



# **Tung Ho Steel Enterprise Corporation**

**TUNG HO STEEL ENTERPRISE CORPORATION**

## **2021 Annual Report**

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Company Website: [www.tunghosteel.com](http://www.tunghosteel.com)



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Exchange House for Trading on Global Depositary 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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## Chapter 1. Letter to Shareholders

In the 2021, the global economy continued to be affected by the COVID-19 coronavirus. Although the situation has improved compared to 2020, the significant increase in the number of infected people still threatens people's lives and properties and slows down economic activities, such as production, consumption, and trade and investment due to the quarantine and border closure measures taken by governments to combat the spread of the virus, causing the global supply chain to be sluggish and resulting in a shortage of commodity supply. The shortage of manpower supply due to epidemic prevention has also pushed up wages and air, land and sea freight rates, leading to an overall drive in prices, forcing central banks to rapidly shift their monetary policies. To prevent economic recession and instead to fight against rising inflation, the long-standing policy of quantitative monetary easing was withdrawn earlier than expected, and the discussion on the dear money policy and the timing of interest rate increase has begun. The financial environment is expected to enter a cycle of interest rate hikes that is very different from that of the past few years, which will not be conducive to economic recovery and financial market prosperity in the post-epidemic era.

In Taiwan, the epidemic negative effects were relatively 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, metaverse, as well as other home economy, cloud economy business opportunities, and the rapidly developing electric vehicle industry and energy-saving storage industry to achieve the goal of net zero carbon emissions 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. The gathering of all the above favorable conditions have enabled Taiwan's economy to ride out the challenges and maintain strong growth, the highest amongst developed countries. Taiwan's economic performance has attracted attention from the world along with its outstanding pandemic prevention efforts.

This year, the global steel industry is slightly weakened by the epidemic and the sluggish housing boom in mainland China, and both raw materials and finished products have seen a decline in shipments and prices. However, due to the booming manufacturing industry in Taiwan, the steel industry as a whole is showing an upturn, especially in the construction steel category, which is benefiting from the huge demand for factory construction from foreign investors and semiconductor and electronics majors, as well as the rebound in the construction industry, and has led to a strong production and sales in the market and general significant rebound of profits in the industry.

The Company has also benefited from the rebounding 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 strong order intake and excellent operation performance of its reinvestment company, Tung Ho Steel; the Company's operations in Vietnam have gradually progressed well; although sales were not as strong as expected due to the severe impact of the epidemic in Vietnam, we were able to achieve a turnaround in profits; Other reinvestment companies generally have excellent performance during the year, which all actively contributing towards the Company's profitability this year.

A consolidated overview of the 2021 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		
	2021	2020	Growth rate (%)	2021	2020	Growth rate (%)
Billet	39,988,452	28,068,661	42.47	983,192	408,201	140.86
Re-bar	22,919,184	17,873,188	28.23	27,171,077	21,033,467	29.18
H-beam	12,754,285	9,211,570	38.46	16,255,052	11,491,399	41.45
Steel plate (self-made)	2,451,135	1,757,755	39.45	1,812,956	1,144,587	58.39
Steel plate (transaction)	0	0	0.00	144,549	123,919	16.65
Channel	1,215,173	648,342	87.43	1,381,758	679,283	103.41
I-beam	61,559	32,318	90.48	81,915	50,975	60.70
Steel structure	8,949,867	6,250,131	43.19	9,630,899	6,720,585	43.30
Environmental protection processing	232,028	208,521	11.27	232,028	208,521	11.27
Steel sheet piles	82,263	49,573	65.94	87,541	61,951	41.31
Wind power generation	46,897	53,248	(11.93)	46,897	53,248	(11.93)
Construction revenues	500,786	438,778	14.13	467,642	429,904	8.78
Others	582,782	464,773	25.39	499,583	460,250	8.55
Total	89,784,411	65,056,858	38.01	58,795,089	42,866,290	37.16

## II. Profitability Analysis:

Unit: Thousands of New Taiwan Dollars

	2021	2020	Growth rate (%)
Operating revenue	58,795,089	42,866,290	37.16
Operating costs	49,321,315	36,245,586	36.08
Gross profit	9,473,774	6,620,704	43.09
Operating expenses	2,414,169	2,199,217	9.77
Net operating profit	7,059,605	4,421,487	59.67
Net profit before tax	7,350,711	4,489,570	63.73
Net income after tax	5,921,551	3,556,583	66.50



### III. Financial Structure and Profitability Analysis:

Analysis Item		Year	2021	2020
Financial structure (%)	Debt-to-assets ratio		46.33	37.62
	Long-term fund to fixed assets ratio		180.03	166.42
Profitability	Return on assets (%)		12.10	8.05
	Return on shareholder's equity (%)		20.62	13.68
	Paid-in capital ratio (%) (Note)	Operating income	96.68	41.76
		Income before tax	100.67	42.40
	Net profit ratio (%)		10.07	8.30
	Earnings per share (NT\$)		5.95	3.52

Note: The paid-in capitals for 2021 and 2020 are adopted from the paid-in capitals on 2021.12.31 and 2020.12.31, which were NT\$7,302,138 thousand and NT\$10,587,599 thousand, respectively, as the calculation basis.

### IV. Overview of Technology and R&D

The Company's research and development expenses for 2021 was NT\$41,145,626, equivalent to 0.09% 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  $\geq 300$ mm, and the automatic in-line dimensional measurement and surface defect detection system for H-beams/plates. The major R&D projects in 2022 include: 1. Continuous development of H-beam Universal Edging (UE) new rolling technology; 2. Development of angle and flat bar H/V (horizontal/ vertical) combination rolling; 3. development of AI applications and smart chemical process technology; 4. Research on carbon steel oxidizing slag asphalt pavement and testing; 5. Development of preheating and low-carbon green process technology for electric furnace; 6. Research on Carbon Capture Utilization and Storage (CCUS) technology application; 7. Research on hydrogen energy technology application.

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 2022, 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 domestic steel industry is in a favorable environment and already performing well due to a mild epidemic situation with no disruptions to industrial production this year. Originally, the outlook seems to be further boosted with economic recoveries in other countries which will create impetus for growth. However, the recent international economic sanctions due to the Russian invasion of Ukraine led to a shortage of oil, natural gas, food, metal and raw material and soaring prices, making global inflation more serious, interest rates rising, and in terms hitting consumer investment and trade. Summing up all these factors, the upcoming economic recovery faces great risk and and uncertainty. Therefore, in the face of this great political and economic change, we should always be cautious and prevent negligence in business management and be ready to respond at any time. We believe that we should be able to turn the crisis into an opportunity to achieve another successful business result with the concerted efforts of all employees this year. The Company's management 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 all of our shareholders

good health and best of luck

**Chairman      Henry C. T. Ho**

## Chapter 2. Company Profile

### I. Date of Establishment

May 30, 1962

### II. Company History

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	<p>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].</p> <p>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.</p>
November 2019	<p>The Taoyuan plant obtained the "Carbon Footprint Verification Declaration" for the product.</p> <p>Awarded "2019 TCSA Taiwan Corporate Sustainability Award", Gold Award of Corporate Sustainability Report Award [Traditional Manufacturing Industry].</p>
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.
May 2021	The Company in Taipei passed and obtained the ISO/CNS 45001 certification: 2018 Occupational Safety and Health Management System Verification and Registration.
May 2021	The 2021 Climate-related Financial Disclosures (TCFD) report has been verified by the British Standards Institution (BSI).
May 2021	The Company's results in the 7th Corporate Governance Evaluation ranked among top 5% of listed companies.
June 2021	The Company in Taipei passed and obtained the ISO 14064-1 certification in June 2021: 2006 greenhouse gas inventory statement.
November 2021	Awarded "2021 TCSA Taiwan Corporate Sustainability Award", Platinum Award of Corporate Sustainability Report Award [Traditional Manufacturing Industry].

December 2021	The Company completed the CDP Climate Change Questionnaire for the first time and achieved the "Management Level (B)" scoring.
January 2022	The re-bar products of the Taoyuan Plant and the beam and channel products of the Kaohsiung Plant obtained the Type III Product Environmental Declaration (EPD) Certificate.

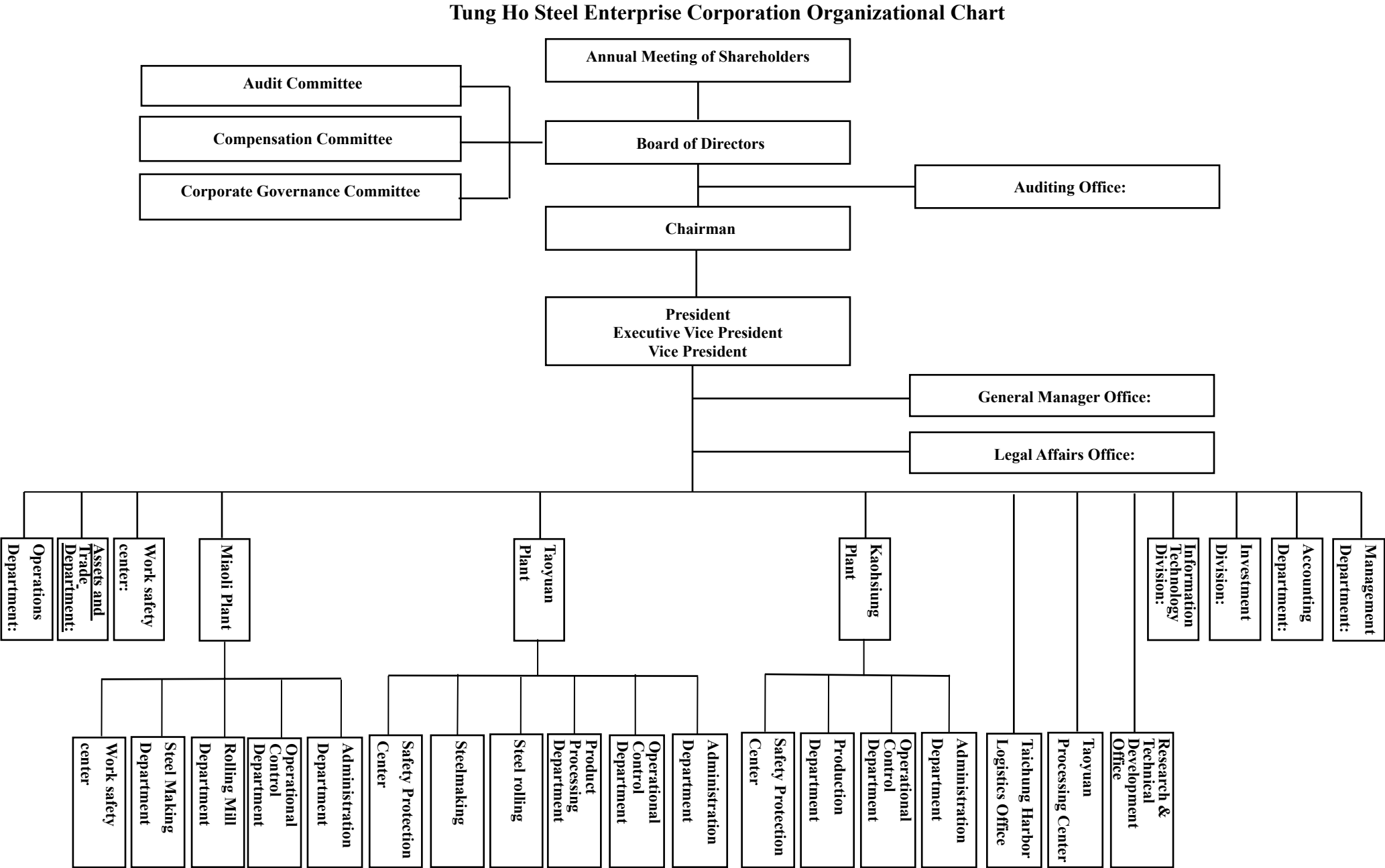
- (I) The Company's mergers, acquisitions, transfers of re-invested companies, or reorganizations in the most recent fiscal year and up to the publication date of this Annual Report: None.
- (II) Substantial transfer or replacement of shareholdings of directors or of shareholders holding more than 10% of the Company's shares in the most recent fiscal year and up to the publication date of this Annual Report: None.
- (III) Changes in management rights in the most recent fiscal year and up to the publication date of this Annual Report: None.
- (IV) Significant changes in management methods or business activities in the most recent fiscal year and up to the publication date of this Annual Report: None.
- (V) Other significant events affecting shareholders' equity in the most recent fiscal year and up to the publication date of this Annual Report and their impact on the Company: None.



# Chapter 3. Corporate Governance

## I. Organization

### (I) Organizational Structure



1. Business and Functions of Main Departments:

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

## II. Information of Directors, President, Vice President, Assistant Vice President, and Managers of Departments and Divisions

### (I) Director Information - 1

March 28, 2022

Title	Nationality or registered place	Name	Gender Age	Elected (Appointed) date	Office term	Date first elected	Shares held when elected		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	49,018,877	6.71	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 51-60 years old	2020.05.19	3 years	2002.06.27	142,426	0.01	95,425	0.01	86,430	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 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. Chairman of Dung Tang Energy Service Co., Ltd. Director of Mingtai Yule Co. Ltd. Chairman of Eternity Corp. Director of Tung Ho Steel Cultural Foundation was established Chairman of THS Foundation	Vice Chairman	George Y. S. Ho	Brother	Left office as the President of the Company on January 1, 2022.

Title	Nationality or registered place	Name	Gender Age	Elected (Appointed) date	Office term	Date first elected	Shares held when elected		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	
Vice Chairman	R.O.C.	Mao Sheng Investment Inc. Representative: George Y. S. Ho	Male 51-60 years old	2020.05.19	3 years	1996.05.23	10,000	0	6,700	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 Eternity Corp. Chairman 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	108,715,999	14.89	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	None
Director	R.O.C.	Earle Ho and Sons, Ltd. Representative: Hui-Ming Wu	Male More than 71 years old	2020.05.19	3 years	2014.06.18	128,432	0.01	86,049	0.01	0	0	0	0	Taipei Engineering Professional School, Mining and Metallurgical Engineering	None	None	None	None	None
Director	R.O.C.	Earle Ho and Sons, Ltd. Representative: Joshua P.H. Tung	Male 61-70 years old	2020.05.19	3 years	2020.05.19	23,381	0	15,665	0	0	0	107,200	0.01	Master's Degree in Business Management from the Business Institute, National Chengchi University	Senior Vice President of Tung Ho Steel Enterprise Corporation Chairman of Hou Te 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	3,387,285	0.46	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	None

Title	Nationality or registered place	Name	Gender Age	Elected (Appointed) date	Office term	Date first elected	Shares held when elected		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	R.O.C.	Episil Holding Incorporation Representative: Chih-Ming Huang	Male 61-70 years old	2020.05.19	3 years	1988.08.18	484,337	0.05	324,505	0.04	0	0	0	0	MBA, California State University, USA	Chairman, Episil Holding Incorporation Supervisor of Far East Steel Inc. Director of Yu Tai Investment Co., Ltd. Supervisor of Hsie Ho Refractory Industrial Co. Ltd.	None	None	None	None
Corporate Director	Taiwan	Liang Cheng Investment Co., Ltd.	N/A	2020.05.19	3 years	2014.06.18	11,185,973	1.11	7,494,602	1.03	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	None
Director	R.O.C.	Representative of Liang Cheng Investment Co., Ltd.: Pao-He Chen	Male 61-70 years old	2020.05.19	3 years	1988.08.18	1,073,205	0.11	719,047	0.10	3,421	0	0	0	MBA, Royal Roads University	Chairman, Liang Cheng Investment Co., Ltd. Chairman, He-cheng Investment Inc. Chairman, Chi-cheng Investment Inc. Chairman, Jian-qing Investment Inc. Chairman, Shuizhiyuan Bio-Technology Co., Ltd. Director, Chin Chun Industrial Inc. Director of Nai Fei Technology Co., Ltd. Director of Hsu Ching Energy Application Co., Ltd. Director, Chin Chun Industrial Inc. Director, Zhucheng Construction Co., Ltd.	None	None	None	None

Title	Nationality or registered place	Name	Gender Age	Elected (Appointed) date	Office term	Date first elected	Shares held when elected		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	R.O.C.	Yen-Liang Ho	Male 51-60 years old	2020.05.19	3 years	1999.05.23	361,670	0.04	242,319	0.03	2,000	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	43,550	0.01	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	None
Director	R.O.C.	Representative of Taiwan Zhi Di Co. Ltd.: Chao-He Lin	Male More than 71 years old	2020.05.19	3 years	2011.06.24	318,887	0.03	213,654	0.03	0	0	0	0	Department of Economics, Soochow University	None	None	None	None	None
Independent Director	R.O.C.	I-Chi Liu	Male More than 71 years old	2020.05.19	3 years	2014.06.18	0	0	0	0	0	0	0	0	M.S., Department of Accounting, National Chengchi University	Independent Director, Mitwell Inc.	None	None	None	None
Independent Director	R.O.C.	Chuang-Hsi Chang	Male 51-60 years old	2020.05.19	3 years	2014.06.18	6,685	0	4,479	0	4,478	0	0	0	PhD in Law, Political Science and Sociology at the Pantheon-Assas University	None	None	None	None	None
Independent Director	R.O.C.	Der-Ming Lieu	Male 61-70 years old	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: Major shareholders of corporate shareholders

March 28, 2022

Name of Corporate Shareholder (Note 1)	Major 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 Islands JUSTIN Investment Management 100%
Taiwan Zhi Di Co. Ltd.	Shengyu Chen 52%, Shuzhen Hou 46%

Note 1: Directors who represent corporate shareholders should indicate the corporate 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: Major shareholders in Table 1 who are corporate shareholders and their major shareholders

March 28, 2022

Name of Corporate Shareholder	Major Shareholders of Corporate Shareholder
N/A	None

## Director Information - 2

### 1. Disclosure of Professional Qualifications of Directors and Independence of Independent Directors:

Condition Name	Professional qualifications and experience	Independence	Number of companies the person serves as an independent director
Mao Sheng Investment Inc. Representative: Henry C. T. Ho	<p>Henry C. T. Ho graduated from the Department of Economics at Harvard University. Immediately after graduation, he joined McKinsey &amp; Company as an analyst. Mr. Ho joined Tung Ho Steel Enterprise Corporation in 1997 and has served in the Finance and Accounting, Materials, and Sales and Production departments, deeply involved in the operation and planning of the Company's internal management, raw material procurement, sales services, and production technology. Mr. Ho is a key person in the Company's planning for future development and corporate sustainability. Mr. Ho assumed the position of President in 2009 and the position of Chairman of the Board of Directors in 2014. Mr. Ho has the work experience required by the Company's business operations and the core abilities required by the Board of Directors, including operational judgment, accounting and financial analysis, operational management, international market perspective, crisis management, industry knowledge, leadership, decision-making, sustainability management, risk management, and climate change management.</p> <p>Does not meet the criteria listed in any Sections of Article 30 of the Company Act.</p>	N/A	0
Mao Sheng Investment Inc. Representative: George Y. S. Ho	<p>George Y. S. Ho graduated from the Department of Environment and Visual Arts at Harvard University, USA.</p> <p>Mr. Ho has been a Director of the Company since 1996. Mr. Ho is familiar with the decision-making and planning of the Company and has the work experience required for the Company's business operations and the core abilities required by the Board of Directors, including operational judgment, international market perspective, leadership, decision-making, sustainability management, and risk management.</p> <p>Does not meet the criteria listed in any Sections of Article 30 of the Company Act.</p>	N/A	0



