
Other assets (Note 1)		5,995,096	5,689,298	4,707,860	4,856,593	4,675,143
Total assets		36,601,314	41,297,392	48,558,493	47,691,503	44,421,087
Current liabilities	Before distribution	8,611,617	13,268,068	17,489,725	15,670,438	13,815,783
	After distribution (Note 2)	9,909,304	14,673,753	18,694,598	17,025,920	15,450,590
Non-current liabilities		4,436,843	3,996,293	7,058,004	7,719,654	2,897,479
Total liabilities	Before distribution	13,048,460	17,264,361	24,547,729	23,390,092	16,713,262
	After distribution (Note 2)	14,346,147	18,670,046	25,752,602	24,745,574	18,348,069
Equity attributed to the owners of the parent company		23,462,063	23,952,441	23,903,085	24,199,492	27,503,307
Share capital		9,982,215	10,040,606	10,040,606	10,040,606	10,587,599
Capital surplus		6,247,267	6,320,178	6,592,236	6,592,236	7,287,920
Retained earnings	Before distribution	7,034,617	7,399,469	7,917,267	8,272,872	10,450,151
	After distribution (Note 2)	5,736,930	5,993,785	6,712,394	6,917,390	8,815,344
Other equity		197,964	192,188	(647,024)	(706,222)	(822,363)
Treasury stock		0	0	0	0	0
Non-controlling interest		90,791	80,590	107,679	101,919	204,518
Total equity	Before distribution	23,552,854	24,033,031	24,010,764	24,301,411	27,707,825
	After distribution (Note 2)	22,255,167	22,627,346	22,805,891	22,945,929	26,073,018

Note 1: Real estate, plant, and equipment decisions are made based on the book value of the real estate investment.

Cases with conversion date on or after January 1, 2012 shall adopt the deemed cost exemption provisions provided by IFRS1; and cases on or prior to December 31, 2011 shall adopt the "For-profit Enterprise Asset Reevaluation Measures" to calculate the value of the asset revaluation to serve as the deemed cost of the asset.

Note 2: On March 23, 2021, the 2020 cash dividend distribution was approved by resolution of the board of directors, and reported to the shareholders meeting.

2. Condense balance sheet - individual

Unit: Thousands of New Taiwan Dollars

Year		Financial information for the last 5 years				
		2016	2017	2018	2019	2020
Item						
Current assets		9,322,204	10,326,718	17,428,675	17,387,667	14,307,234
Property, plant, and equipment (Note 1)		12,390,131	13,572,371	13,352,838	12,638,857	11,960,389
Intangible assets		0	0	0	0	0
Other assets (Note 1)		12,127,572	12,366,127	12,032,116	11,409,964	10,991,440
Total assets		33,839,907	36,265,216	42,813,629	41,436,488	37,259,063
Current liabilities	Before distribution	5,943,370	8,322,513	12,732,372	11,042,221	7,668,044
	After distribution (Note 2)	7,241,057	9,728,198	13,937,245	12,397,703	9,302,851
Non-current liabilities		4,434,474	3,990,262	6,178,172	6,194,775	2,087,712
Total liabilities	Before distribution	10,377,844	12,312,775	18,910,544	17,236,996	9,755,756
	After distribution (Note 2)	11,675,531	13,718,460	20,115,417	18,592,478	11,390,563
Owners' equity		23,462,063	23,952,441	23,903,085	24,199,492	27,503,307
Share capital		9,982,215	10,040,606	10,040,606	10,040,606	10,587,599
Capital surplus		6,247,267	6,320,178	6,592,236	6,592,236	7,287,920
Retained earnings	Before distribution	7,034,617	7,399,469	7,917,267	8,272,872	10,450,151
	After distribution (Note 2)	5,736,930	5,993,785	6,712,394	6,917,390	8,815,344
Other equity		197,964	192,188	(647,024)	(706,222)	(822,363)
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	23,462,063	23,952,441	23,903,085	24,199,492	27,503,307
	After distribution (Note 2)	22,164,376	22,546,756	22,698,212	22,844,010	25,868,500

Note 1: Real estate, plant, and equipment decisions are made based on the book value of the real estate investment. Cases with conversion date on or after January 1, 2012 shall adopt the deemed cost exemption provisions provided by IFRS1; and cases on or prior to December 31, 2011 shall adopt the "For-profit Enterprise Asset Reevaluation Measures" to calculate the value of the asset revaluation to serve as the deemed cost of the asset.

Note 2: On March 23, 2021, the 2020 cash dividend distribution was approved by resolution of the board of directors, and reported to the shareholders meeting.

(II)1. Condensed income statement - consolidated

Unit: Thousands of New Taiwan Dollars

Item \ Year	Financial information for the last 5 years				
	2016	2017	2018	2019	2020
Operating revenue	25,209,558	31,749,271	39,769,621	44,863,600	42,866,290
Gross profit	2,970,262	3,801,861	3,324,682	4,131,766	6,620,704
Operating profit and loss	1,491,657	1,841,990	1,275,353	2,106,598	4,421,487
Non-operating income and expenditure	190,573	157,093	(20,250)	15,534	68,083
Net profit before tax	1,682,230	1,999,083	1,255,103	2,122,132	4,489,570
Net profit of continuing operations	1,479,564	1,700,734	888,939	1,557,798	3,556,583
Losses from discontinued units	0	0	0	0	0
Net profit (loss)	1,479,564	1,700,734	888,939	1,557,798	3,556,583
Other comprehensive income (net income after-tax)	61,706	(54,171)	(115,685)	(68,984)	(140,008)
Total comprehensive income for the period	1,541,270	1,646,563	773,254	1,488,814	3,416,575
Profit attributable to owners of the parent	1,484,673	1,714,931	887,932	1,566,059	3,562,064
Net profit attributable to non-controlling equity	(5,109)	(14,197)	1,007	(8,261)	(5,481)
Total comprehensive income attributed to the owners of the parent company	1,546,892	1,656,764	762,869	1,494,574	3,418,766
Total comprehensive income attributed to non-controlling equity	(5,622)	(10,201)	10,385	(5,760)	(2,191)
Earnings per share	1.49	1.72	0.88	1.56	3.52

2. Condensed income statement - individual

Unit: Thousands of New Taiwan Dollars

Item \ Year	Financial information for the last 5 years				
	2016	2017	2018	2019	2020
Operating revenue	21,079,344	24,704,836	34,692,282	35,247,359	34,263,435
Gross profit	2,690,024	3,377,611	3,177,085	4,117,593	6,062,161
Operating profit and loss	1,529,153	2,086,827	1,593,327	2,549,525	4,267,440
Non-operating income and expenditure	158,267	(101,605)	(366,522)	(460,135)	121,705
Net profit before tax from continuing operations	1,687,420	1,985,222	1,226,805	2,089,390	4,389,145
Losses from discontinued units	0	0	0	0	0
Net profit of the term	1,484,673	1,714,931	887,932	1,566,059	3,562,064
Other comprehensive income (net income after-tax)	62,219	(58,167)	(125,063)	(71,485)	(143,298)
Total comprehensive income for the period	1,546,892	1,656,764	762,869	1,494,574	3,418,766
Earnings per share	1.49	1.72	0.88	1.56	3.52

(III) Names of the certification accountants and their audit opinions for the last 5 years

Year	Names of the certification accountants	Audit opinion	Description
2020	Cihui Li and Hsinying Kuo	Unqualified opinion	None
2019	Cihui Li and Hsinying Kuo	Unqualified opinion	None
2018	Huizhi Kou and Hsinying Kuo	Unqualified opinion	None
2017	Huizhi Kou and Hsinying Kuo	Unqualified opinion	None
2016	Cihui Li and Huizhi Kou	Unqualified opinion	None

II. Financial analysis for the last five years

(I)1. Financial analysis—consolidated

		Year (Note 1)	Financial analysis for the last five years				
			2016	2017	2018	2019	2020
Analysis Item (Note 2)							
Financial structure (%)	Debt-to-assets ratio		35.65	41.80	50.55	49.04	37.62
	Long-term capital property, plant, and equipment ratio		156.47	136.18	150.13	162.97	166.42
Solvency (%)	Current ratio		145.20	111.81	131.33	146.83	153.39
	Quick ratio		57.60	39.32	31.34	32.32	43.37
	Interest coverage ratio		16.76	19.12	6.36	7.80	23.51
Operating ability	Receivables turnover ratio (times)		7.77	10.37	11.37	13.46	12.99
	Average collection period		46.97	35.19	32.10	27.11	28.09
	Inventory turnover ratio (times)		3.88	3.85	3.06	2.75	2.77
	Payable turnover ratio (times)		14.79	15.41	17.59	18.26	15.61
	Average days of sales		94.08	94.80	119.13	132.72	131.76
	Property, plant, and equipment turnover ratio (times)		1.51	1.65	1.93	2.22	2.25
	Total asset turnover ratio (times)		0.69	0.77	0.82	0.94	0.96
Profitability	Return on assets (%)		4.28	4.58	2.38	3.73	8.05
	Return on equity (%)		6.35	7.15	3.70	6.45	13.68
	Paid-in capital to income before tax (%)		16.85	19.91	12.50	21.14	42.40
	Net profit margin (%)		5.87	5.36	2.24	3.47	8.30
	Earnings per share (NT\$)		1.49	1.72	0.88	1.56	3.52
Cash flows	Cash flow ratio (%)		36.92	(0.97)	(31.10)	24.46	67.53
	Cash flow adequacy ratio (%)		171.27	107.57	30.78	29.59	44.89
	Cash reinvestment ratio (%)		4.44	(2.98)	(13.14)	4.83	14.66
Leverage	Operating leverage		3.30	2.93	3.98	3.05	2.07
	Financial leverage		1.06	1.06	1.21	1.16	1.04

The reasons that caused the changes in financial ratios of more than 20% in the last two years:

1. The debt-to-assets ratio decreased to 37.62%, and the quick ratio increased to 43.37% thanks to excellent operating performance in 2020, while total liabilities and current liabilities dropped by NT\$6,676,830,000 (down 28.55%) and NT\$1,854,655,000 (down 11.84%), respectively compared to the previous year. With the subsidiary's better construction progress, the contract assets decreased by NT\$1,082,659,000 (down 27.92%).
2. The interest coverage ratio increased to 23.51, the ratio of operating income to paid-in capital increased to 41.76%, and the ratio of ratio of net income before tax to share capital increased to 42.40%. The main reason is that operating income increased by NT\$2,314,889,000 (up 109.89%), and net income before tax increased by NT\$2,367,438,000 (up 111.56%) compared to the previous year.
3. The return on assets increased to 8.05%, while return on equity increased to 13.68%, with net profit margin of 8.30%, and EPS (NT\$) of NT\$3.52. This is mainly due to the Company's excellent operating performance in 2020, of which net income increased by NT\$1,998,785,000 (up 128.31%) compared with the previous year.
4. Cash flow ratio increased to 67.53%, cash flow adequacy ratio increased to 44.89%, and cash reinvestment ratio increased to 14.66%. This was primarily because of increase of net cash inflow from operating activities by NT\$5,497,266,000 (up 143.42%) compared with that of the previous year. Furthermore, the current liabilities reduced by NT\$1,854,655,000 (down 11.84%) compared with that of last year.
5. Operating leverage decreased to 2.07 primarily because operating income increased by NT\$2,314,889 (up 109.89%).

Note 1: The annual financial reports have been audited by certified public accountant.

Note 2: Financial ratio calculation formulae are as follows:

1. Financial structure

(1) Debt-to-assets ratio = total liabilities / total assets.

(2) Long-term capital ratio for real estate, plant, and equipment = (total equity + non-current liabilities) / net for real estate, plant, and equipment.

2. Solvency

- (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventories - prepaid expenses - contract assets) / current liabilities.
 - (3) Times interest earned = net income before income tax and interest expense / current interest expense.
3. Operating ability
- (1) Receivables (including accounts receivable arising from operation notes receivable) turnover ratio = net sales / average receivables (including accounts receivable arising from operation notes receivable) balances.
 - (2) Average collection period = 365 / receivables turnover.
 - (3) Inventory turnover = cost of goods sold / average inventory.
 - (4) Payable (including accounts payable arising from operation notes payable) turnover ratio = cost of goods sold / average payables (including accounts payable arising from operation notes payable) balances.
 - (5) Average days of sales = 365 / inventory turnover.
 - (6) Real estate, plant, and equipment turnover ratio = net sales / average net for real estate, plant, and equipment.
 - (7) Total assets turnover ratio = net sales / average total assets.
4. Profitability
- (1) Return on assets = (net income + interest expenses × (1 - tax rate)) / average total assets.
 - (2) Return on equity = net income / average total equity.
 - (3) Net profit margin = net income / net sales.
 - (4) Earnings per share = (profit or loss attributable to owners of the parent company - preferred stock dividends) / weighted average number of shares issued.
5. Cash flows
- (1) Cash flow ratio = new cash flows from operating activities / current liabilities.
 - (2) Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.
 - (3) Cash reinvestment ratio = (net cash flows from operating activities – cash dividend) / (gross margin of property, plant and equipment + long-term investment + other non-current assets + working capital).
6. Leverage:
- (1) Operating leverage = (net operating income - variable operating costs and expenses) / operating income.
 - (2) Financial leverage = operating income / (operating income - interest expenses).

(I)2.Financial analysis–individual

Analysis Item (Note 2)		Year (Note 1)	Financial analysis for the last five years					
			2016	2017	2018	2019	2020	
Financial structure (%)	Debt-to-assets ratio		30.67	33.95	44.17	41.60	26.18	
	Long-term capital property, plant, and equipment ratio		225.15	205.88	225.28	240.48	247.41	
Solvency (%)	Current ratio		156.85	124.08	136.88	157.47	186.58	
	Quick ratio		60.04	47.29	44.63	46.61	50.16	
	Interest coverage ratio		27.84	27.77	9.56	15.09	54.82	
Operating ability	Receivables turnover ratio (times)		9.70	9.30	8.35	7.85	10.00	
	Average collection period		37.62	39.24	43.71	46.53	36.50	
	Inventory turnover ratio (times)		3.52	3.60	3.56	2.65	2.52	
	Payable turnover ratio (times)		21.18	18.99	22.43	20.80	18.89	
	Average days of sales		103.69	101.38	102.52	137.73	144.84	
	Property, plant, and equipment turnover ratio (times)		1.67	1.90	2.58	2.71	2.79	
	Total asset turnover ratio (times)		0.62	0.68	0.81	0.85	0.92	
Profitability	Return on assets (%)		4.70	5.05	2.53	4.00	9.22	
	Return on equity (%)		6.39	7.23	3.71	6.51	13.78	
	Paid-in capital ratio (%)	Operating income		15.32	20.78	15.87	25.39	40.31
		Income before tax		16.90	19.77	12.22	20.81	41.46
	Net profit margin (%)		7.04	6.94	2.56	4.44	10.40	
	Earnings per share (NT\$)		1.49	1.72	0.88	1.56	3.52	
Cash flows	Cash flow ratio (%)		41.26	13.55	(36.06)	32.61	109.45	
	Cash flow adequacy ratio (%)		193.83	161.71	54.51	52.60	63.66	
	Cash reinvestment ratio (%)		2.98	(0.37)	(12.15)	4.74	13.88	

Leverage	Operating leverage	2.77	2.32	2.84	2.23	1.84
	Financial leverage	1.04	1.03	1.10	1.06	1.02

The reasons that caused the changes in financial ratios of more than 20% in the last two years:

1. The debt-to-assets ratio decreased to 26.18% thanks to the Company's excellent operating performance this year, of which total liabilities decreased by NT\$7,481,240,000 (down 43.40%) compared with the previous year.
2. The interest coverage ratio increased to 54.82, the ratio of operating income to paid-in capital increased to 40.31%, and the ratio of ratio of net income before tax to share capital increased to 41.46%. This was mainly because of the Company's excellent operating performance, of which operating income increased by NT\$1,717,915,000 (up 67.38%), and net income before tax increased by NT\$2,299,755,000 (up 110.07%) compared to the previous year.
3. The receivables turnover ratio (times) increased to 10.00, and the average collection period decreased to 36.50 days. This was mainly due to a drop in accounts receivables by NT\$954,794,000 (down 24.45%) at the end of the period compared with the accounts receivables at the beginning of the period.
4. The return on assets increased to 9.22%, while return on equity increased to 13.78%, with net profit margin of 10.40%, and EPS (NT\$) of NT\$3.52. This is mainly due to the Company's excellent operating performance in 2020, of which net income increased by NT\$1,996,005,000 (up 127.45%) compared with the previous year.
5. Cash flow ratio increased to 109.45%, cash flow adequacy ratio increased to 63.66%, and cash reinvestment ratio increased to 13.88%. This was primarily because of increase of net cash inflow from operating activities by NT\$4,791,094,000 (up 133.04%) compared with that of the previous year. Furthermore, the current liabilities reduced by NT\$3,374,177,000 (down 30.56%) compared with that of last year.

Note 1: The annual financial reports have been audited by certified public accountant.

Note 2: Financial ratio calculation formulae are as follows

1. Financial structure
 - (1) Debt-to-assets ratio = total liabilities / total assets.
 - (2) Long-term capital ratio for real estate, plant, and equipment = (total equity + non-current liabilities) / net for real estate, plant, and equipment.
2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventories - prepaid expenses - contract assets) / current liabilities.
 - (3) Interest coverage ratio = earnings before interest expense and net income / interest expense.
3. Operating ability
 - (1) Receivables (including accounts receivable arising from operation notes receivable) turnover ratio = net sales / average receivables (including accounts receivable arising from operation notes receivable) balances.
 - (2) Average collection period = 365 / receivables turnover.
 - (3) Inventory turnover = cost of goods sold / average inventory.
 - (4) Payable (including accounts payable arising from operation notes payable) turnover ratio = cost of goods sold / average payables (including accounts payable arising from operation notes payable) balances.
 - (5) Average days of sales = 365 / inventory turnover.
 - (6) Real estate, plant, and equipment turnover ratio = net sales / average net for real estate, plant, and equipment.
 - (7) Total assets turnover ratio = net sales / average total assets.
4. Profitability
 - (1) Return on assets = (net income + interest expenses × (1 - tax rate)) / average total assets.
 - (2) Return on equity = net income / average total equity.
 - (3) Net profit margin = net income / net sales.
 - (4) Earnings per share = (profit or loss attributable to owners of the parent company - preferred stock dividends) / weighted average number of shares issued.
5. Cash flows
 - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
 - (2) Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.
 - (3) Cash reinvestment ratio = (net cash flows from operating activities - cash dividend) / (gross margin of property, plant and equipment + long-term investment + other non-current assets + working capital).
6. Leverage:
 - (1) Operating leverage = (net operating income - variable operating costs and expenses) / operating income.
 - (2) Financial leverage = operating income / (operating income - interest expenses).

III. Report of the Audit Committee on the Review of Recent Individual and Consolidated Financial Report

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Audit Committee's Audit Report

The Board of Directors made the Company's 2020 business report, financial statements (including consolidated and stand alone financial statements) and appropriation of earnings, among which the financial statements (including consolidated and stand alone financial statements) were certified by CPAs Cihui Li and Hsinying Kuo of KPMG Taiwan, and the CPAs issued an audit report that expresses unqualified opinion. These have been reviewed by the Audit Committee as correctly portraying ASE's business activities. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, this report is submitted for shareholder's examination.

The Company's 2021 General Shareholders Meeting

Tung Ho Steel Enterprise Corporation
Audit Committee convener I-Chi Liu

March 23, 2021

IV. Latest financial statements: Please see page 311 of the annual report for details.

V. Latest accountant audited individual financial report: Please see page 209 of the annual report for details.

VI. Effects of financial difficulties experienced by the company and its affiliated companies on the Company's financial status from recent year to the publication date of the annual report: None.

G. Financial position and financial performance review analysis and risk assessments

I. Financial summary

(I)1.Comparative analysis of financial status-consolidated

Unit: Thousands of New Taiwan Dollars

Item	Year	2020	2019	Difference	
				Amount	%
Current assets		21,192,142	23,009,268	(1,817,126)	(7.90)
Long-term investments		1,842,457	1,870,256	(27,799)	(1.49)
Property, plant and equipment		18,390,406	19,648,493	(1,258,087)	(6.40)
Intangible assets		163,396	177,149	(13,753)	(7.76)
Investment properties		1,936,246	1,944,482	(8,236)	(0.42)
Other assets		896,440	1,041,855	(145,415)	(13.96)
Total assets		44,421,087	47,691,503	(3,270,416)	(6.86)
Current liabilities		13,815,783	15,670,438	(1,854,655)	(11.84)
Long-term liabilities		2,897,479	7,719,654	(4,822,175)	(62.47)
Other liabilities		0	0	0	0.00
Total liabilities		16,713,262	23,390,092	(6,676,830)	(28.55)
Share capital		10,587,599	10,040,606	546,993	5.45
Capital surplus		7,287,920	6,592,236	695,684	10.55
Retained earnings		10,450,151	8,272,872	2,177,279	26.32
Other equity		(822,363)	(706,222)	(116,141)	16.45
Total equity attributable to parent company owners		27,503,307	24,199,492	3,303,815	13.65
Non-controlling interest		204,518	101,919	102,599	100.67
Total equity		27,707,825	24,301,411	3,406,414	14.02

Description of items with significant changes (change ratio greater than 20% or change amount greater than NT\$10,000,000)

- 1.Long-term liabilities: Decreased by NT\$4,822,175,000 compared to the previous year. The main reasons include the repayment of long-term borrowings given upbeat profits in the current year, which led to decrease of NT\$2,620,038,000 in long-term borrowings; and corporate bonds decreased by NT\$1,935,021,000 due to the creditors' selling rights for 12,745 units of 7th series convertible bonds due three years from the date of issue are reclassified as repayable within one year.
- 2.Retained earnings: Increased by NT\$2,177,279,000 compared to the previous year, as net profit grew by NT\$1,996,005,000 compared with that in the previous year.
- 3.Non-controlling interest: Increased by NT\$102,599,000 compared to the previous year mainly because of equity change of the Company's subsidiary in the current fiscal year.

2.Comparative analysis of financial position - individual

Unit: Thousands of New Taiwan Dollars

Item \ Year	2020	2019	Difference	
			Amount	%
Current assets	14,307,234	17,387,667	(3,080,433)	(17.72)
Long-term investments	8,476,309	8,777,589	(301,280)	(3.43)
Property, plant and equipment	11,960,389	12,638,857	(678,468)	(5.37)
Intangible assets	0	0	0	0.00
Investment properties	2,000,835	2,010,800	(9,965)	(0.50)
Other assets	514,296	621,575	(107,279)	(17.26)
Total assets	37,259,063	41,436,488	(4,177,425)	(10.08)
Current liabilities	7,668,044	11,042,221	(3,374,177)	(30.56)
Long-term liabilities	2,087,712	6,194,775	(4,107,063)	(66.30)
Other liabilities	0	0	0	0.00
Total liabilities	9,755,756	17,236,996	(7,481,240)	(43.40)
Share capital	10,587,599	10,040,606	546,993	5.45
Capital surplus	7,287,920	6,592,236	695,684	10.55
Retained earnings	10,450,151	8,272,872	2,177,279	26.32
Other equity	(822,363)	(706,222)	(116,141)	16.45
Total equity	27,503,307	24,199,492	3,303,815	13.65

Description of items with significant changes (change ratio greater than 20% or change amount greater than NT\$10,000,000)

- 1.Current liabilities: Decreased by NT\$3,374,177,000 compared to the previous year. The main reasons include the repayment of short-term borrowings and short-term notes and bills payable given upbeat profits in the current year, which led to total decrease of NT\$5,179,367,000 in short-term borrowings and short-term notes and bills payable; and corporate bonds decreased by NT\$708,893,000 due to the creditors' selling rights for convertible bonds due three years from the date of issue are reclassified as repayable within one year.
- 2.Long-term liabilities: Decreased by NT\$4,107,063,000 compared to the previous year. The main reasons include the repayment of long-term borrowings given upbeat profits in the current year, which led to decrease of NT\$1,900,000,000 in long-term borrowings; and corporate bonds decreased by NT\$1,935,021,000 due to the creditors' selling rights for 12,745 units of 7th series convertible bonds due three years from the date of issue are reclassified as repayable within one year.
- 3.Retained earnings: Increased by NT\$2,177,279,000 compared to the previous year, as net profit grew by NT\$1,996,005,000 compared with that in the previous year.

II. Financial performance

(I)1.Comparative analysis of operating performance-consolidated

Unit: Thousands of New Taiwan Dollars

Item \ Year	2020	2019	Amount increase (decrease)	Percentage of change (%)
Total operating income	43,249,055	45,148,140	(1,899,085)	(4.21)
Less: Sales returns	3,676	5,638	(1,962)	(34.80)
Sales discounts	379,089	278,902	100,187	35.92
Net operating income	42,866,290	44,863,600	(1,997,310)	(4.45)
Operating costs	36,245,586	40,731,834	(4,486,248)	(11.01)
Gross profit	6,620,704	4,131,766	2,488,938	60.24
Operating expenses	2,199,217	2,025,168	174,049	8.59
Net operating profit	4,421,487	2,106,598	2,314,889	109.89
Non-operating income and expenditure	68,083	15,534	52,549	338.28
Net profit before tax from continuing operations	4,489,570	2,122,132	2,367,438	111.56
Less: Income tax expenses	932,987	564,334	368,653	65.33
Net profit of the term	3,556,583	1,557,798	1,998,785	128.31
Other comprehensive income (net income after-tax)	(140,008)	(68,984)	(71,024)	102.96
Total comprehensive income for the period	3,416,575	1,488,814	1,927,761	129.48

Description of items with significant changes (change ratio greater than 20% or change amount greater than NT\$10,000,000)

- 1.Gross profit and net operating profit: Increased by NT\$2,488,938,000 and NT\$2,314,889,000 respectively compared with those in the previous year. The main reasons include the decline in ASP of scrap steel, and reduced operating costs given ongoing improvements of the manufacturing process.
- 2.Non-operating income and expenses: Increased by NT\$52,549,000 compared with the previous year. This was mainly due to decrease in bank borrowings given upbeat profits in the current year, reducing financial costs by NT\$106,266,000, while the drop in invested companies' profit led to decrease of NT\$20,901,000 in proportionate share of the affiliated companies' earnings recognized by the equity method, and decrease of NT\$33,358,000 in other profits and losses.
- 3.Income tax expenses: Increased by NT\$368,653,000 compared to the previous year mainly because of increase in net profits in the current fiscal year.
- 4.Net profit before tax: Increased by NT\$2,367,438,000 compared to the previous year due to higher net operating profit and non-operating income and expenses in the current fiscal year.
- 5.Other comprehensive income (net income after tax): Decreased by NT\$71,024,000 compared to the previous year. The main reasons include increased foreign exchange losses of NT\$36,285,000 in the foreign financial statements given USD and VND depreciation; and the unrealized gains of financial assets at fair value through other comprehensive gains and losses decreased by NT\$52,930,000.

2.Comparative analysis of operating performance - individual

Unit: Thousands of New Taiwan Dollars

Item \ Year	2020	2019	Amount increase (decrease)	Percentage of change (%)
Total operating income	34,576,358	35,523,207	(946,849)	(2.67)
Less: Sales returns	1,557	4,024	(2,467)	(61.31)
Sales discounts	311,366	271,824	39,542	14.55
Net operating income	34,263,435	35,247,359	(983,924)	(2.79)
Operating costs	28,201,274	31,129,766	(2,928,492)	(9.41)
Gross profit	6,062,161	4,117,593	1,944,568	47.23
Less: Unrealized gains from sales	82,953	25,818	57,135	221.30
Plus: Realized sales profit	25,818	43,741	(17,923)	(40.98)
Gross profit	6,005,026	4,135,516	1,869,510	45.21
Operating expenses	1,737,586	1,585,991	151,595	9.56
Net operating profit	4,267,440	2,549,525	1,717,915	67.38
Total non-operating income and expenses	121,705	(460,135)	581,840	(126.45)
Net profit (loss) before tax	4,389,145	2,089,390	2,299,755	110.07
Less: Income tax expenses	827,081	523,331	303,750	58.04
Net profit (loss)	3,562,064	1,566,059	1,996,005	127.45
Other comprehensive income (net income after-tax)	(143,298)	(71,485)	(71,813)	100.46
Total comprehensive income for the period	3,418,766	1,494,574	1,924,192	128.75

Description of items with significant changes (change ratio greater than 20% or change amount greater than NT\$10,000,000)

- 1.Unrealized gains from sales: Increased by NT\$57,135,000 compared with the previous year mainly due to stocking demands for the orders from invested companies in the fourth quarter of 2020, which led to increase in sales amount to invested companies.
- 2.Gross profit and net operating profit: Increased by NT\$1,869,510,000 and NT\$1,717,915,000 respectively compared with those in the previous year. The main reasons include the decline in ASP of scrap steel, and reduced operating costs given ongoing improvements of the manufacturing process.
- 3.Non-operating income and expenses: Increased by NT\$581,840,000 compared with the previous year. This was mainly due to decrease in bank borrowings given upbeat profits in the current year, reducing financial costs by NT\$66,206,000, while the outstanding performance of invested companies led to increase of NT\$544,828,000 in proportionate share of the subsidiaries' and affiliated companies' earnings recognized by the equity method.
- 4.Net profit before tax: Increased by NT\$2,299,755,000 compared to the previous year due to higher net operating profit and non-operating income and expenses in the current fiscal year.
- 5.Income tax expenses: Increased by NT\$303,750,000 compared to the previous year mainly because of increase in net profits in the current fiscal year.
- 6.Other comprehensive income (net income after tax): Unrealized gains from sales decreased by NT\$71,813,000 compared to the previous year. The main reasons include increased foreign exchange losses of NT\$37,059,000 in the foreign financial statements given USD and VND depreciation; and the unrealized gains of financial assets at fair value through other comprehensive gains and losses decreased by NT\$54,982,000.

III. Cash flows

(I)1.Liquidity analysis for the last two years -consolidated

Item \ Year	2020	2019	Increase (decrease) ratio (%)
Cash flow ratio (%)	67.53	24.46	176.08
Cash flow adequacy ratio (%)	44.89	29.59	51.71
Cash reinvestment ratio (%)	14.66	4.83	203.52

Analysis description for items with increase and decrease ratio change of over 20% is as follows:
Cash flow ratio increased to 67.53%, cash flow adequacy ratio increased to 44.89%, and cash reinvestment ratio increased to 14.66%. This was primarily because of increase of net cash inflow from operating activities by NT\$5,497,266,000 (up 143.42%) compared with that of the previous year. Furthermore, the current liabilities reduced by NT\$1,854,655,000 (down 11.84%) compared with that of last year.

2.Cash flow analysis for the coming year - consolidated

Unit: Thousands of New Taiwan Dollars

Cash balance at beginning of year	Annual net cash flow from operation activities	Cash outflow for the entire year	Cash surplus (shortage) amount	Cash shortfall remedy measures	
				Investment plan	Financing plan
1,933,168	4,383,440	6,669,832	(353,224)	N/A	Applicable

1.Cash flow status analysis:

- (1) Operating activities: Operating revenue and surplus are expected to increase during 2021, and the net cash flow from business activities is expected to be NT\$4,383,440,000.
- (2) Investing activities: Cash flow mainly for acquisition of property, plant and equipment.
- (3) Financing activities: Cash flow mainly for payment of dividends and cash flow from long- and short-term loan repayments.

2.Expected cash deficit remedies and liquidity analysis:

The Group is expected to adopt increasing bank loans as a measure for shortage of cash.

(II)1.Liquidity analysis for the last two years-individual

Item \ Year	2020	2019	Increase (decrease) ratio (%)
Cash flow ratio (%)	109.45	32.61	235.63
Cash flow adequacy ratio (%)	63.66	52.60	21.03
Cash reinvestment ratio (%)	13.88	4.74	192.83

Analysis description for items with increase and decrease ratio change of over 20% is as follows:
Cash flow ratio increased to 109.45%, cash flow adequacy ratio increased to 63.66%, and cash reinvestment ratio increased to 13.88%. This was primarily because of increase of net cash inflow from operating activities by NT\$4,791,094,000 (up 133.04%) compared with that of the previous year. Furthermore, the current liabilities reduced by NT\$3,374,177,000 (down 30.56%) compared with that of last year.

2.Cash flow analysis for the coming year - Individual

Unit: Thousands of New Taiwan Dollars

Cash balance at beginning of year	Annual net cash flow from operation activities	Cash outflow for the entire year	Cash surplus (shortage) amount	Cash shortfall remedy measures	
				Investment plan	Financing plan
818,176	3,518,914	5,868,383	(1,531,293)	N/A	N/A

1.Cash flow status analysis:

- (1) Operating activities: Operating revenue and surplus are expected to increase during 2021, and the net cash flow from business activities is expected to be NT\$3,518,914,000.
- (2) Investing activities: Cash flow mainly for acquisition of property, plant and equipment.
- (3) Financing activities: Cash flow mainly for payment of dividends and cash flow from long- and short-term loan repayments.

2.Expected cash deficit remedies and liquidity analysis: Not applicable.

IV. The effects that significant capital expenditures have on financial operations in the recent year: None.

V. Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year:

(I)Investment policy in the past year

The Company's investment policy involves management of domestic and foreign investments and deployment in upstream and downstream industries to meet business needs. The investment management is in accordance with the Procedures for Acquisition and Disposal of Assets and Rules for Management of Investee Companies, in order to keep track of the financial and business conditions of investee companies, and supervise that it is implemented or handled in accordance with laws and regulations to optimize operating performance.

(II)Profit/loss analysis, improvement plan, and investment plan for the coming year: None.

VI. Risk issues and analysis evaluation

(I) Impact of interest rate and exchange rate changes and inflation on Company's profit and response measures:

Unit: Thousands of New Taiwan Dollars; %

Item	2020	2019
Net operating income	42,866,290	44,863,600
Net interest gains (losses)	(181,676)	(290,720)
Net exchange gains (losses)	46,835	35,722
Ratio of net interest gains (losses) to net sales (%)	(0.42)	(0.65)
Ratio of net exchange gains (losses) to net sales (%)	0.11	0.08

(1) Interest rate changes

The Company's interest rate risks arise from the liabilities and financial investments of operating activities. Given that the Company's interest income and expenses are affected by interest rate changes in Taiwan and the U.S., the Company's funding needs are mainly from cash inflow from operating activities, long-term and short-term borrowings to reduce interest rate risks, while some are from long-term bonds with fixed interest rates. In terms of financial investment, the Company mainly focus on short-term fixed-income securities with high liquidity and high rating to preserve capital and maintain liquidity. However, the hedging only offset part of the financial impact that arise from interest rate fluctuations.

(2) Foreign exchange rate changes

The Company's primary products include rebar, structural steel and steel plates. Most of customers are located in Taiwan, and products are sold in NT dollars, and 50% of the main raw material scrap steel is also purchased domestically in NT dollars. Hence, there were no foreign exchange rate risks. The export of products and 50% import of raw materials are mainly denominated in US dollars. The gap between foreign currency gains and losses is affected by foreign exchange rate fluctuations. As such, sharp fluctuations in NTD/ USD exchange rate will have evident impact on the Company's financial status.

Thanks to NTD/ USD appreciation in 2020, the Company recognized net foreign exchange gains of NT\$46,835,000, which accounted for 0.11% and 1.06% of annual operating revenue and operating profit, respectively, exerting limited impact on the Company's annual sales and profits.

In order to avoid disruption of normal operations by foreign exchange rate fluctuations, the Company has adopted the following countermeasures to effectively mitigate the impact of foreign exchange rate:

A. The Company collects daily information for foreign exchange rate changes to keep track of foreign exchange rate trends, and make timely decisions related to currency conversion or hold foreign currency debts. It also consult with the bank's foreign exchange department for hedging

strategies, and decide on foreign currency positions according to the actual funding needs and foreign exchange rates.

- B. In terms of FX budgeting, the Company's rights and obligations were offset given natural hedging between foreign exchange income from the export of finished products, and the foreign exchange expenditures that arise from the import of raw materials.
- C. Timely hedging, such as trading foreign exchange options and forwards, in order to avoid the foreign exchange risks.

(3) Inflation, deflation and overall market volatility

Any sudden change in market consensus for inflation and deflation will often affect the global economy. Market efficiency may be reduced for both high inflation or deflation, which influence consumers in making investment decisions, and tend to negatively effect the macro and micro economy. In recent years, the political turmoil among the world's major economies and ultra-loose monetary policies have exacerbated the effect of market consensus for inflation or deflation on market volatility. The market fluctuations caused by policy changes have no direct impact on the Company, but may indirectly affect the willingness of countries for capital investments on national construction, which will thereby affect the medium and long-term steel demand.

In 2020, Taiwan's moderate inflation (based on the average consumer price index of the Directorate General of Budget, Accounting and Statistics) is around -0.23%, which has no material impact on the Company's sales. Nonetheless, the Company cannot guarantee that there will be no major changes in nature, extent or scope of inflation or deflation in the future, which may adversely affect the Company's sales.

(II) The primary reasons for gain or loss and future response measures for high-risk and high-leveraged investments, loans to others, guarantee endorsements, and derivative transaction policy:

1. The Company has not engaged in high-risk, high-leveraged financial investments in recent years. The primary reason for buying U.S. Dollar and engaging in long-term foreign exchange, option operations, and interest rate swap operations is to circumvent exchange rate and interest rate fluctuations and stabilize sales costs and capital costs. The company has not suffered any significant losses from engaging in derivative transactions. In addition, the company's derivative transaction policy is based on the actual hedging demand, and the relevant operations are handled based on the company's "Policies and Procedures for Financial Derivatives Transactions."
2. As of the end of 2020, the Company has no fund loans to its subsidiaries. Meanwhile, to support the funding needs of Duc Hoa International J.S.C., the subsidiary Tung Yuan International Corp.'s short-term fund loans amounted to NT\$25,480,000 (Unit: Thousands of New Taiwan Dollars). In addition, the Company's loaning of funds to others are handled in accordance with the "Procedures for Extending Loans to Others" of the Company and its subsidiaries.

3. As of the end of 2020, since the subsidiary's margin trading requires financing guarantees, the ending balance endorsements/ guarantees for the subsidiaries Fujian Tung Kang Steel Co., Ltd. and Tung Ho Steel Vietnam Co., Ltd. were NT\$698,515,000 (Unit: Thousands of New Taiwan Dollar and NT\$7,903,200,000, (Unit: Thousands of New Taiwan Dollars). The subsidiary Tung Yuan International Corp. has provided endorsements/ guarantees for the investment in Fujian Sino-Japan Metal Corp. and Best-Steel Trade Corp. The ending balance of endorsements/ guarantees for Fujian Sino-Japan Metal Corp. is NT\$149,520,000 (Unit: Thousands of New Taiwan Dollars). In November 2020, Tung Yuan International Corp. sold shares and lost control over Best-Steel Trade Corp. The endorsements/ guarantees by the Company and its subsidiaries are handled in accordance with the "Procedures for Endorsements and Guarantees" of the Company and its subsidiaries.

(III)Future R&D projects and estimated R&D expenditure:

1. In terms of steelmaking: Development of billets with high steel cleanliness and high toughness, development of SM570 steel plate of 50mm thickness, development of high-strength re-bar, development of low-carbon and green manufacturing technology for electric furnace, and electric furnace scrap preheating continuous feeding process research.
2. In terms of steel rolling: Leading R&D plan in developing the new technology for low-energy direct rolling to increase tensile strength of ultra-high-strength re-bar by more than 1.6 times, development of billet welding technology and application of direct rolling technology for continual re-bar rolling, the R&D plan of universal edging, a new special rolling technology for the production of H-beams with B value of more than 300mm, development of H-beam/ steel plate on-line size automatic measurement and surface defect detection system, development of angle and flat bar H/V (horizontal/ vertical) combination rolling, and the R&D plan for tandem reciprocating universal edging round profiled material rolling technology, in order to diversify our products, enhance our technical capability, and increase the Company's revenue and profit.
3. Other: AI technology application and development of smart factory technologies, "Research on Carbon Steel Oxidizing Slag Asphalt Pavement and Testing" new technology R&D projects, and comprehensive and innovative solutions to promote a circular economy in the steel industry.
4. The company is expected to invest another NT\$100 million for R&D.

(IV)The affect that domestic and international policies and law changes have on the company's financial operations as well as the responding measures:

The Company has kept close track of policies and regulations that may affect the Company's business operations, and formulated relevant risk management procedures. In 2020 and up to the date of publication of the annual report, the Company's major changes in law in regard to business operations:

1. Articles 2 and 15 of the "Regulations for Establishing Measures of Prevention, Correction,

Complaint and Punishment of Sexual Harassment at Workplace" were amended on April 6, 2020, in order to protect the grievance rights of employees or job applicants, so that employees won't be afraid or immediately quit their jobs when the employer is the harasser. Job applicants may not know the company's internal channels, and did not seek help from it. Therefore, the additional provisions specify that when the employer is the harasser, the employee or applicant may also file a complaint with the local competent authority in addition to filing a complaint through the company's internal channels. Hence, filing a complaint through the company's internal channels shall not be the first priority. In response, the Company actively made amendments and adjustments on relevant personnel management regulations.

2. Article 80-1 of the "Labor Standards Act" was amended on June 10, 2020. Due to public welfare related to protecting the rights and interests of workers, new provisions are added, stipulating that for the business entity that is fined for violations of the Act, the competent authority shall publicly announce the name of such business entity or its owner(s), the person(s) in charge, the date of the disposition, and the violation of the provisions and the amount of the disposition, so that workers can timely obtain material information related to working conditions, while the employers are urged to actively keep track and adhere to relevant labor regulations.
3. Partial amendments of the "Regulations Governing Occupational Safety and Health" have been announced on September 24, 2020, which prevent operational hazards on machinery vehicles for construction, power fork lift truck, drying equipment, mobile cranes, decompression chambers, and construction or freight elevators, with adjustments to the qualifications of occupational safety and health managers in response to the current safety and health status of micro-enterprises, encouraging business entities to improve occupational safety and health management systems and automated inspection items and scopes, and clarifying data storage methods. The amendments comply with the release of international standard ISO45001 and the national standard CNS45001 for managing the safety and health of workers and materials. As such, the Company has instructed the environmental safety units of each plant for the amendment of various procedures, or legal compliance on safety facilities improvement and installation.
4. Amendments of Articles 19 and 19-1 of the "Regulations on the Permission and Administration of the Employment of Foreign Workers" have been announced on January 6, 2021. An employer who fail to comply with the foreign workers' disciplinary will be required to improve within a deadline by the local competent authority that regards the issue to be a minor plot, except as otherwise for serious adverse effects on safe accommodation or health of foreign workers, which shall be punished immediately. The foreign workers' disciplinary stipulated in Article 19-1 was consolidated and deleted, and the Company's labor safety unit will provide counseling and improvement in cooperation with intermediaries, especially for care services such as food, accommodation and personal safety of foreign workers.
5. Amendments of Articles 12, 13, 973, 980 and other provisions of the "Civil Code" were announced on January 13, 2021, mainly related to "lowering the age of majority as prescribed in the Civil Code from 20 to 18 in order to correspond to the physical and psychological development of today's

youths and protect their rights. This is also a move to be in line with international norms. The amended age of majority as prescribed in the Civil Code will be the same as the age of full responsibility as prescribed in the Criminal Code and administrative laws", and "the age of marriage/ engagement for men and women have been unified to 18/ 17 years of age from the original minimum engagement age requirements of 15 years old for females and 17 years old for males, and original minimum marriage age requirements of 16 years old for females and 18 years old for males." At the same time, the Ministry of Justice has also enacted regulations to support the change of the age of majority in the Civil Code. With respect to the rights or benefits (e.g., pension, survivor's annuity, stipulated child support after the parents' divorce, etc.) which have been provided by law or administrative disposition, ruled by the court, or stipulated in a contract to be enjoyed by the minor until the age of 20 or the age of majority prior to the enforcement of the amendment, after the amendment becomes effective, the change of vested rights and interests prior to and after the enforcement of the amendment can still be enjoyed by the minor until the age of 20. In addition, with respect to those who have been married prior to the enforcement of this amendment and has yet to turn 18 after the amendment becomes effective, the supporting regulations expressly provide that their requirements for marriage and their relevant statuses will not be affected by this amendment so that their rights may be protected. The sunrise clause was formulated for preparation and response to the implementation of the new Act which is scheduled on January 1, 2023. To comply with new legislations, the Company shall make appropriate updates or amendments for provisions that have the effect of such civil actions.

6. Amendments to Article 205 of the "Civil Act" have been announced on January 20, 2021, trimming the upper limit of the "agreed rate of interest" from 20% to 16%, and the exceeded part of the agreement is invalid. In order for all sectors of society to be fully prepared and avoid disputes between the application of old and new laws, the amendment of Article 36 and addition of Article 10-1 of the "Enforcement Act of the Part of Obligations of the Civil Code" has been announced on the same day, stipulating that the amendment of Article 205 of the Civil Act will be implemented 6 months after its release. If the agreement on interest rate has been made before the effective date for the amendment, its interest debt becomes effective after the amendment comes into force, that is, the revised Article 205 of the Civil Act shall not apply to any interests occurred before the revision comes into force as it is not retroactive, but shall still apply to interests occurred after the revision comes into force if the agreement on interest rate has been made before the effective date for the amendment.