Condition Name	Professional qualifications and experience	Independence	Number of companies the person serves as an independent director
Earle Ho and Sons, Ltd. Representative: Hui-Ming Wu	<p>Hui-Ming Wu graduated from Taipei Engineering Professional School with a degree in Mining and Metallurgical Engineering.</p> <p>Mr. Wu joined the Company in 1991 and retired in 2014. During this period, he served as factory general manager, special assistant, and production vice president. He has the work experience required for the Company's business operations and the core abilities required by the Board of Directors, including operational judgment, accounting and financial analysis, operational management, international market perspective, crisis management, industry knowledge, leadership, decision-making, sustainability management, and risk management.</p> <p>Does not meet the criteria listed in any Sections of Article 30 of the Company Act.</p>	N/A	0
Earle Ho and Sons, Ltd. Representative: Joshua P.H. Tung	<p>Joshua P.H. Tung has a Bachelor of Economics from National Taiwan University and an EMBA from National Chengchi University.</p> <p>Mr. Tung joined the Company in 1987 and retired in 2022. During this period, he has worked in the Finance and Accounting, Trading, and Investment departments and assumed the position of Vice President of Finance &amp; Accounting Division in 2009. Mr. Tung has the work experience required by the Company's business operations and the core abilities required by the Board of Directors, including operational judgment, accounting and financial analysis, operational management, international market perspective, crisis management, industry knowledge, leadership, decision-making, sustainability management, and risk management.</p> <p>Does not meet the criteria listed in any Sections of Article 30 of the Company Act.</p>	N/A	0
Episil Holding Incorporation Representative: Chih-Ming Huang	<p>Chih-Ming Huang has an MBA from California State University, USA.</p> <p>Mr. Huang joined the Company's Board of Directors as a director in 1988 and is familiar with the Company's decision-making and planning. He has the work experience required for the Company's business operations and the core abilities required by the Board of Directors, including operational judgment, accounting and financial analysis, operational management, international market perspective, crisis management, industry knowledge, leadership, decision-making, sustainability management, and risk management.</p> <p>Does not meet the criteria listed in any Sections of Article 30 of the Company Act.</p>	N/A	0

Condition Name	Professional qualifications and experience	Independence	Number of companies the person serves as an independent director
Liang Cheng Investment Co., Ltd. Representative: Pao-He Chen	<p>Pao-He Chen has an MBA from Royal Roads University, Canada.</p> <p>Mr. Chen currently serves as the President of Chu Cheng Construction and has worked in the construction industry for more than 30 years. He joined the Company's Board of Directors as a director in 1988 and is familiar with the Company's decision-making and planning. Mr. Chen has the work experience required for the Company's business operations and the core abilities required by the Board of Directors, including operational judgment, accounting and financial analysis, operational management, crisis management, leadership, decision-making, sustainability management, and risk management.</p> <p>Does not meet the criteria listed in any Sections of Article 30 of the Company Act.</p>	N/A	0
Taiwan Zhi Di Co. Ltd. Representative: Chao-He Lin	<p>Chao-He Lin graduated from the Department of Economics at Soochow University.</p> <p>Mr. Lin joined the Company in 1972 and retired in 2014. During this period, he served as Vice President and Senior Vice President. Mr. Lin has the work experience required for the Company's business operations and the core abilities required by the Board of Directors, including operational judgment, accounting and financial analysis, operational management, international market perspective, crisis management, industry knowledge, leadership, leadership, decision-making, sustainability management, and risk management.</p> <p>Does not meet the criteria listed in any Sections of Article 30 of the Company Act.</p>	N/A	0
Yen-Liang Ho	<p>Yen-Liang Ho has an EMBA from Aalto University, Finland.</p> <p>Mr. Ho joined the Company's Board of Directors as a director in 1999 and is familiar with the Company's decision-making and planning. He has the work experience required for the Company's business operations and the core abilities required by the Board of Directors, including operational judgment, accounting and financial analysis, operational management, international market perspective, crisis management, industry knowledge, leadership, decision-making, sustainability management, and risk management.</p> <p>Does not meet the criteria listed in any Sections of Article 30 of the Company Act.</p>	N/A	0

Condition Name	Professional qualifications and experience	Independence	Number of companies the person serves as an independent director
I-Chi Liu	<p>I-Chi Liu has an MS from the Department of Accounting at National Chengchi University, specializing in accounting and financial analysis.</p> <p>Mr. Liu has served as the Senior Accountant (retired) at KPMG International Cooperative, senior consultant, Director of National Federation of CPA Associations of the R.O.C.(NFCPAA), Managing Director of Taipei CPA Association, Supervisor of Tah Tong Textile Co., Ltd., and Independent Director of MiTwell, Inc. He is currently serving the third term as the Company's Independent Director and has the work experience required for the Company's business operations and the core abilities required by the Board of Directors, including operational judgment, accounting and financial analysis, operational management, crisis management, industry knowledge, leadership, decision-making, sustainability management, and risk management.</p> <p>Does not meet the criteria listed in any Sections of Article 30 of the Company Act.</p>	<p>Serve as an Independent Director and meet the independence requirements:</p> <p>1.including, but not limited to,</p> <p>that the person or the spouse or any relative of the person within the second degree of kinship is not a director, supervisor, or employee of the Company or any of its affiliate;</p> <p>2.the person or the spouse or any</p>	1
Chuang-Hsi Chang	<p>Chuang-Hsi Chang holds a PhD in Law, Political Science and Sociology from Pantheon-Assas University and currently works as an Associate Professor at Huafan University, specializing in global political and economic trends, corporate governance, and administrative management.</p> <p>Mr. Chang has served as the Secretary General of Office of Secretariat at Huafan University, Director and President of Huashan Creative Industrial Co., Ltd., Associate Professor of National Central University, and Associate Professor of Huafan University. He is currently serving the third term as the Company's Independent Director and has the work experience required for the Company's business operations and the core abilities required by the Board of Directors, including operational judgment, operational management, crisis management, industry knowledge, international market perspective, leadership, decision-making, sustainability management, risk management, and climate change management.</p> <p>Does not meet the criteria listed in any Sections of Article 30 of the Company Act.</p>	<p>relative of the person within the second degree of kinship does not hold more than 1% of the Company's issued shares;</p> <p>3.the person is not a director, supervisor, or employee of the Company or any of its affiliates;</p> <p>4.the person has not received any remuneration for providing business, legal, financial, or accounting services to the Company or any of its affiliates in the last two fiscal years;</p> <p>5.the person has not served as an Independent Director of the Company for more than 3 terms.</p>	0

Condition Name	Professional qualifications and experience	Independence	Number of companies the person serves as an independent director
Der-Ming Lieu	<p>Der-Ming Lieu holds a Ph.D. in Economics from Ohio State University, USA, and currently works as Adjunct Professor (Honorary Professor) of Department of Finance at National Sun Yat-sen University, specializing in international finance, investment, derivative financial products and financial engineering, corporate financial management, and risk measurement and control of investment portfolio.</p> <p>Mr. Lieu has served as Professor of Department of Finance at National Sun Yat-sen University, Independent Director of Laser Tek Taiwan CO.,LTD, and Independent Director of CSBC Corporation, Taiwan. Mr. Lieu is currently serving the second term as the Company's Independent Director and has the work experience required for the Company's business operations and the core abilities required by the Board of Directors, including accounting and financial analysis, operational management, industry knowledge, decision-making, sustainability management, and risk management.</p> <p>Does not meet the criteria listed in any Sections of Article 30 of the Company Act.</p>		2

(II) Diversity and Independence of the Board of Directors:

1. Diversity of the Board of Directors:

(1) Diversity Policy of the Board of Directors:

In accordance with Article 22 of the “Corporate Governance Best Practice Principles”, the Company shall strengthen the functions and regulations of the Board of Directors, 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:

- A. Basic qualifications and value: Gender, age, nationality, and culture.
- B. Professional knowledge and skills: Professional background (e.g. legal, accounting, industry, finance, marketing, or technology), professional skills and industry experience, etc.

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, sustainable management, risk management, and climate change management.

2. Board of Directors Diversity Specific Management Objectives:

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:

- A. The Company's board of directors also places emphasis on gender equality and should include at least one female director.
- B. 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.
- C. Independent directors may not serve more than three consecutive terms in order to stay independent.
- D. 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.

3. Progress in Diversity of Board Members:

The 24th Board of Directors has 11 members, including 3 independent directors who have served less than 3 terms to ensure the independent nature of the Board of Directors. There are 2 concurrent employees, accounting for 18.18% of the Board (the Chairman has left office as the President of the Company on January 1, 2022). The Company expects to add one female director in the future to achieve the goal of gender equality.

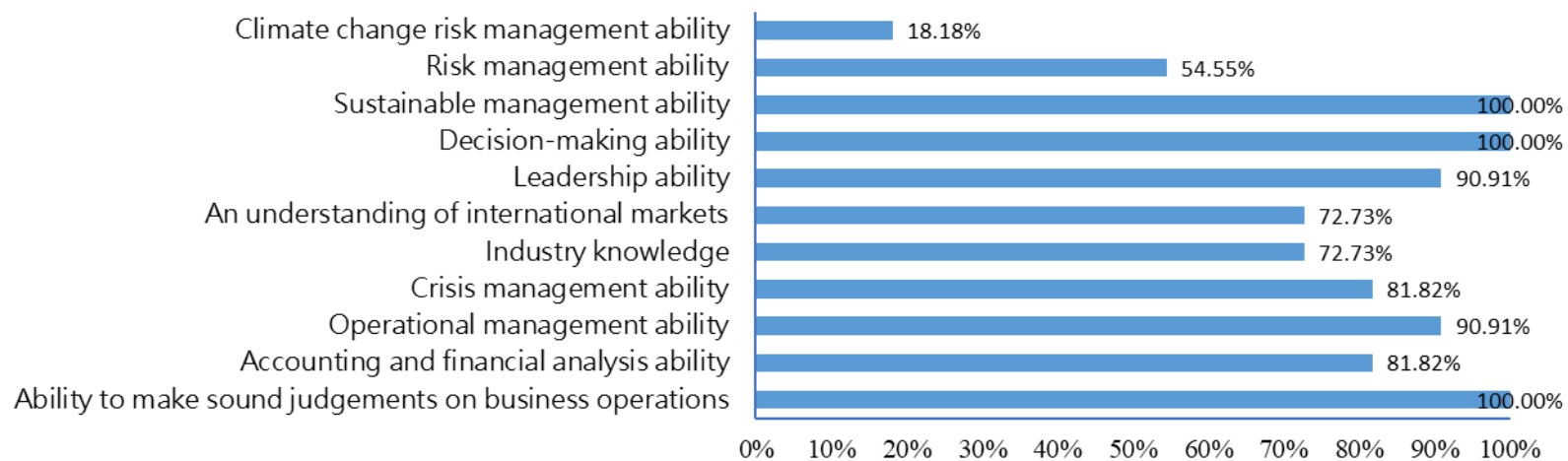
The members of the Board of Directors are highly qualified in management, possess relevant professional backgrounds and the necessary professional knowledge, skills and education to perform their duties; at least 1/3 of the members possess the relevant business execution capabilities for each of the 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.

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.

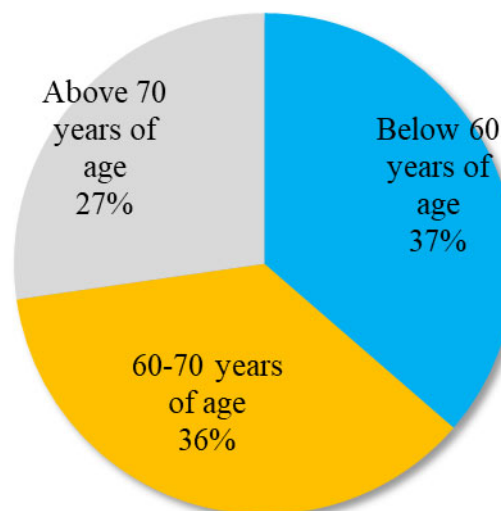
Name of Director	Nationality	Gender	Whether or not the Director is also an Employee of the Company (Note)	Age of Director			Independent Director's term of office	Core Item										
				Below 60 years of age	60-70 years of age	Above 70 years of age		Business judgments	Accounting and financial analysis	Operational management	Crisis management	Industry knowledge	International markets	Leadership	Decision-making	Sustainable management	Risk management	Climate change management
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				✓		3rd term	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Chuang-Hsi Chang	R.O.C.	Male		✓				3rd term	✓		✓	✓	✓	✓	✓	✓	✓	✓
Der-Ming Lieu	R.O.C.	Male			✓			2nd term	✓	✓	✓		✓		✓	✓	✓	

Note: The Chairman has left office as the President of the Company on January 1, 2022, and Director Joshua P.H. Tung was scheduled to retire on April 30, 2022.

## Achievement rate



## AGE OF DIRECTOR



4. Independence of the Board of Directors:

- (1) According to the Company's "Articles of Incorporation", the election of directors and independent directors adopts a candidate nomination system. Shareholders who hold a certain number of shares or more may propose a list of candidates. The review of candidates' qualifications and compliance with Article 30 of the Company Act are conducted in accordance with the laws and regulations of the competent authorities in order to protect the rights and interests of shareholders, prevent monopoly of nomination, and maintain the independence of nomination.
- (2) Currently the Board of Directors consists of 11 directors, including 3 independent directors (27.27%). In accordance with relevant laws and regulations, through the power and duties of the Audit Committee, Independent Directors review and supervise the Company's management and control of existing or potential risks to ensure effective implementation of internal control. Independent Directors also assist in the selection (dismissal) of CPAs, review of CPA Independence, and preparation of financial statements.
- (3) Two (18.18%) of the Directors are employees of the Company, its parent, or one of its subsidiaries or brother companies, representing less than 1/3 of all Directors, which meets the purpose of supervision; the Chairman has left office as the President of the Company on January 1, 2022.
- (4) There are two Directors (18.18%, less than half of the seats) who are relatives within the second degree of kinship, which complies with Paragraph 3 of Article 26-3 of the Securities and Exchange Act.
- (5) In accordance with the Company's Articles of Incorporation, Independent directors may not serve more than three consecutive terms in order to stay independent. The current three Independent Directors have not served more than three terms.



## (III) Information of President, Vice President, Assistant Vice President, and Managers of Departments and Divisions

March 28, 2022

Title	Nationality	Name	Gender	Elected (Appointed) date	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 is the Company's manager			Note
					Number of shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)			Title	Name	Relationship	
President	R.O.C.	Bing-Hua Huang	Male	2022.01.01	4,317	0	0	0	720,250	0.10%	Master's 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	None	None	None	None
Production Vice President	R.O.C.	Ming-Tsung Liu	Male	2022.01.01	0	0	0	0	194,300	0.03	Master's in Materials Science and Engineering, National Taiwan University	Director of Taiwan Steel United Inc. President of Katec Creative Resources Corp. Director of Fujian Sino-Japan Metal Corp.	None	None	None	None
Sales & Marketing Division Vice President	R.O.C.	Bruce Guu	Male	2009.10.16	97,002	0.01	67	0	0	0	Department of Economics, Chinese Culture University	Director of Tung Kang Engineering & Construction Co., Ltd. Chairman of Fata Xingye Co. Ltd. (Note) Supervisor of Fujian Tung Kang Steel Co., Ltd. Director of Tung Ho Steel Cultural Foundation was established	None	None	None	None
Trading Division Vice President	R.O.C.	Arthur C. Lin	Male	2009.10.16	14,605	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 of Siaogang Warehousing Inc. Director of Tung Ho Steel Vietnam Corp., Ltd. Director of Tung Ho Steel Cultural Foundation was established	None	None	None	None
Senior Vice President, Finance and Accounting Division	R.O.C.	Joshua P.H. Tung	Male	2020.11.12	15,665	0	0	0	107,200	0.01	Master's degree in Business Management from the Business Institute, National Chengchi University Department of Economics at National Taiwan University	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

Title	Nationality	Name	Gender	Elected (Appointed) date	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 is the Company's manager			Note
					Number of shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)			Title	Name	Relationship	
Head of Corporate Governance and Vice President of Administration Division	R.O.C.	Juyu Ho	Female	2022.01.01	4,690	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 of Tung Kang Wind Power Co., Ltd.	None	None	None	None
Sales & Marketing Division Assistant Vice President	R.O.C.	Jay Chiang	Male	2021.08.19	2,022	0	0	0	0	0	Department of International Business, Soochow University	None	None	None	None	None
Sales & Marketing Division Assistant Vice President	R.O.C.	Flora Fan	Female	2009.11.01	7,370	0	0	0	0	0	International Trade Major, International Business Professional School	Director of Tung Kang Steel Structure Co., Ltd.	None	None	None	None
Investment Division Assistant Vice President	R.O.C.	Tony Chen	Male	2009.11.01	0	0	0	0	0	0	Department of International Trade, Feng Chia University	None	None	None	None	None
Investment Division Assistant Vice President	R.O.C.	Chun-Sheng Chien	Male	2009.11.01	582	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
Investment Division Assistant Vice President	R.O.C.	J. B. Chiu	Male	2010.06.01	3,368	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 Inc. Director, Li-Shi Venture Capital Inc.	None	None	None	None

Title	Nationality	Name	Gender	Elected (Appointed) date	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 is the Company's manager			Note
					Number of shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)			Title	Name	Relationship	
Investment Division Assistant Vice President	R.O.C.	Yi-Chih Hsu	Male	2019.02.11	10,255	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.	Leo Liu	Male	2019.11.11	3,100	0	3,100	0	0	0	Fu Jen Catholic University Department of Accounting	Supervisor of Tung Kang Engineering & Construction Co., Ltd. Supervisor of Fata Xingye Co. Ltd. (Note) Director of Tung Kang Wind Power Co., Ltd. Director of Katec Creative Resources Corp. Supervisor of Duc Hoa International J. S. C. Supervisor of Fujian Sino-Japan Metal Corp.	None	None	None	None
Assistant Vice President, Information Technology Division	R.O.C.	Che-Chung Lin	Male	2005.05.01	6,580	0	12,060	0	0	0	Master degree in Information Management from Institute of Management, National Sun Yat-sen University	None	None	None	None	None
Safety Protection Center Senior Manager	R.O.C.	Frank Wang	Male	2021.11.01	14,367	0	12,892	0	0	0	Department of Economics, Tamkang University	None	None	None	None	None
Legal Affairs Office Senior Manager	R.O.C.	Albert Chao	Male	2021.11.01	3,563	0	0	0	0	0	Department of Law, Chinese Culture University	None	None	None	None	None
Deputy Manager, Auditing Office	R.O.C.	I-Yu Chen	Female	2022.01.01	0	0	0	0	0	0	Department of Statistics, Feng Chia University	None	None	None	None	None
General Manager of Taoyuan Works	R.O.C.	Wei-Ping Lee	Male	2022.01.01	84	0	0	0	0	0	Taipei Engineering Professional School, Mechanical and Electrical Engineering	Director, Taiwan Steel United Inc.	None	None	None	None

Title	Nationality	Name	Gender	Elected (Appointed) date	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 is the Company's manager			Note
					Number of shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)			Title	Name	Relationship	
General Manager of Miaoli Works	R.O.C.	Yao-Ying Hsiao	Male	2022.01.01	6,700	0	0	0	0	0	Taipei Engineering Professional School, Mining and Metallurgy	None	None	None	None	None
General Manager of Kaohsiung Works	R.O.C.	Tsung-Yu Wang	Male	2011.07.01	24	0	0	0	166,160	0.02	Master's degree in Financial Management, National Sun Yat-sen University	None	None	None	None	None

(Note): Fada Corp. was dissolved on March 2, 2022.

(IV) If the chairman, president or personnel with equivalent position (chief manager) are the same person, spouses or relatives within one degree of kinship, the reasons, reasonability, necessity and measures to be taken accordingly shall be addressed:

1. 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. More than half of the Board of Directors do not serve as the Company's employees or managers for supervision purposes.
2. Considering the need for long-term and sound corporate governance, at the 15th meeting of the 24th session of the Board of Directors, the Company appointed Mr. Bing-Hua Huang as the President of the Company starting on January 1, 2022 to comprehensively manage the Company's business in accordance with the resolutions of the Board of Directors and instructions of the Chairman.

### III. Remuneration Paid to Directors, President, and Vice President in the Most Recent Fiscal Year

#### (I) Remuneration Paid to Directors (including Independent Directors)

December 31, 2021

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/retirem ent pension (F)		Employee remuneration (G)						
										The Company						All companies in the financial report		The Company		All companies in the financial report		
		Cash Amount	Share value	Cash Amount	Share value	The Company	All companies in the financial report															
Chairman	Mao Sheng Investment Inc. Company representative: Henry C. T. Ho	2,520,000	2,520,000	0	0	21,048,702	21,048,702	45,000	45,000	0.40	0.40	12,586,014	14,218,014	572,932	572,932	1,566,810	0	1,566,810	0	0.65	0.68	None
Director	Mao Sheng Investment Inc. Company representative: George Y. S. Ho	360,000	360,000	0	0	21,048,701	21,048,701	45,000	45,000	0.36	0.36	0	0	0	0	0	0	0	0	0.36	0.36	None
Director	Earle Ho and Son Ltd. Company representative: Hui-Ming Wu	360,000	360,000	0	0	49,300,601	49,300,601	45,000	45,000	0.84	0.84	0	0	0	0	0	0	0	0	0.84	0.84	None
Director	Earle Ho and Son Ltd. Company representative: Joshua P.H. Tung	360,000	360,000	0	0	49,300,601	49,300,601	45,000	45,000	0.84	0.84	5,150,965	5,150,965	108,000	108,000	613,970	0	613,970	0	0.94	0.94	None
Director	Episil Holding Incorporation Company representative: Chih-Ming Huan	360,000	360,000	0	0	3,072,136	3,072,136	45,000	45,000	0.06	0.06	0	0	0	0	0	0	0	0	0.06	0.06	None

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/retirem ent pension (F)		Employee remuneration (G)						
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	Cash Amount	Share value	Cash Amount	Share value	
Director	Liang Cheng Investment Co., Company representative: Pao-He Chen	360,000	360,000	0	0	6,797,314	6,797,314	45,000	45,000	0.12	0.12	0	0	0	0	0	0	0	0	0.12	0.12	None
Director	Yen-Liang Ho	360,000	360,000	0	0	219,774	219,774	45,000	45,000	0.01	0.01	0	0	0	0	0	0	0	0	0.01	0.01	None
Director	Taiwan Zhi Di C Ltd. Company representative: Chao-He Lin	360,000	360,000	0	0	39,498	39,498	45,000	45,000	0.01	0.01	0	0	0	0	0	0	0	0	0.01	0.01	None
Independent Director	I-Chi Liu	1,080,000	1,080,000	0	0	0	0	45,000	45,000	0.02	0.02	0	0	0	0	0	0	0	0	0.02	0.02	None
Independent Director	Chuang-Hsi Cha	1,200,000	1,200,000	0	0	0	0	45,000	45,000	0.02	0.02	0	0	0	0	0	0	0	0	0.02	0.02	None
Independent Director	Der-Ming Lieu	1,080,000	1,080,000	0	0	0	0	45,000	45,000	0.02	0.02	0	0	0	0	0	0	0	0	0.02	0.02	None

- 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:
  - 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.
  - 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.
  - 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.
- 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 2021 was NT\$1,028,467.

## (II) Remuneration Paid to the President and Vice President

December 31, 2021

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
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Henry C. T. Ho (Note 1)	20,413,365	22,045,365	1,708,733	1,708,733	22,638,090	22,638,090	3,845,850	0	3,845,850	0	0.82	0.85	None
Executive Vice President	Bing-Hua Huang (Note 2)													
Senior Vice President	Fu-Jin Chen (Note 3)													
Senior Vice President	Joshua P.H. Tung													
Vice President	Bruce Guu													
Vice President	Arthur C. Lin													

Note 1: Left the position of President on January 1, 2022.

Note 2: Assumed the position of President on January 1, 2022.

Note 3: Retired on January 1, 2022.

Remuneration scale table

Levels of remuneration paid to General Manager and Vice General Manager of the Company	Name of President and Vice President	
	The 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)	Bing-Hua Huang, Fu-Jin Chen (Note), Joshua P.H. Tung, Bruce Guu, Arthur C. Lin	Bing-Hua Huang, Fu-Jin Chen (Note), Joshua P.H. Tung, Bruce Guu, Arthur C. Lin
NT\$10,000,000 (inclusive)–NT\$15,000,000 (exclusive)	Henry C. T. Ho	None
NT\$15,000,000 (inclusive)–NT\$30,000,000 (exclusive)	None	Henry C. T. Ho
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

Note: Retired on January 1, 2022.

(III) Managers with Employee Remuneration Distribution:

December 31, 2021

	Title	Name	Share value (NT\$)	Cash amount (NT\$)	Total (NT\$)	Ratio of Total Amount to Net Income (%)
Managers	President	Henry C. T. Ho (Note 1)	0	9,804,630	9,804,630	0.17
	Executive Vice President	Bing-Hua Huang (Note 2)				
	Senior Vice President	Fu-Jin Chen (Note 3)				
	Senior Vice President	Joshua P.H. Tung				
	Vice President of Sales & Marketing Division	Bruce Guu				
	Vice President of Trading Division	Arthur C. Lin				
	General Manager of Taoyuan Works	Wei-Ping Lee (Note 4)				
	General Manager of Miaoli Works	Ming-Tsung Liu (Note 5)				
	General Manager of Kaohsiung Works	Tsung-Yu Wang				
	Assistant Vice President of Sales & Marketing Division	Flora Fan				
	Assistant Vice President of Investment Division	Tony Chen				
	Assistant Vice President of Investment Division	Chun-Sheng Chien				
	Assistant Vice President of Investment Division	J. B. Chiu				
	Assistant Vice President of Investment Division	Yi-Chih Hsu				
	Head of Corporate Governance and Vice President of Administration Division	Juyu Ho (Note 6)				
	Assistant Vice President of Information Technology Division	Che-Chung Lin				
	Deputy Manager of Auditing Office	I-Yu Chen				
	Head of Accounting	Kuei-Hua Liu				

Note 1: Left the position of Vice President on January 1, 2022.

Note 2: Assumed the position of Vice President on January 1, 2022.

Note 3: Retired on January 1, 2022.

Note 4: Officially appointed as General Manager on January 1, 2022

Note 5: Assumed the position of Production Vice President on January 1, 2022.

Note 6: Assumed the position of Vice President on January 1, 2022.

(IV) Compare the ratio of the total remuneration paid to the Company's Directors, President, and Vice Presidents in the most recent two years to the net income after tax in the financial report by the Company and all companies in the consolidated statements, and explain the policies, standards and combinations of remuneration payment, the procedures for determining remuneration, and the relevance 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.	2021		2020	
	The Company	All companies in the financial report	The Company	All companies in the financial report
	3.53	3.55	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 individual work performance of the managers, such as: 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 distribution of bonuses for managers is determined by the results of performance evaluation conducted in accordance with the Company's Employee Performance Evaluation Regulations. The evaluation items are as follows:

Evaluation Item	Description	Proportion
Planning and achievement of organizational goals	Carry out executable planning for the goals assigned by the Company and formulate strategies and milestones to achieve objectives progressively and effectively.	15%
Decision-making ability	Determine, establish, and implement decisions to accomplish the tasks and goals assigned by the Company.	15%
Identify with the Company and coordinate job changes.	Devote to the Company's affairs, protect the Company's interests, and comply with the Company's rules and regulations.	10%
Planning and execution ability	Comprehensiveness, rationality, prospectivity, and adaptability in organization, preparation, planning, and work arrangement.	10%
Problem analysis and solving skills	Ability to analyze, improve, and solve operating and personnel problems and issues within the department or division.	10%
Talent cultivation and work training	Provide instructions, knowledge, skills, and experience to the staff and formulate training and development programs based on the needs and performance of the staff.	10%
Leadership, communication, and coordination skills	Attitude and effectiveness in leading the staff and influence on the morale, discipline, and performance of the team.	10%
Cost and control	Ability to effectively utilize and manage human, material, and financial resources.	10%
Morality and self-discipline	Ability to abide by job duties and administrative ethics, to keep work and personal time separate, and to maintain business confidentiality.	10%

- d. 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 Article 28 of 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.

In accordance with Article 10 of the "Board of Directors' Performance Evaluation Guidelines", the performance evaluation results of individual directors shall be used as a reference when determining their individual remuneration.

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:

Directors' remuneration = Distributable directors' remuneration × Proportion of shares held by individual directors to the number of shares held by all directors × Payout ratio from the performance evaluation of the directors, where payout ratio from the performance evaluation of the directors was calculated by the evaluation conducted in accordance with Article 9 of "Board of Directors' Performance Evaluation Guidelines": For "Excellent" or "Above Satisfactory", the payout ratio is 100%; for "Satisfactory", the payout ratio is 90%; for "Less than Satisfactory", the payout ratio is 80%; for "Room for Improvement", the payout ratio is 70%.

6 major aspects of self-evaluation	Number of questions	Proportion (%)
A. Familiarity with the goals and missions of the company	5	16.67
B. Awareness of the duties of a director.	5	16.67
C. Participation in the operation of the company	10	33.33
D. Management of internal relationship and communication.	4	13.33
E. The director's professionalism and continuing education	3	10.00
F. Internal control	3	10.00
Total/average score	30	100.00

- 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) 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	None
Vice Chairman	Mao Sheng Investment Inc. Representative: George Y. S. Ho	9	0	100	None
Director	Earle Ho and Sons, Ltd. Representative: Hui-Ming Wu	9	0	100	None
Director	Earle Ho and Sons, Ltd. Representative: Joshua P.H. Tung	9	0	100	None
Director	Episil Holding Incorporation Representative: Chih-Ming Huang	9	0	100	None
Director	Liang Cheng Investment Co., Ltd. Representative: Pao-He Chen	9	0	100	None
Director	Taiwan Zhi Di Co. Ltd. Representative: Chao-He Lin	9	0	100	None
Director	Yen-Liang Ho	9	0	100	None
Independent Director	I-Chi Liu	9	0	100	None
Independent Director	Chuang-Hsi Chang	9	0	100	None
Independent Director	Der-Ming Lieu	9	0	100	None

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
2021.05.11 9th 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 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.
2021.06.25 10th meeting of the 24th board	The outflow control project of the Company's Taoyuan Processing Center was contracted to Tung Kang Engineering & Construction Corp.	The Chairman of the Board, Henry C. T. Ho, is a director of Tung Kang Engineering & Construction Corp., 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.

Date and Time	Content of motion	Reason for recusal of conflicts of interest	Voting participation
2021.11.12 14th meeting of the 24th board	The main expansion project of the Company's Taoyuan Processing Center was contracted to Tung Kang Engineering & Construction Corp.	The Chairman of the Board, Henry C. T. Ho, is a director of Tung Kang Engineering & Construction Corp., 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.
<p>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.</p> <p>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:</p> <p>(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.</p> <p>(II) To enhance the professional knowledge of directors and to implement corporate governance, in 2021, in addition to arranging relevant education courses according to the needs of individual directors, two further education courses for directors are planned, namely, "2021 Corporate Governance – Corporate Climate Governance and TCFD Disclosure Practices" and "Corporate Sustainable Management – External Innovation". The information on the directors' training is disclosed on the Company's website and the Market Observation Post System.</p> <p>(III) On July 15, 2021, Article 21 of the Articles of Incorporation was amended, where the total number of directors was changed from 11 fixed seats to 7 to 13 flexible seats. The number of directors shall be determined by the Board of Directors, and there shall be at least three independent directors who shall not serve for more than three consecutive terms to maintain their independence. Independent directors and non-independent directors shall be nominated separately and elected together.</p> <p>(IV) To improve the functions of the Board of Directors and strengthen the election mechanism of directors/independent directors, on July 15, 2021, the shareholders' meeting approved the amendment to the Company's Articles of Incorporation, and the "Corporate Governance Committee" was renamed to "Corporate Governance and Nominating Committee".</p> <p>(V) 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 (13th meeting) Board of Directors' Meeting on September 24, 2021.</p> <p>(VI) Succession planning for board members and key management personnel:</p> <p>(VII) 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.</p> <p>1. Succession planning for Board of Directors:</p> <p>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.</p> <p>The Corporate Governance and Nominating Committee shall nominate candidates for directors after comprehensive consideration of the following matters:</p> <p>(1) Whether the director candidate has the professional knowledge, skills, and experience required for the operations of the Company, with diversity, such as gender, in mind.</p> <p>(2) The independent director candidate's qualifications, professionalism, independence, integrity, and concurrent positions held at other companies, in accordance with the requirements of the Securities and Exchange Act, the Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies, and other relevant rules and regulations of the Taiwan Stock Exchange.</p> <p>(3) Whether the director candidate meets the qualifications and requirements set forth in Article 30 of the Company Act, and the nomination shall also be handled in accordance with Article 192-1 of the Company Act.</p> <p>2. Management succession plan:</p> <p>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:</p> <p>(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.</p> <p>(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.</p>			

- (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.

The higher level managers of the Company have completed the intermediate supervisor training course, HQMTP, which includes courses on problem handling, work improvement, communication skills, etc., to better understand the business procedures through case studies, role-playing, and other learning methods and to improve overall management efficiency and leadership skills. In addition, due to business needs, the Company has formulated an annual training program to provide professional training for various business operations. In 2021, a total of 518 people participated in the training, totaling 30,015 hours of training, with an average of 17 hours of training per person.

The Company organizes and holds the business expansion management meeting and the Tung Ho Steel Growth Camp every year. The business expansion management meeting is for mid-level and senior managers to discuss the development strategies and trends in the steel and iron industry through visiting related businesses, physical activities, keynote speeches, etc. The Tung Ho Steel Growth Camp is for new and young employees where participants are divided into multiple teams and engage in research competitions on related topics to cultivate critical thinking, communication, and interpersonal skills, promoting teamwork and strengthening devotion to the Company. Due to the COVID-19 pandemic in 2021, the business expansion management meeting was postponed to January 6, 2022. The total number of participants was 119, and 30 people were selected to participate in the research competition at the Tung Ho Steel Growth Camp.

The Company regularly conducts performance assessments to promote outstanding talents. In 2021, a total of 60 people were promoted, including 23 people who were promoted to Section Chief, 5 people were promoted to Manager, and 1 person was promoted to Assistant Vice President. Upon approval by resolution of the Board of Directors, 1 person was promoted to President, 2 people to Vice President, and 2 people to General Manager.

#### 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, 2021 to December 31, 2021.	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 8, 2022, and the review results will be submitted to the 24th session (16th meeting) board of directors' meeting report on March 10, 2022, 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 30 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, including 20 to 23 items: 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 47 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 Director	I-Chi Liu	8	0	100	None
Independent Director	Chuang-Hsi Chang	8	0	100	None
Independent Director	Der-Ming Lieu	8	0	100	None

Other matters that should be recorded:

I. When one of the following situations has occurred to the operations of the Audit Committee, state the date, term, content of proposals as well as any objections, reservations, or major recommendations of the independent directors, along with the results of resolutions by the Audit Committee and the Company's actions in response to the resolutions.

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

Date and Time	Content of motion	Audit Committee Resolution result	The Company's handling of the audit committee review opinions
2021.03.22 6th meeting of the 2nd board	1. Proposal on the 7th issuance of domestic unsecured convertible bonds	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. Adoption of the 2020 Business Report and Financial Statements		
	3. Adoption of the Proposal for 2020 Earnings Distribution		
	4. Cash reduction proposal		
	5. Issuance of the "Statement of Internal Control" for 2020		
	6. Provision of short-term loans and quotas to subsidiaries		
	7. Endorsement and guarantee of credit facilities to subsidiaries		
2021.05.11 7th meeting of the 2nd board	1. Passed the Company's Quarter 1 consolidated financial reports for 2021.	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. Contribution to the activities and expenses of the Tung Ho Steel Cultural Foundation		
	3. Endorsement and guarantee of credit facilities to subsidiaries		
2021.06.25 8th meeting of the 2nd board	1. Passed the outflow control project of the Company's Taoyuan Processing Center.	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		

Date and Time	Content of motion	Audit Committee Resolution result	The Company's handling of the audit committee review opinions
2021.07.15 9th meeting of the 2nd board	Passed the proposal to increase cash capital for the Company's subsidiary Tung Kang Wind Power Co., Ltd.	All members present agreed to approve the proposal and submit it to the board of directors for resolution. The independent directors have no objection. Committee Member Der-Ming Lieu suggested: If the business scope of Tung Kang Wind Power Co., Ltd. expanded to include solar power generation, it would be recommended to change its company name.	The resolution of the board of directors was approved as written. Its company name will be reviewed separately after the solar power generation business plan is approved by the competent authority.
2021.08.13 10th meeting of the 2nd board	1. Passed the Company's Quarter 2 consolidated financial reports for 2021.	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		
2021.11.11 11th meeting of the 2nd board	1. Passed the Company's Quarter 3 consolidated financial reports for 2021.	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. Passed the accountant public expenses review proposal for 2021.		
	3. Endorsement and guarantee of credit facilities to subsidiaries		
	4. Passed the main expansion project of the Company's Taoyuan Processing Center.	All members present agreed to approve the proposal and submit it to the board of directors for resolution. The independent directors have no objection. Audit Committee's suggestions: The proposing department/division was requested to re-examine the total budget. For any shortage, a supplementary budget proposal should be submitted to the Board of Directors for discussion.	The resolution of the board of directors was approved as written. The Board of Directors agreed with the Audit Committee's suggestion and instructed the deliberation unit to inform the proposing department/division to re-examine the total budget. For any shortage, a supplementary budget proposal should be submitted to the Board of Directors for discussion.

Date and Time	Content of motion	Audit Committee Resolution result	The Company's handling of the audit committee review opinions
2021.12.21 12th meeting of the 2nd board	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 2021:

Date	Communication content	Handling and implementation results
2021.01.12 Audit Committee	Pre-audit discussion and communication regarding the scope of audit, audit approach, and key audit issues for the 2020 financial report.	No inconsistency of opinion.
2021.03.22 Audit Committee	To communicate and discuss the results of the 2020 individual and consolidated financial report audit.	No inconsistency of opinion.
2021.05.11 Audit Committee	To communicate and discuss the results of the 2021 Quarter 1 individual and consolidated financial report audit.	No inconsistency of opinion.
2021.08.13 Audit Committee	To communicate and discuss the results of the 2021 Quarter 2 individual and consolidated financial report audit.	No inconsistency of opinion.
2021.11.11 Individual communication meeting (Pre-meeting of an Audit Committee meeting)	To communicate and discuss key audit items, review status, and relevant matters of the Company's Quarter 3 consolidated financial reports for 2021.	Suggestions from independent directors: To ensure accountants information security during auditing, it was suggested that the Company should strengthen the Company's information security management and provide information security education and training to all employees. Status of the case: Since December 1, 2021, the Company has restricted unsafe computer equipment from accessing the Internet to reduce information security risks; as of March 2022, 180 computers with operating system Windows 7 or lower have been replaced, and the process is ongoing. In 2021, the Company conducted a total of three information security education sessions for all employees through the Internet and held the 2021 Information Security Training Program on December 21, 2021, with a total of 93 participants.
2021.11.11 Audit Committee	To communicate and discuss the results of the 2021 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 2021:

Date	Communication content	Handling and implementation results
2021.01.12 Audit Committee	Audit of business execution and missing items tracking improvement report on December 2020, as well as communication and discussion on related issues.	All independent directors did not express opinions. This resolution is submitted to the Board of Directors for adoption.
2021.03.22 Audit Committee	1. Audit of business execution and missing items tracking improvement report on January - February 2021, as well as communication and discussion on related issues.	All independent directors did not express opinions. This resolution is submitted to the Board of Directors.
	2. Issuance of the "Statement of Internal Control" for the year 2020.	All independent directors did not express opinions. This resolution is submitted to the Board of Directors for adoption.
2021.05.11 Audit Committee	Audit of business execution and missing items tracking improvement report for March - April 2021, as well as communication and discussion on related issues.	All independent directors did not express opinions. This resolution is submitted to the Board of Directors for adoption.
2021.06.25 Audit Committee	Audit of business execution and missing items tracking improvement report for May 2021, as well as communication and discussion on related issues.	All independent directors did not express opinions. This resolution is submitted to the Board of Directors for adoption.
2021.07.15 Audit Committee	Audit of business execution and missing items tracking improvement report for June 2021, as well as communication and discussion on related issues.	All independent directors did not express opinions. This resolution is submitted to the Board of Directors for adoption.
2021.08.13 Audit Committee	Audit of business execution and missing items tracking improvement report for July 2021, as well as communication and discussion on related issues.	All independent directors did not express opinions. This resolution is submitted to the Board of Directors for adoption.
2021.09.24 Board of Directors	Audit of business execution and missing items tracking improvement report on August 2021, as well as communication and discussion on related issues.	All independent directors did not express opinions. They have confirmed the resolution.
2021.11.11 Audit Committee	Audit of business execution and missing items tracking improvement report for September - October 2021, as well as communication and discussion on related issues.	All independent directors did not express opinions. This resolution is submitted to the Board of Directors for adoption.
2021.11.11 Individual communication seminar (After-meeting of an Audit Committee meeting)	Chief audit officer communicated with independent directors regarding the preparation of the audit plan for 2022 and other relevant matters.	Suggestions from independent directors: In the long run, the Company is planned to train suitable local auditors for our subsidiary in Vietnam. Status of the case: Please ask the Management Department to study and make a proposal.