(V) The affect that technological changes and industrial changes have on the company's financial operations as well as the responding measures:

In 2020 and as of the publication date of the annual report, the Company's operational strategies include continuous efforts in improving our technical capability and management efficiency, lowering production costs, and ramping up collaboration of production and sales so that we can raise the Company's competitive advantages in the domestic market. We will also carry out aggressive

expansion of our overseas market and customer base simultaneously. Another important strategy of the Company is the continual research and development of new steel products and applications, to further expand and consolidate the company's operational foundation.

The steel products market has the feature of always being deeply affected by changes in the business cycle, which exerted an impact on steel product manufacturing services. Since most of the Company's customers are from industries such as the public construction, automotive, machinery manufacturing, and electronic parts and accessories, the Company's sales and profits are also affected by order fluctuations.

The steel products industry is facing great recession and excess capacity in China. Since the Company's current and future business operations are contributed by customers in the steel products industry, it may be dragged down along with the overall steel manufacturing industry due to the aforementioned industrial recession and excess capacity in the supply chain. As such, the Company's revenue, profits and profitability would be affected if the Company cannot effectively offset the decline in demand through cost reduction or other measures.

In response to continuous industrial and technological changes for steel products, and strengthening the Company's competitive advantage of precision processing would enable it to produce more advanced steel products. If the Company has not developed the vision for technological improvement and rapidly establish innovative business models, or if competitors unexpectedly obtained more advanced technology, the Company's competitiveness may not be strong enough to win more orders. Although the Company has dedicated efforts in maintaining its R&D advantages, its competitiveness may weaken without the support of leading technologies or business models.

(VI)The effects that enterprise image change have on enterprise crisis management as well as the responding measures:

The company has always maintained the operation principles of professionalism, quality, and integrity as well as emphasized on corporate image and risk management. There are currently no foreseeable crisis matters.

(VII)Expected benefits and potential risks of merger and acquisition and response measures:

There have been no mergers and acquisitions in 2020 and up to the date of publication of the annual report. However, the changes in market supply/ demand and prices in the global steel market will affect the company's sales and profits. Therefore, the company will kept close track of the changes in market supply and demand for the adjustment in sales strategies, and continue to add value to products in order to mitigate potential risks.

(VIII)The expected benefits and possible risks of plant expansion as well as the responding measures:

There have been no plant expansions in 2020 and up to the date of publication of the annual report. However, the changes in market supply/ demand and prices in the global steel market will

affect the company's sales and profits. Therefore, the company will kept close track of the changes in market supply and demand for the adjustment in sales strategies, and continue to add value to products in order to mitigate potential risks.

(IX)Risks faced by concentrated sales or purchasing as well as the responding measures:

- 1.The Company has thousands of customers in Taiwan. In 2020, the Company's top ten customers accounted for 39.93% of the Company's net sales, of which the largest customer accounted for 8.94%, while the top ten customers of the Company and its subsidiaries accounted for 30.13% of consolidated net sales, of which the largest customer accounted for 6.86%, which meant that the sales were not concentrated in 2020.
- 2.In 2020, the Company's top ten suppliers accounted for 43.06% of the Company's net purchases, while the top ten suppliers of the Company and its subsidiaries accounted for 35.36% of the consolidated net purchases. Considering that some of the Company's raw materials that were purchased according to company features are from single suppliers, we suspect that demands could not be met if there is no alternative source of supply. We expect the Company's sales and profits to decline if the company cannot timely obtain the required raw materials, or upon surging raw material prices with rising costs unable to be passed on to customers. Therefore, the Company is committed to purchasing raw materials from different suppliers, or suppliers from different regions, in order to ensure safe raw materials supply, and reduce the risk of concentrated purchasing.

(X)The effects that large share equity transfers by directors or major shareholders holding more than 10% of the company shares have on the company as well as risk and responding measures:

The Company's existing shareholders have not engaged in sales of large number of common shares. In 2020 and as of the publication date of the annual report, directors or major shareholders holding more than 10% of the company shares have no risks of large share equity transfers or replacements that may affect the Company's normal operations.

(XI)The effects that change in management has on the company as well as risk and responding measures:

There have been no risks from change in management in 2020 and up to the date of publication of the annual report.

(XII)In terms of litigation or non-litigation matters, the company and the company's directors, general managers, actual responsible person, shareholders holding more than 10% of the company shares, and affiliated companies, who are involved in a major lawsuit of a subsidiary company that has either been decided or is still pending whereby the results of the case may have a significant impact to shareholder interests or securities prices, must be specified. The status of the disputed facts, bid amount, litigation commencement date, and the primary parties involved in such litigations up to the publication date of this annual report shall be disclosed:

1. There have been no major lawsuits 2020 and up to the date of publication of the annual report.

2.The directors, general managers, actual responsible person, shareholders holding more than 10% of the company shares, and affiliated companies were not involved in major litigations in 2020 and as of the publication date of the annual report, and there are currently no major litigations still pending.

(XIII)Other critical risks and response measures:

1.Information security risk assessment:

The Company's Information Security Risk Assessment Report is as follows:

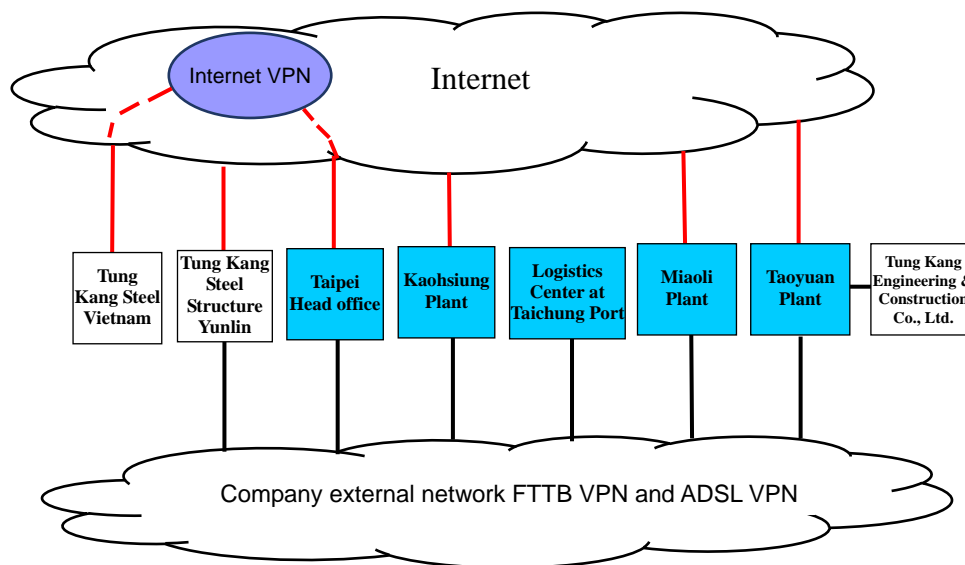
(1)Purpose

In accordance with relevant laws and regulations, the Company shall take into account company goals to conduct information security risk assessment, determine various information security requirements, and adopt necessary information security measures to ensure continual operations and minimize operating losses.

(2)IT environments and instructions

A.Network structure

Chunghwa Telecom FTTB VPN and ADSL VPN are used as backup for main network connection of the Company's bases. Each of the Company's bases are directly connected to the Internet.



B.Information system

The Company's information systems are mainly divided into two categories. The first category is the common type system that support the operations in the Company's information environment, including e-mail, anti-virus, anti-spam systems, and file servers. The second category is the operational application systems for accounting management, human resource, business operations, production management, and manufacturing. The servers that support systems operations include Windows server and IBM AS400.

(3)Information security policy

For information security management, the Company has formulated the "Guidance for Information Security Management" for implementing information security. Information security

policy:

- A.Information security management regulations should comply with the law and contract requirements.
- B.Maintaining the integrity and availability of information.
- C.Limited access to confidential information.
- D.Ensure that authorized users in accessing files and resources.
- E.Prevent unauthorized use.
- F.Prevent accidental damages on hardware, software, and other resources.
- G.Prevent vandalism of hardware, software, and other resources.
- H.Prevent improper use of network resources.

(4)Information security and cyber risk analysis

Information asset risk analysis:

Name of the asset	Risk event		Existing control measures
	Weakness	Threat	
Server	System vulnerabilities	System hacked	Routinely fix system vulnerabilities
	No system backup	Difficult system recovery	System virtualization and backup on different hosts
	No data backup	Data corruption	Duplicate hard disk backup and tape backup
	No strict control over the account	Unauthorized access Data breach	The account password must meet complexity requirements and changed regularly
	Natural disaster	System crash	Set up remote backup system
PC	System vulnerabilities	System hacked	Install Windows Server Update Services (WSUS) for system security updates
	Computer virus	Malware infection	Establish a centralized antivirus system to cyber security monitoring and incident exclusion.
Application system	No periodic authorization checks	Unauthorized access to information	Annual review of user permissions
	No stringent program testing	Data error	Program modification for rigorous operation

			processes
Employees	Lack of cyber security awareness	Malware infection Stolen account and data	Advocacies on information security on an irregular basis

(5)The impact of information systems malfunction on the Company's business and countermeasures

To ensure uninterrupted service, the Company will gradually establish a high availability remote host and data backup mechanism for the information system structure based on its risk level. The backup media will be sent for remote storage, strengthening the system backup and recovery drills to ensure normal operations of the information system and data preservation, and thereby lowering the risk of system interruption caused by unexpected natural disasters and human negligence, while ensuring that the recovery time is in line with expectations.

According to the recent cyber threat analysis, the source of threat mostly comes from external hacks, followed by human negligence and lack of information security awareness of internal employees, while the root causes behind these information security incidents are due to system vulnerabilities or execution of unknown malware. Therefore, we will subsequently attach more importance on task executions. Although we have a backup and recovery mechanism for the last line of defense after information security incidents, losses from information security incidents may be greatly reduced if precautions are taken.

2.Risk management

The Company has established the Corporate Governance Committee under the board of directors, covering the corporate governance, corporate social responsibility, ethical management, environmental sustainability, and risk management teams, of which the risk management team is in charge of implementing risk management, coordinating relevant departments in risk identification, evaluation, management and supervision, and regularly reporting the implementation status to the Corporate Governance Committee. The Corporate Governance Committee is responsible for reporting the overall risk management implementation status to the board of directors at least once a year. The Company formulated the risk management policy in June 2020, and established the Risk Management Policies and Operating Procedures in November 2020, which were approved by resolution of the 3rd and 5th meetings of the 24th term board of directors.

Each department assess the possibility of various risk factors and degree of impact based on their functions, taking necessary measures, and assuring proper management of various risks. The Audit Office is responsible for preparing annual audit plans based on the risk management policies and risk evaluation results, conducting systems auditing based on the plan, and assisting the board of directors in supervision and management of the potential risks in decision-making, in order to ensure effective control of operational risks, and timely provide suggestions for improvement. Through institutional systematic management procedures, we can effectively identify, prevent and control risks to maintain normal operations and achieve corporate sustainability.

Risk items and risk management	
Operations	Management strategy
Corporate governance risks	In order to ensure the legal compliance of directors, managers and employees, the Company formulated internal regulations including the "Ethical Corporate Management Best Practice Principles" and "Code of Ethical Conduct for Directors and Managers" have been established, and the business precautions are stipulated in the "Ethical Corporate Management Operating Procedures and Code of Conduct" to regulate all employees. In addition, to implement ethical corporate management the "Commitment to Ethical Conduct" shall be signed by directors, managers and employees, with advocacies on ethical concepts and the prohibition of unethical behaviors via internal publications and meetings. The board members were recused for conflict of interests from board meetings in order to prevent unethical behaviors. The Company also provides liability insurance for directors, in order to reduce potential liability risks that arise from the directors' execution of duties.
Reputational risks	The Company's Corporate Governance Committee is responsible for the formulation, supervision and review of the ethical corporate management policies and prevention programs, and upholds the spirit of "trustworthiness in relation to all stakeholders" as moral guidelines for business activities in the pursuit of positive value and quality assurance.
Strategic risks	The Company's president and senior managers attend group meetings several times a week for detailed research and analysis on aspects such as business, finance, production and procurement, and make appropriate decisions with consideration of the Company's competitive advantages, current and future market conditions, and environmental conditions. To ensure operational stability and mitigate risks, the decisions will be revised in response to environmental changes.
Operating risks	The inter-departmental meetings for management by objectives review the production and sales performance, and establish objectives to achieve the Company's business goals. Production and Marketing Meetings enables smooth coordination on production, procurement, and sales, and thereby ensure smooth supply and lower inventory risks. The procurement of raw materials matches the volume and price of orders, which will enable stable operations and avoid losses that arise from transaction price.
Human resource risks	The Company has formulated human rights policies, compensation policies, and internal regulations such as: Work rules and regulations on employee performance appraisal, education and training, and employee job rotation, with inventory of company documentations on a regular basis, and reviewing the legality of operating procedures to comply with the amendment of relevant laws and regulations. In order for smooth communication channels, the Company's plants held employer-employee meetings, occupational safety committee meetings, and employee welfare committee meetings on a regular basis. Employees are allowed to express their opinions according to procedures stipulated in the Regulations Governing Employee Complaints and Grievances. In order to meet industrial development needs, the Company regularly review its staffing capacity, and recruit new employees, and cultivate professional talents.
The impact of major domestic and foreign policies and legal changes on corporate sustainability.	In response to major domestic and foreign policies and laws, the Company pays attention to daily newspapers and the media, conduct annual or monthly meetings with analysis and discussions on future policy and legal changes, and formulate necessary countermeasures in order to reduce negative impact on the Company's future operations.
Finance	Management strategy
Financing risks	The Accounting Department is responsible for evaluating the flow of funds that arise from the operation process, adoption of financing measures based on future changes and ending balance, negotiating financing plans with domestic and foreign financial institutions, and diversifying financing partners to avoid concentrated borrowing. The Company's various financing is carried out within the scope of Board authorization.
Investment risks	The Company formulated management procedures suitable for different investment types, including the Procedures for Acquisition and Disposal of Assets and Rules for Management of Investee Companies, which are controlled by different authority levels.
Liquidity risks	The Company regularly controls the percentage between assets including current and non-current assets, as well as current and non-current liabilities, and regulates the solvency to meet maturing obligations to reduce liquidity risks.
Foreign exchange risks	Collect exchange rate movement related information daily to have a full grasp on the exchange rate, and convert currency or retain foreign currency loans at the optimal time. In

	terms of FX budgeting, the Company's rights and obligations were offset given natural hedging between foreign exchange income from current imports and exports. The Company also consult with the bank's foreign exchange department for hedging strategies, and decide on foreign currency positions according to the actual funding needs and foreign exchange rates.
Interest rate risks	Margin trading with financial institutions is performed within the scope of authorization of the board of directors, and the Company's financing costs are controlled by negotiating favorable funds rate with reference to market interest rates. In addition to transactions with financial institutions, the Company will also carefully assess other financing tools with lower cost in case of major capital expenditures.
Risks of loaning of funds to others	The Company has established the Procedures for Extending Loans to Others, with limitations on borrowers and loan conditions. It also set standards for the total guarantee amount and individual credit limits, and investigate and evaluate the borrower's operating conditions, financial status, solvency, credit status, profitability and the purpose of borrowing, which shall be reported to the board of directors as the basis for risk evaluation. The Company and requires appropriate terms of guarantee, and the extending of loans shall be approved by resolution of the board of directors.
Endorsement/ guarantee risks	The Company has established the Procedures for Extending Loans to Others, with limitations on borrowers and loan conditions. It also set standards for the total guarantee amount and individual credit limits, which shall be reviewed in advance by the Finance and Accounting Division, and the credit limit shall be approved and signed by the Chairman, and submitted for resolution by the board of directors. Subsequently, the Company's internal auditors perform regular auditing on the Procedures for Endorsements and Guarantees with regard to the endorsement/ guarantee items, borrowers, amount and other relevant information.
Derivatives trading risks	The Company has established the Procedures for Engaging in Financial Derivative Transactions and the principles and types of transactions, while the authorized managers of the board of directors is in charge for handling relevant matters in consideration of financial trends and business needs. Set standards for the total guarantee amount and individual credit limits. The Finance and Accounting Division is responsible for collection and provision of relevant information, transaction instructions, evaluating the position of derivatives, creating the evaluation cycle, and submitting the evaluation report to the Chairman or authorized manager as reference for management, while the transaction status and profit/ loss assessment are reported to the board of directors.
Financial decision-making risks	The Company's financial decision-making includes acquisitions and disposals, loaning of funds, endorsements/ guarantees, derivatives transactions, and reinvestment business management. Related regulations have been established in compliance with laws and regulations, and are authorized according to different authority levels, while the audit unit performs regular audits on related operating procedures, in order to minimize the possibility of risks.
Operations	Management strategy
Legal risks	Ethical management and legal compliance are the basic guidelines and requirements for company operations. As such, the management department and accounting department timely revise the labor, operational, and financial regulations to comply with the laws and regulations issued by the competent authority. The plant's responsible units conduct monthly inspections related to safety and health, and the environment (air pollution, water pollution, soil pollution, waste disposal, and greenhouse gas emissions), and revise any deficiencies or formulate relevant operating procedures in order to reduce the risk of violation.
Information security risks	In order to implement information security management, the Company has formulated "Guidance for Information Security Management" and enforcement rules, and the information work plans are implemented accordingly. It also formulated the "Regulations Governing the Security and Maintenance of Personal Data" for stringent management of data usage and security maintenance, and established the firewall, encrypting file system, and electronic personal data storage platform to control employees' access rights and access records. Meanwhile, the Company improved its endpoint security for servers and privileged account management, in order to prevent the occurrence of information security incidents. The Company established the system backup mechanism, with annual disaster recovery drills to ensure data preservation and that systems will resume normal operations, lowering the risk of system interruption caused by unexpected natural disasters and human negligence.
Occupational safety and health management risks	The Company has set up a Safety Protection Center in the head office and each plant for health and safety coordination. In response to the new Occupational Safety and Health

	Management System (ISO/CNS 45001: 2018), each plant amended the "Safety and Health Management Manual" and other relevant regulations, and obtained certification to ensure the effectiveness and compliance of the system. To ensure employee safety and health, we continue to implement safety and health management, improve manufacturing processes and equipment, identify risks, and eliminate or mitigate hazards. Since 2020, we conducted joint audits on inter-plant safety and health, improvement of deficiencies, zero-disaster activities, while the major occupational accident unit conducts project audits every year to increase the frequency and intensity of audit coverage, in the aim to reduce various risks that arise from occupational safety and health management.
Fraud risks	Based on the annual evaluation plan for the Company's internal control system, each department conducts self-assessment on its implementation status of the current systems, rules and regulations, and suggest improvements on internal control deficiencies discovered by the internal audit, with amendments to procedures or regulations in order to reduce fraud risks. In addition, the Company strengthened the legal education for employees, and established effective communication channels to reduce the occurrence of fraud risks.
Environment	Management strategy
Climate change risks	The Company has started to understand the sustainability and climate change content of various international initiatives/ organizations, with the aim to cover the international initiatives and evaluation criteria in formulating environmental and GHG policies, keep in line with international development trends, and strengthen the Company's ability to respond to climate change. Since the Company's Corporate Governance Committee is responsible for environmental management, it shall identify and evaluate the impact of transformation risks, physical risks, and opportunities on business operations, as well as the probability of occurrence according to TCFD's framework of climate-related risks and opportunities.
Environmental pollution liability risks	The Company has set up a dedicated unit to effectively manage waste gas, wastewater and waste by use of the ISO 14001 environmental management system, with continual investment for better pollution prevention equipment. It also adopt the Best Available Control Technology (BACT) to implement pollution prevention, reduce industrial waste, and strengthen water saving, wastewater recycling and reuse in compliance with environmental protection laws and regulations. Strictly control waste production, storage and disposal processes, and establish an independent waste audit system.
Natural disaster risks	The Company has formulated emergency response measures to prevent natural disasters, so that effective response measures can be immediately taken when natural disasters occur, which thereby reduce worker injuries, equipment and property losses. In addition, the Company purchased property insurance for offices, factories, instruments, and furniture and fixtures, while the additional e-insurance covers precision instruments and equipment to mitigate damages caused by disasters.
Major external hazard risks	In addition to changes in global trends, industrial policies or laws and regulations, the major external hazard risk is the recent spread of COVID-19 pandemic around the world. With that, the Company assesses the possible impact based on the COVID-19 pandemic, and formulate emergency response measures and business continuity management plans in advance. The Company has set up the emergency response team and network for advanced preparation of business continuity management plans (including human resource, equipment, information systems, raw materials, transportation, finance, and backup plans) for key businesses.

3. Climate change risk management strategies

In face of global warming, extreme weather, environmental protection, energy saving, safety and health, and increased conservation awareness, the Company disclosed the following 4 core elements based on its climate-related financial information with reference to the TCFD (Task Force on Climate-Related Financial Disclosures) issued by the Financial Stability Board (FSB): Establish a risk framework based on "Governance", "Strategy", "Risk Management", "Indicators and Objectives", identify major risks and opportunities that may affect business operations, and formulate relevant countermeasures. In February 2021, the Company has become an official TCFD supporter.

The Company's board of directors is responsible for the review and guidance of climate change strategies, action plans and annual objectives, with regular monitoring on the implementation status

and review of GHG reduction targets and achievements on an annual basis. The Company has established the Corporate Governance Committee (functional committee) under the board of directors. The committee consists of three members appointed by resolution of the board of directors, among which more than 50% of the members are independent directors. The Company's Chairman is appointed as the committee's convener (chairperson), and is responsible for issues related to climate change, including environmental sustainability, as well as the establishment, monitoring and review of company objectives. Corporate Governance Committee meetings are held at least twice a year, and climate change-related issues are reported to the board of directors every year.

The environmental sustainability team is set up under the Corporate Governance Committee (functional committee), which is composed of dedicated personnel from relevant departments, with the Executive Vice President as the Chairperson who is responsible for evaluating and managing climate-related risks and opportunities, as well as goal and strategy formulation. The environmental sustainability team reports its implementation status to the Corporate Governance Committee on a regular basis.

The environmental sustainability team members hold meetings to identify climate change risks and opportunities. Based on TCFD's transformation risks, physical risks, and opportunities, each department will evaluate the response measures and financial impacts of the main short, medium and long term risks and opportunities identified in the meeting, while considering the impact of products and services, supply chain, adaption and mitigation activities, R&D investment, and business operations (including business types and facility location) on the Company's businesses and strategies. Among them, the identification and evaluation of climate-related transformation risks and physical risks include the impact on business operations, the probability of occurrence, and the vulnerability when it occurs. As for the identification and evaluation of climate-related opportunities, it covers the degree of impact on business operations and the probability of occurrence. Based on the discussion of matrix analysis, the environmental sustainability team members identified 5 climate change risks, including "Capacity Control/ Emissions Trading", "Increase in Greenhouse Gas Emission Pricing", "Renewable Energy Regulations", "Tropical Cyclones", and "Change in Average Precipitation". In consideration of the Company's main risks and opportunities, the Company has formulated countermeasures according to the risk response measures (elimination, reduction, diversification and transfer of risks) stipulated in the Company's Risk Management Policies and Operating Procedures. The financial impact, risk content, response measures and costs are described as follows:

Risk identification results		
Type/ item	Financial impact and risk content	Countermeasures
Transformation risks - policy and legal risks	<p><u>Increase in direct costs</u> After the amendment of Greenhouse Gas Reduction and Management Act in Taiwan, if the Company's amount of GHG emissions in excess of the sum of GHG emissions cannot be purchased in the emissions trading market in future years, a fine of NT\$3,000 per ton will be imposed, which may lead to an increase in the Company's direct operating costs.</p>	<p>1.To comply with the Major Electricity User Clauses, each plant has newly installed solar panels, with installation capacity of 20MW. 2.The affiliated company Tung Kang Wind Power Corp. obtained an electrical contractor license in 2016, and currently owns 5 wind turbines. In response to the amendment of Greenhouse Gas</p>

	Increase in pricing of greenhouse gas emissions	<p><u>Increase in direct costs</u> After the amendment of Greenhouse Gas Reduction and Management Act in Taiwan, the Company's greenhouse gas emissions will be charged at NT\$100 per ton, with an increase in the Company's direct operating costs. The increase in ASP of greenhouse gas emission will further raise the Company's costs.</p>	Reduction and Management Act in Taiwan, Tung Kang Wind Power Corp. plans to add new wind turbines, which bring about total installation capacity of 19.9MW.
	Renewable energy regulations	<p><u>Increase in direct costs/ capital expenditures</u> The reason for increase in capital expenditures was that the Company generates solar energy for self-consumption, which led to higher power generation price compared to that of TPC.</p>	3. We anticipate that starting from 2032, Tung Ho Steel's installed renewable energy capacity as follows: Solar energy capacity of 20MW, wind turbine capacity of 19.9MW (including 11.5MW installed in 2015). The total electricity production from renewable energy sources is equivalent to 6.3% of total electricity demand, reducing CO2 emissions by 38,048 tons (down 4.7%), and thereby lower the cost of carbon pollution.
Physical risks - immediate	Tropical wind	<p><u>Decrease in revenue</u> The plant and machines are damaged by typhoon, which affected production.</p> <p><u>Increase in direct costs</u> The typhoon dragged down production and increased costs.</p> <p><u>Increase in indirect costs</u> Raised insurance expenses as the plant and equipment are damaged by typhoon.</p> <p><u>Increase in capital expenditures</u> Repair and maintenance expenses for the plant that is damaged by typhoon.</p>	For risk transfer, the Company has currently purchased property insurance, covering fire disasters, explosion-ignited fire, lightning, explosion, earthquake, typhoon and flood insurance.
Physical risks - long term	Change in average precipitation	<p><u>Decrease in revenue</u> The low precipitation levels has led to water resource problems in reservoirs, and some regions imposed water rationing, which reduced the Company's production volume.</p> <p><u>Increase in direct costs/ indirect costs/ capital expenditures</u> The Company's Miaoli plant and Kaohsiung plant have groundwater discharge permits, whereas the Taoyuan plant is affected by local water rationing, and water procurement is required to meet the Company's production needs.</p>	<p>1. The Company's Miaoli plant and Kaohsiung plant have underground water wells, and is less affected by the tight water supply.</p> <p>2. Water procurement is required in Taoyuan plant in response to local water rationing.</p>

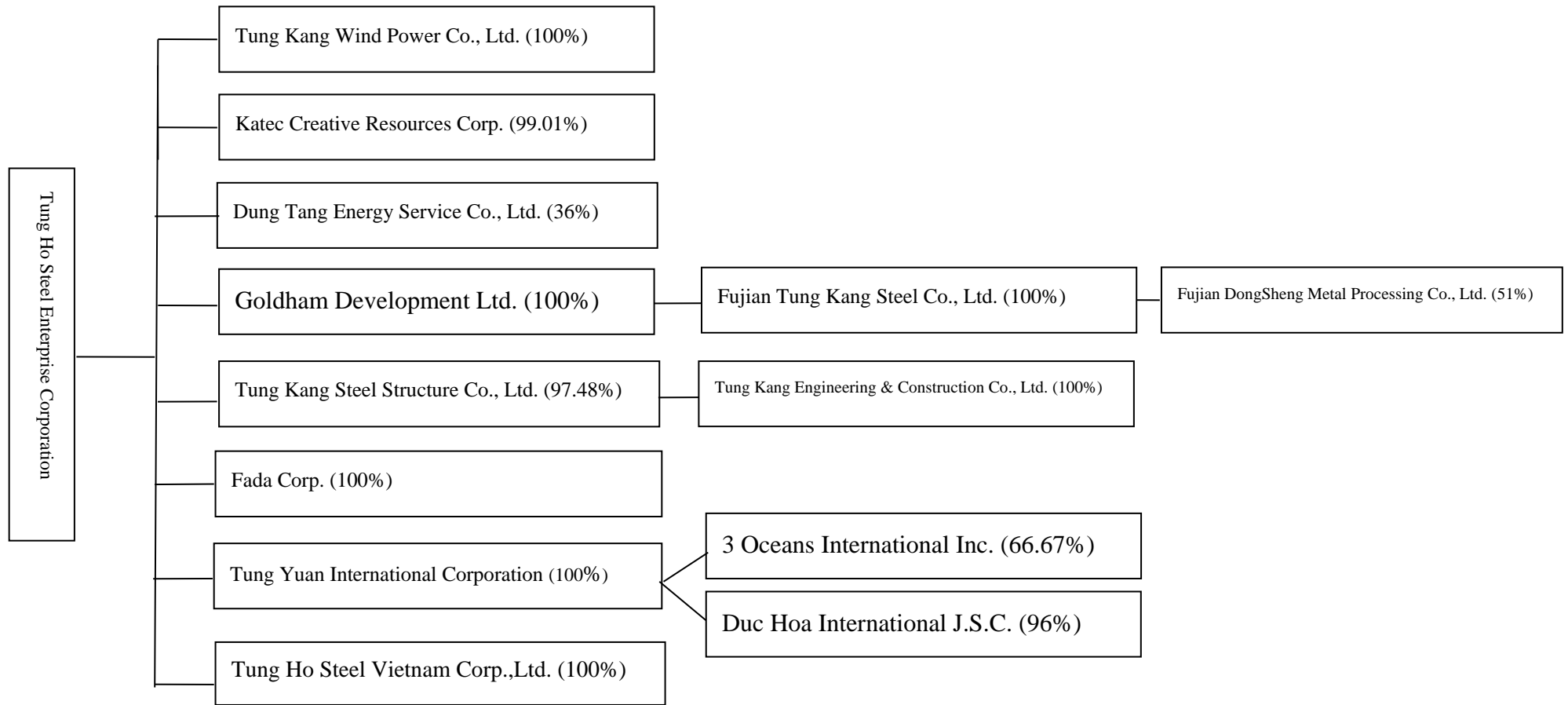
VII. Other critical matters: None.

H. Special note items

I. Relevant information for the affiliated enterprises

(I) Consolidated business reports form the affiliated enterprises

1.Organization chart for the affiliated enterprises



2. Basic information of the various affiliated enterprises

December 31, 2020

Enterprise name	Date of Establishment	Address	Paid-in capital (Unit: Thousands of New Taiwan Dollars)	The main businesses or production items
Tung Yuan International Corporation	1992.11	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.	2,335	Foreign investments
3 Oceans International Inc.	2004.3	Pillar 9 House, Suite 5, Saleufi Street, Apia, Samoa.	78,605	Foreign investments
Tung Kang Steel Structure Co., Ltd.	1993.07	6F, No. 9, Sec. 1, Chang'an East Road, Taipei City	2,026,626	Professional Construction
Tung Kang Engineering & Construction Co., Ltd.	1991.09	9F, No. 9, Sec. 1, Chang'an East Road, Taipei City	250,000	Synthesis Construction
Fada Corp.	2015.03	No.116, Caoluo, Neighborhood 8, Baozhang Vil., Guanyin Dist., Taoyuan City	1,000	Waste and resource recycling industry
Katec Creative Resources Corp.	1995.08	No. 231, Huanke Rd., Guanyin District, Datan Vil, Taoyuan City, Taiwan	975,704	General waste clearance and disposal operations
Tung Kang Wind Power Co., Ltd.	2009.10	9F, No. 9, Sec. 1, Chang'an East Road, Taipei City	155,000	Electric Power Supply
Goldham Development Ltd.	1997.11	1st Floor, Lake Building, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.	427,200	Foreign investments
Fujian Tung Kang Steel Co., Ltd.	1998.01	No. 5, Yanxi Rd., Hongkuan Industrial Village, Yangxia Town, Fuqing City, Fujian, China	427,200	Produce steel products and related products as well as provide the corresponding installation and ancillary services
Tung Ho Steel Vietnam Corp., Ltd.	2007.04 (Note)	Phu My 2 Industrial Zone, Tan Thanh District, Ba Ria-Vung Tau Province, Vietnam.	5,016,935	Steel manufacturing
Duc Hoa International J.S.C.	2009.10	Bach Dang Hamlet–Luu Ky Commune–Thuy Nguyen Distric–Hai Phong City-Vietnam	128,160	Quicklime plant
Fujian DongSheng Metal Process	2018.08	Factory area of Fujian Runtong Hardware Co., Ltd., Hongkuan 2nd Road, Fuqing City, Fujian Province.	39,393	Manufacturing and sales of metal structures
Dung Tang Energy Service Co., I	2019.06	9F, No. 9, Sec. 1, Chang'an East Road, Taipei City	150,000	Fertilizer manufacturing and renewable energy self-use power generation equipment

Note: The date of incorporation of Fuco Steel.

3. Presumed as the same shareholder information for those who have control and subordinate relationships: None.

4. Information for director, supervisor, and general manager of affiliated companies

December 31, 2020

Enterprise name	Title	Name or representative	Shareholding	
			Number of shares	Shareholding ratio (%)
Tung Yuan International Corporation	Director Director Director	Henry C. T. Ho Qixie Lin Joshua P.H. Tung	82	100
3 Oceans International Inc.	Director Director	Henry C. T. Ho Qixie Lin	1,840,000	66.67
Tung Kang Steel Structure Co., Ltd.	Chairman Vice Chairman Director Director Director Supervisor President	Representative of Tung Ho Steel Enterprise Corporation: Henry C. T. Ho Representative of Tung Ho Steel Enterprise Corporation: Kuanren Gu Representative of Tung Ho Steel Enterprise Corporation: Joshua P.H. Tung Representative of Tung Ho Steel Enterprise Corporation: Zhengbin Qiu Representative of Tung Ho Steel Enterprise Corporation: Binghua Huang Earle Ho and Sons, Ltd. Zhengbin Qiu	197,565,134	97.48
Tung Kang Engineering & Construction Co., Ltd.	Chairman Director Director Supervisor President	Representative of Dong Gang Steel Structure Co., Ltd.: Yong-Zhi Chen Representative of Dong Gang Steel Structure Co., Ltd.: Henry C. T. Ho Representative of Dong Gang Steel Structure Co., Ltd.: Kuanren Gu Representative of Dong Gang Steel Structure Co., Ltd.: Zhao Liu Pi-Tung Chen	25,000,000	100
Fada Corp.	Chairman	Representative of Tung Ho Steel Enterprise Corporation: Kuanren Gu	100,000	100
	Director	Representative of Tung Ho Steel Enterprise Corporation: Henry C. T. Ho		

	Director Supervisor	Representative of Tung Ho Steel Enterprise Corporation: Yong-Zhi Chen Representative of Tung Ho Steel Enterprise Corporation: Zhao Liu		
Goldham Development Ltd.	Director Director Director	Henry C. T. Ho Joshua P.H. Tung Zhengbin Qiu	15,000,000	100
Fujian Tung Kang Steel Co., Ltd.	Chairman Supervisor President	Zhengbin Qiu Kuanren Gu Chen-Han Kuo	0	100
Katec Creative Resources Corp.	Chairman Director Director Director Director Supervisor President	Representative of Tung Ho Steel Enterprise Corporation: Fu-jing Chen Representative of Tung Ho Steel Enterprise Corporation: Henry C. T. Ho Representative of Tung Ho Steel Enterprise Corporation: Ching-Lian Huang Representative of Tung Ho Steel Enterprise Corporation: Zhang-Qing He Representative of Tung Ho Steel Enterprise Corporation: Zhao Liu Katec R&D Corporation Yong-Zhi Chen	95,724,402	99.01
Tung Kang Wind Power Co., Ltd.	Chairman Director Director Supervisor President	Representative of Tung Ho Steel Enterprise Corporation: Henry C. T. Ho Representative of Tung Ho Steel Enterprise Corporation: Joshua P.H. Tung Representative of Tung Ho Steel Enterprise Corporation: Zhao Liu Representative of Tung Ho Steel Enterprise Corporation: Ruyu He Min-Ta Hsieh	15,500,000	100
Tung Ho Steel Vietnam Corp.,Ltd.	Chairman Director Director President	Binghua Huang Henry C. T. Ho Qixie Lin Xu Yizhi	0	100

Duc Hoa International J.S.C.	Chairman Director Director Supervisor President	Hou-sheng Jian Qixie Lin Xu Yizhi Zhao Liu Hou-sheng Jian	8,154,419	96.00
Fujian DongSheng Metal Processing Co., Ltd.	Supervisor	Zhengbin Qiu	0	51.00
Dung Tang Energy Service Co., Ltd.	Chairman Supervisor	Representative of Tung Ho Steel Enterprise Corporation: Henry C. T. Ho Zhao Liu	5,400,000	36.00

5. Status of operation for various affiliated companies

December 31, 2020

Enterprise name	Paid-in capital (Thousands of New Taiwan Dollars)	Total assets (Thousands of New Taiwan Dollars) (Note 1)	Total liabilities (Thousands of New Taiwan Dollars) (Note 1)	Net worth (Thousands of New Taiwan Dollars) (Note 1)	Operating revenue (Thousands of New Taiwan Dollars) (Note 2)	Operating net (loss) profit (Thousands of New Taiwan Dollars) (Note 2)	Current net (loss) profit (Thousands of New Taiwan Dollars) (Note 2)	Earnings per share
Tung Yuan International Corporation (Note 3)	2,335	747,722	427	747,295	0	(6,746)	(6,746)	(82,266)
3 Oceans International Inc. (Note 4)	78,605	30,075	0	30,075	0	(4,331)	(4,331)	(1.57)
Tung Kang Steel Structure Co., Ltd.	2,026,626	4,970,649	2,173,292	2,797,357	6,587,465	498,777	415,179	2.05
Tung Kang Engineering & Construction Co., Ltd.	250,000	441,913	183,861	258,052	649,994	542	898	0.04
Fada Corp.	1,000	1,211	314	897	1,792	(122)	(104)	(1.04)
Goldham Development Ltd. (Note 4)	427,200	373,091	0	373,091	0	(61,788)	(69,240)	(4.62)
Fujian Tung Kang Steel Co., Ltd.	427,200	728,614	355,523	373,091	409,471	(61,788)	(69,240)	N/A
Katec Creative Resources Corp	975,704	815,730	95,632	720,098	343,252	(13,843)	(11,110)	(0.11)
Tung Kang Wind Power Co., Ltd.	155,000	554,614	467,024	87,590	53,248	1,840	(4,047)	(0.26)
Tung Ho Steel Vietnam Corp., Ltd.	5,016,935	6,686,977	4,039,599	2,647,378	3,744,737	(345,339)	(409,615)	N/A

Fujian DongSheng Metal Processing Co., Ltd.	39,373	52,747	24,761	27,986	32,971	(5,437)	(6,578)	N/A
Dung Tang Energy Service Co. Ltd.	150,000	160,341	11,156	149,185	0	(1,068)	(638)	(0.04)
Duc Hoa International J.S.C.	128,160	164,459	53,623	110,837	202,550	24,404	19,003	0.00

Note 1: The average USD to NTD exchange rate on December 31, 2020 was USD1 : NTD28.48; the average CNY to NTD exchange rate was CNY1 : NTD4.377; and the average VND to NTD exchange rate was VND1 : NTD0.00111.

Note 2: The average USD to NTD exchange rate in 2020 was USD1:NTD29.55; the average CNY to NTD exchange rate was CNY1:NTD4.282; and the average VND to NTD exchange rate was VND1:NTD0.00115.

Note 3: Par value of US\$1,000 per share.

Note 4: Par value of US\$1 per share.

- II. Status of private solicitation for marketable securities handling for the recent year up to the publication date of this annual report: None.**
 - III. Status of company share holding or handling by a subsidiary company for the recent year up to the publication date of this annual report: None.**
 - IV. Other necessary supplemental information: None.**
- I. Corporate events with material impact on shareholders' equity or stock prices set forth in Subparagraph 2, Paragraph 3, Article 36 of Securities Exchange Act in the past year and up to the date of report: None.**

TUNG HO STEEL ENTERPRISE CORPORATION

Parent Company Only Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019**

Address: 6F, No. 9, Sec. 1, Chang An East Road, Taipei City
Telephone: (02)2551-1100

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

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Independent Auditors' Report

To the Board of Directors of Tung Ho Steel Enterprise Corporation:

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the financial statements as of and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the 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 Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 parent company only financial statements as of and for the year ended December 31, 2020. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for the Company’s financial statements are stated as follows:

1. Revenue recognition

Please refer to Note 4(n) “Revenue recognition” and Note 6(v) “Revenue from contracts with customers” in the parent company only financial statements.

Explanation of the key audit matter:

The Company mainly manufactures and sells rebar and formed steel. Revenue recognition is one of the key areas for our audit, and is where on which the report users and receivers pay great concern on. As a result, the test on revenue recognition is one of the key judgmental areas in our audit.



Our principal audit procedures included:

- assessing whether appropriate revenue recognition policies were applied and whether sufficient information was disclosed ;
- testing the manual or systems-based controls on its sales and collection cycle, perform reconciliations between the information from sales systems and the general ledger ;
- reading the sales contracts with significant clients and testing the consistency of their accounting policy ;
- performing year-to-year analysis on the revenue by product and the revenue from the ten customers with the largest sales volume to determine if there were any abnormalities ;
- vouching internal and external information of sales in the selected period before and after the reporting date (the length of the period was determined based on the sales terms) to determine whether sales revenue were recorded in the appropriate period.

2. Valuation of inventories

Please refer to Note 4(g) “Inventories”, and Note 6(f) “Inventories” in the parent company only financial statements.

Explanation of the key audit matter:

Due to the changes in the international trade environment and the impact of price fluctuations on the raw materials and finished products of the steel industry, the risk that the book value of the inventory to be higher than the net realizable value may arise. Therefore, the inventory is one of the key judgmental areas in our audit.

Our principal audit procedures included:

- assessing the rationality of accounting policies for inventory evaluation ;
- assessing whether the evaluation of inventory has been in accordance with the established accounting policies ;
- understanding the sales price used by management and the changes in market price of futures inventory to assess the rationality of the net realizable value of inventories ;
- assessing whether the management’s disclosure of the inventory allowance is acceptable.

3. Investments accounted for using the equity method (construction contracts in subsidiaries)

Please refer to Note 4(i) “Investment in subsidiaries” and Note 6(g) “Investment accounted for using the equity method” of the parent company only financial statements.

Explanation of the key audit matter:

Contract accounting is considered to be an audit risk to the Company’s subsidiary as it requires a high degree of estimation and judgment of matters such as the costs of the work required to complete the contract, the stage of completion of the contract, as well as the recognition of onerous contract. Different judgments could lead to different outcomes, which may have an impact on the Company’s shares of gain or loss on investments accounted for using the equity method on its financial statements.



Our principal audit procedures included:

- reviewing significant contracts and discussing them with the management to obtain a full understanding of the specific terms and risks, to assess whether revenue was appropriately recognized ;
 - selecting a sample from the ongoing constructions to verify the costs between the estimation and the contracts, discussing with the management about the estimates for total contract costs and forecasted costs, including taking into account the historical accuracy of such estimates ;
 - selecting a sample from the completed constructions to assess the settlement of revenue by examination of external evidence ;
 - for warranty under the construction contracts provided to the clients by the subsidiaries, obtaining the estimated warranty costs, vouching internal and external data to assess the rationality of the estimates and whether there are any abnormalities in the provisions estimated by the management ;
 - assessing whether the loss recognized for onerous contracts appropriately reflect the expected contractual position.
4. Investments accounted for using the equity method (Impairment of property, plant and equipment in subsidiaries)

Please refer to Note 4(i) “Investment in subsidiaries” and Note 6(g) “ Investment accounted for using the equity method” of the parent company only financial statements.

Explanation of the key audit matter:

Assets impairment accounting is considered to be an audit risk to the Company’s subsidiary as it requires a high degree of estimation and judgment of matters such as determination of discount rates and expected growth rates. Different judgments could lead to different outcomes, which may have an impact on the Company’s shares of gain or loss on investments accounted for using the equity method on its financial statements.

Our principal audit procedures included:

- obtaining report of property, plant and equipment value in use from external experts appointed by the Company’s subsidiaries ;
- assessing the professional competency, objectivity, and experience of external experts ;
- discussing with the management and raise professional skepticism of the significant key judgments mentioned in the report of value in use ;
- appointing internal experts to assess the reasonableness of relevant assumptions used by external experts. (including evaluation methods and related reference information.)

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of a parent company only financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 parent company only financial statements.

As part of an audit in accordance with 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 parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the parent company only 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 the investment accounted for using the equity method to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the 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 parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 audit resulting in this independent auditors' report are Lee, Tzu Hui and Kuo, Hsin Yi.