Date	Communication content	Handling and implementation results
2021.12.21 Audit Committee	1. Audit of business execution and missing items tracking improvement report for November 2021, as well as communication and discussion on related issues.	All independent directors did not express opinions. This resolution is submitted to the Board of Directors for adoption.
	2. The audit office submitted the "Audit Plan for 2022".	Audit Committee's suggestions: Add audit operation of the subsidiary, THSVC, in our production cycle. Status of the case: Based on the suggestion given by the audit committee, the Company has added the audit plan of the subsidiary, THSVC, into the production cycle, "Shipment Management Procedure". We submitted this proposal to the Board of Directors Meeting for resolution.
	3. Amendments to the "Internal Control System" and "Guidelines for the Implementation of Internal Audits" by the audit office.	All independent directors did not express opinions. This resolution is submitted to the Board of Directors for adoption.
2021.12.21 Internal control seminar	<p>The Audit Office held a discussion session with directors (including independent directors) on the review of the internal control system after the Board of Directors' meeting, and the contents of the communication were as follows:</p> <ol style="list-style-type: none"> <li>1. Establishment (amendment) of items to internal control system.</li> <li>2. Report on the implementation of audit work this year.</li> <li>3. Report on the faults found during audit and status of implementation for improvement.</li> <li>4. All the directors present passed the resolution without objection. Status of guarantees/endorsements and loaning of funds.</li> <li>5. Recent amendment to Securities and Exchange Act.</li> </ol>	<p>Independent director, Der-Ming Lieu: In accordance with Regulations Governing the Acquisition and Disposal of Assets by Public Companies, the appraisal report or opinions shall be aware of the credibility and coercive power of their respective peer associations in issuing the appraisal report or opinions in accordance with the self-regulatory standards of such associations.</p> <p>Independent director, Chuang-Hsi Chang: It is a worldwide trend to emphasize on information security, and the establishment of a dedicated information security officer means that the Company takes all information security incidents seriously, assumes its responsibilities, and accepts relevant management and supervision.</p> <p>Status of the case: Chairman asks every relevant unit of the Company to keep an eye on the changes to the laws and regulations of public sectors at all times.</p>

IV. Audit Committee 2021 Work Agenda:

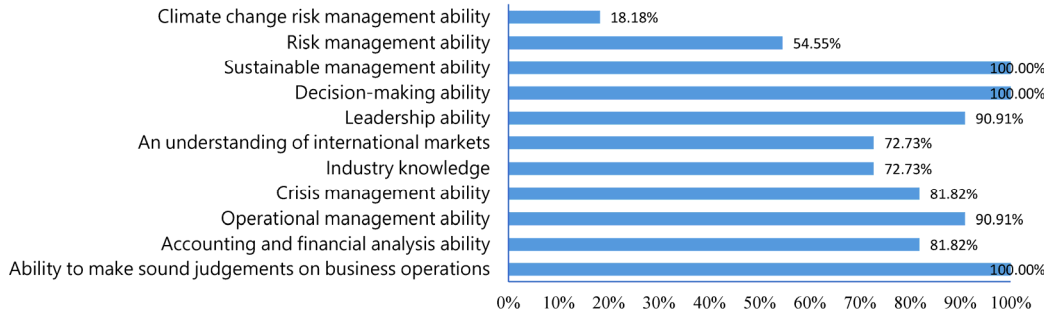
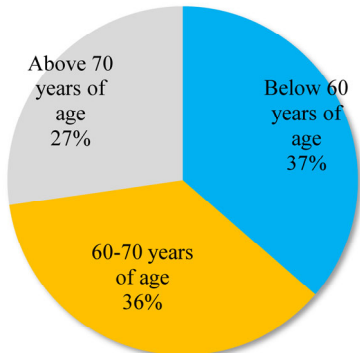
1. Review the appropriateness of the annual financial report and quarterly reports.
2. Review the business report and the distribution of earnings.
3. Review the independence and suitability of the accountant and the accountant's fee.
4. Review and deliberate upon reduction proposal.
5. Review the operating 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			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary	
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 ( <a href="https://www.tunghosteel.com/investors/norm">https:// www.tunghosteel.com/investors/norm</a> ).	No difference.
II. Company Stock Equity Structure and Shareholders' Rights (I) Did the company establish internal procedures for addressing shareholder suggestions, doubts, disputes, and litigation matters and implement the procedures accordingly? (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? (III) Did the company establish and execute risk control mechanism for affiliates, and firewall methods? (IV) Did the company establish internal regulations stipulating that employees shall not use undisclosed information to engage in the transaction of marketable securities?	✓		(I) The company has formulated the Spokesperson Policy and appointed a spokesperson and an acting spokesperson accordingly. They shall represent the Company to make public announcements of the Company's major news and updates as well as to respond to any questions and inquiries the media or investors may have. 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. (II) The Company is in possession of the list of its major shareholders who control the Company substantially as well as the ultimate controller of these major shareholders. (III) Guarantee endorsement and financing for affiliated enterprises are subjected to strict internal regulations. The "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. In accordance with Article 6 of the Company's Critical Internal Material Information Processing Procedures, internal personnel are subject to stock trading controls as of the date they are informed of the Company's financial or related results, including, but not limited to, directors not trading in the Company's stock 30 days prior to the publication date of the annual financial report and 15 days prior to the publication date of the quarterly financial report. The Company has publicized laws and regulations related to insider trading by email and will continue to remind all personnel by email before the aforementioned stock trading closure period.	No difference.
III. Board compositions and responsibilities (I) Does the Board of Directors formulate and implement diversified policies and specific management objectives?	✓		(I) The diversity policy of the Board of Directors, management goals, and implementation: 1. Diversity policy of the Board of Directors: In accordance with 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: (1) Basic qualifications and value: Gender, age, nationality and culture. (2) Professional knowledge and skills: Professional background (e.g. legal, accounting, industry, finance, marketing, or technology), professional skills and industry experience, etc.	No difference.

Assessed areas	Operations			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary	
			<p>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, sustainable management, risk management, and climate change management.</p> <p>2. Board of Directors Diversity Specific Management Objectives:  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>	

Assessed areas	Operations											Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons																																																																																																																																																																																																																																									
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			<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. The Company also continues to arrange a variety of advanced training courses for directors to improve their decision-making quality, fulfill their supervisory responsibilities, and further strengthen the functions of the Board of Directors. With respect to the 11 core items, 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 style="text-align: center;">Achievement rate</p>  <table><caption>Achievement rate</caption><tr><th>Item</th><th>Achievement rate</th></tr><tr><td>Climate change risk management ability</td><td>18.18%</td></tr><tr><td>Risk management ability</td><td>54.55%</td></tr><tr><td>Sustainable management ability</td><td>100.00%</td></tr><tr><td>Decision-making ability</td><td>100.00%</td></tr><tr><td>Leadership ability</td><td>90.91%</td></tr><tr><td>An understanding of international markets</td><td>72.73%</td></tr><tr><td>Industry knowledge</td><td>72.73%</td></tr><tr><td>Crisis management ability</td><td>81.82%</td></tr><tr><td>Operational management ability</td><td>90.91%</td></tr><tr><td>Accounting and financial analysis ability</td><td>81.82%</td></tr><tr><td>Ability to make sound judgements on business operations</td><td>100.00%</td></tr></table> <p style="text-align: center;">AGE OF DIRECTOR</p>  <table><caption>AGE OF DIRECTOR</caption><tr><th>Age Group</th><th>Percentage</th></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><tr><td>Above 70 years of age</td><td>27%</td></tr></table>	Item	Achievement rate	Climate change risk management ability	18.18%	Risk management ability	54.55%	Sustainable management ability	100.00%	Decision-making ability	100.00%	Leadership ability	90.91%	An understanding of international markets	72.73%	Industry knowledge	72.73%	Crisis management ability	81.82%	Operational management ability	90.91%	Accounting and financial analysis ability	81.82%	Ability to make sound judgements on business operations	100.00%	Age Group	Percentage	Below 60 years of age	37%	60-70 years of age	36%	Above 70 years of age	27%	
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(II) Does the company voluntarily establish other functional committees in addition to compensation committee and audit committee?  (III) Does the Company have a set of board of directors performance evaluation guidelines and its evaluation 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>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 specific management objectives and progress (<a href="https://www.tunghosteel.com/investors/member">https://www.tunghosteel.com/investors/member</a>).</p> <p>(II) The Company also has a corporate governance and nominating committee, in addition to the remuneration committee and audit committee.</p> <p>(III) In accordance with the “Board of Directors' Performance Evaluation Guidelines” established in 2017, the Company not only conducts performance evaluation of the Board of Directors annually but also reviews and makes necessary revisions year by year. At the 15th meeting of the 24th session on December 21, 2021, the Board of Directors passed the amendment to the Board of Directors' Performance Evaluation Guidelines to include climate change related evaluation items in order to strengthen corporate governance and participation in climate change management. The amendment also specifies an evaluation to be conducted by an external professional independent organization or a team of external experts and scholars at least once every three years. The Company expects to complete the first external evaluation in 2022.</p> <p>2021 Board of Directors Performance Evaluation Results:</p> <table><tr><th>Evaluation Target</th><th>Board Member</th><th>Functional Committees</th><th>Board of Directors</th></tr><tr><td>Aspect</td><td><ul style="list-style-type: none"><li>• Familiarity with the goals and missions of the company</li><li>• Awareness of the duties of a director</li><li>• Participation in the operation of the company</li><li>• Management of internal relationship and communication</li><li>• The director's professionalism and continuing education</li><li>• Internal control</li></ul></td><td><ul style="list-style-type: none"><li>• Participation in the operation of the company</li><li>• Awareness of the duties of the functional committee</li><li>• Improve the quality of functional committee decisions</li><li>• Composition and selection of functional committee members</li><li>• Internal control</li></ul></td><td><ul style="list-style-type: none"><li>• Participation in the operation of the company</li><li>• Improvement of the quality of the board of directors' decision making</li><li>• Composition and structure of the Board of Directors</li><li>• Election and continuing education of the directors</li><li>• Internal control</li></ul></td></tr><tr><td>Evaluation Items</td><td>30</td><td>20-23</td><td>47</td></tr><tr><td>Average score</td><td>4.87</td><td>5.00</td><td>4.77</td></tr><tr><td>Evaluation results</td><td>Excellent</td><td>Excellent</td><td>Excellent</td></tr></table>	Evaluation Target	Board Member	Functional Committees	Board of Directors	Aspect	<ul style="list-style-type: none"><li>• Familiarity with the goals and missions of the company</li><li>• Awareness of the duties of a director</li><li>• Participation in the operation of the company</li><li>• Management of internal relationship and communication</li><li>• The director's professionalism and continuing education</li><li>• Internal control</li></ul>	<ul style="list-style-type: none"><li>• Participation in the operation of the company</li><li>• Awareness of the duties of the functional committee</li><li>• Improve the quality of functional committee decisions</li><li>• Composition and selection of functional committee members</li><li>• Internal control</li></ul>	<ul style="list-style-type: none"><li>• Participation in the operation of the company</li><li>• Improvement of the quality of the board of directors' decision making</li><li>• Composition and structure of the Board of Directors</li><li>• Election and continuing education of the directors</li><li>• Internal control</li></ul>	Evaluation Items	30	20-23	47	Average score	4.87	5.00	4.77	Evaluation results	Excellent	Excellent	Excellent	
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(IV) Does the company evaluate the independence of CPAs on a regular basis?			<p>The self-assessment scores of the Directors were between 5 “Strongly Agree” and 4 “Agree”, indicating that the Directors had positive feedback on the efficiency and effectiveness of the indicators.</p> <p>In accordance with Article 10 of the "Board of Directors' Performance Evaluation Guidelines", the performance evaluation results of individual directors shall be used as a reference when determining their individual remuneration. 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>Directors' remuneration = Distributable directors' remuneration × Proportion of shares held by individual directors to the number of shares held by all directors × Payout ratio from the performance evaluation of the directors,</p> <p>where payout ratio from the performance evaluation of the directors was: For "superior than standard" and "above standard", the payout ratio is 100%; for "meeting standard", the payout ratio is 90%; for "not meeting standard", the payout ratio is 80%; and for "to be enhanced", the payout ratio is 70%.</p> <p>The results of the performance evaluation of the previous board of directors' meeting have been submitted to the 4th session (5rd meeting) Remuneration Committee on March 8, 2022, and then presented to the Board of Directors meeting on March 10, 2022; the content, method, execution and results of the relevant evaluation will be disclosed on the Company's website (go to the “Performance Evaluation” section on the English page of Corporate Governance Practices: <a href="https://www.tunghosteel.com/EN/HomeEg/investors/resolution">https://www.tunghosteel.com/EN/HomeEg/investors/resolution</a>) and in the annual report (the implementation status of the relevant board evaluation for 2021 is also listed in Schedule 2 of the annual report on the board of directors' operations).</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"> <li>1. The certified accountant reports to the audit committee on a quarterly basis on the content of the performance review/check and independence compliance.</li> <li>2. A letter of independence is issued by the certified accountant.</li> <li>3. In accordance with 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: <ol style="list-style-type: none"> <li>(1) The auditing CPAs and their associated auditors shall ensure honesty, impartiality, and independence.</li> <li>(2) The CPAs shall not have any direct or material indirect financial relationship with the Company.</li> <li>(3) The CPAs have not held a position of significant influence in the Company or its affiliates in the past two years.</li> </ol> </li> </ol>	



Assessed areas	Operations			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
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	✓		<p>(4) The CPAs do not own or try to sell any shares, other securities, or corporate bonds of the Company or its affiliates.</p> <p>(5) The CPAs do not have any loans or guarantees with the Company or its affiliates.</p> <p>(6) The CPAs do not have any joint investments or share any profits with the Company or its affiliates.</p> <p>(7) The CPAs shall not currently hold a regular job at the Company or its affiliates, receiving a fixed salary or serving as a director or supervisor.</p> <p>(8) The CPAs are not involved in the management function of decision-making or execution of the Company or its affiliates.</p> <p>(9) The CPAs have not concurrently engaged in other related businesses that may lead to loss of independence.</p> <p>(10) The CPAs shall not be a spouse (domestic partner), a lineal blood relative, a lineal relative by marriage, a parent, or any other collateral blood relative of any director, supervisor, manager, or person with significant influence of the Company or its affiliates.</p> <p>(11) The CPAs have not received any commission related to their services.</p> <p>(12) The CPAs have not received any gifts of great value.</p> <p>(13) The CPAs have not accepted improper accounting policies or made improper disclosure in the financial statements for the purpose of retaining customers.</p> <p>(14) The CPAs shall avoid any inappropriate relationship with any personnel or related party of the Company or its affiliates.</p> <p>(15) As of the most recent assurance operation, the CPAs have not been appointed for more than seven consecutive years.</p> <p>(16) The CPAs have not engaged in any matter that may result in disciplinary actions taken against them or damage the principle of independence so far.</p> <p>According to the preliminary evaluation by the Finance and Accounting Division on the independence and suitability of the 2021 CPAs, the CPAs met the independence requirements, and it was appropriate for them to provide the Company various financial, tax consultation, and assurance services. The evaluation report was submitted to the 2nd session (14th meeting) of the Audit Committee for discussion and then proposed to the 24th session (16th meeting) Board of Directors Meeting on March 10, 2022 for approval.</p>	
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 information necessary for directors	✓		The Administration Division is responsible for the Company's corporate governance related affairs, including coordinating the meeting of the Board of Directors and functional committees, preparing meeting minutes and related matters, assisting directors in their onboarding and continuing education, providing directors with information required for business execution, assisting directors in complying with laws and regulations, registering Company changes, and other matters stipulated in the Company's Articles of Incorporation or contracts, etc.; the convening of the shareholders' meeting and the recording of the shareholders' meeting minutes are the responsibilities of the Finance and Accounting Division.	No difference.

Assessed areas	Operations			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
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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.)?			<p>At the 23rd session (12th meeting) of the Board of Directors on March 26, 2019, Assistant Vice President Juyu Ho, having more than three years of experience in the Company's internal audit as well as in managing units of corporate governance related affairs, Assistant Vice President Juyu Ho was appointed the Head of Corporate Governance.</p> <p>(I) The corporate governance affairs mentioned in the preceding paragraph include at least the following items:</p> <ol style="list-style-type: none"> <li>1. Handling matters relating to board meetings and shareholders meetings according to laws.</li> <li>2. Producing minutes of board meetings and shareholders meetings.</li> <li>3. Assisting in onboarding and continuous development of directors.</li> <li>4. Furnishing information required for business execution by directors.</li> <li>5. Assisting directors with legal compliance.</li> <li>6. Other matters set out in the Articles of Incorporation or contracts.</li> </ol> <p>(II) Business execution in 2021:</p> <ol style="list-style-type: none"> <li>1. Arranged continuing professional education sessions for directors on May 11, 2021 and August 13, 2021.</li> <li>2. Assisted in the review and submission of the Board of Directors performance evaluation.</li> <li>3. Assisted in the publication of the 2020 Corporate Social Responsibility Report and the 2021 Climate-related Financial Disclosure Report.</li> <li>4. Actively promoted corporate governance and assisted the Board of Directors in revising the "Corporate Governance and Nominating Committee Charter", "Corporate Governance Best Practice Principles", "Corporate Social Responsibility Best Practice Principles", and "Board of Directors Performance Evaluation Guidelines" in order to strengthen the functions of the Board of Directors and improve the management mechanism.</li> <li>5. Completed the renewal of liability insurance for directors and key staff and submitted it to the meeting of the Board of Directors on September 24, 2021.</li> </ol> <p>(III) Training of Cooperate Governance Managers: The total number of continuing professional training hours in 2021 was 20 hours and met the requirement set forth in Paragraph 2 of Article 24 of the Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers, which requires current chief corporate governance officers to complete a minimum of 12 continuing professional education (CPE) hours per year.</p>	

Assessed areas	Operations							Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons	
	Yes	No	Summary						
				Date of continuing education	Organizer	Course name	Training hours		
				2021.04.15	Accounting Research and Development Foundation	Practice of "Sustainability Report" under Corporate Governance 3.0 Policy	3		
				2021.04.15	Taiwan Corporate Governance Association	2021 Fubon Insurance Director and Supervisor Responsibilities and Risk Management	3		
				2021.05.11	Taiwan Corporate Governance Association	2021 Corporate Governance – Corporate Climate Governance and TCFD Disclosure Practices	3		
				2021.07.16	Digital Governance Association	The Impact of Business Courts on the Operation of the Board of Directors and the Execution of Director Duties	3		
				2021.08.13	Taiwan Corporate Governance Association	Corporate Sustainable Management – External Innovation	3		
				2021.09.01	Financial Supervisory Commission	13th Taipei Corporate Governance Forum – Afternoon Session	3		
				2021.10.13	Taiwan Corporate Governance Association	Corporate Anti-Corruption and Fraud Prevention Case Studies	2		
			Please refer to the Company's website (go to Investor Services > Corporate Governance > Corporate Governance Structure > Corporate Governance Officer) for the annual highlights of corporate governance-related business and the training of the corporate governance officers ( <a href="https://www.tunghosteel.com/investors/member">https://www.tunghosteel.com/investors/member</a> ).						
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?	✓		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.						No difference.

Assessed areas	Operations			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary	
			<p>(I) Shareholder communication channel:</p> <ol style="list-style-type: none"> <li>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.</li> <li>2. The annual report of the shareholders' meeting is issued annually for investors.</li> <li>3. The Company holds corporate meetings on an irregular basis. Two corporate meetings were held in 2021.</li> <li>4. The Shareholder Services section of the Company website (English version: <a href="https://www.tunghosteel.com/EN/HomeEg/shareowner/shareholders">https://www.tunghosteel.com/EN/HomeEg/shareowner/shareholders</a>) 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.</li> </ol> <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 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> <p>(V) A Stakeholders section has been set up on the Company's website (go to CSR &gt; Sustainable Management &gt; Communication with Stakeholders, English website: <a href="https://www.tunghosteel.com/EN/HomeEg/csr/mp_investment">https://www.tunghosteel.com/EN/HomeEg/csr/mp_investment</a>) , providing a contact window for each stakeholder and a complaint mailbox at:</p> <ol style="list-style-type: none"> <li>1. Tungho mailbox: <a href="mailto:tungho@tunghosteel.com">tungho@tunghosteel.com</a></li> <li>2. Employees: Ms. Yu-Chen Ding (02) 2551-1100 Ext. 531 / <a href="mailto:dingyuj@tunghosteel.com">dingyuj@tunghosteel.com</a></li> <li>3. Customers: Mr. Rui-Hong Weng (02) 2551-1100 Ext. 538 / <a href="mailto:rhweng@tunghosteel.com">rhweng@tunghosteel.com</a></li> <li>4. Shareholder and media: Ms. Shu-Mei Guo (02) 2551-1100 Ext. 568 / <a href="mailto:ksm@tunghosteel.com">ksm@tunghosteel.com</a></li> <li>5. Suppliers: Mr. Zhong-Ming Pan (02) 2551-1100 Ext. 604 / <a href="mailto:pcm@tunghosteel.com">pcm@tunghosteel.com</a></li> <li>6. Email addresses of Independent Directors I-Chi Liu: <a href="mailto:617ycliu@gmail.com">617ycliu@gmail.com</a> Chuang-Hsi Chang: <a href="mailto:drachang@livemail.tw">drachang@livemail.tw</a> Der-Ming Lieu: <a href="mailto:dmlieu@hotmail.com">dmlieu@hotmail.com</a></li> </ol>	

Assessed areas	Operations			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary	
VI. Does the company designate a professional shareholder service agency to deal with shareholder affairs?	✓		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: <a href="https://www.yuanta.com">https:// www.yuanta.com</a>	No difference.
VII. Information disclosure (I) Has the company established a corporate website to disclose information regarding the company's financial, business and corporate governance status? (II) Did the company adopt other information disclosure methods (such as establishing 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.)? (III) Did the Company announce and report the annual financial report 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?	✓		(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. (II) The Company's information is disclosed in the following manner: 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. (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.	No difference.
VIII. Is there any other important 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 implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		(I) Employee Rights 1. The work unions 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. 2. Through regular labor-management meetings, occupational safety committee meetings, and trade unions, employees can fully express their opinions and establish a smooth communication channel. 3. Employees may submit comments or complaints in writing, by mail (e-mail), orally, or by telephone to the department/division manager or the management unit at each plant in accordance with the "Employee Grievance and Reporting Rules". Employees are welcome to raise questions at any time to safeguard their rights, make their voices be heard, and receive immediate and effective solutions.	No difference.

Assessed areas	Operations			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary	
			<p>4. The Company has established the Human Rights Policy, Employee Grievance and Reporting Rules, Regulations Governing the Prevention of Sexual Harassment, Corporate Social Responsibility Best Practice Principles, and Workplace Violence Prevention Policy Statement.</p> <p>5. Miaoli Works and its enterprise union signed a collective agreement in 2020.</p> <p>(II) Employee care:</p> <p>1. The Company has formulated a retirement policy for employees in accordance with the Labor Standard Act and the Labor Pension Act as well as set up a Retirement Reserve Fund Supervisory Committee, which holds regular meetings and makes precise pension calculations for employees under the old Labor Pension system. Employees who are eligible for the new Labor Pension system, the Company will deposit their pension funds to their individual pension accounts according to their pension brackets on a monthly basis.</p> <p>2. The Company has established the Employee Welfare Committee to organize various employee welfare activities and subsidies.</p> <p>3. The Company buys group insurance for its employees (including foreign labors), including life insurance, accidental injury, occupational accident, and overseas business travel insurance in order to protect the work and life safety of employees.</p> <p>4. The Company provides employee health checks that have better frequency and coverage than those offered by law, establishes integrated occupational medical health services, provides employees medical information from time to time, and conducts health education activities to care for the physical and mental health of employees.</p> <p>(III) Investor relations: The Company promotes shareholder activism and makes electronic voting available for shareholders to exercise their voting rights at the shareholders' meeting. The Company also tries to avoid extempore motions at the shareholders' meeting to protect the rights and interests of the shareholders who vote electronically.</p> <p>(IV) Supplier relations: The Company 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. The Company has incorporated CSR commitments into supplier management and regulations. Suppliers who sign contracts with the Company from 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.</p>	

Assessed areas	Operations			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary	
			<p>(V) Rights of stakeholders: The Company respects the rights and interests of stakeholders and makes every effort to understand their expectations and needs through appropriate communication channels. The Company also strives to appropriately respond to stakeholders' needs and expectations by incorporating them into the Company's decision-making in order to create and share sustainable business results with stakeholders.</p> <p>(VI) Directors continuing education: The Company arranges for directors to participate in various continuing education courses every year. In 2021, a total of 31 directors participated in the continuing education courses, amounting to 93 hours, with an average of 8.45 hours per person. The total director training hours met 100% of the requirements set forth in the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies. For more details about continuing education for directors, please visit the Company's website (go to Investor Services &gt; Corporate Governance &gt; Operations &gt; Continuing Education: <a href="http://www.tunghosteel.com/investors/resolution">www.tunghosteel.com/investors/resolution</a>).</p> <p>(VII) The implementation of risk management policies and risk evaluation standard: Starting April 23, 2021, risk management (including 2021) has been processed in accordance with the Company's Risk Management Policy and Procedure. Through risk management meetings, potential risks related to various departments have been identified, including 23 risk factors in four major categories: operational, financial, processing, and environmental. Each department has evaluated the possibility and level of impact according to the business activities of the department and produced a matrix diagram accordingly. "Climate Change Risks" and "Natural Disaster Risks" in the environmental category have been identified as high-risk items, and relevant departments have formulated management measures. The Audit Office will prepare annual audit plans based on the risk evaluation results to ensure effective control of operational risks and to provide timely suggestions for improvement. The implementation details have been reported to the 24th session (14th meeting) Board of Directors Meeting on November 12, 2021.</p>	

Assessed areas	Operations			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary	
			<p>(VIII)The implementation of customer relations policies:</p> <p>The Company regularly holds dealer meetings in order to understand customers' opinions and feedback and actively conducts customer satisfaction surveys every year. In response to the problems reported by customers, the Company reviews them carefully and constantly makes necessary improvements to ensure customers the best service quality.</p> <p>The Company respects customer information confidentiality and privacy. In order to effectively manage customer information and ensure security, the Company has formulated the “Guidance for Information Security Management”. The Company has established the firewall, encrypting file system, and electronic personal data storage platform to control and check access rights and access records of relevant personnel in order to protect and secure customer information.</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 was renewed for the year 2021, it was submitted to the 24th session (13th meeting) Board of Directors on September 24, 2021.</p>	
<p>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.</p> <p>The following is a description of the evaluation indicators based on the results of the Company's 8th Corporate Governance Review, for which the Company did not achieve the required scores but has made improvements:</p> <p>(I) (Indicator 3.14): Does the Company disclose the links to the performance evaluation and remuneration of directors and managers?</p> <p>Improvement progress: In this year's Annual Report, the Company discloses the principles for determining the remuneration for directors and managers and also provides details on the indicators for the performance evaluation of directors and manager in accordance with the Company's “Board of Directors' Performance Evaluation Guidelines” and “Employee Performance Evaluation Regulations”, along with how these indicators affect the distribution of remuneration.</p> <p>(II) (Indicator 3.18): Does the Company have an English website which contains financial, business, and corporate governance related information?</p> <p>Improvement progress: The Company was not able to upload the English financial reports to the Market Observation Post System (MOPS) in a timely manner, but reminders and notifications have been sent out to the personnel in charge to make sure timely uploads are made in the future.</p>				



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

#### 1. Remuneration Committee Member Information

Identity	Name	Condition	Professional qualifications and experience	Independence	Also served as a member of remuneration committees for how many other companies
Convener Independent Directors	Chuang-Hsi Chang		Please refer to the Director Information - 1 Table on Page 17~20 for more details of the Directors.	Please refer to the Director Information - 1 Table on Page 17~20 for more details of the Directors.	0
Independent Director	I-Chi Liu		Please refer to the Director Information - 1 Table on Page 17~20 for more details of the Directors.	Please refer to the Director Information - 1 Table on Page 17~20 for more details of the Directors.	1
Others	Chengming Zhu		Chengming Zhu holds a Ph.D. in Business from National Taiwan University and is currently a professor in the Department of Applied Economics and Management of National Ilan University, specializing in business management, human resource management, organizational behavior, salary management, and performance management. Chengming Zhu is a highly experienced and skilled professional who has served as the Chairman of the Department of Business Administration at Chung Yuan Christian University, the Dean of the College of Business at Chung Yuan Christian University, an adjunct professor of the Graduate Institute of Human Resource Management at National Central University, an adjunct professor of NTU School of Professional Education and Continuing Studies, and the Dean of the College of Humanities and Management at National Ilan University.	The requirements for independence are met, including, but not limited to not, that the person or the spouse or any relative of the person within the second degree of kinship is not a director, supervisor, or employee of the Company or any of its affiliate; the person or the spouse or any relative of the person within the second degree of kinship does not hold any of the Company's issued shares; the person is not a director, supervisor, or employee of any of the Company's affiliates; the person has not received any remuneration for providing business, legal, financial, or accounting services to the Company or any of its affiliates in the last two fiscal years.	0

#### 2. Remuneration Committee Operation Status

- (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 two 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)	Note
Convener Independent Director	Chuang-Hsi Chang	2	0	100	None
Committee Member Independent Director	I-Chi Liu	2	0	100	None
Committee Member	Chengming Zhu	2	0	100	None

Other matters that should be recorded:

- I. If the Board of Directors chooses not to adopt or revise recommendations proposed by the Remuneration Committee, the date of the Directors' Meeting, session, contents of proposals, results of meeting resolutions, and the Company's disposition of opinions provided by the Remuneration Committee shall be described in detail (also, where the salary and compensation approved by the Directors' Meeting is better than that recommended by the Remuneration Committee, the differences and the reason for the approval shall be described in detail).

	Date and Time	Content of motion	Remuneration Committee Resolution result	The Company’s handling of the Remuneration Committee review opinions
	2021.03.19 3rd meeting of the 4th board	1.Report on the 2020 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.
		2.2020 Board of Directors Performance Evaluation Guidelines	All members present agreed to approve the proposal and submit it to the board of directors for resolution.	Acknowledged by the Board of Directors
		3.Review of the remuneration for the Company’s managers	Proposal passed.	Implemented in accordance with the contents of the resolution.
	2021.12.14 4th meeting of the 4th board	1.Proposal of the amendment to the Board of Directors Performance Evaluation Guidelines	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.The percentage of directors' and employees' remuneration in 2021	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.
		3.Review of the performance evaluation standards for managers in 2021	Passed the 2021 performance evaluation standards for managers. It was also suggested to incorporate the indicators for active participation in and contribution to climate change and ESG related issues into the performance evaluation standards for managers in the future.	Implemented in accordance with the contents of the resolution.
		4.Year-end bonus for 2021 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.
		5.Review of the remuneration for the Company’s managers	Proposal passed.	Implemented in accordance with the contents of the resolution.
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.				

### 3. Corporate Governance and Nominating Committee Information and Operation Status

#### (1) Qualifications and responsibilities of the Corporate Governance and Nominating Committee Information members:

The Corporate Governance and Nominating Committee shall consist of at least three directors, half of whom shall be independent directors, appointed by the resolution of the Board of Directors.

Responsibilities include:

- To formulate the Corporate Governance Best Practice Principles and related regulations and review the effectiveness of their implementation.
- To formulate, monitor, and review sustainable development policies, systems, or related management policies.
- To establish, monitor and review ethical corporate management policies and prevention programs.
- To establish, monitor, and review environmental sustainability (climate change management) systems and objectives.
- The Company establishes, monitors and reviews risk management policies and management mechanisms.
- Propose lists of nominated candidates for directors.
- Develop and regularly review directors' training programs and succession plans for directors and senior managers.
- Establish and develop the organizational structure of the Board of Directors and functional committees.
- Other matters as directed by the Board of Directors.

(2) Professional qualifications and experience of the committee members and operation status of the committee:

- (1) The Company's Corporate Governance and Nominating Committee consists of 3 members.
- (2) Current term for the members: From May 19, 2020 to May 18, 2021, the latest Nominating Committee held two meetings (A). The professional qualifications and experience of the members, attendance, and discussion items are as follows:

Title	Name	Professional qualifications and experience	Actual attendance number (B)	Attendance by proxy	Actual attendance rate (%) (B / A) (Note)	Note
Convener	Henry C. T. Ho	Please refer to the Director Information - 1 Table on Page 17~20 for more details of the Directors.	2	0	100	None
Committee Member	Chuang-Hsi Chang	Please refer to the Director Information - 1 Table on Page 17~20 for more details of the Directors.	2	0	100	None
Committee Member	Der-Ming Lieu	Please refer to the Director Information - 1 Table on Page 17~20 for more details of the Directors.	2	0	100	None

Other matters that should be recorded:

The Corporate Governance and Nomination Committee's meeting date, term, content of proposals, suggestions or objections of the committee members, resolution results of the committee, as well as the Company's handling of the committee's opinions should all be recorded in detail.

Date and Time	Content of motion	Corporate Governance and Nominating Committee resolution results	The Company's handling of the Corporate Governance and Nominating Committee opinions
2021.05.06 2nd session (2nd meeting)	Assisted in the publication of the 2021 Climate-related Financial Disclosures (TCFD) Report.	All members present agreed to approve the proposal and submit it to the board of directors for resolution.	All the directors present passed the resolution without objection.
2021.11.11 2nd session (3rd meeting)	Formulation of greenhouse gas management strategies, reduction targets and plans.	All members present agreed to approve the proposal and submit it to the board of directors for resolution.	All the directors present passed the resolution without objection.
	Important management succession plan	All members present agreed to approve the plan, and, in accordance with the Company's organizational structure and organizational functions, a proposal based on the planned succession schedule was submitted to the board of directors for resolution.	All the directors present passed the resolution without objection.

(V) Implementation of Sustainable Development and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies with Reasons

Promoted items	Implementation Status			Discrepancy with industry standards in sustainable development practices and reasons										
	Yes	No	Summary											
I. Does the Company have a governance structure for promoting sustainable developments and exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing sustainable development, and let the Board of Directors entrust the high-ranking management with the implementation and supervise the status?	✓		<p>(I) Governance structure to promote sustainable development</p> <p>In order to improve the functions of the Board of Directors and strengthen the management mechanism, the Company has established the Corporate Governance and Nominating Committee in accordance with the Company's Articles of Incorporation. The Corporate Governance and Nominating Committee is a non-statutory functional committee. It consists of units such as corporate governance, sustainable development, integrity management, environmental sustainability, and risk management. Its responsibilities include the formulation and supervision of the policies, management guidelines, and goals for relevant issues of each unit. The President assigns the heads of related departments and divisions to take charge of each unit and execute relevant plans.</p> <p>Sustainable Development Unit Operation Status</p> <ol style="list-style-type: none"> <li>1. The Company's Corporate Governance and Nominating Committee is responsible for the promotion of sustainable development. It was established upon approval by the 23rd session (16th meeting) Board of Directors on September 26, 2019. To strengthen the functions of the Board of Directors, the shareholders' meeting approved the amendment to the Company's Articles of Incorporation on July 15, 2021, and the Corporate Governance Committee was renamed to Corporate Governance and Nominating Committee.</li> <li>2. The Corporate Governance and Nominating Committee holds at least two meetings a year, with a total of three members, and more than half of the members are independent directors with relevant professional capabilities.</li> </ol> <table> <tr> <th>Title</th><th>Name</th><th>Gender</th><th>Education</th><th>Professional competence</th></tr> <tr> <td>Convener</td><td>Henry C. T. Ho</td><td>Male</td><td>Department of Economics, Harvard University</td><td>Operational judgment capabilities, accounting and financial analysis, operational management, crisis management, industry knowledge, international market perspective, leadership, decision-making, sustainable management, risk management, and climate change management</td></tr> </table>	Title	Name	Gender	Education	Professional competence	Convener	Henry C. T. Ho	Male	Department of Economics, Harvard University	Operational judgment capabilities, accounting and financial analysis, operational management, crisis management, industry knowledge, international market perspective, leadership, decision-making, sustainable management, risk management, and climate change management	No difference.
Title	Name	Gender	Education	Professional competence										
Convener	Henry C. T. Ho	Male	Department of Economics, Harvard University	Operational judgment capabilities, accounting and financial analysis, operational management, crisis management, industry knowledge, international market perspective, leadership, decision-making, sustainable management, risk management, and climate change management										

Promoted items	Implementation Status					Discrepancy with industry standards in sustainable development practices and reasons		
	Yes	No	Summary					
			Title	Name	Gender	Education	Professional competence	
			Committee Member	Chuang-Hsi Chang	Male	PhD in Law, Political Science and Sociology at the Pantheon-Assas University	Operational judgment capabilities, operational management, crisis management, industry knowledge, international market perspective, leadership, decision-making, sustainable management, risk management, climate change management	
			Committee Member	Der-Ming Lieu	Male	Ph.D. in Economics, The Ohio State University, USA	Operational judgment capabilities, operational management, industry knowledge, decision-making, sustainable management, risk management	
			Responsibilities include: <ul style="list-style-type: none"><li>To formulate the Corporate Governance Best Practice Principles and related regulations and review the effectiveness of their implementation.</li><li>To formulate, monitor, and review sustainable development policies, systems, or related management policies.</li><li>To establish, monitor and review ethical corporate management policies and prevention programs.</li><li>To establish, monitor, and review environmental sustainability (climate change management) systems and objectives.</li><li>The Company establishes, monitors and reviews risk management policies and management mechanisms.</li><li>Propose lists of nominated candidates for directors.</li><li>Develop and regularly review directors' training programs and succession plans for directors and senior managers.</li><li>Establish and develop the organizational structure of the Board of Directors and functional committees.</li><li>Other matters as directed by the Board of Directors.</li></ul>					

Promoted items	Implementation Status			Discrepancy with industry standards in sustainable development practices and reasons
	Yes	No	Summary	
			Implementation status in 2021:	