KPMG

Taipei, Taiwan (Republic of China)
March 23, 2021

Notes to Readers

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

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TUNG HO STEEL ENTERPRISE CORPORATION

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019				December 31, 2020		December 31, 2019	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(a))	\$ 818,176	2	375,583	1	2100	Short-term loans (Note 6(k))	\$ 2,005,457	5	6,964,718	18
1110	Current financial assets at fair value through profit or loss (Note 6(b))	157,030	-	162,959	-	2111	Short-term notes and bills payable (Note 6(l))	339,725	1	559,831	1
1150	Notes receivable, net (Notes 6(d)(v) and 7)	288,493	1	122,826	-	2120	Current financial liabilities at fair value through profit or loss (Note 6(b))	-	-	6,778	-
1170	Accounts receivable, net (Notes 6(d)(v) and 7)	2,576,598	7	3,749,844	9	2130	Current contract liabilities (Note 6(v))	788,368	2	530,262	1
1200	Other receivables (Notes 6(e) and 7)	5,938	-	720,125	2	2150	Notes payable (Note 7)	60,824	-	61,085	-
1310	Inventories (Note 6(f))	10,327,136	28	12,069,244	29	2170	Accounts payable(Note 6(d))	1,504,750	4	1,359,036	3
1410	Prepayments	133,762	-	171,132	1	2200	Other payables (Notes 6(q) and 7)	1,637,029	4	1,183,124	3
1470	Other current assets	<u>101</u>	-	<u>15,954</u>	-	2230	Current tax liabilities	590,560	2	349,967	1
	Total current assets	<u>14,307,234</u>	<u>38</u>	<u>17,387,667</u>	<u>42</u>	2280	Current lease liabilities((Note 6(o))	23,939	-	18,574	-
	Non-current assets:					2321	Bonds payable, current portion(Note 6(n))	708,893	2	-	-
1517	Non-current financial assets at fair value through other comprehensive income(Note 6(c))	457,230	1	456,328	1	2300	Other current liabilities	<u>8,499</u>	-	<u>8,846</u>	-
1550	Investments accounted for using the equity method (Notes 6(g) and 7)	8,019,079	22	8,321,261	20		Total current liabilities	<u>7,668,044</u>	<u>20</u>	<u>11,042,221</u>	<u>27</u>
1600	Property, plant and equipment (Notes 6(h) and 7)	11,960,389	32	12,638,857	31		Non-Current liabilities:				
1755	Right-of-use assets (Note 6(i))	164,452	1	145,210	-	2500	Non-current financial liabilities at fair value through profit or loss (Notes 6(b) and (n))	-	-	13,000	-
1760	Investment property (Notes 6(h) and (j))	2,000,835	6	2,010,800	5	2530	Bonds payable(Note 6(n))	-	-	1,935,021	5
1840	Deferred tax assets (Note 6(s))	97,031	-	137,258	-	2540	Long-term loans (Note 6(m))	1,200,000	3	3,100,000	8
1990	Other non-current assets	68,112	-	103,740	-	2570	Deferred tax liabilities (Note 6(s))	172,119	1	170,200	-
1915	Prepayments for equipment	28,287	-	50,322	-	2580	Non-current lease liabilities (Note 6(o))	142,434	-	127,060	-
1920	Refundable deposits (Note 8)	<u>156,414</u>	-	<u>185,045</u>	<u>1</u>	2640	Non-current defined benefit liability, net (Note 6(r))	558,825	2	836,234	2
	Total non-current assets	<u>22,951,829</u>	<u>62</u>	<u>24,048,821</u>	<u>58</u>	2645	Guarantee deposits received(Note 7)	<u>14,334</u>	-	<u>13,260</u>	-
							Total non-current liabilities	<u>2,087,712</u>	<u>6</u>	<u>6,194,775</u>	<u>15</u>
							Total liabilities	<u>9,755,756</u>	<u>26</u>	<u>17,236,996</u>	<u>42</u>
							Equity (Note 6(t))				
						3100	Capital stock	10,587,599	28	10,040,606	24
						3200	Capital surplus	7,287,920	20	6,592,236	16
							Retained earnings:				
						3310	Legal reserve	3,775,123	10	3,619,075	9
						3320	Special reserve	706,221	2	647,025	1
						3350	Unappropriated retained earnings	<u>5,968,807</u>	<u>16</u>	<u>4,006,772</u>	<u>10</u>
							Total retained earnings	<u>10,450,151</u>	<u>28</u>	<u>8,272,872</u>	<u>20</u>
						3400	Other equity interest	<u>(822,363)</u>	<u>(2)</u>	<u>(706,222)</u>	<u>(2)</u>
							Total equity	<u>27,503,307</u>	<u>74</u>	<u>24,199,492</u>	<u>58</u>
	Total assets	<u>\$ 37,259,063</u>	<u>100</u>	<u>41,436,488</u>	<u>100</u>		Total liabilities and equity	<u>\$ 37,259,063</u>	<u>100</u>	<u>41,436,488</u>	<u>100</u>

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TUNG HO STEEL ENTERPRISE CORPORATION
Statements of Comprehensive Income
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

	For the years ended December 31,			
	2020		2019	
	Amount	%	Amount	%
4000 Operating revenue (Notes 6(v) and 7)	\$ 34,263,435	100	35,247,359	100
5000 Operating costs (Notes 6(f)(r) and 7)	<u>28,201,274</u>	<u>82</u>	<u>31,129,766</u>	<u>88</u>
5900 Gross profit from operations	6,062,161	18	4,117,593	12
5910 Less: Unrealized profit (loss) from sales (Note 7)	82,953	-	25,818	-
5920 Add: Realized profit (loss) on from sales (Note 7)	<u>25,818</u>	<u>-</u>	<u>43,741</u>	<u>-</u>
5950 Gross profit, net	<u>6,005,026</u>	<u>18</u>	<u>4,135,516</u>	<u>12</u>
6000 Operating expenses:				
6100 Selling expenses(Notes 6(r)(w) and 7)	707,466	2	798,960	3
6200 Administrative expenses (Notes 6(r)(w) and 7)	977,335	3	786,658	2
6450 Expected credit loss (Note 6(d))	<u>52,785</u>	<u>-</u>	<u>373</u>	<u>-</u>
6500 Total operating expenses	<u>1,737,586</u>	<u>5</u>	<u>1,585,991</u>	<u>5</u>
6900 Operating income	<u>4,267,440</u>	<u>13</u>	<u>2,549,525</u>	<u>7</u>
7000 Non-operating income and expenses:				
7010 Other income (Notes 6(x) and 7)	79,000	-	78,199	-
7100 Interest income (Notes 6(x) and 7)	3,430	-	14,715	-
7020 Other gains and losses, net (Notes 6(n) and (x))	110,185	-	128,895	-
7050 Finance costs, net (Note 6(x))	(81,333)	-	(147,539)	-
7060 Share of (loss) profit of subsidiaries and associates accounted for using the equity method, net(Note 6(g))	<u>10,423</u>	<u>-</u>	<u>(534,405)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>121,705</u>	<u>-</u>	<u>(460,135)</u>	<u>(1)</u>
7900 Income before income tax	4,389,145	13	2,089,390	6
7950 Less: Income tax expenses (Note 6(s))	<u>827,081</u>	<u>2</u>	<u>523,331</u>	<u>2</u>
Net income	<u>3,562,064</u>	<u>11</u>	<u>1,566,059</u>	<u>4</u>
8300 Other comprehensive income:				
8310 Items that will not be reclassified subsequently to profit or loss:				
8311 Losses on remeasurements of defined benefit plans	(574)	-	(21,962)	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	11,262	-	66,244	-
8330 Share of other comprehensive income of subsidiaries and associates accounted for using the equity method, components of other comprehensive income that will not be reclassified to profit or loss	2,670	-	(447)	-
8349 Less : income tax related to components of other comprehensive income that may not be reclassified to profit or loss (Note 6 (s))	<u>(115)</u>	<u>-</u>	<u>(4,392)</u>	<u>-</u>
Total items that will not be reclassified subsequently to profit or loss	<u>13,473</u>	<u>-</u>	<u>48,227</u>	<u>-</u>
8360 Items that may be reclassified subsequently to profit or loss:				
8361 Exchange differences on translation of foreign financial statements	(156,771)	(1)	(119,712)	-
8399 Less : income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total items that may be reclassified subsequently to profit or loss	<u>(156,771)</u>	<u>(1)</u>	<u>(119,712)</u>	<u>-</u>
8300 Other comprehensive income	<u>(143,298)</u>	<u>(1)</u>	<u>(71,485)</u>	<u>-</u>
8500 Total comprehensive income for the period	<u>\$ 3,418,766</u>	<u>10</u>	<u>1,494,574</u>	<u>4</u>
9750 Basic earnings per share (in dollars) (Note 6(u))	<u>\$ 3.52</u>		<u>1.56</u>	
9850 Diluted earnings per share(in dollars) (Note 6(u))	<u>\$ 3.27</u>		<u>1.44</u>	

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

TUNG HO STEEL ENTERPRISE CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Capital stock			Retained earnings					Total other equity interest			Total equity
	Ordinary shares	Certificate of entitlement to new shares from convertible bond	Total capital stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest	
Balance at January 1, 2019	\$ 10,040,606	-	10,040,606	6,592,236	3,530,282	149,309	4,237,676	7,917,267	(664,948)	17,924	(647,024)	23,903,085
Net income for the period	-	-	-	-	-	-	1,566,059	1,566,059	-	-	-	1,566,059
Other comprehensive income for the period	-	-	-	-	-	-	(17,763)	(17,763)	(119,712)	65,990	(53,722)	(71,485)
Total comprehensive income for the period	-	-	-	-	-	-	1,548,296	1,548,296	(119,712)	65,990	(53,722)	1,494,574
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	-	88,793	-	(88,793)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	497,716	(497,716)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(1,204,873)	(1,204,873)	-	-	-	(1,204,873)
Other changes in capital surplus:												
Capital reduction of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(19,796)	(19,796)	-	26,502	26,502	6,706
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	-	31,978	31,978	-	(31,978)	(31,978)	-
Balance at December 31, 2019	10,040,606	-	10,040,606	6,592,236	3,619,075	647,025	4,006,772	8,272,872	(784,660)	78,438	(706,222)	24,199,492
Net income for the period	-	-	-	-	-	-	3,562,064	3,562,064	-	-	-	3,562,064
Other comprehensive income for the period	-	-	-	-	-	-	(539)	(539)	(156,771)	14,012	(142,759)	(143,298)
Total comprehensive income for the period	-	-	-	-	-	-	3,561,525	3,561,525	(156,771)	14,012	(142,759)	3,418,766
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	-	156,048	-	(156,048)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	59,196	(59,196)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(1,355,482)	(1,355,482)	-	-	-	(1,355,482)
Conversion of convertible bonds	127,296	419,697	546,993	695,434	-	-	-	-	-	-	-	1,242,427
Changes in ownership interests in subsidiaries	-	-	-	250	-	-	-	-	-	-	-	250
Capital reduction of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(28,764)	(28,764)	63	26,555	26,618	(2,146)
Balance as of December 31, 2020	\$ 10,167,902	419,697	10,587,599	7,287,920	3,775,123	706,221	5,968,807	10,450,151	(941,368)	119,005	(822,363)	27,503,307

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TUNG HO STEEL ENTERPRISE CORPORATION

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from (used in) operating activities:		
Income before income tax	\$ 4,389,145	2,089,390
Adjustments:		
Adjustments to reconcile profit or loss:		
Depreciation expense	989,335	992,984
Amortization expense	35,628	36,328
Expected credit loss	52,785	373
Net gain on financial assets or liabilities at fair value through profit or loss	(71,666)	(41,566)
Interest expense	81,333	147,539
Interest income	(3,430)	(14,715)
Dividend income	(18,613)	(23,142)
Share of (gain) loss of subsidiaries and associates accounted for using the equity method	(10,423)	534,405
Loss on disposal of property, plant and equipment	858	1,524
Loss on disposal of investment properties	43	-
Loss on disposal of investments accounted for using equity method	-	307
Unrealized profit from sales	82,953	25,818
Realized profit from sales	(25,818)	(43,741)
Unrealized foreign currency exchange loss	3,278	21,192
Total adjustments to reconcile profit or loss	1,116,263	1,637,306
Changes in operating assets and liabilities:		
Decrease in financial assets mandatorily measured at fair value through profit or loss	56,617	-
(Increase) decrease in notes receivable	(165,667)	16,222
Decrease (increase) in accounts receivable	265,545	(92,188)
Decrease in accounts receivable from related parties	854,916	1,251,079
Decrease (increase) in other receivable	14,127	(633,892)
Decrease (increase) in inventories	1,742,108	(605,235)
Decrease in prepayments	45,373	111,484
Decrease in other current assets	15,853	81,939
Increase in other operating assets	-	(4,209)
Total changes in operating assets	2,828,872	125,200
Increase in contract liabilities	264,605	201,252
Decrease in notes payable	(261)	(99,052)
Decrease in notes payable to related parties	-	(640)
Increase (decrease) in accounts payable	131,393	(52,063)
Increase (decrease) in accounts payable to related parties	14,321	(1,721)
Increase in other payables	447,795	55,807
(Decrease) increase in other current liabilities	(347)	8,846
Decrease in net defined benefit liability	(277,984)	(31,951)
Total changes in operating liabilities	579,522	80,478
Net changes in operating assets and liabilities	3,408,394	205,678
Total adjustments	4,524,657	1,842,984
Cash inflow generated from operations	8,913,802	3,932,374
Interest received	3,430	13,344
Dividends received	86,462	148,277
Interest paid	(67,105)	(136,638)
Income taxes paid	(544,228)	(356,090)
Net cash flows from operating activities	8,392,361	3,601,267
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(3,708)	(13,960)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	137,164
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	13,688	51,332
Acquisition of investments accounted for using equity method	(39,000)	(15,000)
Proceeds from capital reduction of investments accounted for using equity method	71,005	-
Acquisition of property, plant and equipment	(220,866)	(303,580)
Proceeds from disposal of property, plant and equipment	-	668
Increase in refundable deposits	28,631	183
Decrease in other receivables	702,409	-
Acquisition of investment properties	(14,725)	(149,777)
Increase in prepayments for equipment and land	(21,555)	(35,573)
Net cash flows from (used in) investing activities	515,879	(328,543)
Cash flows from (used in) financing activities:		
Increase in short-term loans	43,294,031	61,160,027
Decrease in short-term loans	(48,253,292)	(62,483,396)
Increase in short-term notes and bills payable	2,492,000	6,090,000
Decrease in short-term notes and bills payable	(2,712,000)	(6,640,000)
Proceeds from long-term loans	2,700,000	1,850,000
Repayments of long-term loans	(4,600,000)	(1,950,000)
Increase in guarantee deposits received	1,074	2,595
Payment of lease liabilities	(28,709)	(29,566)
Cash dividends paid	(1,355,482)	(1,204,873)
Net cash flows used in financing activities	(8,462,378)	(3,205,213)
Effect of exchange rate changes on cash and cash equivalents	(3,269)	(21,192)
Net increase in cash and cash equivalents	442,593	46,319
Cash and cash equivalents at beginning of period	375,583	329,264
Cash and cash equivalents at end of period	\$ 818,176	375,583

See accompanying notes to the parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TUNG HO STEEL ENTERPRISE CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Tung Ho Steel Enterprise Corporation (the “Company”) was incorporated in May, 1962, as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is 6F., No. 9, Sec. 1, Chang An E. Rd., Taipei City, Taiwan (R.O.C.). The Company is primarily involved in manufacturing and selling deformed bars, H-beams, and steel plates.

(2) Approval date and procedures of the financial statements

The parent company only financial statements as of and for the years ended December 31, 2020 and 2019 were approved and authorized for issue by the Board of Directors on March 23, 2021.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its parent financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	The key amendments to IAS 1 include: <ul style="list-style-type: none"> ● requiring companies to disclose their material accounting policies rather than their significant accounting policies; ● clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and ● clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements. 	January 1, 2023

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies

A summary of the significant accounting policies adopted in the accompanying financial statements is as follows. The accounting policies have been applied consistently to all the reporting periods presented in the parent company only financial statements.

(a) Statement of compliance

These parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations).

(b) Basis of preparation

(i) Basis of measurement

The parent company only financial statements have been prepared on historical cost basis, except for the following material items in the balance sheet:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) Net defined benefit liabilities are measured at the fair value of plan assets less the present value of defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan Dollar (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate on that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for that arising from fair value through other comprehensive income non-monetary securities, which is recognized through other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated into the Company's presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the Company's presentation currency at average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of an investment in an associate of joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) The asset is expected to be realized, or sold or consumed, during the Company's normal operating cycle ;
- (ii) The asset is held primarily for the purpose of trading ;

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

- (iii) The asset is expected to be realized within twelve months after the reporting date ; or
- (iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non current.

- (i) The liability is expected to be settled during the Company's normal operating cycle ;
- (ii) The liability is held primarily for the purpose of trading ;
- (iii) The liability is due to be settled within twelve months after the reporting date ; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Term deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost ; fair value through other comprehensive income (FVOCI) – equity investment ; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, guarantee deposit paid and other financial assets), trade receivables and debt investments measured at FVOCI and contract assets.

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Notes to the Financial Statements

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL :

- Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when the financial asset is more than one year past due or the debtor is unlikely to pay its credit obligations to the Company in full.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or tWA or higher per Taiwan Ratings'.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data :

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than 90 days past due ;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

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

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

The cost of inventories shall comprise all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to the location and condition ready for sale or production. The allocation of fixed production overheads to the finished goods and work in process is based on the normal capacity of the production facilities. However, in the case where the practical capacity is larger than the normal capacity, the allocation is based on the practical capacity. Variable production overheads are allocated to each unit of production on the basis of the actual use of the production facilities. Inventories are subsequently measured at the lower of cost or net realizable value. The cost of inventories is based on the monthly weighted-average cost. Net realizable value is the estimated as the selling price in the ordinary course of business at the reporting date, less the estimated costs until completion and selling expenses. If the inventory is reserved for a contract, its net realizable value shall be based on the price of the contract.

(h) Investment in associates

Associates are those entities on which the Company has significant influence, but not control or joint control, over their financial and operating policies.

The Company's investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill resulted from the acquisition less any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Unrealized gains and losses resulting from the transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate. When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

The Company discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Company accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) (or retained earnings) when the equity method is discontinued. If the Company's ownership interest in an associate is reduced while it continues to apply the equity method, the Company reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method without remeasuring the retained interest.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(i) Investments in subsidiaries

When preparing the parent company only financial statements, the Company accounts for the investee companies on which it possesses control using the equity method. Net income, other comprehensive income, and shareholder's equity in the parent company only financial reports of the Company should be the same with the net income, other comprehensive income, and shareholder's equity attributable to the parent in the consolidated financial reports should be the same.

The Company accounts the changes in equity, under the condition that control is still present, as equity transactions between the proprietors.

(j) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as non-operating revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- 1) Buildings : 3 to 60 years
- 2) Machinery and equipment : 1.25 to 25 years
- 3) Miscellaneous equipment : 2 to 30 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from previous estimates, adjusted it as necessary.

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(l) Leases

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

TUNG HO STEEL ENTERPRISE CORPORATION
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The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery, office equipment and vehicles that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(m) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an individual assets or a CGU is the greater of its fair value less costs of disposal and its value in use. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount, and which should be recognized immediately in profit or loss.

(n) Revenue recognition

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Sale of goods

The Company recognizes revenue when control of the products has transferred, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

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(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss for the period in which services are rendered by employees.

(ii) Defined benefit plans

The Company's net obligation in respect of a defined benefit pension plan is calculated separately by estimating the discounted present value of future benefit that employees have earned in return for their service in the current and prior periods.

An actuarial calculation of pension costs and related liabilities are performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, an asset is recognized but the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Income taxes

Income taxes comprises current tax expense and deferred tax expense. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

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Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following :

- (i) the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit (loss) ; or
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future ; or

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met :

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities ; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either :
 - 1) the same taxable entity ; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized ; such reductions are reversed when the probability of future taxable profits improves.

(q) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds.

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(r) Operating segments

The Company has disclosed related information of its operating segments in the consolidated financial statements of the Company and its subsidiaries as of December 31, 2020, thus no additional information will be disclosed herein.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. Any impact from the changes in accounting estimates are recorded in the period in which the changes occur and in future periods.

The accounting policies related to material judgments that have certain significant impact on the amounts recognized in the financial statements were as follows:

For judgment of whether the Company has substantive control over its investees, please refer to the consolidated financial statements for the year ended December 31, 2020.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

The Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows :

Level 1 : quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

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

Level 3 : inputs for the assets or liabilities that are not based on observable market data.

For any transfers within the fair value hierarchies, the impact of the transfer is recognized on the reporting date.

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Please refer to the notes listed as below for related information on assumptions used in measuring fair value :

Note 6(j), investment property

Note 6(y), financial instruments

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	\$ 1,080	1,097
Checking and demand deposits	502,197	373,489
Repurchase agreement	314,899	997
Cash and cash equivalents on the statement of cash flows	\$ 818,176	375,583

(i) Please refer to Note 6(y) for interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

(ii) As of December 31, 2020 and 2019, certain term deposits were pledged as collateral of performance guarantee and such term deposits were reclassified to refundable deposits. Please refer to Note 8 for details.

(b) Financial assets and liabilities at fair value through profit or loss

	December 31, 2020	December 31, 2019
Financial assets mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Publicly listed stocks	\$ 145,240	162,959
Redemption options on convertible bonds	1,233	-
Derivative financial assets not used for hedging		
Foreign exchange forward contracts	10,557	-
Total	\$ 157,030	162,959
Financial liabilities at fair value through profit or loss:		
Held for trading financial liabilities		
Derivative instruments not used for hedging		
Foreign exchange forward contracts	\$ -	6,778
Non-derivative financial liabilities		
Redemption options on convertible bonds	-	13,000
Total	\$ -	19,778

(Continued)

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The Company uses derivative financial instruments to hedge the certain foreign exchange risk the Company is exposed to, arising from its operating, financing and investing activities. The following derivative instruments, without the application of hedge accounting, were classified as held-for-trading financial instruments at December 31, 2020 and 2019 :

Forward exchange contracts :

December 31, 2020			
	Nominal amount (in thousands)	Currency	Maturity dates
Forward exchange purchased	USD 48,892	Sell USD/buy TWD	2021.01.05~2021.03.30
December 31, 2019			
	Nominal amount (in thousands)	Currency	Maturity dates
Forward exchange purchased	USD 21,363	Sell USD/buy TWD	2020.01.10~2020.03.31

None of the financial assets were pledged as collateral as of December 31, 2020 and 2019.

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

	December 31, 2020	December 31, 2019
Equity investments at fair value through other comprehensive income :		
Publicly listed domestic stocks	\$ 305,948	307,282
Unlisted domestic stocks	151,282	149,046
Total	\$ 457,230	456,328

- (i) The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term strategic purposes.
- (ii) Tung Jing Investment Corp. reduced capital to refunded of shares in 2020, where it realized a loss of \$857 thousand, which was recognized as other comprehensive income, and thereafter, was reclassified to retained earnings.
- (iii) The Company disposed a part of its shares in Taiwan High Speed Rail Corporation in 2019, where it realized a gain of \$45,194 thousand, which was recognized as other comprehensive income, and thereafter, was reclassified to retained earnings.
- (iv) Hexawave Photonic System, Inc. reduced capital to cover deficit and refunded of shares in 2019, where it realized a loss of \$19,796 thousand, which was recognized as other comprehensive income, and thereafter, was reclassified to retained earnings.
- (v) For credit risk and market risk; please refer to note 6(y).
- (vi) None of the financial assets were pledged as collateral as of December 31, 2020 and 2019.

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Notes to the Financial Statements

(d) Notes and accounts receivable and overdue receivables

	December 31, 2020	December 31, 2019
Notes receivable from operating activities	\$ 288,916	123,249
Accounts receivable—measured as amortized cost	2,226,313	2,496,650
Accounts receivable from related parties	371,819	1,274,728
Overdue receivables	63,178	10,393
Less : loss allowance	<u>(85,135)</u>	<u>(32,350)</u>
	<u>\$ 2,865,091</u>	<u>3,872,670</u>

The analysis of expected credit loss of the notes and accounts receivable of the Company as of December 31, 2020 and 2019, was as follows :

December 31, 2020			
Credit rating	Gross carrying amount	Weighted-average rate of expected credit loss	Loss allowance for expected credit losses
With low risk	\$ 833,098	-	-
With moderate risk	2,053,950	1.07%	21,957
With financial difficulties	<u>63,178</u>	100%	<u>63,178</u>
	<u>\$ 2,950,226</u>		<u>85,135</u>
December 31, 2019			
Credit rating	Gross carrying amount	Weighted-average rate of expected credit loss	Loss allowance for expected credit losses
With low risk	\$ 1,435,512	-	-
With moderate risk	2,459,115	0.89%	21,957
With financial difficulties	<u>10,393</u>	100%	<u>10,393</u>
	<u>\$ 3,905,020</u>		<u>32,350</u>

The aging analysis of notes and accounts receivable as of December 31, 2020 and 2019, which were past due but not impaired, were as follows :

	December 31, 2020	December 31, 2019
1 to 60 days past due	<u>\$ 48</u>	<u>4,877</u>

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The movement in the allowance for notes and accounts receivable were as follows :

	For the years ended December 31,	
	2020	2019
Balance at January 1, 2020 and 2019	\$ 32,350	31,977
Impairment losses recognized	52,785	373
Balance at December 31, 2020 and 2019	\$ 85,135	32,350
(e) Other receivables		
	December 31, 2020	December 31, 2019
Other receivables - loans to subsidiaries (interest receivable included)	\$ -	702,409
Other receivables from related parties	2,557	1,388
Others	3,381	16,328
Less : loss allowance	-	-
	\$ 5,938	720,125

No other receivables were impaired resulted from overdue as of December 31, 2020 and 2019. For credit risk, please refer to note 6(y).

	December 31, 2020		December 31, 2019	
	Finished goods (including consigned goods)	\$ 2,212,575	2,019,885	
Work in process (including goods in transit and consigned goods)	2,745,772	3,086,472		
Raw materials (including goods in transit)	4,127,416	5,371,919		
Material supplies (including goods in transit and consigned goods)	1,241,373	1,590,968		
Inventories, net	\$ 10,327,136	12,069,244		

For the years ended December 31, 2020 and 2019, cost of sales and services provided recognized was as follows :

	For the years ended December 31,	
	2020	2019
Cost of goods sold	\$ 28,192,240	31,062,025
Cost of services	16,897	19,531
Unallocated production overheads — capacity variance	60,936	87,249
Revenue from sale of materials and scrap	(68,799)	(39,039)
Total	\$ 28,201,274	31,129,766

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Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. Any changes of competitors' reactions and market condition would impact the estimation which is based on the current market condition and past experience. The management of the Company makes such evaluation on every reporting date.

None of the inventory was pledged as collateral as of December 31, 2020 and 2019.

(g) Investments accounted for using the equity method

(i) A summary of the Company's financial information for investments accounted for using the equity method at the reporting date is as follows :

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Subsidiaries		
Tung Yuan International Corp.	\$ 747,295	765,395
Tung Kang Steel Structure Corp.	2,582,939	2,232,486
Goldham Development Ltd.	317,520	380,904
Katec Creative Resources Corp.	704,204	715,204
Tung Kang Wind Power Corp.	87,766	91,726
Fa Da Enterprise Corp.	17,846	89,491
Tung Tang Energy Corp.	53,707	14,823
Tung Ho Steel Vietnam Corp., Ltd.	<u>2,647,378</u>	<u>3,207,944</u>
Subtotal	<u>7,158,655</u>	<u>7,497,973</u>
Associates		
Katec Research & Development Corp.	66,774	56,184
Taiwan Steel Union Co., Ltd.	<u>793,650</u>	<u>767,104</u>
Subtotal	<u>860,424</u>	<u>823,288</u>
Total	<u>\$ 8,019,079</u>	<u>8,321,261</u>

(ii) Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2020.

(iii) The Company's financial information for investments accounted for using the equity method that are individually insignificant was as follows :

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Carrying amount of individually insignificant associates' equity	<u>\$ 860,424</u>	<u>823,288</u>

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	For the years ended	
	December 31,	
	2020	2019
Attributable to the Company :		
Net income from continuing operations	\$ 104,111	94,080
Other comprehensive income	<u>875</u>	<u>118</u>
Comprehensive income	<u>\$ 104,986</u>	<u>94,198</u>

- (iv) Cash dividends paid by the Company's associates were recognized as deductions of investment accounted for using the equity method. The details were as follows :

	For the years ended	
	December 31,	
	2020	2019
Katec Research & Development Corp.	\$ 3,294	1,412
Taiwan Steel Union Co., Ltd.	64,555	123,648
Right Investment Corp.	<u>-</u>	<u>75</u>
Total	<u>\$ 67,849</u>	<u>125,135</u>

- (v) Collateral

None of the investments accounted for using the equity method were pledged for collateral as of December 31, 2020 and 2019.

The Company neither undertook any contingent liabilities of associates with other investors nor had any contingent liabilities generated from individual responsibility of associates' liabilities.

There is no any significant restriction on transferring the funds from associates to the Company.

- (h) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019, were as follows :

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Miscellaneous equipment</u>	<u>Other assets</u>	<u>Construction in progress</u>	<u>Total</u>
Cost or deemed cost:							
Balance as of January 1, 2020	\$ 2,379,625	6,354,990	23,249,152	301,776	533,416	10,827	32,829,786
Additions	-	5,113	212,096	6,107	-	6,824	230,140
Reclassification in	-	21,406	27,720	(1,214)	-	(8,108)	39,804
Disposals	<u>-</u>	<u>(4,325)</u>	<u>(15,088)</u>	<u>(8,920)</u>	<u>-</u>	<u>-</u>	<u>(28,333)</u>
Balance as of December 31, 2020	<u>\$ 2,379,625</u>	<u>6,377,184</u>	<u>23,473,880</u>	<u>297,749</u>	<u>533,416</u>	<u>9,543</u>	<u>33,071,397</u>
Balance as of January 1, 2019	\$ 2,360,721	6,230,349	23,091,790	272,205	533,060	147,749	32,635,874
Additions	18,904	17,166	139,256	15,429	-	3,629	194,384
Reclassification in	-	107,475	61,176	19,647	356	(140,551)	48,103
Disposals	<u>-</u>	<u>-</u>	<u>(43,070)</u>	<u>(5,505)</u>	<u>-</u>	<u>-</u>	<u>(48,575)</u>
Balance as of December 31, 2019	<u>\$ 2,379,625</u>	<u>6,354,990</u>	<u>23,249,152</u>	<u>301,776</u>	<u>533,416</u>	<u>10,827</u>	<u>32,829,786</u>

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Notes to the Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Miscellaneous equipment</u>	<u>Other assets</u>	<u>Construction in progress</u>	<u>Total</u>
Depreciation :							
Balance as of January 1, 2020	\$ -	3,229,731	16,795,642	165,556	-	-	20,190,929
Depreciation for the period	-	130,269	791,597	26,900	-	-	948,766
Reclassification out	-	-	-	(1,212)	-	-	(1,212)
Disposals	-	(4,325)	(14,828)	(8,322)	-	-	(27,475)
Balance as of December 31, 2020	<u>\$ -</u>	<u>3,355,675</u>	<u>17,572,411</u>	<u>182,922</u>	<u>-</u>	<u>-</u>	<u>21,111,008</u>
Balance as of January 1, 2019	\$ -	3,098,623	16,040,463	143,950	-	-	19,283,036
Depreciation for the period	-	131,108	796,742	26,426	-	-	954,276
Disposals	-	-	(41,563)	(4,820)	-	-	(46,383)
Balance as of December 31, 2019	<u>\$ -</u>	<u>3,229,731</u>	<u>16,795,642</u>	<u>165,556</u>	<u>-</u>	<u>-</u>	<u>20,190,929</u>
Carrying value							
Balance as of December 31, 2020	<u>\$ 2,379,625</u>	<u>3,021,509</u>	<u>5,901,469</u>	<u>114,827</u>	<u>533,416</u>	<u>9,543</u>	<u>11,960,389</u>
Balance as of December 31, 2019	<u>\$ 2,379,625</u>	<u>3,125,259</u>	<u>6,453,510</u>	<u>136,220</u>	<u>533,416</u>	<u>10,827</u>	<u>12,638,857</u>

- (i) Because some of the Company's property, plant and equipment and investment property are agricultural lands, transfer registration could not be undertaken using the Company's own title ; therefore, the Company was registered as a trust registrant temporarily and signed the real estate trust registration contract, which stipulates the rights and obligations of both parties to preserve the ownership of the land. The Company is applying successively for registration of change in the category of land from relevant authorities. The details of the abovementioned land was as follows :

<u>Accounts</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Property, plant and equipment	\$ 533,416	533,416
Investment property	529,374	505,299
	<u>\$ 1,062,790</u>	<u>1,038,715</u>

- (ii) Collateral

None of the property, plant and equipment was pledged for collateral as of December 31, 2020 and 2019.

- (iii) The assessment of the useful life and the residual value

Property, plant and equipment is depreciated using the straight-line method. The Company periodically evaluates the useful life and the residual value of property, plant, and equipment; if there is any significant change in relevant estimates, adjustments will be made in the period the change occurs and in the future periods.

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(i) Right-of-use assets

The Company leases assets including land, buildings, machinery equipment, vehicles, and office equipment. Information about leases for which the Company as a lessee was presented below :

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Vehicles</u>	<u>Office equipment</u>	<u>Total</u>
Cost :						
Balance at January 1, 2020	\$ 146,000	15,130	1,477	9,728	2,678	175,013
Additions	834	45,467	1,464	1,677	-	49,442
Disposal	<u>(300)</u>	<u>(19,522)</u>	<u>-</u>	<u>(248)</u>	<u>-</u>	<u>(20,070)</u>
Balance at December 31, 2020	<u>\$ 146,534</u>	<u>41,075</u>	<u>2,941</u>	<u>11,157</u>	<u>2,678</u>	<u>204,385</u>
Balance at January 1, 2019	\$ 84,903	15,130	1,835	6,558	1,156	109,582
Additions	61,097	-	-	3,170	1,522	65,789
Disposal	<u>-</u>	<u>-</u>	<u>(358)</u>	<u>-</u>	<u>-</u>	<u>(358)</u>
Balance at December 31, 2019	<u>\$ 146,000</u>	<u>15,130</u>	<u>1,477</u>	<u>9,728</u>	<u>2,678</u>	<u>175,013</u>
Accumulated depreciation :						
Balance at January 1, 2020	\$ 12,907	13,043	233	3,196	424	29,803
Depreciation for the period	12,996	12,641	424	3,735	404	30,200
Disposal	<u>(300)</u>	<u>(19,522)</u>	<u>-</u>	<u>(248)</u>	<u>-</u>	<u>(20,070)</u>
Balance at December 31, 2020	<u>\$ 25,603</u>	<u>6,162</u>	<u>657</u>	<u>6,683</u>	<u>828</u>	<u>39,933</u>
Balance at January 1, 2019	\$ -	-	-	-	-	-
Depreciation for the period	12,907	13,043	591	3,196	424	30,161
Disposal	<u>-</u>	<u>-</u>	<u>(358)</u>	<u>-</u>	<u>-</u>	<u>(358)</u>
Balance at December 31, 2019	<u>\$ 12,907</u>	<u>13,043</u>	<u>233</u>	<u>3,196</u>	<u>424</u>	<u>29,803</u>
Carrying amount :						
Balance at December 31, 2020	<u>\$ 120,931</u>	<u>34,913</u>	<u>2,284</u>	<u>4,474</u>	<u>1,850</u>	<u>164,452</u>
Balance at December 31, 2019	<u>\$ 133,093</u>	<u>2,087</u>	<u>1,244</u>	<u>6,532</u>	<u>2,254</u>	<u>145,210</u>

(j) Investment property

	<u>Land and improvements</u>	<u>Buildings</u>	<u>Total</u>
Cost or deemed cost :			
Balance as of January 1, 2020	\$ 1,863,431	335,869	2,199,300
Additions	14,265	460	14,725
Disposals	-	(1,778)	(1,778)
Reclassification (out) in	<u>(14,419)</u>	<u>1,352</u>	<u>(13,067)</u>
Balance as of December 31, 2020	<u>\$ 1,863,277</u>	<u>335,903</u>	<u>2,199,180</u>

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Notes to the Financial Statements

	<u>Land and improvements</u>	<u>Buildings</u>	<u>Total</u>
Balance as of January 1, 2019	\$ 1,783,863	266,188	2,050,051
Additions	80,096	69,681	149,777
Disposals	<u>(528)</u>	<u>-</u>	<u>(528)</u>
Balance as of December 31, 2019	<u>\$ 1,863,431</u>	<u>335,869</u>	<u>2,199,300</u>
Depreciation :			
Balance as of January 1, 2020	\$ -	188,500	188,500
Depreciation for the period	-	10,369	10,369
Disposals	-	(1,735)	(1,735)
Reclassification in	<u>-</u>	<u>1,211</u>	<u>1,211</u>
Balance as of December 31, 2020	<u>\$ -</u>	<u>198,345</u>	<u>198,345</u>
Balance as of January 1, 2019	\$ -	179,953	179,953
Depreciation for the period	<u>-</u>	<u>8,547</u>	<u>8,547</u>
Balance as of December 31, 2019	<u>\$ -</u>	<u>188,500</u>	<u>188,500</u>
Carrying amounts :			
Balance as of December 31, 2020	<u>\$ 1,863,277</u>	<u>137,558</u>	<u>2,000,835</u>
Balance as of December 31, 2019	<u>\$ 1,863,431</u>	<u>147,369</u>	<u>2,010,800</u>
Fair value :			
Balance as of December 31, 2020			<u>\$ 6,731,541</u>
Balance as of December 31, 2019			<u>\$ 6,711,016</u>

- (i) Investment property includes the investment in Kuo Kong Section, Houlong town, Miaoli County, and several construction sites and factories leased to others; leased objects mentioned above are the factory in Chienchen District of Kaohsiung, the factory in Bade City of Taoyuan, the building in Taichung, and the office in Taipei.
- (ii) The investment in Kuo Kong Section, Houlong Town, Miaoli County is within the general industrial zone. The Consolidated Company has established five wind turbines sets to improve the efficiency of the use of the land. On December 17, 2015, the 3.161KV line was merged into Tung Kang Wind Power transformer station. Works of parallel connection started on December 21, 2015, and the electricity license was obtained on August 19, 2016. Also, the continuous increase of investments from world renowned manufacturers and the backflow of Taiwanese investors resulted in an inflation of the land within the industrial zone. Currently, the purpose of usage and owning the land is to obtain the capital appreciation in the future. As of December 31, 2020 and 2019, the carrying value for the above investment both amounted to \$968,139 thousand.

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- (iii) The fair value of investment property is in reference to the appraisal report, done by independent professionals (with certificated qualification and recent experience in appraisals of items that are within the same area or of similar items). The valuation technique used is classified as the second hierarchy of input value.
- (iv) Please refer to Note 6(h) for relevant information on investment property acquired under the ownership of others.
- (v) None of the investment property was for pledged for collateral as of December 31, 2020 and 2019.

(k) Short-term loans

Details of the Company's short-term loans were as follows :

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Unsecured credit loans	\$ 1,725,000	6,315,000
Letters of credit	280,457	649,718
Total	<u>\$ 2,005,457</u>	<u>6,964,718</u>
Unused credit lines	<u>\$ 18,603,771</u>	<u>13,229,522</u>
Range of interest rates	<u>0.42% ~ 1.20%</u>	<u>0.42% ~ 3.07%</u>

(l) Short-term notes and bills payable

Details of the Company's short-term notes and bills payable were as follows :

	<u>December 31, 2020</u>		
	<u>Bank of acceptance</u>	<u>Interest rate</u>	<u>Amount</u>
Commercial paper payable	IBFC	0.728%	\$ 340,000
Less : discount on short-term bills payable			(275)
Total			<u>\$ 339,725</u>
	<u>December 31, 2019</u>		
	<u>Bank of acceptance</u>	<u>Interest rate</u>	<u>Amount</u>
Commercial paper payable	Mega Bills, CBF, Ta Ching Bills	0.94%~0.968%	\$ 560,000
Less : discount on short-term bills payable			(169)
Total			<u>\$ 559,831</u>

Please refer to Note 6(k) for unused credit lines.

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(m) Long-term loans

Details of the Company's long-term loans were as follows :

December 31, 2020			
	Currency	Interest rate	Maturity
Unsecured bank loans	TWD	0.68% ~ 0.72%	2022.04.27
Less: current portion			\$ 1,200,000
Total			\$ 1,200,000
Unused credit lines			\$ 2,405,000

December 31, 2019			
	Currency	Interest rate	Maturity
Unsecured bank loans	TWD	0.83% ~ 0.98%	2021.04.27~2021.09.30
Less: current portion			\$ -
Total			\$ 3,100,000
Unused credit lines			\$ 1,200,000

(n) Bonds payable

(i) Major conditions of the issuance of unsecured bonds payable were as follows :

Item	The seventh unsecured domestic convertible bond
1. Principal amount	\$2,000,000 thousand
2. Par value	\$100 thousand
3. Original issuance date	2018.05.14~2023.05.14
4. Maturity	5 years
5. Coupon rate	0%
6. Redemption method	(1) Three months after the issuance date and 40 days prior to maturity, the bonds may be redeemed if the closing price of the ordinary shares, for a period of 30 consecutive trading days, is at least 30% of the conversion price then in effect. 30 trading days prior to maturity, the Company may redeem all bonds for cash. (2) If at least 90% in principal amount of the bonds has already been redeemed, repurchased and cancelled, or converted.
7. Redemption option of bondholders	The bondholders could request the Company to redeem the bond at face value plus the interest premium of 0.75% and 1% three and four years after the issue date, respectively (actual yield: 0.25% and 0.25%, respectively).

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Item	The seventh unsecured domestic convertible bond
8. Conversion price and adjustment	The conversion price was NT27.8 dollars at the original issuance date. Since the Company paid cash dividend on July 7, 2018, to ordinary shareholders that amounted to more than 1.5% of the market price per share then, the convertible price was reduced to NT26.2 dollars according the conversion method. Since the Company paid cash dividend on July 22, 2019, to ordinary shareholders that amounted to more than 1.5% of the market price per share then, the convertible price was reduced to NT24.8 dollars according the conversion method. Since the Company paid cash dividend on June 20, 2020, to ordinary shareholders that amounted to more than 1.5% of the market price per share then, the convertible price was reduced to NT23.3 dollars according the conversion method.

(ii) Bonds payable as of December 31, 2020 and 2019, were as follows :

	December 31, 2020	December 31, 2019
Originally issued amount of unsecured domestic convertible bonds	\$ 2,000,000	2,000,000
Accumulated converted convertible bonds	(1,274,500)	-
Adjustment on the equity and liability component from repurchases and conversions	(37,083)	(1,485)
Capital surplus–stock options	(29,736)	(81,973)
Call option, put options, and conversion rights	1,233	(13,000)
Accumulated interest expenses	48,979	31,479
Less: expected to be redeemed within one year	(708,893)	-
Total	\$ -	1,935,021

	For the years ended December 31,	
	2020	2019
Interest expense	\$ 17,500	19,292

(iii) As of December 31, 2020 and 2019, accumulated repurchase and conversion of the seventh unsecured domestic convertible bonds were as follows:

	Face value of the seventh domestic unsecured convertible bonds
Accumulated conversion	
December 31, 2020	\$ 1,274,500
December 31, 2019	\$ -

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(o) Lease liabilities

The details of the Company's lease liabilities were as follows :

	December 31, 2020	December 31, 2019
Current	<u>\$ 23,939</u>	<u>18,574</u>
Non-current	<u>\$ 142,434</u>	<u>127,060</u>

The amounts recognized in profit or loss were as follows :

	For the years ended December 31	
	2020	2019
Interest on lease liabilities	<u>\$ 1,509</u>	<u>1,196</u>
Expenses relating to short-term leases	<u>\$ 4,706</u>	<u>4,643</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 2,314</u>	<u>1,909</u>

The amounts recognized in the statement of cash flows was as follows:

	For the year ended December 31,	
	2020	2019
Total cash outflow for leases	<u>\$ 37,238</u>	<u>37,314</u>

(i) Real estate leases

As of December 31, 2020, the Company leases land and buildings for its office space and storage locations. The leases for office space and storage locations typically run for a period of 2 to 3 years. Some lessee include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Certain leases contain extension or cancellation options exercisable by the Company. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Company and not by the lessors. In which lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

(ii) Other leases

The Company leases machinery equipment and vehicles, with lease terms of two to six years. In some cases, the Company has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

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The Company also leases IT equipment and machinery with contract terms of one to three years. These leases are short-term or leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(p) Operating lease

The Company leases out its investment property. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to Note 6(j) sets out information about the operating leases of investment property.

As of December 31, 2020 and 2019, a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows :

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Less than one year	\$ 50,986	46,191
One to two years	32,299	29,793
Two to three years	31,522	29,554
Three to four years	32,453	30,457
Four to five years	2,878	31,388
More than five years	<u>10,938</u>	<u>3,700</u>
Total undiscounted lease payments	<u>\$ 161,076</u>	<u>171,083</u>

The operating lease revenues for the December 31, 2020 and 2019, were \$50,136 and \$45,407 thousand .

(q) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accrued payroll, year-end bonuses, provisionally estimated bonuses, remuneration of directors and supervisors, and employee benefits	\$ 492,392	295,254
Utilities payable	283,559	209,569
Freight payable	237,992	197,395
Sales bonuses payable	237,313	204,338
Waste disposal payable (including to related parties)	84,048	48,712
Cash dividends payable (including from prior years)	44,683	41,274
Equipment payable	20,597	11,322
Other operating and manufacturing overhead payables(including to related parties)	<u>236,445</u>	<u>175,259</u>
	<u>\$ 1,637,029</u>	<u>1,183,123</u>

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The above payables are planned to be paid within one year. Please refer to Note 6(y) for the interest rate risk and sensitivity analysis of the aforementioned financial assets and liabilities.