Promoted items	Implementation Status			Discrepancy with industry standards in sustainable development practices and reasons																				
	Yes	No	Summary																					
			<p>Two meetings (A) were held in 2021; member qualifications and attendance records are as follows:</p> <table border="1"> <thead> <tr> <th>Title</th><th>Name</th><th>Actual attendance number (B)</th><th>Attendance by proxy</th><th>Actual attendance rate (%) (B/A)</th></tr> </thead> <tbody> <tr> <td>Convener</td><td>Henry C. T. Ho</td><td>2</td><td>0</td><td>100</td></tr> <tr> <td>Committee Member</td><td>Chuang-Hsi Chang</td><td>2</td><td>0</td><td>100</td></tr> <tr> <td>Committee Member</td><td>Der-Ming Lieu</td><td>2</td><td>0</td><td>100</td></tr> </tbody> </table> <p>3. The proposals and motions of the Corporate Governance and Nominating Committee are regularly submitted to the Board of Directors' for reporting or for resolution, at least twice a year. In 2021, the Corporate Governance and Nominating Committee reported twice at the Board of Directors meeting on May 11, 2021 (the 9th meeting of the 24th Board of Directors) and on November 12, 2021 (the 14th meeting of the 24th Board of Directors).</p> <p>(II) In order to implement sustainable development and facilitate economic, environmental, and social progress, the specific promotion plans of policies, systems, or related management guidelines for sustainable development have been approved by the Board of Directors.</p> <p>1. Policies approved by the Board of Directors:</p> <ul style="list-style-type: none"> <li>The Board of Directors previously resolved at the 18th meeting of the 23rd session on December 31, 2019: integrity management policy, corporate social responsibility policy, and human rights policy.</li> <li>Approved by the Board of Directors at the 3rd meeting of the 24th session on June 22, 2020: remuneration policy, risk management policy, and supplier management policy.</li> </ul> <p>2. Supervision status:</p> <ul style="list-style-type: none"> <li>The Corporate Governance and Nominating Committee reports to the Board of Directors on the promotion of corporate governance every year, including the implementation of the plans to prevent dishonest behavior, identification of and communication with stakeholders, risk management, information security management, and development of intellectual property management plans that are linked to operational objectives.</li> </ul>	Title	Name	Actual attendance number (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Convener	Henry C. T. Ho	2	0	100	Committee Member	Chuang-Hsi Chang	2	0	100	Committee Member	Der-Ming Lieu	2	0	100	
Title	Name	Actual attendance number (B)	Attendance by proxy	Actual attendance rate (%) (B/A)																				
Convener	Henry C. T. Ho	2	0	100																				
Committee Member	Chuang-Hsi Chang	2	0	100																				
Committee Member	Der-Ming Lieu	2	0	100																				

Promoted items	Implementation Status			Discrepancy with industry standards in sustainable development practices and reasons
	Yes	No	Summary	
			<ul style="list-style-type: none"> <li>The publication of Sustainability Report and Climate-related Financial Disclosures (TCFD) Report.</li> <li>Amend the integrity management policy and formulate integrity management procedures and code of conduct.</li> <li>The environmental sustainability unit has been set up under the Corporate Governance and Nominating Committee, which is composed of dedicated personnel from relevant departments and divisions. The President serves as the convener and the Production Vice President serves as the vice convener, who are responsible for evaluating and managing climate-related risks and opportunities as establishing strategies and objectives. The environmental sustainability unit reports its implementation status to the Corporate Governance and Nominating Committee and the Board of Directors on a regular basis.</li> </ul>	
II. Does the Company conduct risk assessment of environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	✓		<p>(I) The Company has established the Corporate Governance and Nominating Committee, which is responsible for the formulation and supervision of policies, management guidelines, and objectives on issues such as risk management.</p> <p>(II) 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". The Company has also formulated the "Risk Management Policy and Procedures" to evaluate risks in connection with environmental, social, and corporate governance issues based on seriousness. Each relevant department/division conducts risk identification, risk assessment, risk response, and risk monitoring according to their functions and submits annual reports to the Corporate Governance and Nominating Committee for annual review. Through risk management meetings, potential risks related to various departments have been identified, including 23 risk factors in four major categories: operational, financial, processing, and environmental. Each department has evaluated the possibility and level of impact according to the business activities of the department and produced a matrix diagram accordingly. "Climate Change Risks" and "Natural Disaster Risks" in the environmental category have been identified as high-risk items in 2021, and relevant departments have formulated management measures. The Audit Office will prepare annual audit plans based on the risk evaluation results to ensure effective control of operational risks and to provide timely suggestions for improvement. The implementation details have been reported to the 24th session (14th meeting) Board of Directors Meeting on November 12, 2021.</p>	No difference.



Promoted items	Implementation Status			Discrepancy with industry standards in sustainable development practices and reasons
	Yes	No	Summary	
III. Environmental issues (I) Has the Company referred to the nature of its industry to establish a suitable environmental management system (EMS)?	✓		<p>The Company's three plants have obtained the environmental management system (ISO 14001) and the greenhouse gas inventory (ISO 14064-1) certification; the production units of the Taoyuan and Miaoli plants have obtained the energy management system (ISO 50001) certification; in addition, special units have been set up to ensure compliance with relevant laws and regulations. Compliance audits are done monthly, and annual compliance assessments are conducted in January of each year to ensure the applicability of relevant environmental protection policies at the plant, followed by annual internal and external audits. The Company has set up a dedicated unit to effectively manage waste gas, wastewater, and waste, 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.</p>	No difference.
(II) Is the Company committed to improving usage efficiency of energy use renewable resources with reduced environmental impact?	✓		<p>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. The Company has established the ISO 9001 management system and formulated standards for scrap steel inspection and electric furnace operation. Documents and activities related to material or waste recycling are organized every month to discuss relevant implementation results and target reviews, such as building crushing plants and improving the recovery rate of steelmaking. PDCA effectiveness evaluation for emission management is carried out every year in order to be in sync with the domestic and foreign scrap steel market, improve the recovery rate of steelmaking, reduce the consumption of raw materials and energy, and reduce the impact on the environment.</p> <p>In response to the development of the national greenhouse gas reduction strategies as well as the sustainable energy development goals of resource efficiency, energy conservation, and environmental protection, the Company has successively launched the ISO 50001 energy management system, ISO 14064-1 greenhouse gas inventory, and ISO 14067 product carbon footprint certification. At the same time, capital expenditures and related manpower and material resources are invested in various energy-saving solutions in order to control production costs and utilize energy efficiently and appropriately. The Company has not only changed the fuel for the heating furnace at the Miaoli Plant from heavy oil to natural gas transported by pipelines in order to reduce the impact on the environment, but also continues to implement energy-saving and carbon-reduction plans every year, working with Taiwan Power Company to reduce electricity consumption during the summer months. The total amount of energy saved and carbon reduced at each plant in 2021 was approximately 49,224 tons of CO<sub>2</sub>e, representing an increase of 74% in the carbon reduction amount compared with 2020.</p>	No difference.

Promoted items	Implementation Status			Discrepancy with industry standards in sustainable development practices and reasons
	Yes	No	Summary	
(III) Does the Company assess the potential risks and opportunities brought by changes on the Company, both for the time being and for the future, and take measures to respond?	✓		<p>The Company has officially signed and pledged as a TCFD supporter in February 2021. 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. The details regarding the implementation of climate change factors into the Company's business operations as well as the 2021 Climate-related Financial Disclosures (TCFD) Report have been reported to the 24th session (9th meeting) Board of Directors Meeting on May 11, 2021. The Company will continue to strengthen governance supervision and participate in climate change management. The Company refers to the Task Force on Climate-related Financial Disclosures (TCFD) every year, and the environmental sustainability unit of the Corporate Governance and Nominating Committee holds a meeting where representatives from different departments and divisions discuss various climate change scenarios, define short-, middle-, and long-term risks and opportunities, determine corresponding strategies, as well as assess financial impact. How products and services, supply chains, adaptation and mitigation activities, R&amp;D investments, and business operations (including business types and locations of facilities) may affect the Company's business and strategies are also taken into consideration. Six risks and four opportunities were identified in 2021. The risks include cap and trade, renewable energy regulations, new technology investment, tropical cyclone, change in customer behavior, and change in average precipitation; the opportunities include use of more efficient production, recycling, financial institution incentives, and incentive policy adoption. 2022 climate change-related risks, opportunities, necessary measures, and targets of related issues are disclosed in the 2022 Tung Ho Steel TCFD Report.</p> <p>The Company not only promotes energy conservation but also actively develops energy resources, such as the investment in Tung Kang Wind Power Corp., which obtained an electrical contractor license in 2016. Tung Kang Wind Power Corp. currently owns 5 wind turbines and has started selling energy in bulk. In 2019, the Company founded Tung Sugar Energy Service Co., Ltd. and established a biomass energy processing center to generate electricity using the biogas from anaerobic fermentation. In addition, the biogas residue is sold as organic fertilizers to improve the current disposal of biomass waste and to fulfill the goal of turning waste into resources and energy, thereby achieving circular economy and sustainable development. Tung Sugar Energy Service Co., Ltd. is expected to start generating energy at 4,238,000 kWh/year in the third quarter of 2022. The Company has also actively planned spaces within the works, such as open spaces and rooftops, to install renewable energy generation equipment to enhance the proportion of renewable energy use.</p>	No difference.

Promoted items	Implementation Status			Discrepancy with industry standards in sustainable development practices and reasons
	Yes	No	Summary	
(IV) Does the Company count the amount of greenhouse gas emissions, water consumption and total weight of waste for the past two years? Are any policies pertaining to greenhouse gas reduction, reduction of water consumption, or other waste management policies formulated accordingly?	✓		<p>1. The statistics on greenhouse gases, water consumption, and waste in the past two years (including all plants) are as follows:</p> <p>(1) Greenhouse gases (the Headquarters and the three Plants have all been certified by Bureau Veritas in Taiwan):</p> <p>The total amount of the Company's greenhouse gases (Scope 1 and 2) in 2021: 851,498 tCO<sub>2</sub>e, intensity 0.404 (total greenhouse gas emissions/total billet production), including:</p> <ul style="list-style-type: none"> <li>- Direct emissions (Scope 1) 185,387 tCO<sub>2</sub>e</li> <li>- Indirect emissions (Scope 2) 666,111 tCO<sub>2</sub>e</li> <li>- Other indirect emissions (Scope 3) 1,541,954 tCO<sub>2</sub>e (The inventory of Scope 3 covers a total of 15 items, such as transportation, products of an organization, use of products of an organization, etc.)</li> </ul> <p>The total amount of the Company's greenhouse gases (Scope 1 and 2) in 2020: 810,994 tCO<sub>2</sub>e, intensity 0.428 (total greenhouse gas emissions/total billet production), including:</p> <ul style="list-style-type: none"> <li>- Direct emissions (Scope 1) 186,555 tCO<sub>2</sub>e</li> <li>- Indirect emissions (Scope 2) 624,439 tCO<sub>2</sub>e</li> <li>- Other indirect emissions (Scope 3) 177,096 tCO<sub>2</sub>e (The inventory of Scope 3 covers a total of 5 items, namely, fuel- and energy-related activities, waste generated in operations, employee commuting, business travel, and investments.)</li> </ul> <p>(2) Water consumption:</p> <p>The Company's total water consumption in 2021 was 2,205.048 million liters, with an intensity of 0.001046 (total water consumption/total billet production); the Company's total water consumption in 2020 was 2,155.620 million liters, with an intensity of 0.001137.</p> <p>(3) Waste:</p> <p>The total weight of the Company's waste in 2021 was 385,868 tons, namely, 35,733 tons of hazardous business waste and 350,135 tons of non-hazardous business waste. The total weight of the Company's waste in 2020 was 339,363 tons, namely, 31,513 tons of hazardous business waste and 307,850 tons of non-hazardous business waste.</p>	No difference.

Promoted items	Implementation Status			Discrepancy with industry standards in sustainable development practices and reasons
	Yes	No	Summary	
			<p>2. 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:</p> <p>(1) Short-term goals (2021~2023): 1% reduction in emission intensity from 2019;</p> <p>(2) 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 2021. The Company recognizes the importance of water resources and continues to implement various water-saving measures. In addition to adopting the best available technology (BAT) and utilizing a hot rolling system at the Taoyuan Plant to effectively reduce water consumption, the Company also reuses industrial water (water used for cooling, processing, etc.) through circulating and recycling soft water and water used for cooling and processing. When the water can no longer be reused, it will then be discharged to the recycling pool for secondary use to reduce the need for water supply from outside the area and make effective use of water resources. For example: Water used for processing and domestic wastewater can be properly treated, recycled, and converted into reclaimed water for non-drinking and non-body-contact secondary use, either directly or via pipelines, such as: watering greens and grounds, watering storage area, cooling slag, landscape water use, removing road dust, washing cans, etc. to reduce overall water consumption.</p> <p>The Company has established an independent waste inspection and audit system at each of the three plants. All inspection and audit results are recorded in writing for monitoring and improvement as well as incorporated into future inspections and audits. Before outsourcing and contracting any waste removal and treatment providers, it is necessary for the Company to verify whether such providers are qualified to provide services, have obtained all required licenses from the competent authorities, and have properly declared through the Internet the output, storage, removal, and treatment of all business waste. Any information and documents submitted with the online declaration should be kept for three years. The Company appoints specific personnel to oversee waste outputs as well as inspect the service provider's operation and management of waste storage, removal, treatment, and reuse. The inspection results are also recorded in writing for future reference.</p>	

Promoted items	Implementation Status			Discrepancy with industry standards in sustainable development practices and reasons
	Yes	No	Summary	
IV. Society (I) Has the Company set up management policy and procedures according to related laws and regulations and the International Bill of Human Rights?	✓		<p>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 located. In accordance with the United Nations Guiding Principles on Business and Human Rights, the Company has formulated the human right policy. The Company's human right policy applies to the Company's subsidiaries, foundations to which the Company's cumulative direct or indirect contribution of funds exceeds 50 percent of its endowment, and other institutions or juristic persons that are effectively controlled by the Company (hereinafter referred to as "group enterprises and organizations"). In accordance with relevant laws and regulations, the Company regularly takes inventory of related forms and documents and reviews the legality of various operation processes. The Company's Human Rights Policy:</p> <ol style="list-style-type: none"> <li>1. Diversity, Inclusion, and Equal Opportunity <ol style="list-style-type: none"> <li>(1) In accordance with all national labor laws, the Company prohibits child labor and forced labor and does not tolerate discrimination. The Company strives to create a diverse, open, equal, and harassment-free work environment and provides an effective and appropriate grievance system to protect the rights and interests of its employees.</li> <li>(2) Employment is based on professional abilities and experience, and employees are not to be treated differently or discriminated against in any form based on race, class, language, ideology, religion, party affiliation, place of origin, place of birth, gender, sexual orientation, age, marriage, appearance, facial features, disability, zodiac sign, blood type, or previous union membership; where otherwise provided for in other laws, such provisions shall prevail.</li> </ol> </li> <li>2. Safe and Healthy Work Environment <ol style="list-style-type: none"> <li>(1) The Company is committed to providing a safe and healthy work environment as well as necessary health and first aid measures to eliminate any factor that may be hazardous to the health and safety of its employees in the work environment, reducing the risk of occupational disasters.</li> <li>(2) The Company regularly provides labor safety related education and training, annual employee health checks, and various health promotion activities, in order to take care of the physical and mental health of its employees.</li> </ol> </li> </ol>	No difference.

Promoted items	Implementation Status			Discrepancy with industry standards in sustainable development practices and reasons
	Yes	No	Summary	
			<p>3. Freedom of Assembly</p> <p>The Company respects the rights of employees to form and join various social organizations. Diversified communication systems and platforms are provided for employees to ensure a harmonious and win-win labor-management relationship. The Company takes all complaints seriously and investigates with due diligence. In 2021, the Company did not receive any complaint about gender or racial discrimination or violation of human rights. Human rights related courses provided by the Company in 2021: “Sexual Harassment Prevention Education and Training”, “Prohibition of Workplace Violence”, and “Human Rights, Safety, and Health Education and Training for Security Personnel”, totaling 65.5 hours</p>	
(II) Does the Company formulate and implement reasonable employee benefits measures (including compensation, days-off, and other benefits, etc.), and appropriately link the operating performance or results to employee compensation?	✓		<p>1. Employee welfare</p> <p>In accordance with the Labor Standards Act, Act of Gender Equality in Employment, and Occupational Safety and Health Act, employment at the Company is based on professional abilities and experience, and the Company has never treated anyone differently in any form based on race, ideology, religion, party affiliation, place of origin, place of birth, gender, age, sexual orientation, marriage, appearance, physical and mental disabilities, zodiac sign, blood type, etc. Female employees account for 8.2% of the total number of the Company’s employees, indigenous employees account for 3.3%, and employees with physical and mental disabilities account for 1.4%. The Company is committed to creating a harmonious, friendly, diverse, and equal working environment.</p> <p>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.</p> <p>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</p>	No difference.

Promoted items	Implementation Status			Discrepancy with industry standards in sustainable development practices and reasons
	Yes	No	Summary	
			<p>reserve fund supervisory committee." Calculate the labor pensions under the old system year by year (the 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 2021 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>In response to the COVID-19 pandemic, the Company supports the government's vaccination policy and encourages everyone to get vaccinated. Since 2021, employees have been provided a half-day paid vaccination leave, and they can apply for a vaccination record card, in an effort to help protect employees against COVID-19.</p> <p>2. Operational Performance and Employee Remuneration</p> <p>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. The Company has also formulated a remuneration policy and distributes earnings to employees according to the operational performance of the Company.</p> <p>Article 28 of the Company's Articles of Incorporation also specifies that if the Company makes profits for the fiscal year, no less than 2.5% of the profits should be set aside as remuneration for employees. The 2020 remunerations for employees and directors were approved at the 8th meeting of the 24th Board of Directors.</p>	
(III) Has the Company provided employees with a safe and healthy work environment as well as conducted regular classes on health and safety?	✓		<p>1. Measures for safe and healthy work environment, education policies, and their implementation:</p> <p>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</p>	No difference.

Promoted items	Implementation Status			Discrepancy with industry standards in sustainable development practices and reasons
	Yes	No	Summary	
			<p>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. Each plant arranges monthly health consultation for colleagues performed by occupational medicine specialists, and performs arranges health seminars and individual doctor consultation for level 2 (and above) staff who perform special operations. In 2021, there were 1,587 general health check-ups and 1,760 special health check-ups, with examination fees totaling approximately NT\$2.47 million. In 2021, 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 1.12 million NTD and a total of 17,635 participant hours.</p> <p>2. Verifications and certifications All three of the Company's plants 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. The Company in Taipei passed and obtained the ISO/CNS 45001 certification in May 2021: 2018 Occupational Safety and Health Management System Verification and Registration. This occupational safety and health management system is applicable for ISO/CNS 45001: All operational activities in 2018 are covered.</p> <p>3. Number and ratio of work accidents and improvement In 2021, a total of 18 injuries occurred at the three plants, an increase of 1 injury compared with 2020, accounting for 1% of the total number of employees. The increase was due to unsafe behavior and unsafe environment; the employees who were injured were all male employees, and no female employees were involved in any work-related injuries. All work accidents and injuries were discussed and analyzed at the Occupational Safety and Health Committee meeting to establish measures to be taken for improvement.</p>	



Promoted items	Implementation Status			Discrepancy with industry standards in sustainable development practices and reasons
	Yes	No	Summary	
			<p>Measures for improvement:</p> <ol style="list-style-type: none"> <li>(1) Re-examined the workplace to identify occupational hazards and assess risk factors.</li> <li>(2) As the injuries were due to unsafe behavior and unsafe environment, all departments and divisions have been asked to regularly and continuously implement education and training on the safety standards for operation through case studies.</li> <li>(3) Implementation of safety observations (consultations) which are recorded in the green safety card.</li> <li>(4) Set up warning signs and slogans, such as prohibiting entry of non-related personnel, prohibiting entry during operation of equipment, etc. The Company will continue to improve in accordance with the verification requirements of the occupational safety and health management system and actively promote safety and health management.</li> </ol> <p>At the company-wide target management meeting chaired by the President every month, analysis of statistics and corrective measures of the occupational disasters in the previous month are reviewed. The Audit Office and the Labor Safety Centers in all factories will conduct joint cross-plant inspection every quarter and report to the president the deficiencies and corrective measures. For major occupational accidents that require hospitalization, the section chief and the division head should conduct monthly and factory director and deputy director should conduct autonomous management every two months and report to the President for review.</p>	
(IV) Has the Company established effective career and competence development and training plans?	✓		<p>The Company organizes career development and training programs according to operational needs and planning for various positions and functions. The operation and management meetings are held every quarter for middle and senior management to discuss the development strategies, current financial conditions, and the trends in the iron and steel industry in the world. Every year, the Company expands the operation and management meeting through visiting related industries, physical activities, keynote speeches and others to build consensus. A total of 126 people participated in the 2021 meeting. The Company also holds the Tung Ho Steel Growth Camp, where participants are divided into multiple teams and engage in research competitions on related topics to cultivate critical thinking, communication, and interpersonal skills, promoting teamwork and strengthening devotion to the Company. A total of 32 people participated in the Tung Ho Steel Growth Camp in 2021. Different contents of professional training are designed for different functions, such as</p>	No difference.

Promoted items	Implementation Status			Discrepancy with industry standards in sustainable development practices and reasons
	Yes	No	Summary	
			<p>personnel, accounting, procurement, information, sales, engineering, and machinery. The training is based on internal training and supplemented by external training to help the employees improve their work capabilities. Necessary safety and health education training is given to new recruits and in-service employees to enhance their awareness of work safety and health and emergency response capabilities to ensure work safety. Other human rights and corporate social responsibility-related training: Training of integrity management, anti-corruption, and sexual harassment prevention measures to enhance their concepts of human rights and corporate social responsibility. The Company also provides general education courses such as language, humanities, and art courses, to help improve the employees' language abilities and cultivate their life through extensive learning. The Company provides subsidies for language courses and incentives for language certifications to encourage employees to improve their language skills.</p> <p>In 2021, the Company's total number of education and training hours was 30,015 hours, an average of 17 training hours per person; the number of training hours for high-level managers was 278 hours, an average of 16 hours per person; the number of training hours for division heads was 583 hours, an average of 17 hours per person; the number of training hours for section chiefs was 1,401 hours, an average of 15 hours per person; the number of training hours for other personnel was 27,753 hours, an average of 17 hours per person.</p>	
(V) Does the Company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing, and labeling of products and services, and has it established relevant consumer or customer protection policies and grievance procedures?	✓		<p>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. When there are discrepancies in the shipping process or quality of products with our customers, Tung Ho Steel will handle the situation in accordance with the Regulations for Handling Customer Complaints. After receiving the customer complaint, the business unit will actively assign staff to understand the situation and fill in the Customer Complaint Handling Form to investigate the preliminary reason for the reference of relevant units. Handling plans will be deliberated in no time to respond to our customers for a solution. The requirements for product control in the internal review meeting will be stricter. In 2021, we did not receive any reports from customers regarding data privacy violations or data breaches. The Company has passed product verification standards of relevant certification organizations:</p>	No difference.

Promoted items	Implementation Status			Discrepancy with industry standards in sustainable development practices and reasons
	Yes	No	Summary	
			<ol style="list-style-type: none"> <li>Ministry of Economic Affairs MIT Smile Label</li> <li>Bureau of Standards, Ministry of Economic Affairs, product registration and certification records</li> <li>CNS trademark certification from the Bureau of Standards, Ministry of Economic Affairs</li> <li>Industrial Development Bureau, Ministry of Economic Affairs, Green Product Certification for Resource Recycling</li> <li>Australasian Certification Authority for Reinforcing and Structural Steels hot-rolled steel product ACRS certification</li> <li>Ministry of Economy, Trade and Industry JIS MARK factory certification</li> <li>American Bureau of Shipping ABS marine steel manufacturing certification</li> <li>Nippon Kaiji Kyokai Class NK marine steel manufacturing certification</li> <li>Bureau Veritas BV marine steel manufacturing certification</li> <li>Det Norske Veritas DNV GL marine steel manufacturing certification</li> <li>British Lloyd's Register LR marine steel manufacturing certification</li> <li>KS certification from Korea Standards Association for hot rolled steel products</li> <li>Singapore, BC1: 2012 Factory Production Control Certificates (FPC)</li> <li>UK Conformity Assessed (UKCA) certification</li> </ol> <p>Others</p> <ol style="list-style-type: none"> <li>ISO 9001 quality management system certification (Valid till: June 25, 2021)</li> <li>ISO 14001 environmental management system certification (Valid till: August 15, 2022)</li> <li>ISO 50001 energy management system certification (Valid till: November 3, 2023)</li> <li>Type III Product Environmental Declaration (EPD) Certificate Certification</li> <li>ISO 14067 carbon footprint of products</li> <li>TAF Physics Laboratory/Laboratory Accreditation</li> <li>Factory Production Control Certification</li> </ol>	
(VI) Does the Company formulate a supplier management policy that requires suppliers to follow relevant regulations on environmental protection, occupational safety and health, or labor rights, and how well are those policies implemented?	✓		<ol style="list-style-type: none"> <li>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.</li> </ol>	No difference.

Promoted items	Implementation Status			Discrepancy with industry standards in sustainable development practices and reasons
	Yes	No	Summary	
			<p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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> <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 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 9001 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.</p> <p>2. Suppliers who sign contracts with the Company 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 2021, a total of 358 companies have signed the pledge, accounting for 88% of the Company's transaction amount with suppliers. 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>	

Promoted items	Implementation Status			Discrepancy with industry standards in sustainable development practices and reasons
	Yes	No	Summary	
V. Does the company make reference to international standards or guidelines for the preparation of reports, such as corporate sustainability reports that disclose non-financial information about the company? Did you obtain confirmation or assurance from a third-party verifier for your report?	✓		<p>(I) International standards or guidelines for the preparation of non-financial information reports The content structure of the Company's "2020 Corporate Social Responsibility Report" issued in 2021 is based on the GRI Standards of the Global Reporting Initiative (GRI): The reporting framework of the report followed the GRI Standards Core Option, G4 Sector Disclosures –Mining and Metals, and AA1000 Accountability Principles Standard, and also referred to the guidelines and framework listed in the Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies and the United Nations Sustainable Development Goals (SDGs). In addition, the strategies, goals, and specific actions related to the material topics of Tung Ho Steel are also disclosed in accordance with the reporting principles. The Company is the first in the industry to publish the “Tung Ho Steel 2021 Climate-related Financial Disclosures (TCFD) Report”, and 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.</p> <p>(II) Third-party assurance or accreditation for non-financial information reports The Company's CSR Report 2020 published in 2021 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 Sustainability section of the website. “Tung Ho Steel 2021 Climate-related Financial Disclosures (TCFD) Report” has been verified by the independent and credible British Standards Institution (BSI). According to BSI, the maturity model for the Company's Climate-related Financial Disclosures is Level 5: Excellence grade.</p>	No difference.
VI. If the Company has established sustainable development principles based on Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the principles and their implementation: No difference.				

Promoted items	Implementation Status			Discrepancy with industry standards in sustainable development practices and reasons
	Yes	No	Summary	
VII. Other key information useful for explaining the status of sustainable development implementation:				
<p>(I) The Company completed the CDP Climate Change Questionnaire for the first time and achieved the "Management Level (B)" scoring. The Carbon Disclosure Project (CDP) invites thousands of companies around the world to disclose data, risks, and opportunities related to carbon management every year. It is an environmental sustainability assessment with international credibility. The Company completed the CDP Climate Change Questionnaire for the first time and achieved the B scoring, which is better than the average (C) of the metal smelting, refining, and forming sector, the average (B-) of Asian companies, and the average (B-) of global enterprises, showing that the Company has entered the climate change management stage and has integrated climate change factors into its business operations. The Company will continue to pay 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.</p>				
<p>(II) All products produced by the Company have obtained the Type III Product Environmental Declaration (EPD) Certificate: The beam and steel plate products of the Miaoli Plant, the re-bar products of the Taoyuan Plant, and the beam and channel products of the Kaohsiung Plant have all obtained the Type III Product Environmental Declaration (EPD) Certificate. Obtaining EPD certification can help our customers obtain higher grade of certification in green building rating. At the same time, it is also an important reference for consumers to buy eco-friendly products and to better understand the impact of products on the environment.</p>				
<p>(III) Our company is concerned about social issues and actively participates in public welfare. The Company donated a total amount of NT\$13.3 million to charities in 2021.</p>				
<p>(IV) The Company has won the TCSA Taiwan Corporate Sustainability Award organized by the Taiwan Corporate Sustainability Institute year after year. In 2021, the Company was awarded the Corporate Sustainability Report Platinum Award for Traditional Manufacturing Industry, which is the highest award in the manufacturing industry, showing that 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.</p>				
<p>(V) 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.</p>				
<p>(VI) The Company's was ranked top 5% in the 7th (2020) Corporate Governance Evaluation. In the 7th (2020) Corporate Governance Evaluation, a total of 1,617 companies were evaluated, namely, 905 listed companies and 712 OTC companies. The Company was ranked in the top 5% of listed companies and top 10% of the non-financial electronics companies with a market value of more than NT\$10 billion. The Company was also selected as a constituent stock of the "Taiwan Corporate Governance 100 Index" from 2018-2021, demonstrating the Company's achievements in promoting corporate governance.</p>				

(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 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>(I) The Company's integrity management policy is to treat all stakeholders based on the principles of fairness, integrity, honesty, and faithfulness. The Company has also established the Ethical Corporate Management Best Practice Principles and 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 Material Information Processing Procedures" and "Work Rules". On October 15, 2021, each unit of the Company performed 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>	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. 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>(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 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>(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 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 and Nominating Committee, which is responsible for formulating and supervising the implementation of integrity management policies and prevention plans. It meets at least twice a year with three members, more than half of whom are independent directors. The information on the implementation of ethical corporate management is discussed annually by the Corporate Governance and Nominating Committee and reported to the Board of Directors; on October 15, 2021, each unit was asked to perform risk assessment of unethical acts and to prepare necessary preventive plans and measures. The implementation of the 2021 Unethical Corporate Practices Prevention Program was reported to the 24th session (14th meeting) Board of Directors Meeting on November 12, 2021.</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 "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 2021: "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>	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	
			(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 30, 2021, 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 October 13, 2021, the "Corporate Anti-Corruption and Fraud Prevention Case Studies" training course was held for 138 participants, totaling 276 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. At the target management meeting for middle and senior management on October 7, 2021, the Company promoted the right to enter and prevent insider trading. In 2021, the Company educated directors and managers on the importance of insider shareholding changes twice. In October 2021, the Company's managers participated in the 2021 Prevention of Insider Trading training course hosted by the Taiwan Stock Exchange. A total of 3 people participated for a total of 8.25 hours.	
III. Operation of the company's whistle-blowing system (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? (II) Does the Company have standard operating procedures for investigation of whistleblower matters, follow-up measures to be taken after the completion of the investigation and the related confidentiality mechanism? (III) Did the company adopt measures for protecting the whistle-blower against improper treatment or retaliation?	✓		(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. (II) The Company's "Employee Grievance and Whistleblower Policy" (whistleblower protection policy) provides for the following grievance handling procedures: Preliminary hearings, 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. (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.	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	
IV. Strengthen information disclosure Did the company disclose the content and effectiveness of its integrity management principles on the company's website and the Market Observation Post System?	✓		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.	No difference.
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. 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.				
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) (I) Suppliers who sign contracts with the Company from 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. In 2021, a total of 358 suppliers signed the pledge, accounting for 88% of the Company's transaction amount with suppliers. (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. (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.				

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

In order to establish a sound corporate governance system, in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies published by the Taiwan Stock Exchange, the Company has formulated the Corporate Governance Best Practice Principles, which was adopted by the 23rd (12th meeting) Board of Directors on March 26, 2019. The latest version is available on the Market Observation Post System and the Company's website ([https:// www.tunghosteel.com/investors/norm](https://www.tunghosteel.com/investors/norm), Investor Services > Corporate Governance > Major Internal Policies). The Company monitors at all times domestic and international developments in corporate governance as a basis for review and improvement of the Company's own corporate governance mechanisms, so as to enhance their effectiveness.

(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, key resolutions of the Board of Directors, and corporate governance practices are all disclosed in the corporate sustainability report and on the Company's website ( [https:// www.tunghosteel.com/investors/resolution](https://www.tunghosteel.com/investors/resolution), Investor Services > Corporate Governance).

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

## 1. Internal Control System Statement

### **Tung Ho Steel Enterprise Corporation Internal Control System Statement**

Date: March 10, 2022

Based on the results of self-evaluation, the Company's 2021 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.  
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, 2021 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 10, 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  
President: Binghua Huang

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
2021.01.18	7th meeting of the 24th board	1. 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	<ol style="list-style-type: none"> <li>2020 Board of Directors Performance Evaluation Report</li> <li>Passed the independence and suitability evaluation of the accountant.</li> <li>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.</li> <li>Passed the Company's 2020 business report and financial statements.</li> <li>Passed the Company's 2020 earnings appropriation of cash dividend at NT\$1.5 per share.</li> <li>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.</li> <li>Passed the short term credit obligation case of US\$35 million for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</li> <li>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.</li> <li>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.</li> </ol>	The entire Board adopted without objection.
2021.05.11	9th meeting of the 24th board	<ol style="list-style-type: none"> <li>Passed the Company's Quarter 1 consolidated financial reports for 2021.</li> <li>Implementation of Corporate Social Responsibility: <ol style="list-style-type: none"> <li>Communication with stakeholders.</li> <li>Publication of the 2020 Corporate Social Responsibility Report.</li> </ol> </li> <li>Approved the publication of the 2021 Climate-related Financial Disclosures (TCFD) Report.</li> <li>Donation of NT\$750,000 and 30 tons of scrap steel to the "Tung Ho Steel Foundation" for organizing steel sculpture artistic creation exhibitions and conference expenses. The COVID-19 border control measures affected the participation of foreign artists and delayed on-site design schedules. The fund of NT\$2.55 million for the "7th Tung Ho Steel International Artist-in-Residence Program" approved by the 24th (3rd meeting) Board of Directors on June 22, 2020 has not yet been submitted for appropriation, and will be paid together with this year's donation.</li> <li>Passed the guarantee endorsement application short term credit obligation case with the Fubon Bank (China) Co., Ltd. Suzhou Branch for the subsidiary Fujian Dong Gang Steel Co, Ltd.</li> </ol>	The entire Board adopted without objection.

Date	Meeting	Critical resolution matters	Board of Directors (Shareholder's meeting) Resolution result
2021.06.25	10th meeting of the 24th board	<ol style="list-style-type: none"> <li>1. Approved the change of date and location for the 2021 Annual General Meeting.</li> <li>2. Passed the proposal of the outflow control project of the Company's Taoyuan Processing Center to be contracted to the subsidiary Tung Kang plans to Engineering &amp; Construction Corp.</li> <li>3. Passed the renewal of endorsement/guarantee short/medium term credit obligation renewal case of US\$25 million with Taipei Fubon Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</li> <li>4. Passed the endorsement/ guarantee short term credit obligation renewal case of US\$29.5 million with Taipei Fubon Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</li> </ol> <p>Passed the endorsement/guarantee short term credit obligation renewal case of US\$25 million with Hua Nan Commercial Bank, Ltd. for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p>	The entire Board adopted without objection.
2021.07.15	Shareholders' Meeting	<p>Important resolutions of the 2020 annual shareholders' meeting and the implementation status:</p> <ol style="list-style-type: none"> <li>1. Ratifications: <ol style="list-style-type: none"> <li>(1) Adoption of the 2020 Business Report and Financial Statements. Status of implementation: Proposal passed.</li> <li>(2) Adoption of the Proposal for Distribution of 2020 Profits. Status of implementation: Other items in the Company's surplus allocation table has been approved by resolution of the 2021 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\$1,634,807,055 was approved by the board of directors on March 23, 2021, with dividend per share of NT\$1.50. On May 11, 2021, the board of directors approved to set the ex-dividend date on July 3, 2021, and the distribution of cash dividends was completed on July 22, 2021).</li> </ol> </li> <li>2. Matters for Discussion: Handling of cash reduction proposal. Status of implementation: The Company passed the cash capital reduction proposal at the general meeting of shareholders. On September 24, 2021, the Board of Directors resolved to reduce capital and refund shares, and set December 3, 2021 as the record date of capital reduction and December 6, 2021 as the date to refund shares and the date of listing for trading. The refund payments were made on December 10, 2021.</li> <li>3. Matters for Discussion: Amendment of the "Articles of Incorporation." Status of implementation: Passed the partial amendments which are disclosed on the Company's website ( <a href="https://www.tunghosteel.com/Investor Services &gt; Corporate Governance &gt; Major Internal Policies &gt; Articles of Incorporation">https://www.tunghosteel.com/Investor Services &gt; Corporate Governance &gt; Major Internal Policies &gt; Articles of Incorporation</a> ).</li> <li>4. Matters for Discussion: Amendments to the "Rules of Procedure for the Shareholders' Meeting" proposal. Status of implementation: Passed the partial amendments which are disclosed on the Company's website ( <a href="https://www.tunghosteel.com/Investor Services &gt; Corporate Governance &gt; Major Internal Policies &gt; Rules of Procedure for the Shareholders' Meeting">https://www.tunghosteel.com/Investor Services &gt; Corporate Governance &gt; Major Internal Policies &gt; Rules of Procedure for the Shareholders' Meeting</a> ).</li> <li>5. Matters for Discussion: Amendments to the "Rules Governing the Election of Directors" proposal. Status of implementation: Passed the partial amendments which are disclosed on the Company's website ( <a href="https://www.tunghosteel.com/Investor Services &gt; Corporate Governance &gt; Major Internal Policies &gt; Rules Governing the Election of Directors">https://www.tunghosteel.com/Investor Services &gt; Corporate Governance &gt; Major Internal Policies &gt; Rules Governing the Election of Directors</a> ).</li> </ol>	After consultation by the Chairman, all shareholders present approved the proposal without objection.

Date	Meeting	Critical resolution matters	Board of Directors (Shareholder's meeting) Resolution result
		The aforementioned important resolutions are disclosed on the Company's website ( <a href="https://www.tunghosteel.com">https:// www.tunghosteel.com</a> , <u>Investor Services &gt; Shareholders' Section &gt; Major Internal Policies &gt; Investor Services &gt; Shareholders' Section &gt; Shareholders' Meeting &gt; 2021 Shareholders' Meeting &gt; Minutes of the 2021 Shareholders' Meeting</u> ).	
2021.07.15	11th meeting of the 24th board	<ol style="list-style-type: none"> <li>1. Passed the proposal to increase cash capital for the Company's subsidiary Tung Kang Wind Power Co., Ltd.</li> <li>2. Passed the amendments to the "Corporate Governance Committee Charter" and renamed it to "Corporate Governance and Nominating Committee Charter". Nomination-related duties and operational procedures were also added.</li> </ol>	The entire Board adopted without objection.
2021.08.13	12th meeting of the 24th board	<ol style="list-style-type: none"> <li>1. Passed the Company's Quarter 2 consolidated financial reports for 2021.</li> <li>2. The Board of Directors resolved to sign a letter of intent.</li> <li>3. Passed the endorsement/ guarantee short term credit obligation renewal case of US\$47 million and additional credit of US\$13 million with Mizuho Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</li> <li>4. Passed the endorsement/guarantee short term credit obligation renewal case of US\$20 million with Taishin International Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</li> <li>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.</li> <li>6. Passed the endorsement/ guarantee short term credit obligation renewal case of US\$14 million with Bank SinoPac for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</li> </ol>	The entire Board adopted without objection.
2021.09.24	13th meeting of the 24th board	<ol style="list-style-type: none"> <li>1. Passed the liability insurance report of directors, supervisors and major staff.</li> <li>2. Passed the record date for capital reduction, the record date for capital reduction and share refund, and the plan to issue securities.</li> <li>3. Approved the amendments to the "Corporate Governance Best Practice Principles".</li> <li>4. Approved the Corporate Social Responsibility Best Practice Principles」.</li> </ol>	The entire Board adopted without objection.
2021.11.12	14th meeting of the 24th board	<ol style="list-style-type: none"> <li>1. Passed the Company's Quarter 3 consolidated financial reports for 2021.</li> <li>2. The promotion of corporate governance: <ol style="list-style-type: none"> <li>(1) Develop intellectual property management plans that are linked to operational objectives</li> <li>(2) Plans for prevention of dishonest behavior and prevention of insider trading</li> <li>(3) Risk management</li> <li>(4) Information security management</li> <li>(5) Environmental sustainability</li> </ol> </li> <li>3. Formulation of greenhouse gas management strategies, reduction targets and plans.</li> <li>4. Passed the main expansion project of the Company's Taoyuan Processing Center.</li> <li>5. Passed the accountant public expenses review proposal for 2021.</li> <li>6. Passed the endorsement/ guarantee credit line reduction case of US\$13 million with Bank SinoPac for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</li> </ol>	The entire Board adopted without objection.