(r) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows :

	December 31, 2020	December 31, 2019
Present value of the defined benefit obligations	\$ 1,608,336	1,627,071
Fair value of plan assets	<u>(1,049,511)</u>	<u>(790,837)</u>
Net defined benefit liabilities	<u>\$ 558,825</u>	<u>836,234</u>

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

As of December 31, 2020 and 2019, the Company's Bank of Taiwan labor pension reserve account balance amounted to \$1,049,511 thousand and \$790,837 thousand, respectively. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Changes in the present value of the defined benefit obligations

Changes in the present value of the Company's defined benefit obligations were as follows :

	For the years ended December 31,	
	2020	2019
Defined benefit obligations at January 1	\$ 1,627,071	1,595,547
Service cost and interest expense for the period	33,680	38,740
Remeasurements of the net defined benefit liability (asset)		
— Experience adjustments	28,290	48,479
— Actuarial (gains) losses arising from changes in population statistics assumptions	5	96
Benefits paid	<u>(80,710)</u>	<u>(55,791)</u>
Defined benefit obligations at December 31	<u>\$ 1,608,336</u>	<u>1,627,071</u>

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3) Changes in the fair value of the plan assets

Changes in the Company's fair value of the plan assets were as follows :

	For the years ended December 31,	
	2020	2019
Fair value of plan assets at January 1	\$ 790,837	749,324
Interest income	5,422	7,455
Remeasurements of the net defined benefit liability(assets):		
Return on plan assets (excluding interests for the period)	27,720	26,613
Contributions from employer	305,572	62,435
Benefits paid	(80,040)	(54,990)
Fair value of plan assets at December 31	\$ 1,049,511	790,837

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows :

	For the years ended December 31,	
	2020	2019
Service costs for the period	\$ 22,552	23,035
Net interest expense of net defined benefit liabilities	5,706	8,250
	\$ 28,258	31,285

	For the years ended December 31,	
	2020	2019
Operating costs	\$ 22,583	24,705
Selling expenses	956	1,014
Administrative expenses	4,719	5,566
	\$ 28,258	31,285

5) Remeasurement of net defined benefit liability recognized in other comprehensive income

The Company's remeasurement of the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2020 and 2019, was as follows :

	For the years ended December 31,	
	2020	2019
Accumulated amount at January 1	\$ 345,391	323,429
Recognized during the period	574	21,962
Accumulated amount at December 31	\$ 345,965	345,391

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6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows :

	<u>2020</u>	<u>2019</u>
Discount rate	0.30 %	0.70 %
Future salary increase rate	1.50 %	1.50 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is NT\$40,217 thousand.

The weighted average lifetime of the defined benefits plans is 8 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows :

	<u>Effects on the Company's defined benefit obligations</u>	
	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>
December 31, 2020		
Discount rate	\$ (34,777)	35,923
Future salary increasing rate	35,402	(34,456)
December 31, 2019		
Discount rate	(36,177)	37,406
Future salary increasing rate	37,014	(35,984)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There was no change in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal accounts at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company does not bear any additional legal or constructive obligations other than the allocation of a fixed amount to the Bureau of the Labor Insurance.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$43,698 thousand and \$39,972 thousand for the years ended December 31, 2020 and 2019, respectively.

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(s) Income taxes

- (i) The details of income tax expense for the years ended December 31, 2020 and 2019, were as follows :

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Income tax expense for the period		
Current tax expense incurred during the period	\$ 829,711	516,310
Adjustments for prior years	<u>(44,891)</u>	<u>5,271</u>
	<u>784,820</u>	<u>521,581</u>
Deferred tax expense		
The origination and reversal of temporary differences	<u>42,261</u>	<u>1,750</u>
Income tax expense for continuing operations	<u>\$ 827,081</u>	<u>523,331</u>

The income tax benefit (expense) related to components of other comprehensive income for the years ended December 31, 2020 and 2019, were as follows :

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Remeasurement from defined benefit plans	<u>\$ 115</u>	<u>4,392</u>

The reconciliation of income tax expense and income before income tax for the years ended December 31, 2020 and 2019, were as follows :

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Income before income tax	<u>\$ 4,389,145</u>	<u>2,089,389</u>
Income tax using the Company's domestic tax rate	\$ 877,829	417,878
Permanent difference	1,402	106,111
Current investment tax credits used	(7,345)	(5,929)
Difference between administrative remedy and assessment by the tax authority	1,229	-
(High)under-estimation from prior periods	<u>(46,034)</u>	<u>5,271</u>
Total	<u>\$ 827,081</u>	<u>523,331</u>

- (ii) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax liabilities

There was no unrecognized deferred tax liability as of December 31, 2020 and 2019.

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2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items :

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Tax effect of deductible temporary differences	\$ 24,707	24,707
Temporary differences related to investment subsidiaries	<u>616,177</u>	<u>497,509</u>
Tax effect of deductible temporary differences	<u>\$ 640,884</u>	<u>522,216</u>

The Company has no intention to dispose or reduce the equity of its subsidiaries; therefore, the temporary differences incurred from its subsidiaries' investments are not be recognized.

3) Recognized deferred tax assets and liabilities

Changes in the deferred tax assets and liabilities for the years ended December 31, 2020 and 2019, were as follows :

	<u>Reserve for land appreciation tax</u>		<u>Others</u>	<u>Total</u>		
Deferred tax liabilities :						
Balance as of January 1, 2020	\$	167,174	3,026		170,200	
Recognized in profit or loss		<u>-</u>	<u>1,919</u>		<u>1,919</u>	
Balance as of December 31, 2020	\$	<u>167,174</u>	<u>4,945</u>		<u>172,119</u>	
Balance as of January 1, 2019	\$	167,174	7,181		174,355	
Recognized in profit or loss		<u>-</u>	<u>(4,155)</u>		<u>(4,155)</u>	
Balance as of December 31, 2019	\$	<u>167,174</u>	<u>3,026</u>		<u>170,200</u>	
Deferred tax assets :						
		<u>Defined benefit plans</u>	<u>Unrealized loss on financial assets and liabilities</u>	<u>Reversal of difference on difference between financial and tax reports arising from deferred gain on foreign exchange forward contracts</u>	<u>Others</u>	<u>Total</u>
Balance as of January 1, 2020	\$	106,243	1,356	18,767	10,892	137,258
Recognized in profit or loss		<u>(55,597)</u>	<u>(1,356)</u>	<u>(1,905)</u>	<u>18,516</u>	<u>(40,342)</u>
Recognized in other comprehensive income		<u>115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115</u>
Balance as of December 31, 2020	\$	<u>50,761</u>	<u>-</u>	<u>16,862</u>	<u>29,408</u>	<u>97,031</u>
Balance as of January 1, 2019	\$	108,241	349	20,672	9,509	138,771
Recognized in profit or loss		<u>(6,390)</u>	<u>1,007</u>	<u>(1,905)</u>	<u>1,383</u>	<u>(5,905)</u>
Recognized in other comprehensive income		<u>4,392</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,392</u>
Balance as of December 31, 2019	\$	<u>106,243</u>	<u>1,356</u>	<u>18,767</u>	<u>10,892</u>	<u>137,258</u>

(iii) The Company's income tax returns have been examined by the ROC tax authorities through 2017.

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(t) Capital and other equity

(i) Capital stock

As of December 31, 2020 and 2019, the Company's government-registered total authorized capital amounted to \$15,000,000 thousand, with par value per share of \$10 (dollars), and total issued ordinary shares amounted to 1,058,760 and 1,004,061 thousand shares, respectively. All issued shares were paid up upon issuance.

The holders of convertible bonds exercised certain conversion rights; therefore, the Company issued 54,699 thousand certificates of entitlements for the new shares amounting to \$546,993 thousand, at par value. Among the newly issued shares, the legal registration procedures of 12,730 thousand shares had been completed as of December 31, 2020.

Reconciliation of shares outstanding for 2020 and 2019 was as follows :

(in thousands of shares)	<u>2020</u>	<u>2019</u>
Balance as of January 1	1,004,061	1,004,061
Conversion of convertible bonds	54,699	-
Balance as of December 31	<u><u>1,058,760</u></u>	<u><u>1,004,061</u></u>

On September 22, 1994, the Company issued 6,000 thousand Global Depository Receipts (GDRs), in the Multilateral Trading Facility (MTF) market of the Luxembourg Stock Exchange (LSE), one GDRs represents 10 ordinary shares. The details were as follows :

(in shares)	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total issued shares	<u><u>68,610,809</u></u>	<u><u>68,610,809</u></u>
Outstanding shares	<u><u>7,345,128</u></u>	<u><u>7,345,128</u></u>

(ii) Capital surplus

The balances of capital surplus as of December 31, 2020 and 2019, were as follows :

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Additional paid-in capital	\$ 2,289,734	2,289,734
Conversion of bonds	4,587,743	3,840,072
Treasury stock transactions	59,036	59,036
Difference arising from subsidiary's share price and its carrying value	21,524	21,274
Changes in equity of associates accounted for using the equity method	190,445	190,445
Stock options	29,736	81,973
Others	109,702	109,702
	<u><u>\$ 7,287,920</u></u>	<u><u>6,592,236</u></u>

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According to the Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

Based on the Company's articles of incorporation, the Company's annual earnings should first be used to provide for income tax and to cover accumulated deficits, before being set aside 10% as a legal reserve, or if necessary, a special reserve. The remainder, along with accumulated earnings, is to be distributed as dividends and earnings distribution under the stockholder's resolution.

The Company is at a stable and mature stage, so the dividend plan is that the percentages of cash dividends and stock dividends shall not be less than 80% and more than 20%, respectively, of the total distribution.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

By choosing to apply exemptions granted under IFRSs 1 First-time Adoption of IFRSs during the Company's first-time adoption of the IFRSs as approved by the FSC, unrealized revaluation gains recognized under shareholders' equity and cumulative translation adjustments (gains) shall be reclassified as investment property at the adoption date. According to regulations, retained earnings would be increased by \$333,057 thousand, by recognizing the fair value on the adoption date as deemed cost. The increase in retained earnings occurring before the adoption date due to the first-time adoption of the IFRSs amounted to \$149,309 thousand. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, an increase in retained earnings due to the first time adoption of the IFRSs shall be reclassified as a special earnings reserve during earnings distribution, and when the relevant asset were used, disposed of, reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately. The carrying amount of special earnings reserve amounted to \$149,309 thousand on December 31, 2020.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and unappropriated prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current period reduction of special earnings reserve resulting from the first time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of unappropriated prior period earnings shall be reclassified as a special earnings reserve (which does not qualify for

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earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2019 and 2018 was decided by the resolution adopted, at the general meeting of shareholders held on May 19, 2020 and June 18, 2019, respectively. The relevant dividend distributions to shareholders were as follows :

	For the years ended December 31	
	2019	2018
Dividends per ordinary share (in dollars)		
Cash dividend	\$ 1.35	1.20

The abovementioned distribution approved by the shareholders' meeting is consistent with that approved by the Board of Directors. Related information can be found through the Market Observation Post System website.

4) Other equity accounts (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through OCI	Total
Balance as of January 1, 2020	\$ (784,660)	78,438	(706,222)
Exchange differences on translation of foreign operations :			
The Company	(145,275)	-	(145,275)
Subsidiaries	(11,496)	-	(11,496)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income :			
The Company	-	11,262	11,262
Associates and subsidiaries	-	2,750	2,750
Others :			
The Company	63	26,555	26,618
Balance as of December 31, 2020	\$ (941,368)	119,005	(822,363)
Balance as of January 1, 2019	\$ (664,948)	17,924	(647,024)
Exchange differences on translation of foreign operations :			
The Company	(112,219)	-	(112,219)
Subsidiaries	(7,493)	-	(7,493)
Disposal of equity instruments measured at fair value through other comprehensive income	-	(31,978)	(31,978)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			
The Company	-	66,244	66,244
Associates and subsidiaries	-	(254)	(254)
Others :			
The Company	-	26,502	26,502
Balance as of December 31, 2019	\$ (784,660)	78,438	(706,222)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(u) Earnings per share

(i) Basic earnings per share

The basic earnings per share for the years ended December 31, 2020 and 2019, were calculated on the basis of profit attributable to ordinary shareholders, which were \$3,562,064 thousand and \$1,566,059 thousand, respectively, and the weighted-average number of outstanding ordinary shares, which were 1,012,599 thousand and 1,004,061 thousand, respectively. The calculations were as follows :

1) Profit attributable to ordinary shareholders of the Company

	For the years ended December 31,	
	2020	2019
Profit attributable to the Company	\$ 3,562,064	1,566,059
Profit attributable to the ordinary shareholders	\$ 3,562,064	1,566,059

2) Weighted-average number of ordinary shares (in thousands of shares)

	For the years ended December 31,	
	2020	2019
Number of outstanding shares	\$ 1,012,599	1,004,061

(ii) Diluted earnings per share

The diluted earnings per share for the years ended December 31, 2020 and 2019, were calculated on the basis of profit attributable to ordinary shareholders, which were \$3,564,131 thousand and \$1,567,151 thousand, respectively, and the weighted-average number of outstanding ordinary shares after adjustments for the effect of any potentially dilutive ordinary shares, which were 1,090,985 thousand and 1,084,938 thousand, respectively. The calculations were as follows :

1) Profit attributable to ordinary shareholders of the Company (diluted) :

	For the years ended December 31,	
	2020	2019
Profit attributable to the ordinary shareholders of the Company (basic)	\$ 3,562,064	1,566,059
Interest expense after tax and valuation of convertible bonds	2,067	1,092
Profit attributable to the ordinary shareholders of the Company (diluted)	\$ 3,564,131	1,567,151

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

2) Weighted-average number of ordinary shares (diluted) (in thousands of shares)

	For the years ended December 31,	
	2020	2019
Weighted-average number of outstanding ordinary shares (basic)	\$ 1,012,599	1,004,061
Effects of convertible bonds	74,852	78,142
Effects of employee stock bonus	3,534	2,735
Weighted-average number of outstanding ordinary shares (diluted)	\$ 1,090,985	1,084,938

(v) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the year ended December 31, 2020		
	Sale of goods	Rendering of services	Total
Primary geographical markets:			
Taiwan	\$ 33,086,947	18,901	33,105,848
The United States	46,747	-	46,747
Asia	473,965	-	473,965
Others	636,875	-	636,875
	\$ 34,244,534	18,901	34,263,435
Main products/services lines:			
Deformed bars	\$ 18,197,622	-	18,197,622
Sections	15,303,803	-	15,303,803
Billets	405,929	-	405,929
Rendering of services	-	18,901	18,901
Others	337,180	-	337,180
	\$ 34,244,534	18,901	34,263,435

	For the year ended December 31, 2019		
	Sale of goods	Rendering of services	Total
Primary geographical markets:			
Taiwan	\$ 32,500,400	16,288	32,516,688
The United States	634,493	-	634,493
Asia	1,253,932	-	1,253,932
Others	842,246	-	842,246
	\$ 35,231,071	16,288	35,247,359
Main products/services lines:			
Deformed bars	\$ 19,732,664	-	19,732,664
Sections	14,325,109	-	14,325,109
Billets	51,604	-	51,604
Rendering of services	-	16,288	16,288
Others	1,121,694	-	1,121,694
	\$ 35,231,071	16,288	35,247,359

(Continued)

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Notes to the Financial Statements

(ii) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes receivable	\$ 288,916	123,249	139,471
Accounts receivable	2,598,132	3,771,378	4,930,642
Overdue receivables	63,178	10,393	10,020
Less: allowance for impairment	<u>(85,135)</u>	<u>(32,350)</u>	<u>(31,977)</u>
Total	<u>\$ 2,865,091</u>	<u>3,872,670</u>	<u>5,048,156</u>
	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities – advance receipts	<u>\$ 788,368</u>	<u>530,262</u>	<u>329,010</u>

The amount of revenue recognized for the years ended December 31, 2020 and 2019 that were included in the contract liability balance at the beginning of the period were \$330,347 thousand and \$153,017 thousand, respectively.

For details on accounts receivable and allowance for impairment, please refer to note 6(d).

(w) Employee compensation and remuneration of directors

In accordance with the articles of incorporation, the Company should contribute no less than 2.5% of the profit as employee compensation and less than 2% as remuneration of directors when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

For the years ended December 31, 2020 and 2019, the Company's estimated employee compensation amounted to \$114,899 thousand and \$54,696 thousand, respectively, and the remuneration of directors amounted to \$91,919 thousand and \$43,757 thousand, respectively. The estimated amounts mentioned above were calculated based on the net income before tax, excluding the compensation to employees and the remuneration of directors of each period, multiplied by the percentage of compensation to employees and the remuneration of directors as specified in the Company's articles. These compensation and remuneration were expensed under operating costs or operating expenses for the years ended December 31, 2020 and 2019. Related information is available at the Market Observation Post System website. The amounts, as stated in the financial statements for the years ended December 31, 2020 and 2019, are identical to those of the actual distributions.

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Notes to the Financial Statements

(x) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the years ended December 31,	
	2020	2019
Interest income from bank deposits	\$ 126	311
Other interest income	3,304	14,404
Total Interest income	\$ 3,430	14,715

(ii) Other income

	For the years ended December 31,	
	2020	2019
Rental income	\$ 60,387	55,057
Dividend income	18,613	23,142
Total other income	\$ 79,000	78,199

(iii) Other gains and losses

	For the years ended December 31,	
	2020	2019
Net gain/(loss) on disposal of property, plant and equipment	\$ (858)	(1,524)
Net loss on disposal of investment property	(43)	-
Net loss on disposal of investments accounted for using the equity method	-	(307)
Foreign exchange gain	31,439	24,898
Gain on financial assets at fair value through profit or loss	50,496	66,417
Compensation loss on damage of assets	(227)	20,791
Others	29,378	18,620
Other gains and losses(net)	\$ 110,185	128,895

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Notes to the Financial Statements

(iv) Finance costs

	For the years ended	
	December 31,	
	2020	2019
Interest Expense		
Bank loans	\$ 60,642	122,974
Amortized interest of domestic corporate bond	17,500	19,292
Interest on domestic commercial paper	1,891	4,752
Lease payments	1,509	1,196
Less: Interest capitalization	(209)	(675)
Finance costs(net)	\$ 81,333	147,539

(y) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets excluding cash and cash equivalents represents the Company's maximum credit exposure. As of December 31, 2020 and 2019, the maximum exposure to credit risk amounted to \$3,641,703 thousand and \$5,397,127 thousand, respectively.

2) Concentration of credit risk

Credit risk, which is mainly generated from operating activities, is the risk that counterparties default. The Company only deals with counterparties that are reputable. Therefore, it is not expected to generate any material credit risk. Moreover, the Company has numerous clients and does not make any concentrative transactions with any single client. Therefore, there is no concentration of credit risk for account receivables.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2020							
Non-derivative financial liabilities							
Unsecured bank loans	\$ 3,205,457	3,220,202	2,013,001	4,217	1,202,984	-	-
Unsecured commercial papers payable	339,725	340,000	340,000	-	-	-	-
Unsecured corporate bonds	708,893	725,500	-	725,500	-	-	-
Lease liabilities	166,373	174,680	13,190	12,113	22,110	53,689	73,578
Accounts payable	1,565,574	1,565,574	1,565,574	-	-	-	-
Other payables	<u>1,637,029</u>	<u>1,637,029</u>	<u>1,637,029</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	\$ 7,623,051	7,662,985	5,568,794	741,830	1,225,094	53,689	73,578

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

December 31, 2019	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
Non-derivative financial liabilities							
Unsecured bank loans	\$ 10,064,718	10,124,233	6,987,894	13,447	3,122,892	-	-
Unsecured commercial papers payable	559,831	560,000	560,000	-	-	-	-
Unsecured corporate bonds	1,935,021	2,000,000	-	-	-	2,000,000	-
Lease liabilities	145,634	154,510	10,963	8,844	15,933	34,966	83,804
Accounts payable	1,420,121	1,420,121	1,420,121	-	-	-	-
Other payables	1,183,124	1,183,124	1,183,124	-	-	-	-
	<u>\$ 15,308,449</u>	<u>15,441,988</u>	<u>10,162,102</u>	<u>22,291</u>	<u>3,138,825</u>	<u>2,034,966</u>	<u>83,804</u>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Exchange rate risk

1) Exposure to exchange rate risk

The Company's financial assets and liabilities exposed to significant exchange rate risk were as follows:

	<u>December 31, 2020</u>			<u>December 31, 2019</u>		
	<u>Foreign currency</u>	<u>Exchange rate (in dollars)</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate (in dollars)</u>	<u>TWD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 5,957	28.48	169,655	32,930	29.98	987,241
EUR	2	35.02	70	2	33.59	67
JPY	472	0.2763	130	472	0.2760	130
CNY	24	4.377	105	24	4.305	103
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	9,161	28.48	260,905	18,738	29.98	561,765
EUR	558	35.02	19,541	2,094	33.59	70,337
JPY	-	-	-	63,825	0.2760	17,616

2) Sensitivity analysis

The Company's exposure to exchange rate risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, loans and accounts receivable, which were denominated in different foreign currencies. The overall effects to net income after tax for the years ended December 31, 2020 and 2019, assuming the TWD appreciate or depreciate by 1% against the USD, EUR, JPY, and CNY, while other factors remain constant, as of December 31, 2020 and 2019, were as follows :

	<u>Effect of appreciation on net income after tax</u>	<u>Effect of depreciation on net income after tax</u>
December 31, 2020		
USD (appreciation/depreciation of 1%)	\$ (730)	730
EUR (appreciation/depreciation of 1%)	(156)	156
JPY (appreciation/depreciation of 1%)	1	(1)
CNY (appreciation/depreciation of 1%)	1	(1)
	<u>\$ (884)</u>	<u>884</u>

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

	<u>Effect of appreciation on net income after tax</u>	<u>Effect of depreciation on net income after tax</u>
December 31, 2019		
USD (appreciation/depreciation of 1%)	\$ 3,404	(3,404)
EUR (appreciation/depreciation of 1%)	(562)	562
JPY (appreciation/depreciation of 1%)	(140)	140
CNY (appreciation/depreciation of 1%)	<u>1</u>	<u>(1)</u>
	<u>\$ 2,703</u>	<u>(2,703)</u>

3) Exchange gains and losses on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2020 and 2019, foreign exchange gain (including realized and unrealized portions) amounted to \$31,439 thousand and \$24,898 thousand, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the liabilities bearing variable interest rates are outstanding for the whole year. A 1% increase in interest rate is assessed by management to be a reasonably possible interest rate change.

If the interest rate had increased by 1%, the Company's net income would have decreased by \$32,055 thousand and \$100,647 thousand for the years ended December 31, 2020 and 2019 respectively, assuming all other variable factors remaining constant.

(v) Other market price risk

For the years ended December 31, 2020 and 2019, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below :

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>Securities price at reporting date</u>	<u>Other comprehensive income after tax</u>	<u>Other comprehensive income after tax</u>
Increasing 1%	<u>\$ 3,059</u>	<u>3,073</u>
Decreasing 1%	<u>\$ (3,059)</u>	<u>(3,073)</u>

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(vi) Information on fair value

1) Types and fair value of financial instruments

The carrying and fair value of the Company's financial assets and liabilities, including fair value hierarchy, wherein, disclosures are not required for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, were listed as follows :

	December 31, 2020				
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Derivative financial assets — forward foreign exchange contracts	\$ 10,557	-	10,557	-	10,557
Redmption options on convertible bonds	1,233	-	1,233	-	1,233
Non-derivative financial asset mandatorily measured at fair value through profit or loss - publicly listed domestic stocks	145,240	145,240	-	-	145,240
Subtotal	<u>157,030</u>	<u>145,240</u>	<u>11,790</u>	<u>-</u>	<u>157,030</u>
Financial assets at fair value through other comprehensive income					
Publicly listed domestic stocks	305,948	305,948	-	-	305,948
Equity instruments measured at fair value with no publicly quoted price	151,282	-	-	151,282	151,282
Subtotal	<u>457,230</u>	<u>305,948</u>	<u>-</u>	<u>151,282</u>	<u>457,230</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	818,176	-	-	-	-
Notes and accounts receivable	2,865,091	-	-	-	-
Other receivables	5,938	-	-	-	-
Refundable deposits	156,414	-	-	-	-
Subtotal	<u>3,845,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,459,879</u>	<u>451,188</u>	<u>11,790</u>	<u>151,282</u>	<u>614,260</u>
Financial liabilities measured at amortized cost					
Short-term loans	\$ 2,005,457	-	-	-	-
Short-term bills payable	339,725	-	-	-	-
Long-term loans	1,200,000	-	-	-	-
Convertible bonds	708,893	-	717,882	-	717,882
Notes and accounts payable	1,565,574	-	-	-	-
Other payables	1,637,029	-	-	-	-
Lease liabilities	166,373	-	-	-	-
Subtotal	<u>7,623,051</u>	<u>-</u>	<u>717,882</u>	<u>-</u>	<u>717,882</u>
Total	<u>\$ 7,623,051</u>	<u>-</u>	<u>717,882</u>	<u>-</u>	<u>717,882</u>

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Notes to the Financial Statements

	December 31, 2019				
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Non-derivative financial asset mandatorily measured at fair value through profit or loss - publicly listed domestic stocks	\$ 162,959	162,959	-	-	162,959
Financial assets at fair value through other comprehensive income					
Publicly listed domestic stocks	307,282	307,282	-	-	307,282
Equity instruments measured at fair value with no publicly quoted price	149,046	-	-	149,046	149,046
Subtotal	456,328	307,282	-	149,046	456,328
Financial assets measured at amortized cost					
Cash and cash equivalents	375,583	-	-	-	-
Notes and accounts receivable	3,872,670	-	-	-	-
Other receivables	720,125	-	-	-	-
Refundable deposits	185,045	-	-	-	-
Subtotal	5,153,423	-	-	-	-
Total	\$ 5,772,710	470,241	-	149,046	619,287
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities—foreign exchange forward contract	\$ 6,778	-	6,778	-	6,778
Redemption options on convertible bonds	13,000	-	13,000	-	13,000
Subtotal	19,778	-	19,778	-	19,778
Financial liabilities measured at amortized cost					
Short-term loans	6,964,718	-	-	-	-
Short-term bills payable	559,831	-	-	-	-
Long-term loans	3,100,000	-	-	-	-
Convertible bonds	1,935,021	-	1,943,400	-	1,943,400
Notes and accounts payable	1,420,121	-	-	-	-
Other payables	1,183,124	-	-	-	-
Lease liabilities	145,634	-	-	-	-
Subtotal	15,308,449	-	1,943,400	-	1,943,400
Total	\$ 15,328,227	-	1,963,178	-	1,963,178

2) Technique for fair value evaluation of financial instruments not measured at fair value

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows :

a) Financial assets measured at amortized cost

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted.

b) Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

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3) Technique for fair value evaluation of financial instruments measured at fair value

a) Non- derivative financial instruments

If a financial instrument is quoted in an active market, the quoted price is its fair value. Announced prices at major exchanges and market prices of popular government bonds at the Taipei Exchange are bases of fair value for listed equity instruments and other debt investments with an active market.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency. If this condition is not met, the market is not active. Generally, if bid-ask spreads are very wide, the spread is increasing, or the transaction volume is low, the market is not active.

Fair value of the Company's financial instruments that have an active market is displayed by category and attributed as follows :

Listed stocks are financial assets and liabilities with standard transaction terms and conditions, and are traded on an active market. The fair value of such items is determined in reference to the quoted market price.

Except for the abovementioned financial instruments with an active market price, the fair value of other financial instruments is measured using the valuation techniques. The fair value obtained through valuation techniques can be used as a reference to the current fair value, discounted cash flow, or other valuation techniques for other financial instruments with substantially similar properties and conditions. Fair value calculated using the valuation models and the available market information on the balance sheet date are also accepted by the market.

The fair value and the attributes of a financial instrument without an active market held by the Company is listed as follows :

- Equity instruments without an open quoted price: Fair value is estimated using the approach of comparative companies. The main assumptions are the estimated EBITDA of the investee, and the earnings multiplier derived from the quoted price of a comparative publicly listing company. Such estimate has been adjusted by the discount due from the lack of market circulation of the equity securities.

b) Derivative financial instruments

Such items are valued using the valuation models which are widely accepted by the market. Foreign exchange forward contracts normally are valued using the current forward exchange rates.

4) Transfers between Level 1 and Level 2

There were no transfers in either direction for the years ended December 31, 2020 and 2019.

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Notes to the Financial Statements

- 5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through other comprehensive income – equity investments".

Multiple unobservable inputs exist with the fair value of the Company's investments in equity instruments. Since the significant unobservable inputs are independent of each other, no interrelationship exists.

Quantified information of significant unobservable inputs was as follows :

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income – investment in equity instrument without an active market	Comparative method	·Multiplier of P/E ratio (0.78~4.09 and 0.62~2.31 as of December 31, 2020 and December 31, 2019)	·The higher the multiplier and the control premium, the higher the fair value ·The higher the discount rate, the lower the fair value
	Value Method	·Discount rate for lack of market circulation (7.46%~34.89% and 4.92%~29.43% as of December 31, 2020 and December 31, 2019)	

- 6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The measurement of fair value by the Company is considerably reasonable. However, if a different valuation model or assumption is adopted, the result can differ. For fair value measurements in Level 3, changes in the assumptions would have the following effects:

	<u>Input</u>	<u>Changes in assumptions</u>	<u>Changes in fair value reflected in OCI</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
December 31, 2020				
Financial assets at fair value through other comprehensive income				
Investment in equity instrument without an active market	Discount on circulation 7.46%~34.89%	5%	9,606	(9,606)
December 31, 2019				
Financial assets at fair value through other comprehensive income				
Investment in equity instrument without an active market	Discount on circulation 4.92%~29.43%	5%	9,139	(9,139)

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The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(z) Financial risk management

(i) Summary

The Company have exposures to the following risks from its financial instruments :

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Company's risk management policies are established to identify and analyze the exposure risks, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and Company's activities. The Company, through its training and management standards and procedures, aims to develop a discipline and constructive control environment in which all employees understand their roles and obligations.

The audit committee of the Company oversees how the management monitors compliance with the Company's risk management policies and procedures. It also reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit committee is assisted in its oversight role by Internal Audit. The internal audit sector of the Company reviews the risk management controls and procedures on a scheduled and non-scheduled basis, and reports the results to the audit committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment in securities.

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1) Accounts receivable and other receivables

To maintain the credit quality of receivables, a credit risk management policy has been established. Under this policy, each customer is analyzed individually regarding customer's financial situation, external and internal credit rating, historical trading record, and current economic condition which may affect customer's payment ability. In addition, some methods are adopted to reduce the credit risk for specific customers, such as prepayment and insurance of accounts receivable.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Endorsements and guarantees

The parties whom the Company endorses and guarantees are its subsidiaries and affiliated companies; the items that the Company endorses and guarantees are mostly financing and import duties commodity tax. Because the affiliated companies are financially sound and operate stably, the Company has never suffered from losses due to endorsements and guarantees.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Company's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient current funds, such as cash and cash equivalent, securities with high liquidity, and sufficient credit line from banks, to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation. Therefore, the Company believes the liquidity risk is low.

The Company not only analyzes its debt structure and deadline periodically to maintain sufficient capital, but also consults with financial institutions to maintain its credit lines, thereby, mitigating liquidity risk. The Company obtains its credit lines from certain financial institutions, of which the unused credit lines amounted to \$21,008,771 thousand as of December 31, 2020. The borrowings that had been used within the credit lines were listed separately in short-term and long-term loans.

(v) Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

1) Exchange rate risk

Exchange rate risks are the risks generated from the fluctuation of fair value or the future cash flows of the financial instruments. The Company's exchange rate risks arise from transactions such as sales, purchases and loans that are not recognized at the Company's functional currency.

Steel bars and sections are the two main products of the Company. Sales of steel bars mainly go to domestic clients and are recognized in New Taiwan dollar. The ratio of domestic sales to external sales for sections was about 95 to 5 for the year ended December 31, 2020. The external sales for the year ended December 31, 2020 was about \$1,160,000 thousand, which was 3% of the total revenue. Because the functional currency for import and export sales are all recognized in United States dollar ("USD"), sales revenue in USD and payments in USD can offset each other. The Company uses foreign exchange forward contracts to avoid the risk of exchange rate fluctuation, recognizing the fluctuation of the fair value of the derivatives in profit or loss and takes the following steps to avoid exchange risk :

Collect relevant information about the daily fluctuation in exchange rate in order to know its trend. Decide whether to convert one currency into another specific currency at a proper time or retain foreign currency borrowings.

On dispatching foreign funds, the creditor's rights and debts in foreign currency offset each other through regular external sales and imports, causing the effect of natural hedge.

Consult with foreign exchange departments of banks about hedging strategies and decide the foreign position that depends on the actual need of capital and the fluctuation of the exchange rate.

2) Interest rate risk

Interest rate risks are the risks that arise due to fluctuations in fair value or future cash flows of financial instruments because of changes in interest rate.

The Company will obtain a more beneficial capital according to the compatibility of corresponding banks and the actual interest rate trends. The ratio of net interest revenue to the net operating revenue is not material; therefore, interest rate fluctuation does not cause any significant impact on the Company. Besides, the Company maintains a close relationship with certain corresponding banks and is well informed of any changes in the market in order to obtain a much more beneficial borrowing rate. The Company continues to observe changes of interest rate on the market and issues convertible bonds to raise capital at proper time, and to fix and reduce interest cost for the Company. Material capital expenditure will be evaluated with prudence and will be compared to different fund-raising instruments in order to raise capital with the least cost.

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(aa) Capital management

Although business operated by the Company has reached the stage of maturity, a sufficient amount of capital is still required to support the operation of investee companies, construction and expand its production facilities and equipment. The Company's policy is to maintain adequate financial resources and operating plan to meet future operating capital, capital expenditure, research and development expenditure, loans reimbursement, and dividend distribution.

The Company uses the debt-to-capital ratio to manage capital. The debt-to-capital ratio is calculated by dividing the net liabilities by the total capital. Net liabilities derive from deducting cash and cash equivalents from total liabilities.

The Company reviews the ratio of debt-to-capital periodically to improve stockholders' value. The debt-to-capital ratios as of December 31, 2020 and 2019, were as follows :

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Total liabilities	\$ 9,755,756	17,236,996
Less : cash and cash equivalents	<u>(818,176)</u>	<u>(375,583)</u>
Net liabilities	8,937,580	16,861,413
Total equity	<u>27,503,307</u>	<u>24,199,492</u>
Total capital	<u>\$ 36,440,887</u>	<u>41,060,905</u>
Debt-to-capital ratio	<u>24.52 %</u>	<u>41.06 %</u>

As of December 31, 2020, there were no changes in the Company's approach to capital management during the period.

(ab) The investing and financing activities of non-cash transactions

Cash flow of non-cash investing and financing transactions for the years ended December 31, 2020 and 2019, were as follows :

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Reclassification of prepayment of land and equipment to property, plant and equipment	\$ <u>41,241</u>	<u>47,746</u>
Changes in unrealized gain or loss on financial instruments	\$ <u>13,631</u>	<u>6,896</u>
Exchange differences arising from foreign operation	\$ <u>(156,771)</u>	<u>(119,712)</u>
Increase in property, plant and equipment	\$ 230,140	194,384
Add: payable for equipment as of January 1	11,323	120,519
Less: payable for equipment as of December 31	<u>(20,597)</u>	<u>(11,323)</u>
Cash paid	<u>\$ 220,866</u>	<u>303,580</u>

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2020	Cash flows			Non-cash changes	December 31, 2020
		Proceeds	Repayment	Other	Other	
Short-term loans	\$ 6,964,718	43,294,031	(48,253,292)	-	-	2,005,457
Long-term loans	3,100,000	2,700,000	(4,600,000)	-	-	1,200,000
Short-term notes and bills payable	560,000	2,492,000	(2,712,000)	-	-	340,000
Bonds payable	1,935,021	-	-	-	(1,226,128)	708,893
Refundable deposits	13,260	-	-	1,074	-	14,334
Lease liabilities	145,634	-	(28,709)	(1,509)	50,957	166,373
Total liabilities from financing activities	<u>\$ 12,718,633</u>	<u>48,486,031</u>	<u>(55,594,001)</u>	<u>(435)</u>	<u>(1,175,171)</u>	<u>4,435,057</u>

	January 1, 2019	Cash flows			Non-cash changes	December 31, 2019
		Proceeds	Repayment	Other	Other	
Short-term loans	\$ 8,288,087	61,160,027	(62,483,396)	-	-	6,964,718
Long-term loans	3,200,000	1,850,000	(1,950,000)	-	-	3,100,000
Short-term notes and bills payable	1,110,000	6,090,000	(6,640,000)	-	-	560,000
Bonds payable	1,915,729	-	-	-	19,292	1,935,021
Refundable deposits	10,665	-	-	2,595	-	13,260
Lease liabilities	109,582	-	(29,566)	(1,196)	66,814	145,634
Total liabilities from financing activities	<u>\$ 14,634,063</u>	<u>69,100,027</u>	<u>(71,102,962)</u>	<u>1,399</u>	<u>86,106</u>	<u>12,718,633</u>

(7) Related-party transactions

(a) Names and relationship with related parties

<u>Name of related party</u>	<u>Relationship with the Company</u>
Tung Yuan International Corp.	A subsidiary
Tung Kang Steel Structure Corp.	A subsidiary
Goldham Development Ltd.	A subsidiary
Katec Creative Resources Corp.	A subsidiary
Tung Kang Wind Power Corp.	A subsidiary
Fa Da Enterprise Corp.	A subsidiary
Tung Ho Steel Vietnam Corp., Ltd.	A subsidiary
3 Oceans International Inc.	A subsidiary
Best-steel Trade Corp.	Originally a subsidiary of the Company which had been disposed in November 20, 2020, resulting in the Company to lose control over it
Tung Kang Engineering and Construction Corp.	A subsidiary
Fujian Tung Kang Steel Co., Ltd.	A subsidiary
Tung Tang Energy Corp.	A subsidiary
Fujian Dong Sheng Metal Processing Co., Ltd.	A subsidiary
Katec R & D Corp.	An associate
Taiwan Steel Union Co., Ltd.	An associate

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

<u>Name of related party</u>	<u>Relationship with the Company</u>
Duc Hoa International Joint Stock Company	Originally an associate of the Company, it turned into a subsidiary on January 20, 2020
Fujian Sino-Japan Metal Corp.	An associate
Shen Yuan Investment Co., Ltd.	Same chairman with the Company
Far East Steel Enterprise Corp.	Same chairman with the Company
Delta Design Corp.	The entity's chairman is a second immediate family of the chairman of the Company and was not related after the election in June 2019.
Tung Ho Steel Foundation ("THSF")	The entity's chairman is an immediate family of the chairman of the Company
Eternity Corp.	The chairman of its parent company is the same as that of the Company
Directors, general manager and vice general manager	

(b) Significant related-party transactions

(i) Sales to related parties

Significant sales to related parties and the balance of outstanding accounts receivable were as follows :

<u>Relationship</u>	<u>Sales</u>		<u>Accounts receivable</u>	
	<u>For the years ended December 31,</u>		<u>December 31,</u>	<u>December 31,</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Subsidiaries	<u>\$ 2,278,682</u>	<u>4,370,841</u>	<u>371,819</u>	<u>1,274,728</u>

Except for the credit term for sales to Best-Steel Trade Corp., which was within 110 days, and to Tung Ho Steel Vietnam Corp., Ltd., which is within 120 days to 330 days, the selling price and credit terms for sales to related parties are not significantly different from those of the other customers. Parts of accounts receivable to Tung Ho Steel Vietnam Corp., Ltd. had exceeded the credit days; therefore, the Company translated them into financing loan to related parties in June, 2019, which had been recovered in 2020; hence, there was no financing loan to related parties as of December 31, 2020. Please refer to (vi) for related information.

(ii) Purchases from related parties

<u>Relationship</u>	<u>Purchases</u>		<u>Accounts payable</u>	
	<u>For the years ended December 31,</u>		<u>December 31,</u>	<u>December 31,</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Associates	\$ 997	877	1,019	-
Subsidiaries	1,136,465	1,829,681	31,617	18,315
	<u>\$ 1,137,462</u>	<u>1,830,558</u>	<u>32,636</u>	<u>18,315</u>

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

The terms of purchase transactions and the payment terms with related parties were not significantly different from those with other vendors.

- (iii) The unrealized profit resulting from the Company's downstream sales to its subsidiaries has been directly deducted from its operating gross profit. The realized profit has been added to its operating gross profit.

Significant unrealized (realized) profits from downstream sales for the years ended December 31, 2020 and 2019, were as follows :

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Downstream unrealized profit from sales	\$ (82,953)	(25,818)
Downstream realized profit from sales	<u>25,818</u>	<u>43,741</u>
	<u>\$ (57,135)</u>	<u>17,923</u>

As of December 31, 2020 and 2019, the balances of unrealized profits from downstream sale transactions were \$82,953 thousand and \$25,818 thousand, respectively, and were recognized as a reduction to investment accounted for using the equity method.

- (iv) Property transactions
- 1) In 2019, the Company entered into an agreement with Tung Kang Engineering & Construction Corp. for the "New Road Construction in Bade" at an amount of \$13,613 thousand, which was completed in May of 2020, wherein the amount of \$13,613 thousand had been reclassified from construction in progress to property, plant and equipment, resulting in an unrealized gain of \$323 thousand, recognized as a deduction to investment accounted for using the equity method.
 - 2) In December 2019, the Company entered into an agreement with Fa Da Enterprise Corp. for "Contract of real estate sale & purchase", at an amount of \$64,000 thousand (exclude tax), and listed as "Investment property", resulting in an unrealized loss of \$17,486 thousand, which was recognized as an addition to investment accounted for using the equity method.
- (v) Endorsement/guarantees provided

The details regarding balances of financing endorsement were as follows :

Expressed in thousands

	<u>December 31, 2020</u>					
	<u>Highest balance for current period</u>		<u>Ending amount (Note)</u>		<u>Actual usage amount</u>	
Subsidiaries	USD\$	381,500	USD	290,500	USD	158,367
Subsidiaries	CNY\$	125,000	CNY	75,000	CNY	33,379

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

	December 31, 2019					
	Highest balance for current period		Ending amount (Note)		Actual usage amount	
Subsidiaries	USD\$	366,500	USD	276,500	USD	109,692
Subsidiaries	USD\$	130,000	USD	80,000	USD	28,930

Note : The credit limit approved by the Board of Directors

(vi) Financing to related parties

The details of financing to related parties (listed as other receivables – loans to subsidiaries) were as follows :

Relationship	Actual usage amount	
	December 31, 2020	December 31, 2019
Subsidiary – Tung Ho Steel Vietnam Corp., Ltd.	\$ -	701,041

The Company financing to related parties was interest based on the average interest rate of the Company's short-term loans from financial institutions in the year of appropriation, and all of unsecured loan. After assessment, no impairment loss is required.

Financing transactions with related parties were as follows :

Relationship	For the year ended December 31, 2020		December 31, 2020
	Interest income	Interest rate	Interest receivable
Subsidiary – Tung Ho Steel Vietnam Corp., Ltd.	\$ 3,212	0.948%~2.144%	-

Relationship	For the year ended December 31, 2019		December 31, 2019
	Interest income	Interest rate	Interest receivable
Subsidiary – Tung Ho Steel Vietnam Corp., Ltd.	\$ 14,122	2.031%~2.848%	1,368

(vii) Others

Relationship	Rental income		Miscellaneous revenue		Sales of scrap (Reduced operating costs)	
	For the years ended December 31,		For the years ended December 31,		For the years ended December 31,	
	2020	2019	2020	2019	2020	2019
Subsidiaries	\$ 7,792	4,788	4,936	4,957	13,660	14,080
Associates	3,246	3,249	-	-	-	-
Other related parties	4,328	4,328	6,881	-	-	-
	\$ 15,366	12,365	11,817	4,957	13,660	14,080

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

Relationship	Other operating expenses		Donations		Manufacturing expenses	
	For the years ended		For the years ended		For the years ended	
	December 31,		December 31,		December 31,	
	2020	2019	2020	2019	2020	2019
Subsidiaries	\$ 3,718	3,740	-	-	2,065	322
Associates	2,617	4,364	-	-	61,016	27,219
Other related parties	-	-	2,450	4,378	-	-
	\$ 6,335	8,104	2,450	4,378	63,081	27,541

Relationship	Other receivables		Other payables	
	December 31,	December 31,	December 31,	December 31,
	2020	2019	2020	2019
Subsidiaries	\$ 1,496	1,360	803	34,541
Associates	-	-	3,286	3,657
Other related parties	1,061	28	-	-
	\$ 2,557	1,388	4,089	38,198

Relationship	Deposits received	
	December 31,	December 31,
	2020	2019
Associates	\$ 304	304

(c) Compensation of key management personnel

	For the years ended December 31,	
	2020	2019
Short-term employee benefits	\$ 40,160	41,432
Post-employment benefits	2,068	2,101
	\$ 42,228	43,533

For the years ended December 31, 2020 and 2019, the Company provided one and three cars that cost \$2,490 thousand and \$9,306 thousand for the key management personnel of the entity.

(8) Pledged assets

The details of the Company's pledged assets were as follows :

Pledged assets	Pledged to secure	December 31,	December 31,
		2020	2019
Refundable deposits	Performance guarantee	\$ 3,993	3,955

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(9) Commitments and contingencies

(a) Unrecognized contractual commitments

- (i) The guarantees were mainly for securing loans and gave rise to potential off-balance-sheet credit risk, which represents the risk of loss incurred by the default of counterparties or by the devaluation of collateral provided by the counterparties. The Company did not ask counterparties for collateral as secure guarantees. The amounts of the Company's guarantees were as following:

	December 31, 2020	December 31, 2019
Guarantees securities amounts	\$ 8,601,715	8,633,870

- (ii) The amounts of guaranteed notes issued by the Company were as follows :

Nature	December 31, 2020	December 31, 2019
Bank credit limit	\$ 1,000,000	1,000,000
Leases	200	200
Guaranteed payment for purchases of raw materials	75,580	102,080
Performance guarantee	-	637
	\$ 1,075,780	1,102,917

- (iii) The amount of unused outstanding letters of credit was as follows :

	December 31, 2020	December 31, 2019
Unused outstanding letters of credit	\$ 1,582,972	1,083,614

(10) Losses Due to Major Disasters: None

(11) Subsequent Events:

In order to adjust the capital structure and increase the Return On Equity, the Company's Board of Directors decided to reduce the cash capital on March 23, 2021, which will result in the capital ratio to decrease by 33% and the shares of 359,657,000 to be cancelled at the amount of \$3,596,576 thousand. This decision needs to be approved in the shareholders' meeting.

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(12) Other

A summary of current-period employee benefits, depreciation, and amortization, by function, was as follows:

	For the year ended December 31, 2020			For the year ended December 31, 2019		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	1,137,749	605,464	1,743,213	1,080,656	463,723	1,544,379
Labor and health insurance	100,284	37,723	138,007	95,295	32,988	128,283
Pension expenses	55,884	16,072	71,956	54,708	16,549	71,257
Remuneration of directors	-	91,919	91,919	-	43,757	43,757
Other personnel expenses	37,988	10,444	48,432	36,768	10,303	47,071
Depreciation expenses	910,035	79,300	989,335	910,539	82,445	992,984
Amortization expenses	34,285	1,343	35,628	34,474	1,854	36,328

For the years ended December 31, 2020 and 2019, the Company's additional information of number of employees and employee benefit expenses were as follows :

	For the years ended December 31,	
	2020	2019
Number of employees	<u>1,766</u>	<u>1,674</u>
Number of directors who were not employees	<u>9</u>	<u>9</u>
The average employee benefit	<u>\$ 1,139</u>	<u>1,076</u>
The average salaries and wages	<u>\$ 992</u>	<u>928</u>
Adjustment of average employee salary expenses	<u>6.90 %</u>	<u>13.45 %</u>
Remuneration of the supervisors	<u>\$ -</u>	<u>-</u>

The company's remuneration policy for its employees (including directors, supervisors, managers and employees) were as follows:

The Company provides rational and competitive remuneration to attract, hold and inspire talented people for long term development and achieving its business objectives. In addition to fixed payment, the Company also takes the position held, responsibilities assumed, contribution and personal working performance of an individual into consideration for bonus distribution. Also, the Company upholds the principle of profit sharing to formulate the remuneration policy.

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(a) Employees remuneration policy :

Standard of remuneration payment is based on the Company's salary structure standard for each position. It also refers to the salary market and the state of operation, which involved the individual's responsibility, learning and working experience, professional skill, job tenure and personal working performance.

(b) Managers remuneration policy :

Managers remuneration payment depends on the entire market positioning, result of industry investigation, and degree of goals achieving and contribution. The Salary and Remuneration Committee will regularly evaluate the payment with rationality.

(c) Directors remuneration policy :

(i) Based on the Company's articles, the total allocation for directors' remuneration should not exceed 2% of the Company's earnings for the year and should be distributed by performance evaluation of each director.

(ii) Salary and Remuneration Committee proposes that the Company pays a monthly fixed amount for directors' remuneration by referring to the payment level of other listed companies in the same industry and the responsibility of each director. Thereafter, the above proposal will be evaluated and approved by the board of directors.

(iii) Besides the monthly fixed remuneration for directors, an allowance for their attendance will also be provided based on the actual frequency of their participation in the board meeting.

(iv) If the directors also served as other functional members in the committee, they are entitled for an additional monthly fixed payment based on the actual frequency of their participation in the Board meeting.

(d) Independent Director remuneration policy

(i) Independent directors get a monthly fixed payment. In addition, an allowance for their attendance will also be provided based on the actual frequency of their participation in the Committee meeting. However, they cannot participate in the distribution of earnings.

(ii) The fixed payment mentioned above is based on the degree of the participation and contribution of an individual in the Company's operation and refers to the payment situation of other listed companies in the same industry. It is submitted to the remuneration committee for discussion, then proposed in the Board of Directors for evaluation and approval.

(iii) If the independent directors also served as other functional members in the committee, they are entitled for an additional monthly fixed payment based on the actual frequency of their participation in the Committee meeting.

TUNG HO STEEL ENTERPRISE CORPORATION

Notes to Financial Statements

(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

(i) Financing to other parties:

(in thousands of NTD/USD)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	Tung Ho Steel Vietnam Corp., Ltd.	Other receivables	Yes	665,965 (USD23,384)	-	-	0.948%	2	-	Operating capital	-	-	-	2,750,531	5,500,661
1	Tung Yuan International Corp.	Duc Hoa International J.S.C	Accounts receivable-related parties	Yes	28,480 (USD1,000)	28,480 (USD1,000)	-	~2.144%	2	-	Operating capital	-	-	-	74,729 (USD2,624)	149,459 (USD5,248)

Note 1: Financing to an individual party should not exceed 10% of the net equity on its latest financial statements. The maximum amount allowed for financing should not exceed 20% of the net equity on its latest financial statements.

Note 2: Reasons for short-term financing were as follows:

- (1) Those with business contact
- (2) Those necessary for short-term fund circulation

Note 3: The valid quota of financing to other parties as of December 31, 2020.

Note 4: The actual amount of loan within the financing quota.

(ii) Guarantees and endorsements for other parties:

(in thousands of NTD/USD)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company (Note 2, 3)	Fujian Tung Kang Steel Co., Ltd	2	13,751,654	1,173,685 (USD22,000) (CNY125,000)	698,515 (USD13,000) (CNY75,000)	234,633 (USD3,109) (CNY33,379)	-	2.54 %	13,751,654	Y	N	Y
0	The Company (Note2,3)	Tung Ho Steel Vietnam Corp., Ltd.	2	13,751,654	10,238,560 (USD359,500)	7,903,200 (USD277,500)	4,421,743 (USD155,258)	-	28.74 %	13,751,654	Y	N	N
1	Tung Yuan International Corp. (Note 4, 5)	Best Steel Trade Corp	1	373,647 (USD13,120)	85,440 (USD3,000)	34,176 (USD1,200)	34,176 (USD1,200)	34,176 (USD1,200)	4.57 %	747,295 (USD26,239)	N	N	N
1	Tung Yuan International Corp. (Note 4, 5)	Fujian Sino-Japan Metal Corp.	6	373,647 (USD13,120)	299,040 (USD10,500)	149,520 (USD5,250)	149,520 (USD5,250)	-	20.01 %	747,295 (USD26,239)	N	N	Y

Note 1: There are seven kinds of conditions in which the Company may have guarantees or endorsements for the receiving parties.

- (1) The Company has business with the receiving parties.
- (2) The Company holds directly more than 50% of the ordinary stock of the subsidiaries.
- (3) The Company and its subsidiaries hold more than 50% of the investee.
- (4) The Company holds directly or indirectly through its subsidiaries more than 50% of the investee.
- (5) The Company is required to make guarantees or endorsements for the construction project based on the contract.
- (6) The stockholders of the Company make guarantees or endorsements for the investee in proportion to their stockholding percentage.
- (7) The companies in the same industry provide among themselves, joint and several security for a performance guarantee on sales contracts for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: Guarantees and endorsements for an individual company should not exceed 50% of the net equity of the latest financial statements.

Note 3: The total amount of guarantees and endorsements should not exceed 50% of the net equity of the latest financial statements.

Note 4: Guarantees and endorsements for an individual company should not exceed 50% of the total amount of guarantees and endorsements.

Note 5: The total amount of guarantees and endorsements should not exceed the Company's net worth on its latest financial statements. The amount limited for the current period is USD26,239 thousand.

Note 6: Guarantees and endorsements for an individual company should not exceed 50% of the Company's net worth on its latest financial statements. Moreover, according to the Company's policy, the total amount of guarantees and endorsements made by the Company and subsidiaries should not exceed 50% of the Company's latest financial statement (limit for the current period: \$13,751,654 thousand); the total amount of guarantees and endorsements on an individual company should not exceed 50% of the Company's net worth of its latest financial statements (limit for the current period: \$13,751,654 thousand.)

Note 7: The amount approved by the board of directors.

Note 8: The actual amount used by the endorsed and guaranteed companies within their limited amount of guarantees and endorsement.

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to Financial Statements

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(in thousands of NTD)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Fair value	Note
				Shares/Units	Carrying value	Percentage of ownership (%)		
The Company	Stock – Zenitron Corporation	-	(a)	3,825,000	83,959	1.79 %	83,959	None
The Company	Stock – Adlink	-	(a)	966,577	61,281	0.44 %	61,281	"
The Company	Stock – Shiao Kang Warehousing Corp.	One of its directors	(b)	2,384,060	18,357	19.87 %	18,357	"
The Company	Stock – Hexawave Photonic System, Inc.	-	(b)	2,564,023	24,435	6.39 %	24,435	"
The Company	Stock – Overseas Investment & Development Corp.	-	(b)	1,000,000	7,030	1.11 %	7,030	"
The Company	Stock – Power World Fund, Inc.	One of its directors	(b)	677,245	10,261	5.68 %	10,260	"
The Company	Stock – Universal Venture Fund, Inc.	One of its directors	(b)	558,255	7,497	4.76 %	7,497	"
The Company	Stock – Tung Jiang Investment Corp.	One of its directors	(b)	-	32,478	9.12 %	32,478	"
The Company	Stock – Taiwan Aerospace Corp.	-	(b)	1,621,441	25,084	1.19 %	25,084	"
The Company	Stock – Universal Venture Capital Investment Corp.	-	(b)	2,800,000	20,888	2.33 %	20,888	"
The Company	Stock – IBT	-	(b)	1,312,993	5,252	4.17 %	5,252	"
The Company	Katec Creative Resources Corporation – preferred stock	Subsidiary of the Company	(b)	577,031	-	65.18 %	-	"
The Company	Stock – Chien Shing Harbour Service Co., Ltd.	One of its directors	(b)	8,203,800	245,294	10.11 %	245,294	"
The Company	Stock – Taiwan High Speed Rail Corporation	-	(b)	1,913,376	60,654	0.03 %	60,654	"
Tung Yuan International Corp.	Chinese Products Promotion Center	-	(b)	2,500	227	0.66 %	227	"
Tung Yuan International Corp.	Tech alliance Corp.	-	(b)	568,750	3,447	5.69 %	3,447	"
Tung Kang Engineering & Construction Corp.	Toko Sanitaryware Trading Development Corp.	-	(b)	150,000	2,813	3.75 %	2,813	"

Note : (a) Financial assets at fair value through profit or loss – current

(b) Financial assets at fair value through other comprehensive income – non-current

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to Financial Statements

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(in thousands of NTD)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Tung Kang Steel Structure Corp.	Subsidiary of the Company	Sale	(1,810,875)	(5.29)%	Receivable within 60 days payment at the end of the month	-	-	219,747	7.67%	
The Company	THSVC	Subsidiary of the Company	Purchase	745,042	3.54%		-	-	-	-%	
The Company	THSVC	Subsidiary of the Company	Sale	(312,036)	(0.91)%	120 days after B/L	-	-	98,775	3.45%	
Tung Kang Steel Structure Corp.	The Company	Parent company	Purchase	1,810,875	50.48%	Payable within 60 days	-	-	(219,747)	(30.70)%	
THSVC	The Company	Parent company	Sale	(745,042)	(19.90)%	payment at the end of the month	-	-	-	-%	
THSVC	The Company	Parent company	Purchase	312,036	10.03%	120 days after B/L	-	-	(98,775)	(37.88)%	

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(in thousands of NTD)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Tung Kang Steel Structure Corp.	Subsidiary of the Company	219,747 (Accounts receivable—related parties)	2.99	-	-	219,747	-
			330 (Other receivables—related parties)	-	-	-	330	-

(ix) Trading in derivative instruments: Please refer to Notes 6(b).

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2020 (excluding information on investees in Mainland China):

(in thousands of NTD)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of ownership	Carrying value			
The Company	Tung Yuan International Corp.	British Virgin Islands	Investment activities	774,180	774,180	82	100.00 %	747,295	(6,746)	(6,746) Subsidiary	
"	Tung Kang Steel Structure Corp.	Taiwan	Metal structure and building component construction	1,775,138	1,775,138	197,565,134	97.48 %	2,582,939	415,179	407,741 Subsidiary	
"	Katec R & D Corp.	Taiwan	Waste recycling	35,352	35,352	4,705,332	46.19 %	66,774	28,532	13,179 Associate	
"	Goldham Development Ltd.	British Virgin Islands	Investment activities	427,200	427,200	15,000,000	100.00 %	317,520	(69,240)	(69,102) Subsidiary	
"	Taiwan Steel Union Co., Ltd.	Taiwan	Waste disposal	113,291	113,291	24,829,009	22.31 %	793,650	407,534	90,932 Associate	
"	Katec Creative Resources Corporation	Taiwan	Waste recycling	1,211,442	1,211,442	95,724,402	99.01 %	704,204	(11,110)	(11,000) Subsidiary	
"	Fa Da Enterprise Corp.	Taiwan	Waste recycling	1,000	90,000	100,000	100.00 %	17,846	(104)	(640) Subsidiary	
"	Tung Kang Wind Power Corp.	Taiwan	Electric power generation	155,000	155,000	15,500,000	100.00 %	87,766	(4,047)	(3,960) Subsidiary	
"	Tung Ho Steel Vietnam Corp., Ltd.	Vietnam	Steel industry	5,016,935	5,016,935	-	100.00 %	2,647,378	(409,615)	(409,615) Subsidiary	
"	Tung Tang Energy Corp.	Taiwan	Fertilizer producing and self-used equipment of renewable electric power	54,000	15,000	5,400,000	36.00 %	53,707	(638)	(366) Subsidiary	
Tung Yuan International Corp.	3 Oceans International Inc.	Samoa	Investment activities	52,403	52,403	1,840,000	66.67 %	20,051	(4,331)	(2,888) Subsidiary	
Tung Yuan International Corp.	Duc Hoa International J.S.C	Vietnam	Quicklime factory	107,340	62,656	8,154,419	96.00 %	105,738	19,003	18,242 Subsidiary	
Tung Yuan International Corp.	Best-steel Trade Corp.	U.S.A	Trading	-	8,994	-	- %	-	(29,122)	(17,473) Subsidiary(Note)	
Tung Kang Steel Structure Corp.	Tung Kang Engineering & Construction Corp.	Taiwan	Civil engineering	359,340	359,340	25,000,000	100.00 %	258,052	898	898 Subsidiary	

1 USD = 28.48 TWD, 1 CNY = 4.377 TWD

Note: Tung Yuan International Corp. disposed entire holding shares of BST and loss of control over it in November 2020.

TUNG HO STEEL ENTERPRISE CORPORATION

Notes to Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(in thousands of New Taiwan Dollars and USD)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 3)	Book value (Note 2)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Fujian Sino-Japan Metal Corp.	Tin-coated plate	1,480,960 (USD52,000)	(2)	523,092 (USD18,367)	-	-	523,092 (USD18,367)	(68,284)	35.00%	(23,899)	518,317	-
Fujian Tung Kang Steel Co., Ltd.	Processing of section steels and steel structures	427,200 (USD15,000)	(2)	379,638 (USD13,330)	-	-	379,638 (USD13,330)	(69,240)	100.00%	(69,102)	317,520	-
Fujian Dong Sheng Metal Processing Co., Ltd.	Metal processing	39,393 (CNY9,000)	(3)	-	-	-	-	(6,579)	51.00%	(3,355)	14,273	-

Note 1: List of the method of investments

- (1) Direct investment
- (2) Indirect investment
- (3) Others

Note 2: On December 31, 2020, 1 USD=28.48 TWD, 1 CNY=4.377 TWD.

Note 3: For the year ended December 31, 2020, 1 USD=29.55 TWD, 1 CNY = 4.282 TWD.

(ii) Limitation on investment in Mainland China:

(in thousands of New Taiwan Dollars and USD)

Accumulated investment in Mainland China as of December 31, 2020	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment (Note)
959,691 (USD33,697)	959,691 (USD33,697)	16,501,984

Note: 60% of net equity.

(iii) Significant transactions:

For direct or indirect significant transactions between the Company and its investees in Mainland China, please refer to the illustrations in "Related information on Significant Transactions."

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Shen Yuan Investment Co., Ltd.		143,286,779	13.53 %
Mao sheng Investment Co., Ltd.		65,323,877	6.16 %
He Zhao Investment Co., Ltd.		63,855,150	6.03 %

Note 1: The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical ordinary shares and preference shares (including treasury shares) on the last business date of each quarter. The actual registered non-physical shares may be different from the capital shares disclosed in the financial statement due to different calculation basis.

Note 2: If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

(14) Segment information

Please refer to the consolidated financial statements for the year ended December 31, 2020.

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF CASH AND CASH EQUIVALENTS

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Notes</u>
Cash	Cash on hand	\$ 212	
	Revolving funds	868	
	Subtotal	<u>1,080</u>	
Cash in banks	Checking accounts	161,596	
	Demand deposits accounts	316,855	
	Foreign currency demand deposits	<u>23,746</u>	Note 1
	Subtotal	<u>502,197</u>	
Cash equivalents	Short-term bills	<u>314,899</u>	Interest rate: 0.17%~0.20% Maturity: 2021.01.05~2021.01.29
Total		<u><u>\$ 818,176</u></u>	

Note 1: Total amount of foreign currency USD 826,216 (dollars)
 JPY 470,745 (dollars)
 EUR 636(dollars)
 CNY 14,394 (dollars)

Exchange rate USD →NT @28.48
 JPY →NT @0.2763
 EUR →NT @35.02
 CNY →NT @4.38

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS-CURRENT

December 31, 2020

(Expressed in thousands of New Taiwan Dollars/USD)

<u>Name of financial instruments – current</u>	<u>Description</u>	<u>Number of shares or unit</u>	<u>Book value</u>	<u>Total amount/ Nominal amount</u>	<u>Interest rate %</u>	<u>Acquisition costs</u>	<u>Fair value</u>	
							<u>Unit price</u>	<u>Amount</u>
Financial assets held for trading:								
Stock:								
Zenitron	Publicly List	3,825,000	\$ 10	38,250	-	92,166	21.95	83,959
Adlink	Publicly List	966,577	10	9,666	-	<u>30,957</u>	63.40	<u>61,281</u>
Subtotal						123,123		145,240
Foreign exchange forward contracts				USD 48,892		-		10,557
Redmption options on convertible bonds	-					<u>-</u>		<u>1,233</u>
Total						<u>\$ 123,123</u>		<u>157,030</u>

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF NOTES RECEIVABLE

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
Non-related parties:		
Kung Sing Engineering	Payment for goods	\$ 103,120
Hai Kwang Enterprise	Payment for goods	43,043
Han Tai Steel	Payment for goods	29,142
Chung Lin Construction	Payment for goods	16,555
Chien Chiao Construction	Payment for goods	16,406
Sheng Kun Construction	Payment for goods	15,392
TASA Construction	Payment for goods	15,163
Wei Shun Construction	Payment for goods	10,890
Hong Bin Construction	Payment for goods	9,544
Quan Feng Construction	Payment for goods	6,540
Others (Note)	Payment for goods	<u>23,121</u>
Total notes receivable		288,916
Less: Allowance for impairment		<u>(423)</u>
Total		<u><u>\$ 288,493</u></u>

Note: Consisting of individual accounts with less than 5% of the total amount.

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF ACCOUNTS RECEIVABLE

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
Related parties:		
Tung Kang Steel Structure	Payment for goods	\$ 219,747
Tung Kang Engineering & Construction	Payment for goods	53,297
Tung Ho Steel Vietnam Corp., Ltd.	Payment for goods	<u>98,775</u>
Subtotal		<u>371,819</u>
Non-related parties:		
Zhong Fu Construction	Payment for goods	155,552
Ruentex Engineering & Construction	Payment for goods	113,227
Chyi Yuh Construction	Payment for goods	96,770
Honinco Honex Industry	Payment for goods	86,653
Continental Engineering	Payment for goods	80,502
Pan Asia Corporation	Payment for goods	70,258
Li Jin Engineering	Payment for goods	66,074
BES Engineering Corporation	Payment for goods	61,746
Jin Jyun Construction	Payment for goods	60,085
SANWA	Payment for goods	59,102
Others (Note)	Payment for goods	<u>1,376,344</u>
Subtotal		<u>2,226,313</u>
Total accounts receivable		2,598,132
Less: Allowance for impairment		<u>(21,534)</u>
Total		<u><u>\$ 2,576,598</u></u>

Note: Consisting of individual accounts with less than 5% of the total amount.

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF OTHER RECEIVABLES

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Amount</u>
Revenue of technical service (related parties included)	\$ 2,312
Revenue of disposing metal shavings	2,195
Others (related parties included)	<u>1,431</u>
Total	<u>\$ 5,938</u>

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF INVENTORIES

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Description</u>	<u>Amount</u>		<u>Notes</u>
		<u>Cost</u>	<u>Market price</u>	
Finished goods	Deformed bars	\$ 1,455,759	1,686,278	Market price based on net realizable value
	Sections	623,190	879,759	"
	Universal plates	<u>133,626</u>	<u>182,313</u>	"
	Subtotal	<u>2,212,575</u>	<u>2,748,350</u>	
Work in process	Billets	1,578,599	1,875,731	"
	Beam blank	1,018,292	1,562,673	"
	Bloom	<u>148,881</u>	<u>219,766</u>	"
	Subtotal	<u>2,745,772</u>	<u>3,658,170</u>	
Raw materials	Scrap iron	<u>4,127,416</u>	<u>5,513,696</u>	"
Material supplies	Electrode rods	173,837	99,829	"
	Silicon iron	29,117	36,546	"
	Manganese iron	10,319	12,452	"
	Silicon manganese	153,581	176,009	"
	Vanadium iron	53,072	53,389	"
	Roller	7,702	15,000	"
	Roller ring	60,941	56,800	"
	Other material	<u>752,804</u>	<u>747,048</u>	"
	Subtotal	<u>1,241,373</u>	<u>1,197,073</u>	
	Inventories, net		<u>\$ 10,327,136</u>	<u>13,117,289</u>

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF PREPAYMENTS

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Prepaid expenses	Prepaid supplies expenses	\$ 48,287
	Insurance premium and rent expenses	16,383
	Prepaid heavy oil and maintenance expenses	6,215
	Others	<u>4,261</u>
	Subtotal	75,146
Prepayments for goods		46,450
Other prepayments		<u>12,166</u>
Total		<u>\$ 133,762</u>

Note: Consisting of individual accounts with less than 5% of the total account.

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Name of company	Balance as of January 1, 2020		Increase and reclassification		Decrease and reclassification		Investment income recognized under the equity method (loss)	Balance as December 31, 2020			Net value or market price	Pledged or collateralized
	Share	Amount	Share	Amount	Share	Amount		Share	Share-holding percentage	Amount		
Subsidiaries:												
Tung Yuan International Corp.	82	\$ 765,395	-	1,948 (Note 6)	-	13,302 (Notes 1,8)	(6,746)	82	100.00 %	747,295	747,295	None
Tung Kang Steel Structure Corp.	197,565,134	2,232,486	-	12 (Note 3)	-	57,300 (Notes 2,6)	407,741	197,565,134	97.48 %	2,582,939	2,726,864	None
Goldham Development Ltd.	15,000,000	380,904	-	5,718 (Note 1)	-	-	(69,102)	15,000,000	100.00 %	317,520	370,899	None
Katec Creative Resources Corp.	95,724,402	715,204	-	-	-	-	(11,000)	95,724,402	99.01 %	704,204	704,204	None
Tung Kang Wind Power Corp.	15,500,000	91,726	-	-	-	-	(3,960)	15,500,000	100.00 %	87,766	87,590	None
Fa Da Enterprise Corp.	9,000,000	89,491	-	-	8,900,000	71,005 (Note 7)	(640)	100,000	100.00 %	17,846	896	None
Tung Tang Energy Corp.	1,500,000	14,823	3,900,000	39,250 (Note 4)	-	-	(366)	5,400,000	36.00 %	53,707	53,707	None
Tung Ho Steel Vietnam Corp., Ltd.	-	3,207,944	-	-	-	150,951 (Note 1)	(409,615)	-	100.00 %	2,647,378	2,647,378	None
Subtotal		7,497,973		46,928		292,558	(93,688)			7,158,655		
Associates:												
Katec R&D Corp.	4,705,332	56,184	-	966 (Note 6)	-	3,555 (Notes 3, 5)	13,179	4,705,332	46.19 %	66,774	66,774	None
Taiwan Steel Union Co., Ltd.	24,829,009	767,104	-	169 (Note 3)	-	64,555 (Note 5)	90,932	24,829,009	22.31 %	793,650	793,650	None
Subtotal		823,288		1,135		68,110	104,111			860,424		
Total		\$ 8,321,261		48,063		360,668	10,423			8,019,079		

Note 1: Adjustments of exchange difference on translation of foreign operations.

Note 2: Resulting from downstream unrealized sales profit.

Note 3: From other comprehensive income on defined benefit plans of subsidiaries and associates.

Note 4: Subsidiary capital increase by cash and adjusted capital surplus at a percentage different from its existing ownership percentage.

Note 5: Proceeds from cash dividends.

Note 6: Adjustment of "evaluation of equity instrument at fair value through other comprehensive income" due to changes in fair value.

Note 7: Capital reduction.

Note 8: Capital reduction adjustment of "financial assets at fair value through other comprehensive income" of subsidiaries.

TUNG HO STEEL ENTERPRISE CORPORATION
DETAILS OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS-NON-CURRENT

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Name of company	Balance as of January 1, 2020		Increase and reclassification		Decrease and reclassification		Balance as December 31, 2020		Pledged or collateralized
	Share	Amount	Share	Amount	Share	Amount	Share	Amount	
Fair value through other comprehensive income – non current:									
Hsiao Kang Warehousing Corp.	2,384,060	\$ 16,069	-	2,288	-	-	2,384,060	18,357	None
Hexawave Photonic System, Inc.	2,564,023	21,794	-	2,641	-	-	2,564,023	24,435	None
Taiwan Aerospace Corp.	1,621,441	26,332	-	-	-	1,248	1,621,441	25,084	None
Overseas Investment & Development Corp.	1,000,000	6,230	-	800	-	-	1,000,000	7,030	None
Power World Fund, Inc.	677,245	8,825	-	1,436	-	-	677,245	10,261	None
Universal Venture Fund, Inc.	558,255	7,653	-	-	-	156	558,255	7,497	None
IBT II Venture Capital Co.	1,312,993	6,328	-	-	-	1,076	1,312,993	5,252	None
Tung Jing Investment Corp.	-	36,523	-	9,643 (Notes 1, 3)	-	13,688 (Note 2)	-	32,478	None
Universal Venture Capital Investment Corp.	2,800,000	19,292	-	1,596	-	-	2,800,000	20,888	None
Katec Creative Resources Corp. – preferred stock	577,031	-	-	-	-	-	577,031	-	None
Subtotal		<u>149,046</u>		<u>18,404</u>		<u>16,168</u>		<u>151,282</u>	
Public listed stocks – Taiwan High Speed Rail Corporation	1,913,376	73,474				12,820	1,913,376	60,654	None
Stock listed on emerging markets – Chien Shing Harbour Service Co., Ltd.	8,203,800	<u>233,808</u>	-	<u>11,486</u>	-	-	8,203,800	<u>245,294</u>	None
Subtotal		<u>307,282</u>		<u>11,486</u>		<u>12,820</u>		<u>305,948</u>	
Total		<u>\$ 456,328</u>		<u>29,890</u>		<u>28,988</u>		<u>457,230</u>	

Note 1 : New acquisition

Note 2 : Capital reduction

Note 3 : Evaluation at fair value of investment

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF REFUNDABLE DEPOSITS

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Refundable deposits	Gas procurement guarantees	\$ 100,505
	Golf card deposits	41,500
	Bid deposits and performance guarantees, etc.	11,362
	Lease deposits	<u>3,047</u>
Total		<u>\$ 156,414</u>

Please refer to Note 6(h) for details of property, plant and equipment.

Please refer to Note 6(j) for details of investment property.

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF OVERDUE RECEIVABLES

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
BEST-STEEL	\$ 47,993
Famous Technology	8,929
How Yu Construction	4,792
International Engineering & Construction	751
Yu Tai Construction	373
Jian Kai Property	245
Tsun Sheng Corp.	<u>95</u>
Subtotal	63,178
Less: Allowance for bad debt expense	<u>(63,178)</u>
Total	<u>\$ -</u>

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF SHORT-TERM LOANS

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Bank	Description	Balance as of December 31, 2019	Duration	Interest rate	Amount	Pledge or collateralized
HSBC Bank	Unsecured loans	\$ 420,000	December 23, 2020 ~ June 21, 2021	0.68%	570,000	None
Bank of Taiwan	Unsecured loans	300,000	November 12, 2020 ~ February 8, 2021	0.76%	700,000	None
Taipei Fubon Bank	Unsecured loans	300,000	December 21, 2020 ~ March 19, 2021	0.70%	1,400,000	None
Cathay United Bank	Unsecured loans	275,000	December 21, 2020 ~ January 21, 2021	0.70%	700,000	None
Yuanta Bank	Unsecured loans	230,000	December 22, 2020 ~ March 19, 2021	0.72%	500,000	None
E. Sun Bank	Unsecured loans	<u>200,000</u>	December 23, 2020 ~ January 22, 2021	0.73%	600,000	None
		<u>1,725,000</u>				
Bank of Taiwan	Letter of credit	50,352	October 8, 2020 ~ June 28, 2021	0.42%~0.77%	855,000	None
Land Bank of Taiwan	Letter of credit	39,663	December 1, 2020 ~ June 28, 2021	0.75%~0.76%	800,000	None
Taiwan Corporative Bank	Letter of credit	8,379	December 25, 2020~ June 23, 2021	0.81%	1,200,000	None
Hua Nan Commercial Bank	Letter of credit	5,448	December 23, 2020 ~ June 11, 2021	0.79%	2,000,000	None
The Shanghai Commercial & Savings Bank	Letter of credit	23,549	December 14, 2020 ~ March 31, 2021	0.77%~0.79%	285,000	None
Taipei Fubon Bank	Letter of credit	9,677	November 30, 2020 ~ May 29, 2021	0.82%	1,510,000	None
Bank of Kaohsiung	Letter of credit	2,979	December 30, 2020 ~ June 30, 2021	0.76%	450,000	None
Mega International Commercial Bank	Letter of credit	5,879	December 8, 2020 ~ June 29, 2021	0.53%	900,000	None
Mizuho Bank	Letter of credit	11,060	December 28, 2020 ~ June 25, 2021	0.95%	199,500	None
Taishin Bank	Letter of credit	9,516	December 25, 2020 ~ March 24, 2021	0.78%	1,200,000	None
O-Bank	Letter of credit	1,427	December 30, 2020 ~ March 30, 2021	0.88%	200,000	None
Taiwan Business Bank	Letter of credit	29,052	December 7, 2020 ~ March 24, 2021	0.51%~0.69%	427,500	None
Taichung Bank	Letter of credit	910	December 15, 2020 ~ June 11, 2021	0.84%	285,000	None
Shin Kong Bank	Letter of credit	2,154	December 31, 2020 ~ March 31, 2021	0.88%	300,000	None
CTBC Bank	Letter of credit	11,373	December 14, 2020 ~ March 18, 2021	1.2%	700,000	None
DBS Bank	Letter of credit	6,539	December 16, 2020 ~ June 25, 2021	0.89%~0.98%	570,000	None
Sunny Bank	Letter of credit	11,549	November 19, 2020 ~ March 28, 2021	0.85%	300,000	None
BNP Paribas	Letter of credit	5,126	October 27, 2020 ~ June 25, 2021	0.96%~1.06%	285,000	None
Far Eastern International Bank	Letter of credit	6,564	December 10, 2020 ~ March 17, 2021	0.95%~0.98%	600,000	None
Yuanta Bank	Letter of credit	4,307	December 29, 2020 ~ March 29, 2021	1.05%	450,000	None
Union Bank of Taiwan	Letter of credit	5,702	December 23, 2020 ~ March 25, 2021	1.03%~1.08%	300,000	None
E. Sun Bank	Letter of credit	20,762	December 11, 2020 ~ June 16, 2021	0.90%~0.91%	712,500	None
Chang Hwa Bank	Letter of credit	3,061	December 29, 2020 ~ March 30, 2021	0.73%~0.75%	1,000,000	None
KGI Bank	Letter of credit	<u>5,429</u>	December 18, 2020 ~ June 24, 2021	0.95%	500,000	None
Subtotal		<u>280,457</u>				
Total		<u>\$ 2,005,457</u>				

Note 1: The effective period of the financing contract is two to three years. However, the banks will evaluate the terms of the contract periodically through credit checking every year.

TUNG HO STEEL ENTERPRISE CORPORATION
DETAILS OF SHORT-TERM NOTES AND BILLS PAYABLE

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Bank of acceptance	Duration	Interest rate	Originally issued amount	Unamortized discount on short- term bills payable	Carrying amount	Notes
IBFC	2020/10/30~2021/3/11	0.728%	<u>\$ 340,000</u>	<u>(275)</u>	<u>339,725</u>	

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF NOTES PAYABLE

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Objects</u>	<u>Description</u>	<u>Amount</u>
Non-related parties:		
Guan Xiong Logistics	Operating expenses	\$ 9,252
Zheng Chang Transportation	Operating expenses	6,881
Yi Tsai Transportation	Operating expenses	5,069
Dentsu Taiwan	Operating expenses	3,522
KPMG	Operating expenses	3,501
FPC	Operating expenses	2,999
Long Chang Transportation	Operating expenses	2,871
Others (Note)	Operating expenses	<u>26,729</u>
Total		<u>\$ 60,824</u>

Note: Consisting of individual accounts with less than 5% of the total amount

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF ACCOUNTS PAYABLE

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Objects</u>	<u>Description</u>	<u>Amount</u>
Related parties:		
Tung Kang Engineering & Construction Corp.	Payment for goods	\$ 20,588
Duc Hou International J.S.C.	Payment for goods	6,369
Tung Kang Steel Sturcture Corp.	Payment for goods	4,371
Katec Creative Resources	Payment for goods	1,019
Fa Da Corp.	Payment for goods	<u>289</u>
Subtotal		<u>32,636</u>
Non-related parties:		
Hong Kuan Material	Payment for goods	113,191
Others (Note)	Payment for goods	<u>1,358,923</u>
Subtotal		<u>1,472,114</u>
Total		<u><u>\$ 1,504,750</u></u>

Note: Consisting of individual accounts of less than 5% of the total amount
Please refer to Note 6(q) for details of other payables.

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF CONTRACT LIABILITIES

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Non-related parties:		
Hwang Chang General Contractor	Payment for goods	\$ 40,978
Tung Ying Construction	Payment for goods	36,274
Fu Hsuan Construction & Eengineering	Payment for goods	31,497
Chang Feng Steel	Payment for goods	29,126
Dehwa Construction	Payment for goods	28,160
Immense Team Construction & Building	Payment for goods	26,725
Yuan Ta Bank	Payment for goods	24,890
Shuin Han Construction	Payment for goods	24,619
Zong Hui Construction	Payment for goods	23,864
Zhong Ming Construction	Payment for goods	22,104
Others (Note)		<u>500,131</u>
Total advance receipts		<u>\$ 788,368</u>

Note: Consisting of individual accounts of less than 5% of the total amount

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF BONDS PAYABLE

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Object</u>	<u>Original issuance date</u>	<u>Interest payment date</u>	<u>Coupon rate</u>	<u>Principal amount</u>	<u>Repurchased/ Converted amount</u>	<u>Balance as of December 31, 2020</u>	<u>Discount on bonds payable</u>	<u>Carrying amount</u>	<u>Repayment</u>	<u>Collateralized</u>
The seventh unsecured domestic convertible bond	Taishin Securities	2018.05.14	-	-	\$ 2,000,000	(1,274,500)	725,500	(16,607)	708,893	Please refer to Notes6(n)	None
Less : Redemption options of holders in one year							(725,500)	16,607	(708,893)		
							\$ -	-	-		

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF LONG-TERM LOANS

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Bank	Duration	Nature	Interest rate	Amount	Pledged or Collateralized
Mizuho Bank	April 27, 2020 ~ April 27, 2022 Principal repaid at maturity	Repayment of loan and improvement of financial structure	0.68%~0.72%	<u>\$ 1,200,000</u>	None

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF GUARANTEE DEPOSITS

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
Related parties:		
Katec Research & Development	Rental deposits	\$ <u>304</u>
Non-related parties:		
Chang Jieh Logistics Corp.	Rental deposits	3,779
Chin Chi Hsin	Performance guarantee	3,000
Chia Mei Construction	Performance guarantee	1,820
Ji Lian Container Co., Ltd.	Rental deposits	1,630
Soon Strong Machinery	Performance guarantee	1,528
Kang Shiung Construction	Performance guarantee	1,071
Others (Note)	Rental deposits and performance guarantee	<u>1,202</u>
Subtotal		<u>14,030</u>
Total		<u>\$ <u>14,334</u></u>

Note: Consisting of individual accounts with less than 5% of the total amount.

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF OPERATING REVENUES

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Deformed steel bar	1,074,272 tons	\$ 18,213,085
Billet	31,591 tons	405,939
H-Section	594,869 tons	12,700,902
Universal plate	98,833 tons	2,167,075
I-Section	2,160 tons	50,975
Channel steel	36,694 tons	681,294
Raw material and other steel	23,995 tons	338,187
Others	- tons	<u>18,901</u>
Total operating revenue		34,576,358
Less: Sales returns		(1,557)
Sales allowances		<u>(311,366)</u>
Net operating revenue		<u><u>\$ 34,263,435</u></u>

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF OPERATING COSTS

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Items	Amount	
	Subtotal	Total
Manufacturing:		
(a) Direct raw materials		
Beginning balance of raw materials	\$ 5,371,919	
Self-manufactured transferred in	32,237,279	
Purchases of raw materials	15,652,862	
Sale of raw materials	(763)	
Reclassification to manufacturing overhead	(1,862)	
Reclassification to other expenses	(76)	
Transfer to material supplies	(359)	
Transfer to finished goods	(21)	
Transfer to work in process	(12,118)	
R&D scrap transferred in	1,626	
Roller scrap transferred in	1,853	
Ending balance of raw materials	(4,127,416)	
Cost of direct raw materials consumed		49,122,924
(b) Indirect raw materials		
Beginning balance of raw materials	1,584,810	
Purchases of raw materials	3,492,233	
Sale of material supplies	(1,367)	
Reclassification to manufacturing overhead	(1,365,614)	
Reclassification to deferred expenses and prepaid expenses	(264,121)	
Reclassification to construction in progress and equipment	(27,292)	
Transfer to finished goods	(557)	
Transfer from material supplies	359	
Ending balance of raw materials	(1,235,123)	
Reclassification to consigned goods	(192)	
Cost of indirect materials consumed		2,183,136
(c) Direct labor, net		794,138
(d) Manufacturing overhead, net		6,270,119
Manufacturing cost		58,370,317
(e) Cost of by-products		(829,144)
Cost of finished goods (work in process)		57,541,173
(f) Beginning balance of work in process	3,049,611	
(g) Purchases of work in process	782,189	
(h) Raw materials transferred in	12,118	
(i) Consigned goods transferred in	3,547	
(j) Work in process transferred to raw materials	(24,431,063)	
(k) Transfer to consigned goods	(522,928)	
(l) Ending balance of work in process	(2,741,459)	
(m) Reclassification to other expenses	685	
Subtotal		(23,847,300)
Cost of finished goods		
(n) Beginning balance of finished goods	1,812,616	
(o) Finished goods transferred to raw materials	(6,977,072)	
(p) Material supplies transferred to finished goods	557	
(q) Raw materials transferred to finished goods	21	
(r) Finished goods transferred to construction in progress and prepayment of equipment	(2,114)	
(s) Consigned goods transferred to finished goods	5,636,621	
(t) Transfer to consigned goods	(5,059,579)	
(u) Ending balance of finished goods	(2,030,420)	
(v) Reclassification to other expenses	(1,118)	
(w) Reclassification to deferred expenses	(940)	
(x) Temporary adjustments for downstream/ upstream transactions	3,556	
Subtotal		(6,617,872)
Cost of work in process and finished goods		27,076,001
(y) Cost of by-products		
Beginning balance of by-products	-	
By-products manufactured	829,144	
By-product transferred to raw materials	(829,144)	
Ending balance of by-products	-	
Cost of by-products		-
(z) Cost of consigned goods		
Beginning balance of consigned goods	250,288	
Raw materials transferred in	192	
Work in process transferred in	522,928	
Finished goods transferred in	5,059,579	
Transfer to cost of equipment	(101)	
Transfer to work in process	(3,547)	
Transfer to finished goods	(5,636,621)	
Ending balance of consigned goods	(192,718)	
Cost of goods sold – manufacturing		
Selling:		
Beginning inventory	-	
Purchases	1,116,239	
Ending inventory	-	
Cost of goods sold – selling		1,116,239
Work in process		16,897
Adjustment for capacity variance		60,936
Revenue from sale of raw materials and scrap		(68,799)
Operating costs		<u>\$ 28,201,274</u>

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF MANUFACTURING EXPENSES

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Amount</u>
Indirect labor	\$ 340,455
Utilities expense	2,341,897
Depreciation	910,035
Amortization	34,285
Repair and maintenance	788,435
Equipment insurance	31,107
Labor insurance	56,582
National health insurance	43,702
Meal expenses	37,988
Employee benefits	15,210
Pension	55,884
Fuel expenses	1,006,805
Cleaning expense	360,381
Taxes	35,813
Professional service fee	73,718
Packaging fee	51,862
Others	85,960
Total	<u>\$ 6,270,119</u>

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF OPERATING EXPENSES

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Selling expenses</u>	<u>Administrative expenses</u>	<u>Total</u>
Salaries	\$ 58,052	547,411	605,463
Rental expense	-	3,808	3,808
Travel expense	300	3,009	3,309
Freight expense	576,666	49	576,715
Advertisement	17,602	792	18,394
Utilities expenses	94	6,601	6,695
Entertainment	3,850	3,558	7,408
Donation expense	55	6,827	6,882
Taxes	25	46,643	46,668
Depreciation	2,084	77,216	79,300
Amortizations	-	1,343	1,343
Employee benefits	652	3,874	4,526
Professional service expense	-	20,330	20,330
Inspection expense	13,289	3,506	16,795
Meal expense	1,377	9,067	10,444
Labor pension	2,918	13,154	16,072
Export expense	17,935	-	17,935
Labor insurance	2,097	21,771	23,868
National health insurance	2,326	11,529	13,855
Others	8,144	196,847	204,991
Total	\$ <u>707,466</u>	<u>977,335</u>	<u>1,684,801</u>

TUNG HO STEEL ENTERPRISE CORPORATION
DETAILS OF NON-OPERATING INCOME AND EXPENSES

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Net gain on financial assets at fair value through profit or loss	\$ 50,496
Net foreign exchange gain	31,439
Directors' remuneration and transportation fee	7,836
Technical service revenue	7,647
Gain on sale of miscellaneous purchases and scrap	6,310
Foreign worker board and lodging income	3,292
Gain on disposal of metal shavings	2,997
Net loss on disposal of property, plant, and equipment	(901)
Others	<u>1,069</u>
Total	<u>\$ 110,185</u>

**TUNG HO STEEL ENTERPRISE CORPORATION AND
SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019**

Address: 6F, No. 9, Sec. 1, Chang An East Road, Taipei City
Telephone: (02)2551-1100

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

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Representation Letter

The entities that are required to be included in the combined financial statements of Tung Ho Steel Enterprise Corporation as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Tung Ho Steel Enterprise Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Tung Ho Steel Enterprise Corporation
Chairman: Henry Ho
Date: March 23, 2021



安侯建業聯合會計師事務所

KPMG

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Independent Auditors' Report

To the Board of Directors of Tung Ho Steel Enterprise Corporation:

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Consolidated Company 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 with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“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 as of and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the Consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the 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 Consolidated Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Other Matter

The Company has prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified 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 as of and 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. Key audit matters for the consolidated financial statements are stated as follows:

1. Revenue recognition

Please refer to Note 4(o) “Revenue recognition” and Note 6(x) “Revenue from contracts with customers” in the consolidated financial statements.

Explanation of the key audit matter:

The Consolidated Company mainly manufactures and sells rebar and formed steel. Revenue recognition is one of the key areas for our audit, and is where on which the report users and receivers pay great concern on. As a result, the test on revenue recognition is one of the key judgmental areas in our audit.

Our principal audit procedures included:

- assessing whether appropriate revenue recognition policies were applied and whether sufficient information was disclosed ;
- testing the manual or systems-based controls on its sales and collection cycle, perform reconciliations between the information from sales systems and the general ledger ;
- reading the sales contracts with significant clients and testing the consistency of their accounting policy;
- performing year-to-year analysis on the revenue by product and the revenue from the ten customers with the largest sales volume to determine if there were any abnormalities ;
- vouching internal and external information of sales in the selected period before and after the reporting date (the length of the period was determined based on the sales terms) to determine whether sales revenue were recorded in the appropriate period.

2. Valuation of inventories

Please refer to Note 4(h) “Inventories” and Note 6(f) “Inventories” in the consolidated financial statements.

Explanation of the key audit matter:

Due to the changes in the international trade environment and the impact of price fluctuations on the raw materials and finished products of the steel industry, the risk that the book value of the inventory to be higher than the net realizable value may arise. Therefore, the inventory is one of the key judgmental areas in our audit.

Our principal audit procedures included:

- assessing the rationality of accounting policies for inventory evaluation ;
- assessing whether the evaluation of inventory has been in accordance with the established accounting policies ;

- understanding the sales price used by management and the changes in market price of futures inventory to assess the rationality of the net realizable value of inventories ;
- assessing whether the management’s disclosure of the inventory allowance is acceptable.

3. Construction contracts

Please refer to Note 4(o) “Revenue recognition— Construction contracts” Note 5(b) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty on construction contracts”, and Note 6(x) “Revenue from contracts with customers” of the consolidated financial statements.

Explanation of the key audit matter:

Contract accounting is considered to be an audit risk to the Consolidated Company as it requires a high degree of estimation and judgment of matters, such as the costs of the work required to complete the contract, the stage of completion of the contract, as well as the recognition of onerous contract. Different judgments could lead to different outcomes, leading to different profit or loss and revenue being reported in the consolidated financial statements.

Our principal audit procedures included:

- reviewing significant contracts and discussing them with the management to obtain a full understanding of specific terms and risks, to assess whether revenue was appropriately recognized ;
- selecting a sample from the ongoing constructions to verify the costs between the estimation and the contracts, discussing with the management about the estimates for total contract costs and forecasted costs, including taking into account the historical accuracy of such estimates ;
- selecting a sample from the completed constructions to assess the settlement of revenue by examination of external evidence ;
- for warranty under the construction contracts provided to the clients, obtaining the estimated warranty costs, vouching internal and external data to assess the rationality of the estimates and whether there are any abnormalities in the provisions estimated by the management ;
- assessing whether the loss recognized for onerous contracts appropriately reflect the expected contractual position.

4. Impairment of property, plant and equipment

Please refer to Note 4(m) “Impairment of non-financial assets”, Note 5(b) “Impairment evaluation of property, plant and equipment ”, and Note 6(j) “Property, plant and equipment” of the consolidated financial statements.

Explanation of the key audit matter:

The subsidiary in Vietnam of Tung Ho Steel Enterprise Corporation is facing an assets impairment issue due to the impact of the local market. The subsidiary regularly evaluates whether there is any indication of impairment of non-financial assets such as property, plant and equipment, based on the value in use and industry characteristics to estimate the recoverable amount of property, plant and equipment. The estimation involves numbers of assumptions, including the determination of discount rates and expected growth rates, subject to subjective judgment and uncertainty. Therefore, the assessment of impairment is one of the important evaluation matters in auditing the consolidated financial report of Tung Ho Steel Enterprise Corporation and its subsidiaries.



Our principal audit procedures included:

- obtaining report of property, plant and equipment value in use from external experts appointed by Tung Ho Steel Enterprise Corporation and its subsidiaries ;
- assessing the professional competency, objectivity, and experience of external experts ;
- discussing with the management and raise professional skepticism of the significant key judgments mentioned in the report of value in use ;
- appointing internal experts to assess the reasonableness of relevant assumptions used by external experts. (including evaluation methods and related reference information.)

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 IFRSs, IASs, IFRC, 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 Consolidated Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Consolidated Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing the Consolidated Company'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 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 Consolidated Company's internal control.



3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Consolidated Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

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 of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Lee, Tzu Hui and Kuo, Hsin Yi.

KPMG

Taipei, Taiwan (Republic of China)

March 23, 2021

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019				December 31, 2020		December 31, 2019	
Assets		Amount	%	Amount	%	Liabilities and equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(a))	\$ 1,933,168	4	976,850	2	2100	Short-term loans (Note 6(m))	\$ 5,315,701	12	9,532,226	20
1110	Current financial assets at fair value through profit or loss (Note 6(b))	157,030	-	162,959	-	2110	Short-term notes and bills payable (Note 6(n))	559,714	1	964,495	2
1140	Current contract assets (Note 6(y))	2,794,916	6	3,877,575	8	2120	Current financial liabilities at fair value through profit or loss (Note 6(b))	-	-	7,144	-
1150	Notes receivable, net (Notes 6(d)(x) and 7)	516,034	1	234,549	1	2130	Current contract liabilities (Note 6(x))	1,583,258	4	884,406	2
1170	Accounts receivable, net (Notes 6(d)(x) and 7)	2,746,734	6	2,962,483	6	2150	Notes payable	90,840	-	69,723	-
1200	Other receivables, net (Notes 6(e) and 7)	12,389	-	20,835	-	2170	Accounts payable (Note 7)	2,262,079	5	2,220,426	5
1310	Inventories, net (Note 6(f))	12,227,393	28	13,819,636	29	2200	Other payables (Notes 6(s) and 7)	1,861,089	4	1,328,612	3
1410	Prepayments	177,259	1	247,472	1	2230	Current tax liabilities	718,397	2	393,281	1
1470	Other current assets (Note 8)	627,219	2	706,909	1	2250	Current provisions	695	-	1,311	-
	Total current assets	<u>21,192,142</u>	<u>48</u>	<u>23,009,268</u>	<u>48</u>	2280	Current lease liabilities (Note 6(q))	48,243	-	40,431	-
Non-current assets:						2321	Bonds payable, current portion (Note 6(p))	708,893	2	-	-
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	463,716	1	464,734	1	2322	Long-term loans, current portion (Note 6(o))	650,367	1	216,960	-
1550	Investments accounted for using the equity method, net (Note 6(i))	1,378,741	3	1,405,522	3	2399	Other current liabilities, others	16,507	-	11,423	-
1600	Property, plant and equipment (Notes 6(j) and 8)	18,390,406	42	19,648,493	41		Total current liabilities	<u>13,815,783</u>	<u>31</u>	<u>15,670,438</u>	<u>33</u>
1755	Right-of-use assets (Note 6(k))	423,848	1	411,115	1	2500	Non-current liabilities:				
1760	Investment property, net (Notes 6(j)(l))	1,936,246	4	1,944,482	4		Non-current financial liabilities at fair value through profit or loss (Note 6(b))	-	-	13,000	-
1780	Intangible assets	163,396	-	177,149	1	2530	Bonds payable (Notes 6(b)(p))	-	-	1,935,021	4
1840	Deferred tax assets (Note 6(u))	115,591	-	153,350	-	2540	Long-term loans (Note 6(o))	1,857,915	4	4,477,953	9
1900	Other non-current assets (Notes 6(t) and 8)	95,286	-	159,123	-	2570	Deferred tax liabilities (Note 6(u))	172,180	1	170,303	-
1911	Natural resources	30,073	-	36,050	-	2580	Non-current lease liabilities (Note 6(q))	229,851	1	222,719	1
1915	Prepayments for equipment	60,673	-	76,826	-	2640	Non-current defined benefit liability, net (Note 6(t))	558,825	1	836,234	2
1920	Refundable deposits (Note 9)	170,969	1	205,391	1	2645	Guarantee deposits received (Note 7)	16,584	-	15,507	-
	Total non-current assets	<u>23,228,945</u>	<u>52</u>	<u>24,682,235</u>	<u>52</u>	2550	Non-current provisions	62,124	-	48,917	-
							Total non-current liabilities	<u>2,897,479</u>	<u>7</u>	<u>7,719,654</u>	<u>16</u>
							Total liabilities	<u>16,713,262</u>	<u>38</u>	<u>23,390,092</u>	<u>49</u>
							Equity (Note 6 (v)):				
						3100	Capital stock	10,587,599	24	10,040,606	21
						3200	Capital surplus	7,287,920	16	6,592,236	14
							Retained earnings:				
						3310	Legal reserve	3,775,123	9	3,619,075	8
						3320	Special reserve	706,221	2	647,025	1
						3350	Unappropriated retained earnings	5,968,807	13	4,006,772	8
							Total retained earnings	<u>10,450,151</u>	<u>24</u>	<u>8,272,872</u>	<u>17</u>
						3400	Other equity interest	(822,363)	(2)	(706,222)	(1)
							Total equity attributable to owners of the parent	27,503,307	62	24,199,492	51
						36XX	Non-controlling interests	204,518	-	101,919	-
							Total equity	<u>27,707,825</u>	<u>62</u>	<u>24,301,411</u>	<u>51</u>
							Total liabilities and equity	<u>\$ 44,421,087</u>	<u>100</u>	<u>47,691,503</u>	<u>100</u>
	Total assets	<u>\$ 44,421,087</u>	<u>100</u>	<u>47,691,503</u>	<u>100</u>						

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

	2020		2019	
	Amount	%	Amount	%
4000 Operating revenue (Notes 6(x) and 7)	\$42,866,290	100	44,863,600	100
5000 Operating costs (Notes 6(f)(t)(y) and 7)	<u>36,245,586</u>	<u>85</u>	<u>40,731,834</u>	<u>91</u>
5900 Gross profit from operations	<u>6,620,704</u>	<u>15</u>	<u>4,131,766</u>	<u>9</u>
6000 Operating expenses:				
6100 Selling expenses (Notes 6(t)(y) and 7)	846,197	2	957,356	2
6200 Administrative expenses (Notes 6(t)(y) and 7)	1,284,486	3	1,067,327	2
6450 Expected credit loss (Note 6(d))	<u>68,534</u>	<u>-</u>	<u>485</u>	<u>-</u>
6500 Total operating expenses	<u>2,199,217</u>	<u>5</u>	<u>2,025,168</u>	<u>4</u>
6900 Operating income	<u>4,421,487</u>	<u>10</u>	<u>2,106,598</u>	<u>5</u>
7000 Non-operating income and expenses:				
7010 Other income (Notes 6(z) and 7)	72,224	-	74,460	-
7100 Interest income (Note 6(z))	8,261	-	5,483	-
7020 Other gains and losses, net (Notes 6(e)(g)(z) and 7)	97,323	-	130,681	-
7050 Finance costs, net (Note 6(aa))	(189,937)	-	(296,203)	-
7060 Share of profit of associates accounted for using the equity method, net (Note 6(i))	<u>80,212</u>	<u>-</u>	<u>101,113</u>	<u>-</u>
Total non-operating income and expenses	<u>68,083</u>	<u>-</u>	<u>15,534</u>	<u>-</u>
7900 Income before income tax	4,489,570	10	2,122,132	5
7950 Less: income tax expenses (Note 6(u))	<u>932,987</u>	<u>2</u>	<u>564,334</u>	<u>2</u>
Net income	<u>3,556,583</u>	<u>8</u>	<u>1,557,798</u>	<u>3</u>
8300 Other comprehensive income:				
8310 Items that will not be reclassified subsequently to profit or loss				
8311 Losses on remeasurements of defined benefit plans	(559)	-	(22,351)	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	13,041	-	65,971	-
8320 Share of other comprehensive income of associates accounted for using the equity method, components of other comprehensive income that will not be reclassified to profit or loss (Note 6(i))	875	-	118	-
8349 Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>(112)</u>	<u>-</u>	<u>(4,470)</u>	<u>-</u>
Total items that will not be reclassified subsequently to profit or loss	<u>13,469</u>	<u>-</u>	<u>48,208</u>	<u>-</u>
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(153,477)	-	(117,192)	-
8399 Less: income tax related to components of other comprehensive income that may be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total items that may be reclassified subsequently to profit or loss	<u>(153,477)</u>	<u>-</u>	<u>(117,192)</u>	<u>-</u>
8300 Other comprehensive income for the period	<u>(140,008)</u>	<u>-</u>	<u>(68,984)</u>	<u>-</u>
8500 Total comprehensive income for the period	<u>\$ 3,416,575</u>	<u>8</u>	<u>1,488,814</u>	<u>3</u>
8600 Net income attributable to:				
8610 Owners of the parent	\$ 3,562,064	8	1,566,059	3
8620 Non-controlling interests	<u>(5,481)</u>	<u>-</u>	<u>(8,261)</u>	<u>-</u>
	<u>\$ 3,556,583</u>	<u>8</u>	<u>1,557,798</u>	<u>3</u>
8700 Comprehensive income attributable to:				
8710 Owners of the parent	\$ 3,418,766	8	1,494,574	3
8720 Non-controlling interests	<u>(2,191)</u>	<u>-</u>	<u>(5,760)</u>	<u>-</u>
	<u>\$ 3,416,575</u>	<u>8</u>	<u>1,488,814</u>	<u>3</u>
9750 Basic earnings per share (in dollars) (Note 6(w))	<u>\$ 3.52</u>		<u>1.56</u>	
9850 Diluted earnings per share (in dollars) (Note 6(w))	<u>\$ 3.27</u>		<u>1.44</u>	

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent												Non-controlling interests	Total equity
	Retained earnings							Total other equity interest						
	Ordinary shares	Certificate of entitlement to new shares from convertible bond	Total stock capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest	Total equity attributable to owners of the parent		
Balance as of January 1, 2019	\$ 10,040,606	-	10,040,606	6,592,236	3,530,282	149,309	4,237,676	7,917,267	(664,948)	17,924	(647,024)	23,903,085	107,679	24,010,764
Net income for the period	-	-	-	-	-	-	1,566,059	1,566,059	-	-	-	1,566,059	(8,261)	1,557,798
Other comprehensive income for the period	-	-	-	-	-	-	(17,763)	(17,763)	(119,712)	65,990	(53,722)	(71,485)	2,501	(68,984)
Total comprehensive income for the period	-	-	-	-	-	-	1,548,296	1,548,296	(119,712)	65,990	(53,722)	1,494,574	(5,760)	1,488,814
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	-	-	88,793	-	(88,793)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	497,716	(497,716)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(1,204,873)	(1,204,873)	-	-	-	(1,204,873)	-	(1,204,873)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	-	31,978	31,978	-	(31,978)	(31,978)	-	-	-
Capital reduction of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(19,796)	(19,796)	-	26,502	26,502	6,706	-	6,706
Balance at December 31, 2019	10,040,606	-	10,040,606	6,592,236	3,619,075	647,025	4,006,772	8,272,872	(784,660)	78,438	(706,222)	24,199,492	101,919	24,301,411
Net income for the period	-	-	-	-	-	-	3,562,064	3,562,064	-	-	-	3,562,064	(5,481)	3,556,583
Other comprehensive income for the period	-	-	-	-	-	-	(539)	(539)	(156,771)	14,012	(142,759)	(143,298)	3,290	(140,008)
Total comprehensive income for the period	-	-	-	-	-	-	3,561,525	3,561,525	(156,771)	14,012	(142,759)	3,418,766	(2,191)	3,416,575
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	-	-	156,048	-	(156,048)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	59,196	(59,196)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(1,355,482)	(1,355,482)	-	-	-	(1,355,482)	-	(1,355,482)
Conversion of convertible bonds	127,296	419,697	546,993	695,434	-	-	-	-	-	-	-	1,242,427	-	1,242,427
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	9,040	9,040
Changes in ownership interests in subsidiaries	-	-	-	250	-	-	-	-	-	-	-	250	95,750	96,000
Capital reduction of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(28,764)	(28,764)	63	26,555	26,618	(2,146)	-	(2,146)
Balance as of December 31, 2020	\$ 10,167,902	419,697	10,587,599	7,287,920	3,775,123	706,221	5,968,807	10,450,151	(941,368)	119,005	(822,363)	27,503,307	204,518	27,707,825

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from (used in) operating activities:		
Income before income tax	\$ 4,489,570	2,122,132
Adjustments:		
Adjustments to reconcile profit or loss:		
Depreciation expense	1,558,963	1,576,532
Amortization expense	81,618	119,068
Expected credit loss	68,534	485
Net gain on financial assets or liabilities at fair value through profit or loss	(72,028)	(41,182)
Interest expense	189,937	296,203
Interest income	(8,261)	(5,483)
Dividend income	(19,063)	(23,382)
Share of profit of associates accounted for using the equity method	(80,212)	(101,113)
Loss on disposal of property, plant and equipment	337	1,522
Loss on disposal of investment properties	43	-
Gain from disposal of subsidiaries	(13,739)	-
(Gain) loss on disposal of investments accounted for using equity method	(5,408)	307
Impairment loss on financial assets	68,850	-
Impairment loss on non-financial assets	1,703	-
Unrealized foreign exchange loss	1,236	21,192
Prepayments for equipment transferred to expense	-	284
Total adjustments to reconcile profit or loss	1,772,510	1,844,433
Changes in operating assets and liabilities:		
Decrease in financial assets at fair value through profit or loss, mandatorily measured at fair value	56,617	-
Decrease (increase) in contract assets	1,082,659	(2,274,545)
(Increase) decrease in notes receivable	(281,780)	93,387
Decrease in accounts receivable	158,082	68,961
(Increase) decrease in other receivable	(55,464)	71,023
Decrease in inventories	1,617,099	1,634,072
Decrease in prepayments	91,925	173,365
Decrease in other current assets	77,919	100,985
Increase in other operating assets	(85,227)	(100,183)
Increase in other non-current assets	-	(2,318)
Increase in contract liabilities	705,350	401,128
Increase (decrease) in notes payable	21,117	(102,297)
Increase in accounts payable	69,350	221,082
Increase in other payables	526,610	161,406
(Increase) decrease in provisions	12,591	(13,890)
Increase in other current liabilities	5,084	9,710
Decrease in net defined benefit liability	(277,984)	(32,292)
Total adjustments	5,496,458	2,254,027
Cash inflow from operations	9,986,028	4,376,159
Interest received	8,604	6,071
Dividends received	86,913	148,517
Interest paid	(180,607)	(322,483)
Income taxes paid	(570,681)	(375,273)
Net cash flows from operating activities	9,330,257	3,832,991
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(3,708)	(13,960)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	137,164
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	15,509	51,332
Net cash flow from acquisition of subsidiaries (exclude cash obtained)	(20,137)	-
Proceeds from disposal of subsidiaries (exclude cash obtained)	(1,365)	-
Acquisition of property, plant and equipment	(279,903)	(651,285)
Proceeds from disposal of property, plant and equipment	1,521	697
Decrease (increase) in refundable deposits	34,363	(5,322)
Acquisition of investment properties	(14,725)	(83,459)
Decrease in other current and non-current assets	1,997	633
Increase in prepayments for equipment and land	(51,136)	(60,006)
Net cash flows used in investing activities	(317,584)	(624,206)
Cash flows from (used in) financing activities:		
Increase in short-term loans	57,111,589	70,957,998
Decrease in short-term loans	(61,406,937)	(73,261,944)
Increase in short-term notes and bills payable	6,027,000	9,340,000
Decrease in short-term notes and bills payable	(6,432,000)	(9,875,000)
Proceeds from long-term loans	2,700,000	2,617,138
Repayments of long-term loans	(4,815,164)	(1,960,143)
Increase in guarantee deposits received	1,077	1,609
Payment of lease liabilities	(63,988)	(57,331)
Cash dividends paid	(1,355,482)	(1,204,873)
Disposal of ownership interests in subsidiaries (without losing control)	96,000	-
Change in non-controlling interests	3,290	2,501
Net cash flows used in financing activities	(8,134,615)	(3,440,045)
Effect of exchange rate changes on cash and cash equivalents	78,260	110,134
Net increase (decrease) in cash and cash equivalents	956,318	(121,126)
Cash and cash equivalents at beginning of period	976,850	1,097,976
Cash and cash equivalents at end of period	\$ 1,933,168	976,850

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Tung Ho Steel Enterprise Corporation (the “Company”) was incorporated in May, 1962, as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is 6F., No. 9, Sec. 1, Chang An E. Rd., Taipei City, Taiwan (R.O.C.). The Company and its subsidiaries (the “Consolidated Company”) are primarily involved in manufacturing and selling deformed bars, H-beams, and steel plates.

(2) Approval date and procedures of the consolidated financial statements

The consolidated financial statements as of and for years ended December 31, 2020 and 2019 were approved and authorized for issuance by the Board of Directors on March 23, 2021.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Consolidated Company has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Consolidated Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

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- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Consolidated Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	The key amendments to IAS 1 include: <ul style="list-style-type: none"> ● requiring companies to disclose their material accounting policies rather than their significant accounting policies; ● clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and ● clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements. 	January 1, 2023

The Consolidated Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Consolidated Company completes its evaluation.

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The Consolidated Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipmentt – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on historical cost basis, except for the following material items in the consolidated balance sheet :

- 1) Financial instruments measured at fair value through profit or loss ;
- 2) Financial assets measured at fair value through OCI (available-for-sale financial assets) measured at fair value ;
- 3) The defined benefit liabilities (or assets) are measured as the fair value of plan assets, less the present value of defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of the Consolidated Company is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar, which is the Company’s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

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(c) Basis of consolidation

(i) Principle of preparing consolidated financial statements

The Consolidated Company comprise of the Company and the entities over which it possessed control (its subsidiaries). When the Company is exposed to variable rewards and the right to such rewards of an entity, the Company possesses control over such entities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Balances, transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in the preparation of the consolidated financial statements. Attributable comprehensive income to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The financial statements of the subsidiaries have been adjusted so that they align with the accounting policies of the Consolidated Company.

Changes in the Consolidated Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Adjustments or differences between purchase consideration and fair value of non-controlling interest are recognized as equity attributable to the owners of the Company.

(ii) A list of subsidiaries included in the consolidated financial statements is as follows:

Investor	The name of subsidiaries	Business activity	Percentage of ownership		Note
			December 31, 2020	December 31, 2019	
The Company	Tung Yuan International Corp.	Investment activities	100.00 %	100.00 %	
The Company	Tung Kang Steel Structure Corp.	Construction	97.48 %	97.48 %	
The Company	Goldham Development Ltd.	Investment activities	100.00 %	100.00 %	
The Company	Katec Creative Resources Corporation	Waste recycling	99.01 %	99.01 %	
The Company	Tung Kang Wind Power Corp.	Electric power generation	100.00 %	100.00 %	
The Company	Fa Da Enterprise Corp.	Waste recycling	100.00 %	100.00 %	
The Company	Tung Ho Steel Vietnam Corp., Ltd. (THSVC)	Steel industry	100.00 %	100.00 %	
The Company	Tung Tang Energy Corp.	Fertilizer producing and self-used equipment of renewable electric power	36.00 %	100.00 %	Note 2
Tung Yuan International Corp.	3 Oceans International Inc.	Investment activities	66.67 %	66.67 %	
Tung Yuan International Corp.	Best-Steel Trade Corp. (BST)	Trading	- %	60.00 %	Note 3
Tung Yuan International Corp.	Duc Hoa International Joint Stock Company	Quicklime manufacturing	96.00 %	49.25 %	Note 1
Tung Kang Steel Structure Corp.	Tung Kang Engineering & Construction Corp.	Civil engineering	100.00 %	100.00 %	

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Investor	The name of subsidiaries	Business activity	Percentage of ownership		Note
			December 31, 2020	December 31, 2019	
Goldham Development Ltd.	Fujian Tung Kang Steel Co., Ltd.	Manufacture of section steels and steel structures	100.00 %	100.00 %	
Fujian Tung Kang Steel Co., Ltd.	Fujian Dong Sheng Metal Processing Co., Ltd.	Metal processing	51.00 %	51.00 %	

Note 1: Duc Hoa International Joint Stock Company was consolidated on January 20, 2020, please refer to Note 6(g) for details.

Note 2: Tung Tang Energy Corp. executed cash capital increase in April and July, 2020 respectively.

Nevertheless, the Company did not subscribe shares in accordance with its original shareholding ratio which resulted in its shareholding ratio decreasing from 100% to 36%.

However, the Company still considers it as the subsidiary after taking shareholding ratio, the seats of directors and the main management into consideration comprehensively.

Note 3: The Consolidated Company sold its entire shares in Best-Steel Trade Corp. and lost control over it in November 2020.

(iii) All of the subsidiaries above were included in consolidation.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated into the Company's presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the Company's presentation currency at average exchange rate. Exchange differences are recognized in other comprehensive income.

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When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of an investment in an associate of joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under any one of the following conditions. All other assets are classified as non-current.

- (i) The asset is expected to be realized, or sold or consumed, during the Consolidated Company's normal operating cycle ;
- (ii) The asset is held primarily for the purpose of trading ;
- (iii) The asset is expected to be realized within twelve months after the reporting date ; or
- (iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

A liability is classified as current under any one of the following conditions. All other liabilities are classified as non-current.

- (i) The liability is expected to be settled during the Consolidated Company's normal operating cycle ;
- (ii) The liability is held primarily for the purpose of trading ;
- (iii) The liability is due to be settled within twelve months after the reporting date ; or
- (iv) The Consolidated Company does not have any unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprise cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Term deposits that meet the above requirements and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified under cash equivalents.

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(g) Financial instruments

Accounts receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Consolidated Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at : amortized cost ; Fair value through other comprehensive income (FVOCI) – debt investment ; FVOCI – equity investment ; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Consolidated Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

- it is held under a business model whose objective is to hold assets to collect contractual cash flows ; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Consolidated Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

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Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Consolidated Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Consolidated Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Consolidated Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivables, other receivable, guarantee deposit paid and other financial assets), accounts receivables and debt investments measured at FVOCI and contract assets.

The Consolidated Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL :

- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable and contract assets are measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Consolidated Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Consolidated Company's historical experience and informed credit assessment as well as forwardlooking information.

The Consolidated Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

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The Consolidated Company considers a financial asset to be in default when the financial asset is more than one year past due or the debtor is unlikely to pay its credit obligations to the Consolidated Company in full.

The Consolidated Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘ investment grade which is considered to be BBB- or higher per Standard & Poor’s, Baa3 or higher per Moody’s or twA or higher per Taiwan Ratings’.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Consolidated Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Consolidated Company in accordance with the contract and the cash flows that the Consolidated Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Consolidated Company assesses whether the credit of financial assets carried at amortized cost are impaired. The credit of a financial asset is impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that the credit of a financial assets is impaired includes the following observable information :

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than 90 days past due ;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

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The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Consolidated Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Consolidated Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Consolidated Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt issued by the Consolidated Company are classified as financial liabilities in accordance with the substance of the contractual arrangements and the definitions of a financial liability.

2) Compound financial instruments

Compound financial instruments issued by the Consolidated Company comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

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3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Consolidated Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Consolidated Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Consolidated Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

The cost of inventories shall comprise all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to the location and condition ready for sale or production. The allocation of fixed production overheads to the finished goods and work in process is based on the normal capacity of the production facilities. However, in the case where the practical capacity is larger than the normal capacity, the allocation is based on the practical capacity. Variable production overheads are allocated to each unit of production on the basis of the actual use of the production facilities. Inventories are subsequently measured at the lower of cost or net realizable value. The cost of inventories is based on the monthly weighted-average cost. Net realizable value is the estimated as the selling price in the ordinary course of business at the reporting date, less the estimated costs until completion and selling expenses. If the inventory is reserved for a contract, its net realizable value shall be based on the price of the contract.

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(i) Investment in associates

Associates are those entities in which the Consolidated Company has significant influence, but not control or joint control, over the financial and operating policies.

The Consolidated Company's investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill resulted from the acquisition less any accumulated impairment losses.

The financial statements include the Consolidated Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Consolidated Company, from the date on which significant influence commences until the date on which significant influence ceases. The Consolidated Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Unrealized gains and losses resulting from the transactions between the Consolidated Company and an associate are recognized only to the extent of unrelated Consolidated Company's interests in the associate. When the Consolidated Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Consolidated Company has incurred legal or constructive obligations or made payments on behalf of the associate.

The Consolidated Company discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Consolidated Company accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Consolidated Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) (or retained earnings) when the equity method is discontinued. If the Consolidated Company's ownership interest in an associate is reduced while it continues to apply the equity method, the Consolidated Company reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Consolidated Company continues to apply the equity method without remeasuring the retained interest.

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When the Consolidated Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Consolidated Company's proportionate interest in the net assets of the associate. The Consolidated Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Consolidated Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities

(j) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as non-operating revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Consolidated Company.

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(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows :

- 1) Buildings : 3 to 60 years
- 2) Machinery and equipment : 1.25 to 25 years
- 3) Miscellaneous equipment : 2 to 30 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate..

(l) Leases

(i) Identifying a lease

At inception of a contract, the Consolidated Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Consolidated Company assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Consolidated Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Consolidated Company has the right to direct the use of the asset throughout the period of use if either:
 - The Consolidated Company has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used; or

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- In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Consolidated Company has the right to direct the use of an asset if either :
 - the Consolidated Company has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions ; or
 - the Consolidated Company designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Consolidated Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Consolidated Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Consolidated Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Consolidated Company's incremental borrowing rate. Generally, the Consolidated Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Consolidated Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment on whether it will exercise a purchase; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Consolidated Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Consolidated Company presents right-of-use assets that do not meet the definition of investment properties and lease liabilities as a separate line item respectively in the statement of financial position.

The Consolidated Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery office equipment and transportation equipment that have a lease term of 12 months or less and leases of low-value assets. The Consolidated Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Consolidated Company elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and
- there is no substantive change in other terms and conditions of the lease.

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In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(iii) As a lessor

When the Consolidated Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Consolidated Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Consolidated Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(m) Impairment of non-financial assets

The Consolidated Company assesses whether impairment has occurred on its non-financial assets other than inventories, deferred tax assets, and assets arising from employee benefit at every reporting date, and estimates the recoverable amounts of assets with indication of impairment. If it is not able to estimate the recoverable amounts of the individual assets, the Company estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an assets or CGU is the greater of its fair value less costs of disposal and its value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized immediately in profit or loss.

(n) Provision

A provision is recognized if, as a result of a past event, the Consolidated Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Warranties

A provision for warranties is recognized based on the estimated expenditures that may incur during the warranty period of the contracted projects. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities. Provisions are reversed when actual expenditures incur. If the expenditures exceed the balance of the provisions, they are recognized as expenses for the period.

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(ii) Site restoration

In accordance with the Consolidated Company policies that require an obligation to be settled, a provision for site demolition is recognized as expense during the period of demolition.

(o) Revenue recognition

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Consolidated Company expects to be entitled in exchange for transferring goods or services to a customer. The Consolidated Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Consolidated Company's main types of revenue are explained below :

1) Sale of goods

The Consolidated Company recognizes revenue when control of the products has transferred, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Consolidated Company has objective evidence that all criteria for acceptance have been satisfied.

2) Construction contracts

The Consolidated Company engages in construction contracts. Because its customer controls the asset as it is constructed, the Consolidated Company recognizes revenue over time on the basis of the construction costs incurred to date as a proportion of the total estimated costs of the contract. The customer pays the fixed amount based on a payment schedule. If the Consolidated Company has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

If the Consolidated Company cannot reasonably measure its progress towards the completion of a construction contract, the Consolidated Company shall recognize revenue only to the extent of the costs expected to be recovered.

A provision for onerous contracts is recognized when the Consolidated Company expects the unavoidable costs of performing the obligations under a construction contract exceed the economic benefits expected to be received under the contract.

Estimates of revenues, costs, or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

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The Consolidated Company recognizes provisions for its warranty for the agreed specifications of the construction contracts.

3) Rendering of services

The Consolidated Company is engaged in the collection and disposal services of electric arc furnace dusts (EAF dusts). The revenue is recognized when the services are completed. The total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The Consolidated Company does not expect significant differences in the timing of revenue recognition for these services.

4) Financing components

The Consolidated Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Consolidated Company does not adjust any of the transaction prices for the time value of money.

(p) Contract costs

(i) Incremental costs of obtaining a contract

The Consolidated Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Consolidated Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Consolidated Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Consolidated Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

(ii) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of other standards (for example, IAS 2 “Inventories”, IAS 16 “Property, Plant and Equipment” or IAS 38 “Intangible Assets”), the Consolidated Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Consolidated Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Consolidated Company recognizes these costs as expenses when incurred.

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(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as expense for the period in which services are rendered by employees.

(ii) Defined benefit plans

The Consolidated Company's net obligation in respect of a defined benefit pension plan is calculated separately by estimating the discounted present value of future benefit that employees have earned in return for their service in the current and prior periods.

An actuarial calculation of pension costs and related liabilities are performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Consolidated Company, an asset is recognized but the recognized asset is limited to the total of present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability, comprising actuarial gains and losses, the return on plan assets (excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Consolidated Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Consolidated Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Consolidated Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) Income taxes

Income taxes comprises current tax expense and deferred tax expense. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

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Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following :

- (i) the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit (loss) ; or
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Consolidated Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met :

- (i) the Consolidated Company has a legally enforceable right to set off current tax assets against current tax liabilities ; and
 - (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either :
 - 1) the same taxable entity ; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.
- (s) Business combination

The Consolidated Company measures goodwill as the fair value of the consideration transferred on the acquisition date, including the amount of any non-controlling interest of the acquiree , net of the amounts of identifiable assets acquired and liabilities assumed (generally at fair value as of the date of acquisition). If the residual balance is negative, the Consolidated Company shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain on the bargain purchase through profit or loss.

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All transaction costs incurred for the business combination are recognized immediately as the Consolidated Company's expenses when incurred, except for the issuance of debt or equity instruments.

The Consolidated Company selects whether to measure non-controlling interest at fair value as of the date of acquisition or at the amount of identifiable net assets in proportion to the shareholding percentage of the non-controlling interest, based on each of the basis of transaction.

In a business combination achieved in stages, the Consolidated Company shall re-measure its previously-held equity interest in the acquiree at fair value as of the date of acquisition and recognize the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Consolidated Company may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the Consolidated Company had disposed directly of the previously held equity interest. If the disposal of the equity interest requires a reclassification to profit or loss, such an amount shall be reclassified to profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Consolidated Company shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Consolidated Company shall retrospectively adjust the provisional amounts recognized at the acquisition date, or recognize additional assets or liabilities to reflect new information obtained about facts and circumstances that exists as of the date of acquisition. The measurement period shall not exceed one year from the date of acquisition.

(t) Earnings per share

The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding after adjustments for the effects of all potentially dilutive ordinary shares, including convertible bonds.

(u) Natural resource

Natural resource is the mining right acquired for a specific area and the necessary cost incurred to acquire the mining right, including developing costs. It is measured at costs less accumulated amortization and accumulated impairment. Natural resource is amortized after the mining license is acquired by production life (20 years) using the straight-line method, with the amortized amount recognized through profit or loss.

Salvage value, amortization period, and amortization method should be inspected at least at every fiscal year-end. If any changes occur, changes should be recognized as changes in accounting estimate.

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(v) Operating segments

An operating segment is a component of the Consolidated Company that engages in business activities from which it may incur revenues and incur expenses. Operating results of the operating segment are regularly reviewed by the Consolidated Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. Any impact from the changes in accounting estimates are recorded in the period in which the changes occur and in future periods.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(a) Judgment of whether the Consolidated Company has substantive control over its investees

The Consolidated Company holds 46.19% and 35% outstanding voting shares of its associates, Katec R & D Corp. and Fujian Sino-Japan Metal Corp., respectively, and is the single largest shareholder of both investees. Although the remaining shares are not concentrated within specific shareholders, the Consolidated Company still failed to obtain more than half of their directors and the voting rights at their shareholders' meeting. Therefore, it is determined that the Consolidated Company has significant influence but not control over both associates.

(b) Impairment evaluation of property, plant and equipment

In the process of evaluating impairment, the Consolidated Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups considering of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years.

(c) Revenue recognition of construction contracts

Contract revenue are recognized by reference to the stage of completion of each contract. The stage of completion of a contract is measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Estimated total contract costs of contracted items are assessed and determined by the management based on the nature of activities, expected sub-contracting charges, construction periods, processes, methods, etc., for each construction contract. Changes in these estimates might affect the calculation of the percentage of completion and related profits from construction contracts.

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The Consolidated Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Consolidated Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

The Consolidated Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows :

Level 1 : quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

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

Level 3 : inputs for the assets or liability that are not based on observable market data.

For any transfers between the fair value hierarchies, the impact of the transfer is recognized on the reporting date.

Please refer to the notes listed as below for related information on assumptions used in measuring fair value :

Note 6(l), Investment property

Note 6(aa), Financial instruments

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Cash on hand	\$ 2,651	1,986
Checking and demand deposits	1,035,841	834,357
Term deposits	359,799	139,510
Repurchase agreement	<u>534,877</u>	<u>997</u>
Cash and cash equivalents on the statement of cash flows	<u><u>\$ 1,933,168</u></u>	<u><u>976,850</u></u>

(i) Please refer to Note 6(aa) for interest rate risk and sensitivity analysis of the financial assets and liabilities of the Consolidated Company.

(ii) As of December 31, 2020 and 2019, certain term deposits were pledged as collateral of performance guarantee, and such term deposits were reclassified to refundable deposits and other current or non current assets. Please refer to Note 8 for details.

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(b) Financial assets and liabilities at fair value through profit or loss

	December 31, 2020	December 31, 2019
Financial assets at fair value through profit or loss:		
Derivative instruments not used for hedging		
Foreign exchange forward contracts	\$ 10,557	-
Non-derivative financial assets		
Stocks listed on domestic markets	145,240	162,959
Redemption and put options on convertible bonds	1,233	-
Total	\$ 157,030	162,959
Financial liabilities at fair value through profit or loss :		
Financial liability held for trading:		
Derivative instruments not used for hedging		
Foreign exchange forward contracts	\$ -	7,144
Non-derivative financial liabilities		
Redemption options on convertible bonds	-	13,000
Total	\$ -	20,144

The Consolidated Company uses derivative financial instruments to hedge certain foreign exchange and interest rate risks that the Consolidated Company is exposed to arising from its operating, financing, and investing activities. The Consolidated Company held the following derivative financial instruments, which did not meet the criteria for hedge accounting, under financial assets held for trading :

	December 31, 2020		
	Nominal amount (in thousands)	Currency	Maturity dates
Foreign exchange forward	USD 48,892	Sell USD/buy TWD	2021.01.05~2021.03.30
	December 31, 2019		
	Nominal amount (in thousands)	Currency	Maturity dates
Foreign exchange forward	USD 22,363	Sell USD/buy TWD	2020.01.10~2020.03.31

None of the financial assets were pledged as collateral as of December 31, 2020 and 2019, respectively.

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

	December 31, 2020	December 31, 2019
Equity investments at fair value through other comprehensive income :		
Stocks listed on domestic markets	\$ 305,948	307,282
Unlisted stocks	157,768	157,452
Total	\$ 463,716	464,734

- (i) The Consolidated Company designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Consolidated Company intends to hold for long-term for strategic purposes.
- (ii) Tung Jiang Investment Corp. reduced capital to cover deficit and refunded of shares in 2020, where it realized a loss of \$857 thousand, which was recognized as other comprehensive income, and thereafter, was reclassified to retained earnings.
- (iii) Tech Alliance Corp. reduced capital to cover deficit and refunded of shares in 2020, where it realized a loss of \$27,907 thousand, which was recognized as other comprehensive income, and thereafter, was reclassified to retained earnings.
- (iv) The Consolidated Company disposed a part of its shares in Taiwan High Speed Rail Corporation in 2019, where it realized a gain of \$45,194 thousand, which was recognized under other comprehensive income and reclassified to retained earnings.
- (v) Hexawave Photonic System, Inc. reduced capital to cover deficit and refunded of shares in 2019, where it realized a loss of \$19,796 thousand, which was recognized as other comprehensive income, and thereafter, was reclassified to retained earnings.
- (vi) For credit risk and market risk, please refer to Note 6(ab).
- (vii) None of the financial assets were pledged.

(d) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable from operating activities	\$ 517,078	235,298
Accounts receivable from amortised cost	2,831,876	2,982,336
Accounts receivable from related parties	4,571	5,033
Overdue receivables	15,185	10,393
Less: loss allowance	(105,942)	(36,028)
	\$ 3,262,768	3,197,032

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The Consolidated Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision in the Steel Structure Department in China, in Vietnam Department and the other Departments was determined as follows :

	December 31, 2020		
	Gross carrying amount	Weighted-average rate of expected credit loss	Loss allowance for expected credit losses
Current	\$ <u>292,612</u>	0%	<u>-</u>
	December 31, 2019		
	Gross carrying amount	Weighted-average rate of expected credit loss	Loss allowance for expected credit losses
Current	\$ <u>277,605</u>	0%	<u>-</u>

The analysis of expected credit loss of the notes and accounts receivable of the Consolidated Company, except for the Steel Structure Department in China, the Vietnam Department, and the Other Departments, was as follows :

	December 31, 2020		
	Gross carrying amount	Weighted-average rate of expected credit loss	Loss allowance for expected credit losses
With low risk	\$ 1,217,114	0.38%	4,565
With moderate risk	1,780,209	1.27%	22,577
With financial difficulties	<u>78,775</u>	100%	<u>78,775</u>
	<u>\$ 3,076,098</u>		<u>105,917</u>
	December 31, 2019		
	Gross carrying amount	Weighted-average rate of expected credit loss	Loss allowance for expected credit losses
With low risk	\$ 1,763,274	0.20%	3,569
With moderate risk	1,181,781	1.86%	22,034
With financial difficulties	<u>10,400</u>	100%	<u>10,400</u>
	<u>\$ 2,955,455</u>		<u>36,003</u>

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The aging analysis of notes and accounts receivable, which were past due but not impaired, was as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
1 to 60 days past due	\$ 48	4,877
61 to 90 days past due	-	-
91 to 120 days past due	-	-
	<u>\$ 48</u>	<u>4,877</u>

The changes in the allowance for notes and accounts receivable were as follows :

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 36,028	71,486
Impairment losses recognized	68,534	485
Amounts written off	-	(36,153)
Foreign exchange gains/(losses)	1,380	210
Balance at December 31	<u>\$ 105,942</u>	<u>36,028</u>

(e) Other receivables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Tax refund receivables	\$ 565	-
Other receivables from related parties	1,098	64
Dividends receivable	-	13,392
Others	10,726	7,379
Less: allowance for impairment	-	-
	<u>\$ 12,389</u>	<u>20,835</u>

For the years ended December 31, 2020 and 2019, no other receivables were impaired resulted from overdue. For credit risk, please refer to Note 6 (aa).

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(f) Inventories

	December 31, 2020	December 31, 2019
Finished goods (including consigned goods)	\$ 2,400,035	2,469,404
Work in process (including consigned goods and goods in transit)	2,939,513	3,086,472
Raw materials (including goods in transit)	4,975,795	6,626,156
Material supplies (including consigned goods and goods in transit)	<u>1,912,050</u>	<u>1,637,604</u>
Inventories, net	<u>\$ 12,227,393</u>	<u>13,819,636</u>

None of the inventory was pledged as collateral as of December 31, 2020 and 2019.

(i) For the years ended December 31, 2020 and 2019, cost of sales recognized was as follows :

	For the years ended December 31,	
	2020	2019
Cost of goods sold	\$ 31,241,609	34,760,580
Gain from recovery of inventory market price	(120,183)	(53,456)
Unallocated fixed overheads — capacity variance	86,048	172,567
Revenue from sale of materials and scrap	<u>(136,606)</u>	<u>(108,973)</u>
Total	<u>\$ 31,070,868</u>	<u>34,770,718</u>

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. Any changes of competitors' reactions and market condition would impact the estimation which is based on the current market condition and past experience. The management of the Company makes such evaluation on every reporting date.

(ii) The Consolidated Company's processing costs recognized for providing services for the years ended December 31, 2020 and 2019, consisted of the following :

	For the years ended December 31,	
	2020	2019
Processing costs	<u>\$ 564,972</u>	<u>505,851</u>

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(g) Acquisition of subsidiaries

(i) Acquisition of subsidiaries

The Consolidated Company acquired 46.75% of the shares of Duc Hoa International Joint Stock Company (“Duc Hoa”) through GT International Enterprise INC. on January 20, 2020, and its equity was increased from 49.25% to 96% to obtain control of the company. Duc Hoa is a professional automated quicklime factory.

Taking control of Duc Hoa will enable the Consolidated Company to directly obtain the secondary material for steelmaking. The Consolidated Company is also expected to reduce costs through economies of scale.

In the period from the acquisition date to December 31, 2020, Duc Hoa contributed revenue and net income to the Consolidated Company amounting to \$202,550 thousand and \$19,003 thousand, respectively.

If the acquisition had occurred on January 1, 2020, the management estimated that the consolidated revenue would have been \$42,866,290 thousand, and the consolidated profit would have been \$3,556,583 thousand. In determining these amounts, the management assumed that if the acquisition had occurred on January 1, 2020, the adjustment for provisional fair value would have been the same.

1) Assets acquired and liabilities assumed as of the date of acquisition

The fair values of the identifiable assets acquired and liabilities assumed as of the date of acquisition are as follows:

Cash and cash equivalents	\$	26,853
Accounts receivable		18,365
Inventories		24,856
Other current assets		227
Property, plant and equipment		128,353
Other non-current assets		10,112
Accounts payable		(11,804)
Other payables		(2,833)
Short-term loans		<u>(93,615)</u>
Fair value of identifiable net assets	\$	<u><u>100,514</u></u>

2) Acquisition is as follows:

Consideration transferred	\$	46,990
Add : non-controlling interest in the acquiree		4,021
Add : fair value of pre-existing interest in Duc Hoa		<u>49,503</u>
Fair value of identifiable net assets	\$	<u><u>100,514</u></u>

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The above consideration amounted to USD1,569 thousand, and the payment has already been paid.

The Consolidated Company recognizes an interest of \$5,408 thousand (USD 183 thousand) by reassessing the fair value of the 49.25% equity held in Duc Hoa International prior to the acquisition date. This profit is recognized under the “other gains and losses” on the Consolidated Statements of Comprehensive Income for the year ended December 31, 2020.

(h) Loss control of subsidiaries

Its entire shares in Best-Steel Trade Corp. at a disposal price of \$177 thousand, resulting in a gain on disposal of \$13,739 thousand, recognized under “ other gains or losses” in the statement of comprehensive income. On November 12, 2020, the Consolidated Company lost control over Best-Steel Trade Corp.

The fair values of assets and liabilities due to the disposal of Best-Steel Trade Corp. are as follows:

Cash and cash equivalents	\$	1,542
Accounts receivable and other receivable(including allowance for impairment)		7,792
Property,plant and equipment		316
Refundable deposits		59
Accounts payable and other payable		<u>(32,311)</u>
Par value of previous subsidiary's net assets	\$	<u>(22,602)</u>

(i) Investments accounted for using the equity method

(i) The Consolidated Company’s financial information for investments accounted for using the equity method that are individually insignificant was as follows :

	December 31, 2020	December 31, 2019
Carrying amount of individually insignificant associates’ equity	<u>\$ 1,378,741</u>	<u>1,405,522</u>
	For the years ended December 31,	
	2020	2019
Attributable to the Consolidated Company :		
Net income from continuing operations	\$ 80,212	101,113
Other comprehensive income	<u>875</u>	<u>118</u>
Total	<u>\$ 81,087</u>	<u>101,231</u>

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
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- (ii) The details of cash dividends paid by the Consolidated Company's associates recognized as deductions of investment accounted for using equity method were as follows :

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Katec Research & Development Corp.	\$ 3,294	1,412
Taiwan Steel Union Co., Ltd.	64,555	123,648
Right Investment Corp.	-	75
Total	<u>\$ 67,849</u>	<u>125,135</u>

- (iii) Collateral

None of the investments accounted for using the equity method were pledged for collateral as of December 31, 2020 and 2019.

- (j) Property, plant and equipment

The details of the changes in the property, plant and equipment of the Consolidated Company for the years ended December 31, 2020 and 2019 were as follows :

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Miscellaneous equipment</u>	<u>Other assets</u>	<u>Construction in progress</u>	<u>Total</u>
Cost or deemed cost:							
Balance as of January 1, 2020	\$ 2,790,635	9,356,847	28,603,508	404,318	613,002	248,115	42,016,425
Acquired from business combinations (Note 6(g))	-	55,072	68,344	4,937	-	-	128,353
Additions	-	8,624	248,071	10,581	-	24,548	291,824
Reclassification in (out)	-	25,497	176,739	(1,214)	-	(161,181)	39,841
Disposals	-	(4,509)	(24,577)	(14,566)	-	-	(43,652)
Effects of exchange rate and others (note)	-	(82,662)	(170,799)	(2,494)	-	(7,504)	(263,459)
Balance as of December 31, 2020	<u>\$ 2,790,635</u>	<u>9,358,869</u>	<u>28,901,286</u>	<u>401,562</u>	<u>613,002</u>	<u>103,978</u>	<u>42,169,332</u>
Balance as of January 1, 2019	\$ 2,750,817	9,370,026	28,400,667	366,615	633,560	205,566	41,727,251
Additions	18,904	8,519	158,054	33,366	-	322,967	541,810
Reclassification in	20,914	104,331	193,525	18,914	(20,558)	(273,024)	44,102
Disposals	-	(79,760)	(56,816)	(12,408)	-	-	(148,984)
Effects of exchange rate and others (note)	-	(46,269)	(91,922)	(2,169)	-	(7,394)	(147,754)
Balance as of December 31, 2019	<u>\$ 2,790,635</u>	<u>9,356,847</u>	<u>28,603,508</u>	<u>404,318</u>	<u>613,002</u>	<u>248,115</u>	<u>42,016,425</u>
Depreciation and impairment:							
Balance as of January 1, 2020	\$ -	3,770,007	18,371,575	226,350	-	-	22,367,932
Depreciation for the period	-	260,928	1,190,566	39,755	-	-	1,491,249
Reclassification in (out)	-	-	-	(1,212)	-	-	(1,212)
Disposals	-	(4,509)	(23,369)	(13,916)	-	-	(41,794)
Effects of exchange rate and others (note)	-	(7,036)	(29,354)	(859)	-	-	(37,249)
Balance as of December 31, 2020	<u>\$ -</u>	<u>4,019,390</u>	<u>19,509,418</u>	<u>250,118</u>	<u>-</u>	<u>-</u>	<u>23,778,926</u>

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Land	Buildings	Machinery equipment	Miscellaneous equipment	Other assets	Construction in progress	Total
Balance as of January 1, 2019	\$ -	3,596,182	17,238,121	198,005	-	-	21,032,308
Depreciation for the period	-	259,366	1,207,350	41,824	-	-	1,508,540
Reclassification in (out)	-	46	846	(892)	-	-	-
Disposals	-	(79,760)	(55,309)	(11,696)	-	-	(146,765)
Effects of exchange rate and others	-	(5,827)	(19,433)	(891)	-	-	(26,151)
Balance as of December 31, 2019	<u>\$ -</u>	<u>3,770,007</u>	<u>18,371,575</u>	<u>226,350</u>	<u>-</u>	<u>-</u>	<u>22,367,932</u>
Carrying value							
Balance as of December 31, 2020	<u>\$ 2,790,635</u>	<u>5,339,479</u>	<u>9,391,868</u>	<u>151,444</u>	<u>613,002</u>	<u>103,978</u>	<u>18,390,406</u>
Balance as of December 31, 2019	<u>\$ 2,790,635</u>	<u>5,586,840</u>	<u>10,231,933</u>	<u>177,968</u>	<u>613,002</u>	<u>248,115</u>	<u>19,648,493</u>

Note: Please refer to Note 6(h) for the reduction of property, plant and equipment amounted to \$316 thousand from disposal of the equity in its subsidiaries.

- (i) Because some of the Consolidated Company's property, plant and equipment and investment property are agricultural lands, transfer registration could not be undertaken using the Consolidated Company's own title; therefore, the Consolidated Company was registered as a trust registrant temporarily and signed the real estate trust registration contract, which stipulates the rights and obligations of both parties to preserve the ownership of the land. The Consolidated Company is applying successively for registration of change in the category of land from relevant authorities. The details of the abovementioned land were as follows :

<u>Accounts</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Property, plant and equipment	\$ 613,002	613,003
Investment property	529,374	505,299
	<u>\$ 1,142,376</u>	<u>1,118,302</u>

- (ii) Impairment

For the years ended December 31, 2020 and 2019, the Consolidated Company performed an assessment on the property, plant and equipment that indicated impairment. The recoverable amount was calculated using the value in use. For the years ended December 31, 2020 and 2019, the carrying value was higher than the value in use. The Consolidated Company recorded an impairment loss which amounted to \$7,692 and \$7,731 thousand, respectively.

- (iii) Collateral

None of the property, plant and equipment was pledged for collateral as of December 31, 2020 and 2019.

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Right-of-use assets

The Consolidated Company leases assets including land, buildings, machinery equipment, transportation equipment, and office equipment. Information about leases for which the Consolidated Company as a lessee is presented below :

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Total</u>
Cost:						
Balance at January 1, 2020	\$ 304,874	58,156	81,595	17,939	5,228	467,792
Additions	27,829	50,667	1,465	2,218	-	82,179
Disposal	(299)	(23,464)	-	(806)	(135)	(24,704)
Effect of changes in foreign exchange rates	(7,465)	377	(4,109)	-	-	(11,197)
Balance at December 31, 2020	<u>\$ 324,939</u>	<u>85,736</u>	<u>78,951</u>	<u>19,351</u>	<u>5,093</u>	<u>514,070</u>
Balance at January 1, 2019	\$ 243,497	22,936	84,008	9,340	3,222	363,003
Additions	65,765	37,179	-	9,391	2,018	114,353
Disposal	(358)	(466)	(358)	(792)	(12)	(1,986)
Effect of changes in foreign exchange rates	(4,030)	(1,493)	(2,055)	-	-	(7,578)
Balance at December 31, 2019	<u>\$ 304,874</u>	<u>58,156</u>	<u>81,595</u>	<u>17,939</u>	<u>5,228</u>	<u>467,792</u>
Accumulated depreciation:						
Balance at January 1, 2020	\$ 17,392	24,111	9,478	4,601	1,095	56,677
Depreciation for the period	19,261	23,034	9,495	6,224	1,060	59,074
Disposal	(299)	(23,464)	-	(806)	(135)	(24,704)
Effect of changes in foreign exchange rates	(322)	271	(774)	-	-	(825)
Balance at December 31, 2020	<u>\$ 36,032</u>	<u>23,952</u>	<u>18,199</u>	<u>10,019</u>	<u>2,020</u>	<u>90,222</u>
Balance at January 1, 2019	\$ -	-	-	-	-	-
Depreciation for the period	17,852	24,951	10,144	5,391	1,107	59,445
Disposal	(318)	(466)	(358)	(790)	(12)	(1,944)
Effect of changes in foreign exchange rates	(142)	(374)	(308)	-	-	(824)
Balance at December 31, 2019	<u>\$ 17,392</u>	<u>24,111</u>	<u>9,478</u>	<u>4,601</u>	<u>1,095</u>	<u>56,677</u>
Carrying amount:						
Balance at December 31, 2020	<u>\$ 288,907</u>	<u>61,784</u>	<u>60,752</u>	<u>9,332</u>	<u>3,073</u>	<u>423,848</u>
Balance at December 31, 2019	<u>\$ 287,482</u>	<u>34,045</u>	<u>72,117</u>	<u>13,338</u>	<u>4,133</u>	<u>411,115</u>

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
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(l) Investment property

	<u>Land and improvements</u>	<u>Buildings</u>	<u>Total</u>
Cost or deemed cost:			
Balance as of January 1, 2020	\$ 1,863,431	269,551	2,132,982
Additions	14,265	460	14,725
Disposal	-	(1,778)	(1,778)
Reclassification (out) in	<u>(14,419)</u>	<u>1,352</u>	<u>(13,067)</u>
Balance as of December 31, 2020	<u>\$ 1,863,277</u>	<u>269,585</u>	<u>2,132,862</u>
Balance as of January 1, 2019	\$ 1,783,863	266,188	2,050,051
Additions	80,096	3,363	83,459
Reclassification out	<u>(528)</u>	<u>-</u>	<u>(528)</u>
Balance as of December 31, 2019	<u>\$ 1,863,431</u>	<u>269,551</u>	<u>2,132,982</u>
Depreciation and impairment:			
Balance as of January 1, 2020	\$ -	188,500	188,500
Depreciation for the period	-	8,640	8,640
Disposal	-	(1,735)	(1,735)
Reclassification in	<u>-</u>	<u>1,211</u>	<u>1,211</u>
Balance as of December 31, 2020	<u>\$ -</u>	<u>196,616</u>	<u>196,616</u>
Balance as of January 1, 2019	\$ -	179,953	179,953
Depreciation for the period	<u>-</u>	<u>8,547</u>	<u>8,547</u>
Balance as of December 31, 2019	<u>\$ -</u>	<u>188,500</u>	<u>188,500</u>
Carrying amounts:			
Balance as of December 31, 2020	<u>\$ 1,863,277</u>	<u>72,969</u>	<u>1,936,246</u>
Balance as of December 31, 2019	<u>\$ 1,863,431</u>	<u>81,051</u>	<u>1,944,482</u>
Fair value:			
Balance as of December 31, 2020			<u>\$ 6,731,541</u>
Balance as of December 31, 2019			<u>\$ 6,711,016</u>

- (i) Investment property includes the investment in Kuo Kong Section, Houlong town, Miaoli County, and several construction sites and factories leased to others; leased objects mentioned above are the factory in Cianjhen District of Kaohsiung, the factory in Bade City of Taoyuan, the building in Taichung, and the office in Taipei.

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- (ii) The investment in Kuo Kong Section, Houlong Town, Miaoli County is within the general industrial zone. The Consolidated Company has established five wind turbines sets to improve the efficiency of the use of the land. On December 17, 2015, the 3.161KV line was merged into Tung Kang Wind Power transformer station. Works of parallel connection started on December 21, 2015, and the electricity license was obtained on August 19, 2016. Also, the continuous increase of investments from world renowned manufacturers and the backflow of Taiwanese investors resulted in an inflation of the land within the industrial zone. Currently, the purpose of usage and owning the land is to obtain the capital appreciation in the future. As of December 31, 2020 and 2019, all of the carrying value for the above investments amounted to \$968,139 thousand.
- (iii) Please refer to Note 6(j) for relevant information on investment property acquired under the ownership of others.
- (iv) The fair value of investment property is in reference to the appraisal report done by independent professionals (with certificated qualification and recent experience in appraisals of items that are within the same area or of similar items). The valuation technique used is classified as the second hierarchy of input value.
- (v) None of the investment property was for pledged for collateral as of December 31, 2020 and 2019.
- (m) Short-term loans
- (i) Details of the Consolidated Company's short-term loans were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Letters of credits	\$ 280,456	680,189
Unsecured bank loans	<u>5,035,245</u>	<u>8,852,037</u>
	<u>\$ 5,315,701</u>	<u>9,532,226</u>
Unused credit lines (including notes and bills payable)	<u>\$ 26,865,515</u>	<u>21,929,795</u>
Range of interest rates	<u>0.42%~5.22%</u>	<u>0.42%~5.80%</u>

- (n) Short-term notes and bills payable
- (i) Details of the Consolidated Company's short-term bills payable were as follows:

		<u>December 31, 2020</u>	
		<u>Interest rate</u>	<u>Amount</u>
Commercial papers payable	IBSC, SCSB, FEIB	0.728%~1.45%	\$ 560,000
Less : discount on short-term bills payable			<u>(286)</u>
Total			<u>\$ 559,714</u>

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
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		December 31, 2019	
		Interest rate	Amount
Commercial papers payable	CBF, Grand Bills, Ta Ching Bills, IBSC, TFC, Mega Bills	0.938%~1.45%	\$ 965,000
Less : discount on short-term bills payable			(505)
Total			\$ 964,495

Please refer to Note 6(m) for unused credit lines.

(o) Long-term loans

Details of the Consolidated Company's long-term loans were as follows :

		December 31, 2020			
		Currency	Interest rate	Maturity	Amount
Unsecured bank loans	TWD	0.68%~1.49%	2021.04.10 ~2025.04.10	\$ 1,253,143	
Unsecured bank loans	USD	1.40%~3.51%	2021.09.11 ~2022.12.09	1,255,139	
Less : current portion				(650,367)	
Total				\$ 1,857,915	
Unused credit lines				\$ 2,405,000	

		December 31, 2019			
		Currency	Interest rate	Maturity	Amount
Unsecured bank loans	TWD	0.83%~1.49%	2021.04.27 ~2025.04.10	\$ 3,166,286	
Unsecured bank loans	USD	3.05% - 3.81%	2021.04.22 ~2022.08.13	1,528,627	
Less : current portion				(216,960)	
Total				\$ 4,477,953	
Unused credit lines				\$ 1,200,000	

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(p) Bonds payable

(i) Major conditions of the issuance of unsecured bonds payable were as follows :

Item	The seventh unsecured domestic convertible bond
1. Principal amount	\$2,000,000 thousand
2. Par value	\$100 thousand
3. Original issuance date	2018.05.14~2023.05.14
4. Maturity	5 years
5. Coupon rate	0%
6. Redemption method	(1) Three months after the issuance date and 40 days prior to maturity, the bonds may be redeemed if the closing price of the ordinary shares, for a period of 30 consecutive trading days, is at least 30% of the conversion price then in effect. 30 trading days prior to maturity, the Company may redeem all bonds for cash. (2) If at least 90% in principal amount of the bonds has already been redeemed, repurchased and cancelled, or converted.
7. Redemption option of bondholders	The bondholders could request the Company to redeem the bond at face value plus the interest premium of 0.75% and 1% three and four years after the issue date, respectively (actual yield: 0.25% and 0.25%, respectively).
8. Conversion price and adjustment	The conversion price was NT27.8 dollars at the original issuance date. Since the Company paid cash dividend on July 7, 2018, to ordinary shareholders that amounted to more than 1.5% of the market price per share then, the convertible price was reduced to NT26.2 dollars according the conversion method. Since the Company paid cash divid on July 22, 2019, to ordinary shareholders that amounted to more than 1.5% of the market price per share then, the convertible price was reduced to NT24.8 dollars according the conversion method. Since the Company paid cash divid on June 20, 2020, to ordinary shareholders that amounted to more than 1.5% of the market price per share then, the convertible price was reduced to NT23.3 dollars according the conversion method.

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(ii) Bonds payable as of December 31, 2020 and 2019, were as follows :

	December 31, 2020	December 31, 2019
Originally issued amount of unsecured domestic convertible bonds	\$ 2,000,000	2,000,000
Accumulated converted convertible bonds	(1,274,500)	-
Adjustment on the equity and liability component from repurchases and conversions	(37,083)	(1,485)
Capital surplus–stock options	(29,736)	(81,973)
Call options, put options, and conversion rights	1,233	(13,000)
Accumulated interest expenses	48,979	31,479
Less: expected to be redeemed within one year	(708,893)	-
Total	\$ -	1,935,021

	For the years ended December 31,	
	2020	2019
Interest expense	\$ 17,500	19,292

(iii) As of December 31, 2020 and 2019 the accumulated repurchase and conversion of the seventh unsecured domestic convertible bonds were as follows :

	Face value of the seventh Domestic Unsecured Convertible Bonds (in thousands of NTD)
Accumulated conversion	
December 31, 2020	\$ 1,274,500
December 31, 2019	\$ -

(q) Lease liabilities

The details of the Consolidated Company's lease liabilities were as follows :

	December 31, 2020	December 31, 2019
Current	\$ 48,243	40,431
Non-current	\$ 229,851	222,719

The details of maturity , please refer to note 6(aa).

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The amounts recognized in profit or loss were as follows :

	For the years ended December 31,	
	2020	2019
Interest on lease liabilities	\$ 4,866	5,236
Income from sub-leasing right-of-use assets	\$ 104	56
Expenses relating to short-term leases	\$ 22,849	17,688
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 4,435	4,824

The amounts recognized in the statement of cash flows was as follows :

	For the years ended December 31,	
	2020	2019
Total cash outflow for leases	\$ 96,034	85,023

(i) Real estate leases

The Consolidated Company leases land and buildings for its office space and storage locations. The leases for office space and storage locations typically run for a period of 2 to 3 years ; and for land in Vietnam and China is 50 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Certain leases contain extension or cancellation options exercisable by the Consolidated Company. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Consolidated Company and not by the lessors. In which lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

(ii) Other leases

The Consolidated Company leases machinery equipment and transportation equipment, with lease terms of two to five years. In some cases, the Consolidated Company has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

The Consolidated Company also leases transportation IT equipment and machinery with contract terms of one to three years. These leases are short-term or leases of low-value items. The Consolidated Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

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(r) Operating lease

The Consolidated Company leases out its investment property and has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to Note 6(l) sets out information about the operating leases of investment property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows :

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Less than one year	\$ 50,986	46,191
One to two years	32,299	29,793
Two to three years	31,522	29,554
Three to four years	32,453	30,457
Four to five years	2,878	31,388
Over five years	<u>10,938</u>	<u>3,700</u>
	<u>\$ 161,076</u>	<u>171,083</u>

The operating lease revenues for the December 31, 2020 and 2019, were \$50,136 and \$45,407 thousand .

(s) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accrued payroll, year-end bonuses, provisionally estimated bonuses, remuneration of directors and supervisors, and employee benefits	\$ 594,516	367,069
Freight payable	246,335	206,037
Utilities payable	292,526	218,614
Sales bonuses payable	237,313	204,338
Waste disposal payable (including to related parties)	84,048	48,642
Cash dividends payable (including from prior years)	44,683	41,274
Taxes payable	24,969	25,755
Equipment payable	23,847	11,926
Other operating and manufacturing overhead payable	<u>312,852</u>	<u>204,957</u>
	<u>\$ 1,861,089</u>	<u>1,328,612</u>

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The above payables are planned to be paid within one year. Please refer Note 6(aa) for the interest rate risk and sensitivity analysis of the aforementioned financial assets and liabilities.

(t) Employee benefits

(i) Defined benefit plan

Reconciliation between the present value of the Company's defined benefit obligation and the fair value of the plan assets were as follows :

	December 31, 2020	December 31, 2019
Present value of the defined benefit obligation	\$ 1,608,336	1,627,071
Fair value of the plan assets	<u>(1,049,511)</u>	<u>(790,837)</u>
Net defined benefit liabilities	<u>\$ 558,825</u>	<u>836,234</u>

Reconciliation between the present value of the subsidiaries's defined benefit obligation and the fair value of plan assets were as follows :

	December 31, 2020	December 31, 2019
Present value of defined benefit obligation	\$ (1,881)	(1,469)
Fair value of plan assets	<u>13,167</u>	<u>12,656</u>
Net defined benefit assets	<u>\$ 11,286</u>	<u>11,187</u>

1) Composition of the plan assets

The Labor Pension Fund Supervisory Committee manages the Consolidated Company's pension fund which is being funded according to the Labor Standards Act. Under the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, this fund is required to distribute income of not less than the interest income derived from two-year time deposit with the local banks.

As of December 31, 2020 and 2019, the balance of the Consolidated Company's pension fund at Bank of Taiwan amounted to \$1,062,678 thousand and \$803,494 thousand, respectively. Please refer to the related information published on the website of the Labor Pension Supervisory Committee concerning the utilization off the labor pension fund, related yield rate and its asset allocation.

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2) Changes in the present value of the defined benefit obligation

Changes in the present value of the Company's defined benefit obligation were as follows :

	For the years ended December 31,	
	2020	2019
Balance as of January 1	\$ 1,627,071	1,595,547
Service cost and interest expense for the period	33,680	38,740
Remeasurements of the net defined benefit liabilities :		
— Experience adjustments	28,290	48,479
— Actuarial (gains) losses arising from changes in population statistics assumptions	5	96
Benefits paid	(80,710)	(55,791)
Balance as of December 31	<u>\$ 1,608,336</u>	<u>1,627,071</u>

Changes in the present value of the subsidiaries' defined benefit obligation were as follows :

	For the years ended December 31,	
	2020	2019
Balance as of January 1	\$ (1,469)	(635)
Service cost and interest expense for the period	(11)	(6)
Remeasurements of the net defined benefit assets :		
— Experience adjustments	(287)	(778)
— Actuarial (gains) losses arising from changes in population statistics assumptions	(3)	-
— Actuarial losses arising from changes in financial assumptions	(111)	(50)
Balance as of December 31	<u>\$ (1,881)</u>	<u>(1,469)</u>

3) Changes in the fair value of the plan assets

Changes in the Company's fair value of the plan assets were as follows :

	For the years ended	
	December 31,	
	2020	2019
Balance as of January 1	\$ 790,837	749,324
Interest income	5,422	7,455
Remeasurements of the net defined benefit liabilities :		
— Return on plan assets (excluding interests for the period)	27,720	26,613
Contributions from employer	305,572	62,435
Benefits paid	(80,040)	(54,990)
Balance at December 31	<u>\$ 1,049,511</u>	<u>790,837</u>

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
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Changes in the subsidiaries' fair value of the plan assets were as follows :

	For the years ended December 31,	
	2020	2019
Balance as of January 1	\$ 12,656	12,107
Interest income	95	121
Remeasurements of the net defined benefit assets:		
— Return on plan assets (excluding interests for the period)	416	428
Balance as of December 31	\$ 13,167	12,656

4) Expenses recognized as profit or loss

The Consolidated Company's expenses recognized in profit or loss were as follows :

	For the years ended December 31,	
	2020	2019
Service cost for the period	\$ 22,552	23,035
Net interest expense of net defined benefit liabilities	5,706	8,250
	\$ 28,258	31,285

	For the years ended December 31,	
	2020	2019
Operating costs	\$ 22,583	24,705
Selling expenses	956	1,014
Administrative expenses	4,719	5,566
	\$ 28,258	31,285

The subsidiaries' expense recognized in profit or loss were as follows :

	For the years ended December 31,	
	2020	2019
Net interest expense of net defined benefit assets	\$ (84)	(115)
Reduction of administrative expenses	\$ (84)	(115)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
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- 5) Changes in the remeasurement of the net defined benefit (assets) liabilities recognized in other comprehensive income

The Company's cumulated remeasurement of the net defined benefit liabilities recognized in other comprehensive income was as follows :

	For the years ended	
	December 31,	
	2020	2019
Balance at January 1	\$ 345,391	323,429
Recognized in the current period	574	21,962
Balance at December 31	<u>\$ 345,965</u>	<u>345,391</u>

The subsidiaries' cumulated pretax remeasurement of the net defined benefit liabilities recognized in other comprehensive income was as follows :

	For the years ended	
	December 31,	
	2020	2019
Balance as of January 1	\$ (211)	178
Recognized in the current period	15	(389)
Balance as of December 31	<u>\$ (196)</u>	<u>(211)</u>

- 6) Actuarial assumptions

The principal assumptions of the Company's actuarial valuation were as follows :

	For the years ended	
	December 31,	
	2020	2019
Discount rates	0.30 %	0.70 %
Rates of increase in future salary	1.50 %	1.50 %

The Company expects to make a contribution of NT\$40,217 thousand to its defined benefit plans in the following year, beginning December 31, 2020. The weighted average duration of the defined benefit obligation is 8 years.

The principal assumptions of the subsidiaries' actuarial valuation were as follows :

	For the years ended	
	December 31,	
	2020	2019
Discount rates	0.40 %	0.75 %
Rates of increase in future salary	2.00 %	2.00 %

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The subsidiaries do not expect to make contributions to its defined benefit plans in the following year, beginning December 31, 2020. The weighted average duration of the defined benefit obligation is 17 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows :

	Effects on the Company's defined benefit obligations	
	Increase by 0.25%	Decrease by 0.25%
December 31, 2020		
Discount rate	\$ (34,777)	35,923
Rate of increase in future salary	35,402	(34,456)
December 31, 2019		
Discount rate	(36,177)	37,406
Rate of increase in future salary	37,014	(35,984)
	Effects on the subsidiaries' defined benefit obligations	
	Increase by 0.25%	Decrease by 0.25%
December 31, 2020		
Discount rate	\$ (80)	85
Rate of increase in future salary	83	(79)
December 31, 2019		
Discount rate	(50)	52
Rate of increase in future salary	52	(50)

The above sensitivity analysis was based on the changes of a single assumption while holding other assumptions constant. In practicality, it is reasonably possible that the changes in different assumptions are linked to one another. The sensitivity analysis adopts the same method for determining the defined benefit assets at the reporting date.

There was no change of method and assumptions used in the sensitivity analysis for 2020 and 2019.

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(ii) Defined contribution plan

The Consolidated Company allocates 6% of each employee's monthly wages to the Labor Pension Personal Accounts at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Consolidated Company does not bear any additional legal or constructive obligations other than the allocation of a fixed amount to the Bureau of the Labor Insurance. The China subsidiaries allocates 18% of each employee's monthly wages to retirement pension fund in accordance with the local government regulations, the retirement payment obligations will be exempted after the implementation of the responsibilities.

The Consolidated Company's pension costs under the defined contribution plan were \$63,289 thousand and \$61,590 thousand for 2020 and 2019, respectively. The payment was made to the Bureau of the Labor Insurance.

(u) Income tax

(i) The details of income tax expense were as follows:

	For the years ended	
	December 31,	
	2020	2019
Income tax expense for the period		
Current tax expense incurred during the period	\$ 950,681	552,643
Adjustments for prior years	(57,442)	10,022
	893,239	562,665
Deferred tax expense		
The origination and reversal of temporary differences	39,748	1,669
Income tax expense for continuing operations	\$ 932,987	564,334

The income tax (expense) benefit related to components of other comprehensive income for the years ended December 31, 2020 and 2019, were as follows :

	For the years ended	
	December 31,	
	2020	2019
Remeasurement of the defined benefit plans	\$ 112	4,470

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
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The reconciliation of income tax expense and income before income tax for the years ended December 31, 2020 and 2019, were as follows :

	For the years ended December 31,	
	2020	2019
Income before income tax	\$ 4,489,570	2,122,132
Income tax using the Company's domestic tax rate	\$ 897,914	424,426
Effect of difference in income tax rates between foreign investees	40,793	85,773
Permanent difference	(17,217)	(17,996)
Current investment tax credits used	(7,345)	(5,928)
Previously of unrecognized deferred tax assets used	-	(5,206)
Changes of unrecognized temporary difference	(12,426)	(30,395)
Failure of previously taxable losses	290	248
Losses from current periods of unrecognized deferred tax assets	55,303	96,113
Under (over)-estimation from prior periods	(58,476)	10,022
Surtax on unappropriated earnings	10,889	4,226
Difference between administrative remedy and assessment by the tax authority	1,229	-
Other adjustments	22,033	3,051
Total	\$ 932,987	564,334

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

There was no unrecognized deferred tax liabilities as of December 31, 2020 and 2019.

2) Unrecognized deferred tax assets

The items of unrecognized deferred tax assets were as follows :

	December 31, 2020	December 31, 2019
Tax effect of deductible temporary differences	\$ 91,915	89,395
Temporary differences related to investment in subsidiary	616,177	497,509
Loss carry-forward	303,669	308,938
	\$ 1,011,761	895,842

The Consolidated Company has no intention to dispose or reduce the equity of its subsidiaries; therefore, the temporary differences incurred from its subsidiaries' investments will not to be recognized.

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The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of five to ten years for local tax reporting purposes. No deferred tax assets have been recognized in respect of the losses due to the uncertainty about whether there will be sufficient taxable gains in the future to utilize the temporary differences.

As of December 31, 2020 and 2019, the Consolidated Company's unused loss carry-forwards that were not recognized as deferred tax assets were \$2,368,358 thousand and \$2,381,526 thousand, the deductible deadline were December 31, 2030 and 2029.

3) Recognized deferred tax assets and liabilities

Changes in deferred tax assets and liabilities for the years ended December 31, 2020 and 2019 were as follows :

		Reserve for land appreciation tax			Others	Total	
Deferred tax liabilities:							
Balance as of January 1, 2020	\$	167,174		3,129		170,303	
Recognized in profit or loss		-		1,874		1,874	
Recognized in other comprehensive income		-		3		3	
Balance as of December 31, 2020	\$	167,174		5,006		172,180	
Balance as of January 1, 2019	\$	167,174		7,314		174,488	
Recognized in profit or loss		-		(4,105)		(4,105)	
Recognized in other comprehensive income		-		(80)		(80)	
Balance as of December 31, 2019	\$	167,174		3,129		170,303	
Deferred tax assets:							
		Defined benefit plans	Unrealized loss on financial assets and liabilities	Reversal of difference on difference between financial and tax reports arising from deferred gain on foreign exchange forward contracts	Loss carry-forward	Others	Total
Balance as of January 1, 2020	\$	106,243	1,356	18,767	5,929	21,055	153,350
Recognized in profit or loss		(55,597)	(1,356)	(1,905)	195	20,789	(37,874)
Recognized in other comprehensive income		115	-	-	-	-	115
Balance as of December 31, 2020	\$	50,761	1,356	16,862	6,124	41,844	115,591
Balance as of January 1, 2019	\$	108,241	349	20,672	5,980	19,490	154,732
Recognized in profit or loss		(6,390)	1,007	(1,905)	(51)	1,565	(5,774)
Recognized in other comprehensive income		4,392	-	-	-	-	4,392
Balance as of December 31, 2019	\$	106,243	1,356	18,767	5,929	21,055	153,350

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As of December 31, 2020, the Consolidated Company's unused loss carry-forwards that were recognized as deferred tax assets were as follows:

<u>Year of occurrence</u>	<u>Remaining creditable amount</u>	<u>Expiry year</u>
2011 (assessment)	\$ 1,896	2021
2012 (assessment)	2,387	2022
2013 (assessment)	2,873	2023
2014 (assessment)	3,363	2024
2015 (assessment)	6,275	2025
2016 (assessment)	4,740	2026
2017 (assessment)	3,176	2027
2018 (assessment)	4,889	2028
2019 (projection)	221	2029
2020 (projection)	798	2030
	<u>\$ 30,618</u>	

(iii) The Company's income tax returns have been examined by the ROC tax authorities through 2017.

(v) Capital and other equity

(i) Capital stock

As of December 31, 2020 and 2019, the Company's government-registered total authorized capital amounted to \$15,000,000 thousand, with par value per share of \$10 (dollars), and issued ordinary shares amounted were 1,058,760 thousand and 1,004,061 thousand shares. All issued shares were paid up upon issuance.

The holders of convertible bonds exercised certain conversion rights; therefore, the Consolidated Company issued 54,699 thousand certificates of entitlements for the new shares amounting to \$546,993 thousand, at par value. Among the newly issued shares, the legal registration procedures of 12,730 thousand shares had been completed as of December 31, 2020.

The reconciliation for numbers of outstanding shares was as follows :

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
(in thousands of shares)		
Balance as of January 1	1,004,061	1,004,061
Conversion of convertible bonds	54,699	-
Balance as of December 31	<u>1,058,760</u>	<u>1,004,061</u>

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On September 22, 1994, the Consolidated Company issued 6,000 thousand Global Depository Receipts (GDRs), in the Multilateral Trading Facility (MTF) market of the Luxembourg Stock Exchange (LSE)(one GDRs represents 10 ordinary shares). The details were as follows :

(in shares)	December 31, 2020	December 31, 2019
Total issued shares	<u>68,610,809</u>	<u>68,610,809</u>
Outstanding shares	<u>7,345,128</u>	<u>7,345,128</u>

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2020	December 31, 2019
Additional paid-in capital	\$ 2,289,734	2,289,734
Conversion of bonds	4,587,743	3,840,072
Treasury stock transactions	59,036	59,036
Difference between the acquiring value and the carrying value of subsidiaries	21,524	21,274
Changes in equity of associates accounted for using the equity method	190,445	190,445
Stock options	29,736	81,973
Others	<u>109,702</u>	<u>109,702</u>
	<u>\$ 7,287,920</u>	<u>6,592,236</u>

According to the Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

Based on the Company's articles of incorporation, the Company's annual earnings should first be used to provide for income tax and to cover accumulated deficits, before being set aside 10% as a legal reserve, or if necessary, a special reserve. The remainder, along with accumulated earnings, is to be distributed as dividends and earnings distribution under the stockholders' resolution.

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The Company is at a stable and mature stage, so the dividend plan is that the percentages of cash dividends and stock dividends shall not be less than 80% and more than 20%, respectively, of the total distribution.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

By choosing to apply exemptions granted under IFRSs 1 First-time Adoption of IFRSs during the Consolidated Company's first-time adoption of the IFRSs as approved by the FSC, unrealized revaluation gains recognized under shareholders' equity and cumulative translation adjustments (gains) shall be reclassified as investment property at the adoption date. According to regulations, retained earnings would be increased by \$333,057 thousand, by recognizing the fair value on the adoption date as deemed cost. The increase in retained earnings occurring before the adoption date due to the first-time adoption of the IFRSs amounted to \$149,309 thousand. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, an increase in retained earnings due to the first-time adoption of the IFRSs shall be reclassified as a special earnings reserve during earnings distribution, and when the relevant asset were used, disposed of, reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately. The carrying amount of special earnings reserve amounted to \$149,309 thousand on December 31, 2020.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and unappropriated prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of unappropriated prior period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The appropriation of earnings of the year ended December 31, 2019 and 2018 were resolved by the shareholders' meeting on May 19, 2020 and June 18, 2019. These earnings were appropriated as follows :

	2019	2018
Dividends per ordinary share (in dollars)		
Cash dividend	\$ 1.35	1.20

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The abovementioned distribution approved by the shareholders' meeting is consistent with that approved by the Board of Directors. Related information can be found through the Market Observation Post System website.

4) OCI accumulated in reserves, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through OCI	Total
Balance as of January 1, 2020	\$ (784,660)	78,438	(706,222)
Exchange differences on translation of foreign operations (net of taxes) :			
The Consolidated Company	(156,771)	-	(156,771)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income :			
The Consolidated Company	-	14,012	14,012
Others :			
The Consolidated Company	63	26,555	26,618
Balance as of December 31, 2020	<u>\$ (941,368)</u>	<u>119,005</u>	<u>(822,363)</u>
Balance as of January 1, 2019	\$ (664,948)	17,924	(647,024)
Exchange differences on translation of foreign operations (net of taxes) :			
The Consolidated Company	(119,712)	-	(119,712)
Disposal of investments in equity instruments designated at fair value through other comprehensive income			
The Consolidated Company	-	(31,978)	(31,978)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income :			
The Consolidated Company	-	65,990	65,990
Other :			
The Consolidated Company	-	26,502	26,502
Balance as of December 31, 2019	<u>\$ (784,660)</u>	<u>78,438</u>	<u>(706,222)</u>

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(w) Earnings per share

(i) Basic earnings per share

The basic earnings per share for the years ended December 31, 2020 and 2019, were calculated on the basis of profit attributable to common shareholders, which were \$3,562,064 thousand and \$1,566,059 thousand, respectively, and the weighted-average number of outstanding ordinary shares, which were 1,012,599 thousand and 1,004,061 thousand, respectively. The calculations were as follows :

1) Profit attributable to ordinary shareholders of the Company (basic)

	For the years ended December 31,	
	2020	2019
Profit attributable to the Company	\$ 3,562,064	1,566,059
Profit attributable to the ordinary shareholders	\$ 3,562,064	1,566,059

2) Weighted-average number of outstanding ordinary shares (basic) (in thousands of shares)

	For the years ended December 31,	
	2020	2019
Number of outstanding shares	1,012,599	1,004,061

(ii) Diluted earnings per share

The diluted earnings per share for the years ended December 31, 2020 and 2019, were calculated on the basis of profit attributable to ordinary shareholders, which were \$3,564,131 thousand and \$1,567,151 thousand, respectively, and the weighted-average number of outstanding ordinary shares after adjustments for the effect of any potentially dilutive ordinary shares, which were 1,090,985 thousand and 1,084,938 thousand, respectively. Calculations were as follows :

1) Profit attributable to ordinary shareholders of the Company (diluted) :

	For the years ended December 31,	
	2020	2019
Profit attributable to the ordinary shareholders of the Company (basic)	\$ 3,562,064	1,566,059
Interest expense after tax and valuation of convertible bonds	2,067	1,092
Profit attributable to the ordinary shareholders of the Company (dilutive)	\$ 3,564,131	1,567,151

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2) Weighted-average number of ordinary shares (diluted) (in thousands of shares)

	For the years ended December 31,	
	2020	2019
Weighted-average number of outstanding ordinary shares (basic)	1,012,599	1,004,061
Effects of convertible bonds	74,852	78,142
Effects of employee stock bonus	3,534	2,735
Weighted-average number of outstanding ordinary shares (dilutive)	1,090,985	1,084,938

(x) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the year ended December 31, 2020			
	Sale of goods	Construction contracts	Rendering of services	Total
Primary geographical markets:				
Taiwan	\$ 31,447,940	6,764,198	391,236	38,603,374
The United States	46,747	-	-	46,747
Asia	3,130,754	386,291	23,340	3,540,385
Others	675,784	-	-	675,784
	\$ 35,301,225	7,150,489	414,576	42,866,290
Main product/service line:				
Deformed bars	\$ 21,033,467	-	-	21,033,467
H-beams	13,552,114	-	-	13,552,114
Billets	408,201	-	-	408,201
Rendering of services	-	-	414,576	414,576
Metal structure	-	6,329,492	-	6,329,492
Civil engineering	-	820,997	-	820,997
Others	307,443	-	-	307,443
	\$ 35,301,225	7,150,489	414,576	42,866,290

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	For the year ended December 31, 2019			
	Sale of goods	Construction contracts	Rendering of services	Total
Primary geographical markets:				
Taiwan	\$ 30,163,970	7,539,403	299,332	38,002,705
The United States	1,616,046	-	-	1,616,046
Asia	3,473,638	899,118	29,847	4,402,603
Others	842,246	-	-	842,246
	<u>\$ 36,095,900</u>	<u>8,438,521</u>	<u>329,179</u>	<u>44,863,600</u>
Main product/service line:				
Deformed bars	\$ 21,568,313	-	-	21,568,313
H-beams	12,717,253	-	-	12,717,253
Billets	1,522,152	-	-	1,522,152
Rendering of services	-	-	329,179	329,179
Metal structure	-	8,360,839	-	8,360,839
Civil engineering	-	77,682	-	77,682
Others	288,182	-	-	288,182
	<u>\$ 36,095,900</u>	<u>8,438,521</u>	<u>329,179</u>	<u>44,863,600</u>

(ii) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes receivable	\$ 517,078	235,298	328,685
Accounts receivable	2,836,447	2,987,369	3,092,856
Overdue receivables	15,185	10,393	10,020
Less: allowance for impairment	(105,942)	(36,028)	(71,486)
Total	<u>\$ 3,262,768</u>	<u>3,197,032</u>	<u>3,360,075</u>
Contract assets – construction contract	<u>\$ 2,794,916</u>	<u>3,877,575</u>	<u>1,603,030</u>
Contract liabilities – advance receipts	\$ 699,067	330,347	153,017
Contract liabilities – construction contract	884,191	554,059	330,261
Total	<u>\$ 1,583,258</u>	<u>884,406</u>	<u>483,278</u>

For details on accounts receivable and allowance for impairment for, please refer to note 6(d).

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The amounts of revenue recognized for the years ended December 31, 2020 and 2019 that were included in the contract liability balance at the beginning of the period were \$330,347 thousand and \$153,017 thousand, respectively.

The major changes in the balance of the contract assets and contract liabilities is the difference between the timing in the performance obligation to be satisfied and the payment to be received.

(y) Employee compensation and remuneration of directors

In accordance with the articles of incorporation, the Company should contribute no less than 2.5% of the profit as employee compensation and less than 2% as remuneration of directors when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

For the years ended December 31, 2020 and 2019, the Company's estimated employee compensation amounted to \$114,899 thousand and \$54,696 thousand, and the remuneration of directors amounted to \$91,919 thousand and \$43,757 thousand, respectively. The estimated amounts mentioned above were calculated based on the net income before tax, excluding the compensation to employees and the remuneration to directors of each period, multiplied by the percentage of compensation employees and remuneration to directors as specified in the Company's articles. These compensation and remuneration were expensed under operating costs or operating expenses for the years ended December 31, 2020 and 2019. Related information is available at the Market Observation Post System website. These amounts, as stated in the financial statements for the years ended December 31, 2020 and 2019, are identical to those of the actual distributions.

(z) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	<u>2020</u>	<u>2019</u>
Interest income from bank deposits	\$ 7,765	4,901
Other interest income	496	582
Total Interest income	<u>\$ 8,261</u>	<u>5,483</u>

(ii) Other income

	<u>2020</u>	<u>2019</u>
Rental income	\$ 53,161	51,078
Dividend income	19,063	23,382
Total other income	<u>\$ 72,224</u>	<u>74,460</u>

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(iii) Other gains and losses

	<u>2020</u>	<u>2019</u>
Net loss on disposal of property, plant and equipment	\$ (337)	(1,521)
Net loss on disposal of investment property	(43)	-
Net gain (loss) on disposal of investments accounted for using the equity method	5,408	(307)
Foreign exchange gain	46,835	35,722
Gain on financial assets at fair value through profit or loss	49,360	66,150
Gain on disposal of subsidiary.	13,739	-
Impairment loss on financial assets	(68,850)	-
Impairment loss on non-financial assets(Note)	(1,703)	-
Others	<u>52,914</u>	<u>30,637</u>
Other gains and losses	<u>\$ 97,323</u>	<u>130,681</u>

Note: The Consolidated Company performed an impairment assessment on the investment value of its natural resources using the Monte Carlo method to measure its investment value. The recoverable amount was calculated using the value-in-use approach. Since the carrying value was higher than the value-in-use, the Consolidated Company recognized an impairment loss amounting to \$1,703 thousand as other gains and losses under non-operating income for the year ended December 31, 2020. The input value used in its fair value evaluation belongs to level 3 of the fair value hierarchy.

(iv) Finance costs

	<u>2020</u>	<u>2019</u>
Interest Expense		
Bank loans	170,623	276,239
Amortized interest of domestic corporate bond	17,500	19,292
Interest on domestic commercial paper	6,076	9,309
Lease payments	4,866	5,236
Less: Interest capitalization	<u>(9,128)</u>	<u>(13,873)</u>
Finance costs(net)	<u>\$ 189,937</u>	<u>296,203</u>

(aa) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets excluding cash and cash equivalents represents the Consolidated Company's maximum credit exposure. As of December 31, 2020 and 2019, the maximum exposure to credit risk amounted to \$4,105,506 thousand and \$4,091,582 thousand, respectively.

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2) Concentration of credit risk

Credit risk, which is mainly generated from operating activities, is the risk that counterparties default. The Consolidated Company only deals with counterparties that are reputable. Therefore, it is not expected to generate any material credit risk. Moreover, the Consolidated Company has numerous clients and does not make any concentrative transactions with any single client. Therefore, there is no concentration of credit risk for account receivables.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2020							
Non-derivative financial liabilities							
Unsecured bank loans	\$ 7,823,983	7,848,277	5,357,152	627,940	1,848,726	14,459	-
Commercial papers payable	559,714	560,000	560,000	-	-	-	-
Unsecured corporate bonds	708,893	725,500	-	725,500	-	-	-
Lease liabilities	278,094	294,858	26,694	25,746	49,864	93,622	98,933
Accounts and notes payable	2,352,919	2,352,919	2,352,919	-	-	-	-
Other payables	1,861,089	1,861,089	1,861,089	-	-	-	-
	<u>\$ 13,584,692</u>	<u>13,642,643</u>	<u>10,157,854</u>	<u>1,379,186</u>	<u>1,898,590</u>	<u>108,081</u>	<u>98,933</u>
December 31, 2019							
Non-derivative financial liabilities							
Unsecured bank loans	\$ 14,227,139	14,298,183	8,236,017	1,557,447	4,475,942	28,776	-
Commercial paper payable	964,495	964,907	964,907	-	-	-	-
Unsecured corporate bonds	1,935,021	2,000,000	-	-	-	2,000,000	-
Lease liabilities	263,150	283,077	23,832	21,153	47,374	79,133	111,585
Accounts and notes payable	2,290,149	2,290,149	2,290,149	-	-	-	-
Other payables	1,328,612	1,328,612	1,317,254	11,358	-	-	-
	<u>\$ 21,008,566</u>	<u>21,164,928</u>	<u>12,832,159</u>	<u>1,589,958</u>	<u>4,523,316</u>	<u>2,107,909</u>	<u>111,585</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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(iii) Exchange rate risk

1) Exposure to exchange rate risk

The Consolidated Company's financial assets and liabilities exposed to significant exchange rate risk were as follows :

	December 31, 2020			December 31, 2019		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 6,634	28.48	188,936	33,672	29.98	1,009,487
EUR	2	35.02	70	2	33.59	67
JPY	472	0.2763	130	472	0.2760	130
CNY	24	4.377	105	24	4.305	103
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	99,701	28.48	2,794,657	123,880	29.98	3,713,922
EUR	627	35.02	21,852	2,425	33.59	81,456
JPY	-	0.2763	-	63,825	0.2760	17,616

Due to the variety of functional currencies, the Consolidated Company disclosed the aggregated information on foreign exchange gains or losses. The realized and unrealized exchange gain amounted to \$46,835 thousand and \$35,722 thousand for the years ended December 31, 2020 and 2019, respectively.

2) Sensitivity analysis

The Consolidated Company's exposure to exchange rate risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, and loans and borrowings, which were denominated in different foreign currencies. The overall effects to net income before tax for the years ended December 31, 2020 and 2019 assuming the TWD appreciate or depreciate by 1% against the USD, EUR, JPY, and CNY, while other factors remain constant, as of December 31, 2020 and 2019 were as follows :

	Effect of appreciation on net income after tax	Effect of depreciation on net income after tax
December 31, 2020		
USD (appreciation/depreciation of 1%)	\$ (21,204)	21,204
EUR (appreciation/depreciation of 1%)	(175)	175
JPY (appreciation/depreciation of 1%)	1	(1)
CNY (appreciation/depreciation of 1%)	1	(1)
	\$ (21,377)	21,377

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	<u>Effect of appreciation on net income after tax</u>	<u>Effect of depreciation on net income after tax</u>
December 31, 2019		
USD (appreciation/depreciation of 1%)	\$ (21,635)	21,635
EUR (appreciation/depreciation of 1%)	(651)	651
JPY (appreciation/depreciation of 1%)	(140)	140
CNY (appreciation/depreciation of 1%)	<u>1</u>	<u>(1)</u>
	<u>\$ (22,425)</u>	<u>22,425</u>

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management about interest rate exposure of the Consolidated Company's financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to interest rates of the derivative and non-derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the liabilities bearing variable interest rates are outstanding for the whole year. A 1% increase or decrease in interest rate is assessed by management to be a reasonably possible change in interest rate.

If the interest rate increases by 1%, the Consolidate Company's net income will decrease by \$78,240 thousand and \$142,271 thousand for the years ended December 31, 2020 and 2019 respectively, assuming all other variable factors remain constant.

(v) Other market price risk :

The impact of hypothetical changes in prices of equity securities on other comprehensive income on the reporting date was as follows :

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>Security price on reporting date</u>	<u>Other comprehensive income (after tax)</u>	<u>Other comprehensive income (after tax)</u>
Increase 1%	\$ <u>3,059</u>	<u>3,073</u>
Decrease 1%	\$ <u>(3,059)</u>	<u>(3,073)</u>

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(vi) Information on fair value

1) Types and fair value of financial instruments

The carrying and fair value of the Consolidated Company's financial assets and liabilities, including fair value hierarchy, wherein, disclosures are not required for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, were listed as follows :

	Carrying amount	December 31, 2020			Total
		Fair value			
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets – foreign exchange forward contracts	\$ 10,557	-	10,557	-	10,557
Redemption options on convertible bonds	1,233	-	1,233	-	1,233
Non-derivative financial asset – publicly listed stocks	<u>145,240</u>	<u>145,240</u>	<u>-</u>	<u>-</u>	<u>145,240</u>
Subtotal	<u>157,030</u>	<u>145,240</u>	<u>11,790</u>	<u>-</u>	<u>157,030</u>
Financial assets at fair value through other comprehensive income					
Publicly listed stocks	305,948	305,948	-	-	305,948
Equity instruments measured at fair value with no publicly quoted price	<u>157,768</u>	<u>-</u>	<u>-</u>	<u>157,768</u>	<u>157,768</u>
Subtotal	<u>463,716</u>	<u>305,948</u>	<u>-</u>	<u>157,768</u>	<u>463,716</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	1,933,168	-	-	-	-
Notes and accounts receivable	3,262,768	-	-	-	-
Other receivables	12,389	-	-	-	-
Refundable deposits and pledged deposits	<u>209,603</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>5,417,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,038,674</u>	<u>451,188</u>	<u>11,790</u>	<u>157,768</u>	<u>620,746</u>
Financial liabilities at fair value through profit or loss					
Financial liabilities measured at amortized cost					
Short-term loans	\$ 5,315,701	-	-	-	-
Long-term loans (including current portion)	2,508,282	-	-	-	-
Convertible bonds	708,893	-	717,882	-	717,882
Short-term notes and bills payable	559,714	-	-	-	-
Notes and accounts payable	2,352,919	-	-	-	-
Other payables	1,861,089	-	-	-	-
Lease liabilities	<u>278,094</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>13,584,692</u>	<u>-</u>	<u>717,882</u>	<u>-</u>	<u>717,882</u>
Total	<u>\$ 13,584,692</u>	<u>-</u>	<u>717,882</u>	<u>-</u>	<u>717,882</u>

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	December 31, 2019				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non-derivative financial asset mandatorily measured at fair value through profit or loss	\$ 162,959	162,959	-	-	162,959
Financial assets at fair value through other comprehensive income					
Publicly listed stocks	307,282	307,282	-	-	307,282
Equity instruments measured at fair value with no publicly quoted price	157,452	-	-	157,452	157,452
Subtotal	464,734	307,282	-	157,452	464,734
Financial assets measured at amortized cost					
Cash and cash equivalents	976,850	-	-	-	-
Notes and accounts receivable	3,197,032	-	-	-	-
Other receivables	20,835	-	-	-	-
Refundable deposits and pledged deposits	246,022	-	-	-	-
Subtotal	4,440,739	-	-	-	-
Total	<u>\$ 5,068,432</u>	<u>470,241</u>	<u>-</u>	<u>157,452</u>	<u>627,693</u>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities—foreign exchange forward contracts	\$ 7,144	-	7,144	-	7,144
Redemption options on convertible bonds	13,000	-	13,000	-	13,000
Subtotal	20,144	-	20,144	-	20,144
Financial liabilities measured at amortized cost					
Short-term loans	9,532,226	-	-	-	-
Long-term loans (including current portion)	4,694,913	-	-	-	-
Convertible bonds	1,935,021	-	1,943,400	-	1,943,400
Short-term notes and bills payable	964,495	-	-	-	-
Notes and accounts payable	2,290,149	-	-	-	-
Other payables	1,328,612	-	-	-	-
Lease liabilities	263,150	-	-	-	-
Subtotal	21,008,566	-	1,943,400	-	1,943,400
Total	<u>\$ 21,028,710</u>	<u>-</u>	<u>1,963,544</u>	<u>-</u>	<u>1,963,544</u>

2) Technique for fair value evaluation of financial instruments not measured at fair value

The Consolidated Company's assumption and technique used to evaluate its financial instruments not measured at fair value are as follows :

a) Financial assets measured at amortized cost

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted.

b) Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

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3) Technique for fair value evaluation of financial instruments measured at fair value

a) Non-derivative financial instrument

If a financial instrument is quoted in an active market, the quoted price is its fair value. Announced prices at major exchanges and market prices of popular government bonds at the Taipei Exchange are bases of fair value for listed equity instruments and other debt investments with an active market.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency. If this condition is not met, the market is not active. Generally, if bid-ask spreads are very wide, the spread is increasing, or the transaction volume is low, the market is not active.

Fair value of the Consolidated Company's financial instruments that have an active market is displayed by category and attributed as follows:

Listed stocks are financial assets and liabilities with standard transaction terms and conditions, and are traded on an active market. The fair value of such items is determined in reference to the quoted market price.

Except for the abovementioned financial instruments with an active market price, the fair value of other financial instruments is measured using the valuation techniques. The fair value obtained through valuation techniques can be used as a reference to the current fair value, discounted cash flow, or other valuation techniques for other financial instruments with substantially similar properties and conditions. Fair value calculated using the valuation models and the available market information on the balance sheet date are also accepted by the market.

The fair value and the attributes of a financial instrument without an active market held by the Consolidated Company is listed as follows:

- Equity instruments without an open quoted price: Fair value is estimated using the approach of comparative companies. The main assumptions are the estimated EBITDA of the investee, and the earnings multiplier derived from the quoted price of a comparative publicly listing company. Such estimate has been adjusted by the discount due from the lack of market circulation of the equity securities.

b) Derivative financial instruments

Such items are valued using the valuation models which are widely accepted by the market. Foreign exchange forward contracts normally are valued using the current forward exchange rates.

4) Transfers between Level 1 and Level 2

There were no transfers in either direction in the years ended December 31, 2020 and 2019.

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- 5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Consolidated Company's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through other comprehensive income – equity investments".

Multiple unobservable inputs exist with the fair value of the Consolidated Company's investments in equity instruments. Since the significant unobservable inputs are independent of each other, no interrelationship exists.

Quantified information of significant unobservable inputs was as follows :

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income – equity investments without an active market	· Comparative Method	· Multiplier of P/E ratio (0.59~4.09, 0.62~2.31, as of December 31, 2020 and December 31, 2019)	· The higher the multiplier and the control premium, the higher the fair value
	· Net Asset Value Method	· Discount rate for lack of market circulation (7.46%~34.89%, 4.92%~33%, as of December 31, 2020 and December 31, 2019)	· The higher the discount rate, the lower the fair value

- 6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The measurement of fair value by the Consolidated Company is considerably reasonable. However, if a different valuation model or assumption is adopted, the result can differ. For fair value measurements in Level 3, changes in the assumptions would have the following effects :

	<u>Input</u>	<u>Changes in assumptions</u>	<u>Changes in fair value reflected in OCI</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
December 31, 2020				
Financial assets at fair value through other comprehensive income				
Investment in equity instrument without an active market	Discount on circulation 7.46%~34.89%	5%	\$ 10,028	(10,028)
December 31, 2019				
Financial assets at fair value through other comprehensive income				
Investment in equity instrument without an active market	Discount on circulation 4.92%~33.00%	5%	9,688	(9,688)

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The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(ab) Financial risk management

(i) Summary

The Consolidated Company is exposed to the following risks by using financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Consolidated Companies' objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements

(ii) The structure of risk management

The risk management policies are established to identify and analyze the Consolidated Company's exposure to risks, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and Consolidated Company's activities. The Consolidated Company, through its training and management standards and procedures, aim to develop a discipline and constructive control environment, in which all employees understand their roles and obligation.

The audit committee of the Company oversees how the management complies in monitoring the Consolidated Company's risk management policies and procedures. It also reviews the adequacy of the risk management framework in relation to the risks faced by the Consolidated Company. The internal audit sector of the Consolidated Company reviews the risk management controls and procedures on a scheduled and non-scheduled basis, and reports the results to the audit committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Consolidated Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Consolidated Company's receivables from customers and investment securities.

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1) Accounts receivable and other receivables

To maintain the credit quality of receivables, a credit risk management policy has been established. Under this policy, each customer is analyzed individually regarding customer's financial situation, external and internal credit rating, historical trading record, and current economic condition which may affect customer's payment ability. In addition, some methods are adopted to reduce the credit risk for specific customers, such as prepayment and insurance of accounts receivable.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Consolidated Company's finance department. The Consolidated Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Consolidated Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The parties whom the Consolidated Company endorses and guarantees are its subsidiaries and affiliated companies; the items that the Consolidated Company endorses and guarantees are mostly financing and import duties commodity tax. Because the affiliated companies are financially sound and operate stably, the Consolidated Company has never suffered from losses due to endorsements and guarantees.

(iv) Liquidity risk

Liquidity risk is the risk that the Consolidated Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Consolidated Company's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient current funds, such as cash and cash equivalent, securities with high liquidity, and sufficient credit line from banks, to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Consolidated Company's reputation. Therefore, the Consolidated Company believes the liquidity risk is low.

The Consolidated Company not only analyzes its debt structure and deadline periodically to maintain sufficient capital, but also consults with financial institutions to maintain its credit lines, thereby, mitigating liquidity risk. The Consolidated Company obtains its credit lines from certain financial institutions, of which the unused credit lines amounted to \$26,865,515 thousand as of December 31, 2020. The borrowings that had been used within the credit lines were listed separately in short-term and long-term loans.

(v) Market risk

Market risk is the risk of changes in market prices, such as exchange rates, interest rates and equity prices that will affect the Consolidated Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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1) Exchange rate risk

Exchange rate risks are the risks generated from the fluctuation of fair value or the future cash flows of the financial instruments. The Consolidated Company's exchange rate risks arise from transactions such as sales, purchases and borrowings that are not recognized at the Consolidated Company's functional currency.

Steel bars and sections are the two main products of the Consolidated Company. Sales of steel bars mainly go to domestic clients and are recognized in New Taiwan dollar. The ratio of domestic sales to external sales for sections was about 89 to 11 for the year ended December 31, 2019. The external sales for the year ended December 31, 2019 was about \$1,160,000 thousand, which was 1% of the total revenue. Because the functional currency for import and export sales are all recognized in United States dollar ("USD"), sales revenue in USD and payments in USD can offset each other. The Consolidated Company uses foreign exchange forward contracts to avoid the risk of exchange rate fluctuation, recognizing the fluctuation of the fair value of the derivatives in profit or loss and takes the following steps to avoid exchange risk :

- a) Collect relevant information about the daily fluctuation in exchange rate in order to know its trend. Decide whether to convert one currency into another specific currency at a proper time or retain foreign currency borrowings.
- b) On dispatching foreign funds, the creditor's rights and debts in foreign currency offset each other through regular external sales and imports, causing the effect of natural hedge.
- c) Consult with foreign exchange departments of banks about hedging strategies and decide the foreign position that depends on the actual need of capital and the fluctuation of the exchange rate.

2) Interest rate risk

Interest rate risks are the risks that arise due to fluctuations in fair value or future cash flows of financial instruments because of changes in interest rate.

The Consolidated Company will obtain a more beneficial capital according to the compatibility of corresponding banks and the actual interest rate trends. The ratio of net interest revenue to the net operating revenue is not material; therefore, interest rate fluctuation does not cause any significant impact on the Consolidated Company. Besides, the Consolidated Company maintains a close relationship with certain corresponding banks and is well informed of any changes in the market in order to obtain a much more beneficial borrowing rate. The Consolidated Company continues to observe changes of interest rate on the market and issues convertible bonds to raise capital at proper time, and to fix and reduce interest cost for the Consolidated Company. Material capital expenditure will be evaluated with prudence and will be compared to different fund-raising instruments in order to raise capital with the least cost.

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(ac) Capital management

Although business operated by the Consolidated Company has reached the stage of maturity, a sufficient amount of capital is still required to support the operation of investee companies, construction and expand its production facilities and equipment. The Consolidated Company's policy is to maintain adequate financial resources and operating plan to meet future operating capital, capital expenditure, research and development expenditure, loans reimbursement, and dividend distribution.

The Consolidated Company uses the debt-to-capital ratio to manage capital. The debt-to-capital ratio is calculated by dividing the net liabilities by the total capital. Net liabilities derive from deducting cash and cash equivalents from total liabilities. Total capital is the total component of equity (ie, equity, additional paid-in capital, retained earnings and other equity) plus net liabilities.

The Consolidated Company reviews the ratio of debt-to-capital periodically to improve stockholders' value. The debt-to-capital ratios as of December 31, 2020 and 2019, were as follows :

	December 31, 2020	December 31, 2019
Total liabilities	\$ 16,713,262	23,390,092
Less: cash and cash equivalents	<u>(1,933,168)</u>	<u>(976,850)</u>
Net liabilities	14,780,094	22,413,242
Total equity	<u>27,707,825</u>	<u>24,301,411</u>
Total capital	<u>\$ 42,487,919</u>	<u>46,714,653</u>
Debt-to-capital ratio	<u>34.79 %</u>	<u>47.98 %</u>

As of December 31, 2020, there were no changes in the Consolidated Company's approach to capital management during the period.

(ad) The investing and financing activities of non-cash transactions

The cash flow of non-cash investing and financing transactions for the years ended December 31, 2020 and 2019, were as follows :

	For the years ended December 31,	
	2020	2019
Reclassification of prepayment of land and equipment to property, plant and equipment	\$ <u>48,793</u>	<u>78,120</u>
Changes in unrealized gain or loss on financial instruments	<u>13,041</u>	<u>65,971</u>
Exchange differences arising from foreign operation	<u>(156,771)</u>	<u>(119,712)</u>
Increase in property, plant and equipment	\$ 291,824	541,810
Add: Payable for equipment as of January 1	11,926	121,401
Less: Payable for equipment as of December 31	<u>(23,847)</u>	<u>(11,926)</u>
Cash paid	<u>\$ 279,903</u>	<u>651,285</u>

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Reconciliation of liabilities arising from financing activities were as follows :

	January 1, 2020	Cash flows			Non-cash changes		December 31, 2020
		Acquisition	Repayment	Other	Foreign exchange	Other	
Short-term loans	\$ 9,532,226	57,111,589	(61,406,937)	93,615	(14,792)	-	5,315,701
Long-term loans (including current portion)	4,694,913	2,700,000	(4,815,164)	-	(71,467)	-	2,508,282
Short-term notes and bills payable	965,000	6,027,000	(6,432,000)	-	-	-	560,000
Deposits received	15,507	-	-	1,077	-	-	16,584
Lease liabilities	263,150	-	(63,988)	(4,866)	1,619	82,179	278,094
Convertible Bonds	1,935,021	-	-	-	-	(1,226,128)	708,893
Total liabilities from financing activities	<u>\$ 17,405,817</u>	<u>65,838,589</u>	<u>(72,718,089)</u>	<u>89,826</u>	<u>(84,640)</u>	<u>(1,143,949)</u>	<u>9,387,554</u>

	January 1, 2019	Cash flows			Non-cash changes		December 31, 2019
		Acquisition	Repayment	Other	Foreign exchange	Other	
Short-term loans	\$ 11,752,724	70,957,998	(73,261,944)	-	83,448	-	9,532,226
Long-term loans (including current portion)	4,083,609	2,617,138	(1,960,143)	-	(45,691)	-	4,694,913
Short-term notes and bills payable	1,500,000	9,340,000	(9,875,000)	-	-	-	965,000
Refundable deposits	13,898	-	-	1,609	-	-	15,507
Lease liabilities	205,458	-	(57,311)	(5,236)	5,886	114,353	263,150
Convertible Bonds	1,915,729	-	-	-	-	19,292	1,935,021
Total liabilities from financing activities	<u>\$ 19,471,418</u>	<u>82,915,136</u>	<u>(85,154,398)</u>	<u>(3,627)</u>	<u>43,643</u>	<u>133,645</u>	<u>17,405,817</u>

(7) Related-party transactions

(a) Names and relationship with related parties

<u>Name of related party</u>	<u>Relationship with the Consolidated Company</u>
Katec R & D Corp.	An associate
Taiwan Steel Union Co., Ltd.	An associate
Duc Hoa International Joint Stock Company	Originally an associate of the Consolidated Company, it turned into a subsidiary on January 20, 2020
Fujian Sino-Japan Metal Corp.	An associate
Far East Steel Enterprise Corp.	The entity's chairman is the same as the Company
Shen Yuan Investment Co., Ltd.	The entity's chairman is the same as the Company
Delta Design Corp.	The entity's chairman is a second immediate family of the chairman of the Company and was not related after the election in June 2019
Tung Ho Steel Foundation	The entity's chairman is an immediate family of the chairman of the Company
Eturnity Corp.	The chairman of its parent company is the same as that of the Company
Directors, general manager and vice general manager	

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Significant related-party transactions

(i) Sales to related parties

- 1) Significant sales to related parties and the balance of outstanding accounts receivable were as follows :

	Sales		Accounts receivable	
	For the years ended December 31,		December 31,	December 31,
	2020	2019	2020	2019
Associates	\$ <u>25,428</u>	<u>21,790</u>	<u>4,571</u>	<u>5,033</u>

The selling price and credit terms for sales to related parties are not significantly different from those to other customers.

- (2) Construction contract revenue of the Consolidated Company that was determined based on the stage-of-completion method to related parties were as follows :

Relationship	Activity	Construction contract revenue		
		Total	For the years ended	
			2020	2019
Associates	Construction	\$ <u>39,312</u>	<u>-</u>	<u>676</u>

(ii) Purchase from related parties

	Purchases		Accounts payable	
	For the years ended		December 31	December 31
	2020	2019	2020	2019
Associates	\$ <u>997</u>	<u>43,175</u>	<u>1,019</u>	<u>1,785</u>

The terms of purchase transactions and the payment terms with related parties were not significantly different from those with other vendors.

(iii) Endorsement/guarantees provided

The details regarding balances of financing endorsement were as follows :

Expressed in thousands of USD

	December 31, 2020					
	Highest balance for		Ending amount		Actual amount usage	
	current period		(Note)			
Associates	USD\$	10,500	USD	5,250	USD	5,250
	December 31, 2019					
	Highest balance for		Ending amount		Actual amount usage	
	current period		(Note)			
Associates	USD\$	10,500	USD	5,250	USD	5,250

Note : The credit limit approved by the Board of Directors

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Others

		Rental income	
		For the years ended	
		December 31,	
		2020	2019
	Associates	\$ 3,306	3,309
	Other related parties	4,328	4,328
		\$ 7,634	7,637
		Miscellaneous revenue	
		For the years ended	
		December 31,	
		2020	2019
	Associates	\$ 200	198
	Other related parties	6,881	-
		\$ 7,081	198
		Operating expenses	
		For the years ended	
		December 31,	
		2020	2019
	Associates	\$ 2,617	4,447
	Other related parties	-	12
		\$ 2,617	4,459
		Donations	
		For the years ended	
		December 31,	
		2020	2019
	Other related parties-THSF	\$ 2,450	4,378
		Manufacturing Expense	
		For the years ended	
		December 31,	
		2020	2019
	Associates	\$ 61,016	27,219
		Other receivables	
		December 31, December 31,	
Relationship		2020	2019
	Associates	\$ 37	36
	Other related parties	1,061	28
		\$ 1,098	64
		Other payables	
		December 31, December 31,	
		2020	2019
	Associates	\$ 3,286	3,657
	Other related parties	-	-
		\$ 3,286	3,657

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Relationship	Deposits received	
	December 31, 2020	December 31, 2019
Associates	\$ 304	304

(c) Compensation of key management personnel

Compensation of key management personnel consists of :

	For the years ended December 31,	
	2020	2019
Short-term employee benefits	\$ 46,382	47,302
Post-employment benefits	2,262	2,291
	\$ 48,644	49,593

As of years ended December 31, 2020 and 2019, the Consolidated Company provided one car and three cars that cost \$2,490 thousand and \$9,306 thousand, respectively, for the key management personnel of the entity.

(8) Pledged assets

The details of the Consolidated Company's pledged assets were as follows :

Pledged assets	Pledged to secure	December 31, 2020	December 31, 2019
Other current and non-current assets	Customs guarantee and performance guarantee	\$ 38,634	40,631
Refundable deposits	Performance guarantee	4,774	3,955
		\$ 43,408	44,586

(9) Commitments and contingencies

(a) Unrecognized contractual commitments

- (i) The guarantees were mainly for securing loans and gave rise to potential off-balance-sheet credit risk, which represents the risk of loss incurred by the default of counterparties or by the devaluation of collateral provided by the counterparties. The Consolidated Company did not ask counterparties for collateral as secure guarantees. The amounts of the Consolidated Company's guarantees were as following :

	December 31, 2020	December 31, 2019
Guarantees securities amounts	\$ 149,520	157,395

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) The amounts of guaranteed notes issued by the Consolidated Company were as follows :

Nature	December 31, 2020	December 31, 2019
Bank credit limit	\$ 13,680,742	13,013,525
Leases	200	200
Guaranteed payment for purchases of raw materials	75,580	102,080
Performance guarantee	-	637
	<u>\$ 13,756,522</u>	<u>13,116,442</u>

(iii) The amount of unused outstanding letters of credit was as follows :

	December 31, 2020	December 31, 2019
Unused outstanding letters of credit	<u>\$ 1,672,472</u>	<u>1,152,588</u>

(10) Losses Due to Major Disasters: None

(11) Subsequent Events:

In order to adjust the capital structure and increase the Return On Equity, the Company's Board of Directors decided to reduce the cash capital on March 23, 2021, which will result in the capital ratio to decrease by 33% and the shares of 359,657,000 to be cancelled at the amount of \$3,596,576 thousand. This decision needs to be approved in the shareholders' meeting.

(12) Other

(a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows :

	For the year ended December 31, 2020			For the year ended December 31, 2019		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	1,499,593	731,671	2,231,264	1,416,054	573,795	1,989,849
Labor and health insurance	128,738	45,480	174,218	120,901	40,375	161,276
Pension expenses	71,421	20,042	91,463	70,767	21,993	92,760
Remuneration of directors	-	91,919	91,919	-	43,757	43,757
Other personnel expenses	54,845	24,252	79,097	53,726	18,515	72,241
Depreciation expenses	1,431,250	127,713	1,558,963	1,452,055	124,477	1,576,532
Amortization expenses	69,091	12,527	81,618	102,210	16,858	119,068

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (b) As of December 31, 2020 and 2019, the analysis of the liquidity of the company's assets and liabilities was as follows :

	December 31, 2020		
	Receivables / Payables expected to be realized within twelve months	Receivables / Payables expected to be realized after twelve months	Total
Assets			
Cash and cash equivalents	\$ 1,933,168	-	1,933,168
Current financial assets at fair value through profit or loss	157,030	-	157,030
Notes and accounts receivable	3,262,768	-	3,262,768
Other receivables	12,389	-	12,389
Inventories	12,227,393	-	12,227,393
Contract assets	-	2,794,916	2,794,916
Prepayments and other current assets	804,478	-	804,478
	\$ 18,397,226	2,794,916	21,192,142
Liabilities			
Short-term loans	\$ 5,315,701	-	5,315,701
Short-term notes and bills payable	559,714	-	559,714
Current contract liabilities	-	1,583,258	1,583,258
Notes and accounts payable	2,352,919	-	2,352,919
Other payables	1,861,089	-	1,861,089
Lease liabilities	48,243	-	48,243
Current tax liabilities	718,397	-	718,397
Provisions and other current liabilities	1,376,462	-	1,376,462
	\$ 12,232,525	1,583,258	13,815,783

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2019		Total
	Expected to receive or paid within twelve months	Expected to receive or paid over twelve months	
Assets			
Cash and cash equivalents	\$ 976,850	-	976,850
Current financial assets at fair value through profit or loss	162,959	-	162,959
Notes and accounts receivable	3,082,413	114,619	3,197,032
Other receivables	20,835	-	20,835
Inventories	13,819,636	-	13,819,636
Contract assets	-	3,877,575	3,877,575
Prepayments and other current assets	954,381	-	954,381
	<u>\$ 19,017,074</u>	<u>3,992,194</u>	<u>23,009,268</u>
Liabilities			
Short-term loans	\$ 9,532,226	-	9,532,226
Current financial liabilities at fair value through profit or loss	7,144	-	7,144
Short-term notes and bills payable	964,495	-	964,495
Current contract liabilities	-	884,406	884,406
Notes and accounts payable	2,290,149	-	2,290,149
Other payables	1,328,612	-	1,328,612
Lease liabilities	40,431	-	40,431
Current tax liabilities	393,281	-	393,281
Provisions and other current liabilities	229,694	-	229,694
	<u>\$ 14,786,032</u>	<u>884,406</u>	<u>15,670,438</u>

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(13) Other disclosures

(a) Information on significant transactions

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Consolidated Company :

(i) Financing to other parties:

(in thousands of NTD/USD)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The company	THSVC	Other receivables	Yes	665,965 (US\$23,384)	-	-	0.948%~ 2.144%	2	-	Operating capital	-	-	-	2,750,331	5,500,661
1	Tung Yuan International Corp.	Duc Hoa International J.S.C	Accounts receivable-related parties	Yes	28,480 (USD1,000)	28,480 (USD1,000)	-	3.000%	2	-	Operating capital	-	-	-	74,729 (USD2,624)	149,459 (USD5,248)

Note 1: Financing to an individual party should not exceed 10% of the net equity on its latest financial statements. The maximum amount allowed for financing should not exceed 20% of the net equity on its latest financial statements.

Note 2: Reasons for short-term financing were as follows:

- (1) Those with business contact
- (2) Those necessary for short-term fund circulation

Note 3: The transactions have already been written off in the consolidated financial statements.

Note 4: The valid quota of financing to other parties as of December 31, 2020.

Note 5: The actual amount of loan within the financing quota.

(ii) Guarantees and endorsements for other parties:

(in thousands of NTD/USD/CNY)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date		Actual usage amount during the period	Property pledged for guarantees and endorsements (amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company			(USD)	(CNY)							
0	The Company (Note 2, 3)	Fujian Tung Kang Steel Co., Ltd.	2	13,751,654 (USD22,000) (CNY 125,000)	1,173,685 (USD13,000) (CNY 75,000)	698,515 (USD3,109) (CNY 33,379)	234,633 (USD3,109) (CNY 33,379)	-	2.54 %	13,751,654	Y	N	Y	
0	The Company (Note 2, 3)	THSVC	2	13,751,654 (USD359,500)	10,238,560 (USD277,500)	7,903,200 (USD155,258)	4,421,743 (USD1,200)	-	28.74 %	13,751,654	Y	N	N	
1	Tung Yuan International Corp. (Note 4, 5)	Best-Steel Trade Corp.	1	373,647 (USD13,120)	85,440 (USD3,000)	34,176 (USD1,200)	34,176 (USD1,200)	34,176 (USD1,200)	4.57 %	747,295 (USD26,239)	N	N	N	
1	Tung Yuan International Corp. (Note 4, 5)	Fujian Sino-Japan Metal Corp.	6	373,647 (USD13,120)	299,040 (USD10,500)	149,520 (USD5,250)	149,520 (USD5,250)	-	20.01 %	747,295 (USD26,239)	N	N	Y	

Note 1: The Company may provide guarantees or endorsements for its receiving parties under the following conditions:

- 1 The Company has business with the receiving parties.
- 2 The Company holds directly more than 50% of the ordinary stock of the subsidiaries.
- 3 The Company and its subsidiaries hold more than 50% of the investee.
- 4 The Company holds, directly or indirectly, through its subsidiaries, more than 50% of the investee.
- 5 The Company is required to make guarantees or endorsements for the construction project based on the contract.
- 6 The stockholders of the Company may provide guarantees or endorsements for the investee in proportion to their stockholding percentage.
- 7 The companies in the same industry provide, among themselves, joint and several securities for a performance guarantee on sales contracts for pre- construction homes pursuant to the Consumer Protection Act for each other.

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 2: Guarantees and endorsements for an individual company should not exceed 50% of the net equity of the latest financial statements.

Note 3: The total amount of guarantees and endorsements should not exceed 50% of the net equity of the latest financial statements.

Note 4: Guarantees and endorsements for an individual company should not exceed 50% of the total amount of guarantees and endorsements.

Note 5: The total amount of guarantees and endorsements should not exceed the Company's net worth on its latest financial statements. The amount limited for the current period is USD26,239 thousand. Guarantees and endorsements for an individual company should not exceed 50% of the Company's net worth on its latest financial statements.

Note 6: Moreover, according to the Company's policy, the total amount of guarantees and endorsements made by the Company and subsidiaries should not exceed 50% of the Company's latest financial statement (limit for the current period: \$13,751,654 thousand); the total amount of guarantees and endorsements on an individual company should not exceed 50% of the Company's net worth of its latest financial statements (limit for the current period: \$13,751,654 thousand.)

Note 7: The amount approved by the board of directors.

Note 8: The actual amount used by the endorsed and guaranteed companies within their limited amount of guarantees and endorsements.

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(in thousands of NTD)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Fair value	Highest Percentage of ownership (%)	Note
				Shares/Units	Carrying value	Percentage of ownership (%)			
The Company	Stock – Zenitron Corporation	-	(a)	3,825,000	83,959	1.79 %	83,959	1.79 %	None
The Company	Stock – Adlink	-	(a)	966,577	61,281	0.44 %	61,281	0.70 %	"
The Company	Stock – Shiao Kang Warehousing Corp.	One of its directors	(b)	2,384,060	18,357	19.87 %	18,357	19.87 %	"
The Company	Stock – Hexawave Photonic System, Inc.	-	(b)	2,564,023	24,435	6.39 %	24,435	6.39 %	"
The Company	Stock – Overseas Investment & Development Corp.	-	(b)	1,000,000	7,030	1.11 %	7,030	1.11 %	"
The Company	Stock – Power World Fund, Inc.	One of its directors	(b)	677,245	10,260	5.68 %	10,260	5.68 %	"
The Company	Stock – Universal Venture Fund, Inc.	One of its directors	(b)	558,255	7,497	4.76 %	7,497	4.76 %	"
The Company	Stock – Tung Jiang Investment Corp.	One of its directors	(b)	-	32,478	9.12 %	32,478	9.13 %	"
The Company	Stock – Taiwan Aerospace Corp.	-	(b)	1,621,441	25,084	1.19 %	25,084	1.19 %	"
The Company	Stock – Universal Venture Capital Investment Corp.	-	(b)	2,800,000	20,888	2.33 %	20,888	2.33 %	"
The Company	Stock – IBT	-	(b)	1,312,993	5,252	4.17 %	5,252	4.17 %	"
The Company	Katec Creative Resources Corporation – preferred stock	Subsidiary of the Company	(b)	577,031	-	65.18 %	-	65.18 %	Note 1
The Company	Stock – Chien Shing Harbour Service Co., Ltd	One of its directors	(b)	8,203,800	245,294	10.11 %	245,294	10.11 %	None
The Company	Stock – Taiwan High Speed Rail Corporation	-	(b)	1,913,376	60,654	0.03 %	60,654	0.04 %	"
Tung Yuan International Corp.	Chinese Products Promotion Center	-	(b)	2,500	227	0.66 %	227	0.66 %	"
Tung Yuan International Corp.	Tech alliance Corp.	-	(b)	568,750	3,447	5.69 %	3,447	5.69 %	"
Tung Kang Engineering & Construction Corp.	Toko Sanitaryware Trading Development Corp.	-	(b)	150,000	2,813	3.75 %	2,813	15.00 %	"

Note: (a) Financial assets at fair value through profit or loss – current

(b) Financial assets at fair value through other comprehensive income – non-current

Note 1: Intercompany transactions of the above have already been eliminated during the preparation of the consolidated financial statements.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTD300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock: None

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
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- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NTD100 million or 20% of the capital stock:

(in thousands of NTD)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Tung Kang Steel Structure Corp.	Subsidiary	Sale	(1,810,875)	(5.29)%	OA60	-	-	219,747	7.67%	
The Company	THSVC	"	Purchase	745,042	3.54%	Payment at the end of the month	-	-	-	-%	
The Company	THSVC	"	Sale	(312,036)	(0.91)%	120 days after B/L	-	-	98,775	3.45%	
Tung Kang Steel Structure Corp.	The Company	Parent Company	Purchase	1,810,875	50.48%	OA60	-	-	(291,747)	(30.70)%	
THSVC	The Company	"	Sale	(745,042)	(19.90)%	Payment at the end of the month	-	-	-	-%	
THSVC	The Company	"	Purchase	312,036	10.03%	120 days after B/L	-	-	(98,775)	(37.88)%	

Note : The transactions have already been written off in the consolidated financial statements.

- (viii) Receivables from related parties with amounts exceeding the lower of NTD100 million or 20% of the capital stock:

(in thousands of NTD)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Tung Kang Steel Structure Corp.	Subsidiary	219,747(Accounts receivable—related parties)	2.99	-	-	219,747	-
			330(Other receivables—related parties)	-	-	-	330	-

Note : The transactions have already been written off in the consolidated financial statements.

- (ix) Trading in derivative instruments: Please refer to Note 6(b).

- (x) Business relationships and significant intercompany transactions:

(in thousands of NTD)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Tung Kang Steel Structure Corp. and subsidiaries	1	Sales	1,966,552	General conditions	4.59%
0	The Company	Tung Kang Steel Structure Corp. and subsidiaries	1	Accounts receivable	273,044	OA60	0.61%
0	The Company	THSVC	1	Sales	312,036	General conditions	0.73%
0	The Company	THSVC	1	Accounts receivable	98,775	120 days after B/L	0.22%
1	Tung Kang Steel Structure Corp. and its subsidiaries	The Company	2	Sales	241,292	General conditions	0.56%
1	Tung Kang Steel Structure Corp. and its subsidiaries	The Company	2	Accounts receivable	24,959	Receive within 30 days	0.06%
2	THSVC	The Company	2	Sales	745,042	General conditions	1.74%

Note 1: The numbers represent the following:

1. 0 represents the parent company.
2. Subsidiaries are numbered from 1.

Note 2: Transactions are categorized as follows :

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

For significant intercompany transactions, only information regarding sales, funding and finances, and accounts receivables were disclosed; the opposing items of the transactions were not disclosed.

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2020 (excluding information on investees in Mainland China) :

(in thousands of NTD)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of ownership	Carrying value				
The Company	Tung Yuan International Corp.	British Virgin Islands	Investment activities	774,180	774,180	82	100.00 %	747,295	82	(6,746)	(6,746)	Subsidiary (Note 1)
"	Tung Kang Steel Structure Corp.	Taiwan	Metal structure and building component construction	1,775,138	1,775,138	197,565,134	97.48 %	2,582,939	197,565,134	415,179	407,741	Subsidiary (Note 1)
"	Katec R & D Corp.	Taiwan	Waste recycling	35,352	35,352	4,705,332	46.19 %	66,774	4,705,332	28,532	13,179	Associate
"	Goldham Development Ltd.	British Virgin Islands	Investment activities	427,200	427,200	15,000,000	100.00 %	317,520	15,000,000	(69,240)	(69,102)	Subsidiary (Note 1)
"	Taiwan Steel Union Co., Ltd.	Taiwan	Waste disposal	113,291	113,291	24,829,009	22.31 %	793,650	24,829,009	407,534	90,932	Associate
"	Katec Creative Resources Corporation	Taiwan	Waste recycling	1,211,442	1,211,442	95,724,402	99.01 %	704,204	95,724,402	(11,110)	(11,000)	Subsidiary (Note 1)
"	Fa Da Enterprise Corp.	Taiwan	Waste recycling	1,000	90,000	100,000	100.00 %	17,846	9,000,000	(104)	(640)	Subsidiary (Note 1)
"	Tung Kang Wind Power Corp.	Taiwan	Electric power generation	155,000	155,000	15,500,000	100.00 %	87,766	15,500,000	(4,047)	(3,960)	Subsidiary (Note 1)
"	IHSVC	Vietnam	Steel industry	5,016,935	5,016,935	-	100.00 %	2,647,378	-	(409,615)	(409,615)	Subsidiary (Note 1)
"	Tung Tang Energy Corp.	Taiwan	Fertilizer producing and self-used equipment of renewable electric power investment activities	54,000	15,000	5,400,000	36.00 %	53,707	5,400,000	(638)	(366)	Subsidiary (Note 1)
Tung Yuan International Corp.	3 Oceans International Inc.	Samoa	Investment activities	52,403	52,403	1,840,000	66.67 %	20,051	1,840,000	(4,331)	(2,888)	Subsidiary (Note 1)
Tung Yuan International Corp.	Duc Hoa International Joint Stock Company	Vietnam	Quicklime factory	107,340	62,656	8,154,419	96.00 %	105,738	8,154,419	19,003	18,242	Subsidiary (Note 1)
Tung Yuan International Corp.	BST	U.S.A.	Trading	-	8,994	-	- %	-	600	(29,122)	(17,473)	Subsidiary (Note 1 & 2)
Tung Kang Steel Structure Corp.	Tung Kang Engineering & Construction Corp.	Taiwan	Civil engineering	359,340	359,340	25,000,000	100.00 %	258,052	25,000,000	898	898	Subsidiary (Note 1)

1 USD=28.48 TWD, 1 CNY=4.377 NTD.

Note1: The transactions were written off in the consolidated financial statements.

Note2: Tung Yuan International Corp. disposed entire holding shares of BST and loss of control over it in November 2020.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(in thousands of NTD/USD)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership	Investment income (losses) (Note 3)	Book value (Note 2)	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Fujian Sino-Japan Metal Corp.	Tin-coated plate	1,480,960 (USD52,000)	(2)	523,092 (USD18,367)	-	-	523,092 (USD18,367)	(68,284)	35.00%	35.00 %	(23,899)	518,317	-
Fujian Tung Kang Steel Co., Ltd.	Processing of section steels and steel structures	427,200 (USD15,000)	(2)	379,638 (USD13,330)	-	-	379,638 (USD13,330)	(69,240)	100.00%	100.00 %	(69,102)	317,520	-
Fujian Dong Sheng Metal Processing Co., Ltd.	Metal processing	39,393 (CNY9,000)	(3)	-	-	-	-	(6,579)	51.00%	51.00 %	(3,355)	14,273	-

Note 1: List of the method of investment

- (1) Direct investment
- (2) Indirect investment
- (3) Others

Note 2: On December 31, 2020, 1 USD=28.48 NTD, 1 CNY=4.377 NTD.

Note 3: For the year ended December 31, 2020, 1 USD=29.55 NTD, 1 CNY =4.282 NTD.

(ii) Limitation on investment in Mainland China:

(in thousands of NTD/USD)

Accumulated Investment in Mainland China as of December 31, 2020	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment (Noted)
959,691 (USD33,697)	959,691 (USD33,697)	16,501,984

Note: 60% of net equity.

(iii) Significant transactions:

For direct or indirect significant transactions between the Company and its investees in Mainland China, please refer to the illustrations in "Related information on Significant Transactions."

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(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Shen Yuan Investment Co., Ltd.		143,286,779	13.53 %
Mao sheng Investment Co., Ltd.		65,323,877	6.16 %
He Zhao Investment Co., Ltd.		63,855,150	6.03 %

Note 1: The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical ordinary shares and preference shares (including treasury shares) on the last business date of each quarter. The actual registered non-physical shares may be different from the capital shares disclosed in the financial statement due to different calculation basis.

Note 2: If shares are entrusted, the above information regarding such shares will be revealed by each trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

(14) Segment information

(a) General information

There are six reportable segments in the Consolidated Company, namely, Kaohsiung, Taoyuan, Miaoli, Taipei, Vietnam, and Steel Structure. The Kaohsiung Department manufactures steel bars for construction and civil engineering, and H beams for steel-structured buildings and basic civil engineering, universal plates, and tampered and parallel flange channel; the Taoyuan Department only produces steels for building structures and steel bars for construction and civil engineering; the Miaoli Department manufactures H beams, universal plates, and tampered and parallel flange channel for steel-structured buildings and basic civil engineering; the Taipei Department manages the Consolidated Company and evaluates investment activities; the Vietnam Department manufactures and sells various types of billets and steel bars for construction and civil engineering; the Steel Structure department exclusively assembles H beams and others.

(b) Information about reportable segments and their measurement and reconciliations

The reportable segments are the strategic divisions in the Consolidated Company. The resources and management of each professional strategic division are independent and have separate financial information.

Tax expenses are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to the ones described in Note 4 "Significant Accounting Policies." The Consolidated Company treated intersegment sales and transfers as third-party transactions. They are measured at market price.

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(d) Geographic information

The Consolidated Company's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location were as follows :

<u>Geographic information</u>	For the years ended December 31,	
	<u>2020</u>	<u>2019</u>
Net revenue from external customers :		
Taiwan	\$ 38,603,374	38,002,705
China	430,163	928,965
Vietnam	3,130,144	3,341,402
Others	<u>702,609</u>	<u>2,590,528</u>
	<u>\$ 42,866,290</u>	<u>44,863,600</u>
<u>Geographic information</u>	<u>December 31,</u>	<u>December 31,</u>
	<u>2020</u>	<u>2019</u>
Non-current assets :		
Taiwan	\$ 16,568,366	17,529,871
China	166,530	188,552
Vietnam	4,495,306	4,892,509
Others	<u>29,409</u>	<u>36,510</u>
	<u>\$ 21,259,611</u>	<u>22,647,442</u>

Non-current assets include property, plant and equipment, investment property, and other non-current assets, not including financial instruments, investments accounted for using the equity method, deferred tax assets, and post-employment benefit assets.

(e) Information about major customers

	For the years ended December 31,	
	<u>2020</u>	<u>2019</u>
Customer A from sections department	<u>\$ 2,939,052</u>	<u>2,341,627</u>
Customer B from sections department	<u>\$ 1,483,321</u>	<u>1,373,191</u>

Tung Ho Steel Enterprise Corp.
Chairman
Henry. C.T. Ho