Date	Meeting	Critical resolution matters	Board of Directors (Shareholder's meeting) Resolution result
		<ol style="list-style-type: none"> <li>7. Passed the endorsement/ guarantee short term credit obligation case of US\$15 million with Standard Chartered Bank (Vietnam) Limited, Ho Chi Minh City Branch for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</li> <li>8. Passed the endorsement/ guarantee short term credit obligation renewal case of US\$8 million and additional credit of US\$7 million with BNP Paribas, Ho Chi Minh City Branch, Vietnam and BNP Paribas, Hanoi Branch for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</li> <li>9. Passed the endorsement/ guarantee short term credit obligation renewal case of US\$13 million and additional credit of US\$3 million with First Commercial Bank (Ho Chi Minh City Branch and Offshore Banking Unit) for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</li> <li>10. Passed the endorsement/ guarantee short term credit obligation renewal case of US\$2.5 million with Bank SinoPac (China) Ltd. for the subsidiary Fujian Dong Gang Steel Co, Ltd.</li> </ol>	
2021.12.21	15th meeting of the 24th board	<ol style="list-style-type: none"> <li>1. Approved the amendments to the Board of Directors Performance Evaluation Guidelines.</li> <li>2. Approved the appointment of the President of the Company.</li> <li>3. Passed the endorsement/ guarantee short term credit obligation renewal case of RMB\$20 million with Bank of Taiwan Fuzhou Branch for the subsidiary Fujian Tung Kang Steel Corp., Ltd.</li> <li>4. 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.</li> </ol>	The entire Board adopted without objection.
2022.03.10	16th meeting of the 24th board	<ol style="list-style-type: none"> <li>1. 2021 Board of Directors Performance Evaluation Report.</li> <li>2. Passed the independence and suitability evaluation of the accountant.</li> <li>3. Passed the distribution of employee and director remuneration for 2021. The total employee remuneration was NT\$188,534,158, and the total remuneration to directors was NT\$150,827,327.</li> <li>4. Adoption of the 2021 Business Report and Financial Statements.</li> <li>5. Passed the Company's 2021 earnings distribution of cash dividends at NT\$6.4 per share.</li> <li>6. Approved the record date for 2021 distribution of cash dividends and payment date.</li> <li>7. Approved the amendments to the “Regulations Governing the Acquisition and Disposal of Assets”.</li> <li>8. Approved the amendments to the “Corporate Governance Best Practice Principles”.</li> <li>9. Approved the amendments to the “Corporate Social Responsibility Best Practice Principles”.</li> <li>10. Approved the proposal to hold the 2022 Annual General Meeting and to process proposals of shareholders holding more than 1% of shares.</li> <li>11. Approved the purchase of 41 government-owned lands in the Guanyin District of Taoyuan City, with the total land area of 14,248.63 square meters and the total transaction amount of NT\$423,896,757.</li> <li>12. Approved the application of the subsidiary Tung Kang Wind Power Co., Ltd. to lease part of the Company’s land in the Longgang Industrial Park area.</li> <li>13. Passed the new construction project of Tung Ho Steel Enterprise Corporation R&amp;D Center in Erhu.</li> </ol>	The entire Board adopted without objection.

Date	Meeting	Critical resolution matters	Board of Directors (Shareholder's meeting) Resolution result
		14. Approved the donation of NT\$2.5 million and 80 tons of scrap steel to the "Tung Ho Steel Foundation" for organizing steel sculpture artistic creation exhibitions and conference expenses. The funds will be allocated in installments depending on the business operation. 15. Passed the short term credit obligation case of US\$35 million for the subsidiary Tung Ho Steel Vietnam Corp., Ltd. 16. 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.	

(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) Disclosure of audit fees, non-audit fees, and details of non-audit services:

Unit: NT\$thousand

CPA Accounting Firm Name	CPA Name	CPA Audit period	Public expenses for audit	Non-public expenses for audit					Total	Remark
				System design	Business registration	Human Resources	Others	Subtotal		
KPMG International Cooperative	Isabel Lee Sinney Kuo	Jan. 2021 to Dec. 2021	6,790	0	80	0	3,867	3,947	10,737	(1) Transfer pricing was NT\$2,537,000 in 2021. (2) The expenses for 2021 Country-by-Country Report and Master File totaled NT\$810,000. (3) R&D and smart machinery investment: NT\$300,000. (4) Capital reduction accountant review fee was NT\$220,000.

- (II) 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.
- (III) 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.

## VI. Information on Replacement of CPAs: None.

## VII. The Company's Chairman, President, Chief Financial Officer, or managers in charge of its financial and accounting operations who served in the firm of the CPAs or its affiliates in the most recent fiscal year: None.

**VIII. Share Transfer by directors, managers, and shareholders holding more than 10% equity and changes to share pledging by them in the most recent fiscal year and up to the publication date of this Annual Report**

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

Title	Name	2021		As of February 28, 2022	
		Number of shares held added (subtracted) (Shares)	Numbers of pledged shares added (subtracted) (Shares)	Number of shares held added (subtracted) (Shares)	Numbers of pledged shares added (subtracted) (Shares)
Director	Mao Sheng Investment Inc.	(18,908,000)	0	2,490,000	0
Director	Mao Sheng Investment Inc. Representative: Henry C. T. Ho	(73,571)	0	0	0
Director	Mao Sheng Investment Inc. Representative: George Y. S. Ho	(3,300)	0	0	0
Director	Earle Ho and Sons, Ltd.	(34,570,780)	0	0	0
Director	Earle Ho and Sons, Ltd. Representative: Hui-Ming Wu	(42,383)	0	0	0
Director and Senior Vice President of Finance and Accounting Division	Earle Ho and Sons, Ltd. Representative: Joshua P.H. Tung	(60,516)	0	0	0
Director	Liang Cheng Investment Co., Ltd.	(3,691,371)	(3,300,000)	0	0
Director	Liang Cheng Investment Co., Ltd. Representative: Pao-He Chen	(355,843)	0	0	0
Director	Episil Holding Incorporation	(1,668,364)	0	0	0
Director	Episil Holding Incorporation Representative: Chih-Ming Huang	(159,832)	0	0	0
Director	Yen-Liang Ho	(119,351)	0	0	0
Director	Taiwan Zhi Di Co. Ltd.	(21,450)	0	0	0
Director	Taiwan Zhi Di Co. Ltd. Representative: Chao-He Lin	(105,233)	0	0	0
Independent Director	I-Chi Liu	0	0	0	0
Independent Director	Chuang-Hsi Chang	(4,413)	0	0	0
Independent Director	Der-Ming Lieu	0	0	0	0
Chairman (President)	Henry C. T. Ho (Note 1)	(73,571)	0	0	0
Senior Vice President	Fu-Jin Chen (Note 2)	(238,515)	0	0	0
Vice President of Sales & Marketing Division	Kuanren Gu	(9,886)	0	7,000	0
Executive Vice President (President)	Bing-Hua Huang (Note 3)	(357,519)	0	0	0
Vice President of	Arthur C. Lin	(7,194)	0	0	0

Title	Name	2021		As of February 28, 2022	
		Number of shares held added (subtracted) (Shares)	Numbers of pledged shares added (subtracted) (Shares)	Number of shares held added (subtracted) (Shares)	Numbers of pledged shares added (subtracted) (Shares)
Trading Division					
Assistant Vice President of Sales & Marketing Division	Flora Fan	370	0	0	0
Assistant Vice President of Sales & Marketing Division	J. B. Chiu	(996)	0	0	0
Assistant Vice President of Investment Division	Tony Chen	(1,659)	0	0	0
Assistant Vice President of Investment Division	Yi-Chih Hsu	9,948	0	0	0
Assistant Vice President of Investment Division	Chun-Sheng Chien	(288)	0	0	0
Assistant Vice President of Information Technology Division	Che-Chung Lin	(9,182)	0	0	0
Head of Corporate Governance and Assistant Vice President (Vice President) of Administration Division	Juyu Ho (Note 4)	(2,310)	0	0	0
General Manager of Taoyuan Works	Te-xiu Chen (Note 5)	0	0	0	0
General Manager of Taoyuan Works	Wei-Ping Lee (Note 6)	0	0	0	0
General Manager of Miaoli Works Production Vice President	Ming-Tsung Liu (Note 7)	(98,812)	0	0	0
General Manager of Miaoli Works	Yao-Ying Hsiao (Note 8)	0	0	0	0
General Manager of Kaohsiung Works	Tsung-Yu Wang	161,147	0	0	0
Major shareholders holding more than 10% of the shares	Earle Ho and Sons, Ltd.	(34,570,780)	0	0	0

In order to adjust the capital structure and improve the return on equity, the Company resolved at the shareholders' meeting on July 15, 2021 to reduce capital by cash and set the base date for the capital reduction and share exchange on December 3, 2021. Therefore, the number of shares held by directors and managers was mainly reduced due to the capital reduction.

Note 1: Left the position of President on January 1, 2022.

Note 2: Retired on January 1, 2022.

Note 3: Assumed the position of President on January 1, 2022.

Note 4: Assumed the position of Vice President on January 1, 2022.

Note 5: Retired on August 3, 2021.

Note 6: Officially appointed as General Manager on January 1, 2022

Note 7: Left the position of General Manager of Miaoli Works and assumed the position of Production Vice President on January 1, 2022.

Note 8: Promoted to General Manager of Miaoli Works on January 1, 2022.

(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	Pledge change reason	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 percentage	Pledge percentage	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)**

March 28, 2022

NAME	SHARES HELD		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		NOTE
	Number of Shares (Shares)	Shareholding percentage (%)	Number of Shares (Shares)	Shareholding percentage (%)	Number of Shares (Shares)	Shareholding Percentage (%)	Title (or name)	Relationship	None
Earle Ho and Sons, Ltd.	108,715,999	14.89	N/A	N/A	0	0	None	None	None
Earle Ho and Sons, Ltd. Representative: Hui-Ming Wu	86,049	0.01	0	0	0	0	None	None	None
Earle Ho and Sons, Ltd. Representative: Joshua P.H. Tung	15,665	0	0	0	107,200	0.01	None	None	None
Mao Sheng Investment Inc.	49,018,877	6.71	N/A	N/A	0	0	None	None	None
Mao Sheng Investment Inc. Representative: Henry C. T. Ho	95,425	0.01	86,430	0.01	0	0	Mao Sheng Investment Inc. Representative: George Y. S. Ho	Brother	None
Mao Sheng Investment Inc. Representative: George Y. S. Ho	6,700	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	47,312,750	6.48	N/A	N/A	0	0	None	None	None
Fubon Life Insurance Co., Ltd.	16,186,470	2.22	N/A	N/A	0	0	None	None	None

NAME	SHARES HELD		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		NOTE
	Number of Shares (Shares)	Shareholding percentage (%)	Number of Shares (Shares)	Shareholding percentage (%)	Number of Shares (Shares)	Shareholding Percentage (%)	Title (or name)	Relationship	None
Representative: Richard M. Tsai									
Public Service Pension Fund Management Committee	13,256,217	1.82	N/A	N/A	0	0	None	None	None
Yu Tai Investment Co., Ltd. Representative: Chih-Ming Huang	12,985,399	1.78	N/A	N/A	0	0	None	None	None
Fubon Taiwan High-Quality Dividend 30ETF Fund Account	11,848,000	1.62	N/A	N/A	0	0	None	None	None
Investment Account of Morgan Stanley & Co. International Limited entrusted for custody by HSBC Bank (Taiwan)	9,306,481	1.27	N/A	N/A	0	0	None	None	None
Vanguard Emerging Market Stock Index Fund Account entrusted to JPMorgan Chase Bank Taipei Branch	8,380,602	1.15	N/A	N/A	0	0	None	None	None
New Labor Pension Fund Investment Account entrusted to First Securities Inc for the first time in 2021	8,145,011	1.12	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, 2021

Reinvestment business	Investment by the Company		Investments by directors, managers and directly or indirectly controlled enterprises		Comprehensive investment	
	Shares (thousand)	Shareholding ratio (%)	Shares (thousand)	Shareholding ratio (%)	Shares (thousand)	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	9.12	0	0	0	9.12
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
Tung Kang Wind Power	65,500	100.00	0	0	65,500	100.00
Fada Corp.	100	100.00	0	0	100	100.00
Tung Yuan International Corporation	0.08	100.00	0	0	0.08	100.00
Tung Kang Steel Structure Co., Ltd.	201,121	97.48	3,537	1.71	204,658	99.20
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.	95,737	99.02	0	0	95,737	99.02
Goldham Development Ltd.	15,000	100.00	0	0	15,000	100.00
Tung Ho Steel Vietnam Corp. Ltd	0	100.00	0	0	0	100.00
Fujian Tung Kang Steel Corp., Ltd.	0	0	0	100.00	0	100.00
Tung Kang Engineering & Construction Co., Ltd.	0	0	25,000	100.00	25,000	100.00
Fujian Sino-Japan Metal Corp.	0	0	0	35.00	0	35.00
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	96.00
China Merchandise Corp.	0	0	3	0.66	3	0.66
Tech Alliance Corp	0	0	228	5.69	228	5.69
Ding-Xing Development	0	0	150	3.75	150	3.75

# Chapter 4.Fund-raising Conditions

## I. Capital and Shares

### (I) Source of Capital

#### a. Type of shares

March 28, 2022

Share Types	Authorized Capital			Remark
	Shares issued and outstanding	Shares unissued	Total	
Listed Common stock	730,213,818	769,786,182	1,500,000,000	None

#### b. Formation of capital

Year/ month	Par value per share (NT\$)	Authorized Capital		Paid-up Capital		Remark		
		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	Jing-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	Jing-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	Jing-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	Jing-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	Jing-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	Jing-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	Jing-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 of NT\$445,000,000	None	Jing-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	Jing-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	Jing-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	Jing-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	Jing-Shou-Shang-Zi No. 09901150550 issued on July 12, 2010

Year/ month	Par value per share (NT\$)	Authorized Capital		Paid-up Capital		Remark		
		Shares Held (Shares)	Amount (NT\$)	Shares Held (Shares)	Amount (NT\$)	Source of capital	Offset share amount with assets other than cash	Others
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	Jing-Shou-Shang-Zi No. 10001098990 issued on May 18, 2011
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	Jing-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	Jing-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	Jing-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	Jing-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	Jing-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	Jing-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	Jing-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	Jing-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	Jing-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	Jing-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
2021.10	10	1,500,000,000	15,000,000,000	730,213,818	7,302,138,180	Handling of cash reduction Cancellation of 359,657,552 issued shares, with a nominal value of NT \$10 per share, for a total of NT \$3,596,575,520, which is accounted for capital reduction rate of 33%.	None	Jing-Shou-Shang-Zi No. 11001062940 issued on October 21, 2021



## (II) Shareholder structure

March 28, 2022

Shareholder structure Quantity	Government Agencies	Financial Institutions	Other legal person	Domestic natural persons	Foreign organizations and foreign individuals	Total
Number of people	6	60	305	69921	287	70579
Shareholding (shares)	26259458	87952824	305442098	215965403	94594035	730213818
Percentage (%)	3.6	12.04	41.83	29.58	12.95	100

## (III) Shareholding distribution status

Denomination of NT\$10 per share March 28, 2022

Shareholding classification	Number of shareholders	Number of shares held	Shareholding ratio (%)
1 - 999	38,113	12,387,397	1.70
1,000 - 5,000	25,580	51,949,337	7.11
5,001 - 10,000	3,690	26,234,164	3.59
10,001 - 15,000	1,200	14,715,649	2.02
15,001 - 20,000	421	7,390,201	1.01
20,001 - 30,000	539	12,943,269	1.77
30,001 - 40,000	256	8,753,759	1.20
40,001 - 50,000	153	6,877,153	0.94
50,001 - 100,000	251	17,275,529	2.37
100,001 - 200,000	165	22,678,209	3.11
200,001 - 400,000	77	22,248,017	3.05
400,001 - 600,000	28	13,510,732	1.85
600,001 - 800,000	18	12,544,850	1.72
800,001 - 1,000,000	17	155,70,634	2.13
1,000,001 and above	71	485,134,918	66.43
Total	70,579	730,213,818	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.

March 28, 2022

Shares Name of the major shareholders	Shareholding (shares)	Percentage (%)
Earle Ho and Sons, Ltd.	108,715,999	14.89
Mao Sheng Investment Inc.	49,018,877	6.71
He Zhao Investment Co., Ltd.	47,312,750	6.48
Fubon Life Insurance Co., Ltd.	16,186,470	2.22
Public Service Pension Fund Management Committee	13,256,217	1.82
Yu Tai Investment Co., Ltd.	12,985,399	1.78
Fubon Specially Selected Taiwan High Dividend 30ETF Fund Account	11,848,000	1.62
Morgan Stanley & Co. International PLC Account entrusted to HSBC Bank (Taiwan) Limited	9,306,481	1.27
Vanguard Emerging Market Stock Index Fund Account entrusted to JPMorgan Chase Bank Taipei Branch	8,380,602	1.15
First Financial Holding Co., Ltd. Account solely entrusted by New Labor Pension Funds in 2021 for the first time	8,145,011	1.12
	285,155,806	39.06

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

Unit: NT\$

Item		Year	2020	2021	As of Feb. 28, 2022
Market price per share	Maximum		40.60	69.30	73.70
	Minimum		19.20	31.00	62.70
	Average		25.92	45.64	68.84
Net worth per share	Before distribution		27.16	29.78	N/A
	After distribution (Note 7)		25.55	25.07 (Note 6)	N/A
Earnings per Share	Weighted average number of shares (thousand shares)		1,012,599	991,957	N/A
	Earnings per Share	Before retrospective adjustments (Note 2)	3.52	5.95	N/A
		After retrospective adjustments (Note 2)	3.52	5.95	N/A
Dividend per share	Cash dividends (NT\$)		1.50	6.40	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)		7.36	7.67	N/A
	Price to dividends ratio (Note 4)		17.28	7.13	N/A
	Cash dividend yield (Note 5) (%)		5.79	14.02	N/A

Note 1: Source: Taiwan Stock Exchange

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 2021 amount of cash dividend by resolution of the board of directors on March 10, 2022.

Note 7: Fill-in based on the circumstances of the board meetings for the next year.

(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 16th annual Board of Director's meeting of the 24th term has approved to allocate cash dividends of NT\$6.40 per share, amounting to NT\$4,673,368,435 with a total of 730,213,818 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) Employee and director compensation

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 2021 remuneration of employees by cash and 2021 director remuneration have been approved by resolution of the board of directors on March 10, 2022. 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	Board of Directors resolution (March 10, 2022)
Director remuneration (cash)	150,827,327
Employee remuneration (cash)	188,534,158

(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	Board of Directors resolution (March 23, 2021)	Difference
Director remuneration (cash)	91,919,260	91,919,260	None
Employee remuneration (cash)	114,899,075	114,899,075	None

(IX) Status of company share buy back: None.

## II. Corporate bond issuance status

### (I) Corporate bond issuance status

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

March 31, 2021

Types of corporate bonds		The 7th domestic unsecured convertible bonds
Issuance (processing) date		2018.05.14
Denomination		NT\$100,000
Location of issuance and transactions		Taipei Exchange
Issue price		Issued based on face value
Total		NT\$2,000,000,000
Interest rate		0%
Tenor		Five-year maturity date: 2023.05.14
Guarantee agency		None
Consignee		Trust Department of Fubon Commercial Bank Co., Ltd.
Underwriting institution		Taishin Securities Co., Ltd.
Certified lawyer		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
Terms of redemption or advance repayment		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.
Restrictive 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, exchange or subscription methods, and the condition of issuance that may dilute share equity and affect equity rights for the existing shareholders		None
Name of the commissioned custodian institution for the exchange bid		None

(II) Convertible bond data

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

Unit: NT\$

Types of corporate bonds		The seventh domestic unsecured conversion of corporate bonds		
Item	Year	2019	2020	As of March 5, 2021 (Note 3)
	Maximum	106.50	173.00	156.00
Market price of the convertible bond	Minimum	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: 2018.05.14, conversion price during issuance NT\$27.80	Issuance date: 2018.05.14, 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)

February 28, 2022

Item		Issuance (processing) date	September 22, 1994
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		66,187,923 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		491,919 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	2020	Highest	13.60
		Lowest	6.40
		Average	8.82
	2021	Highest	24.69
		Lowest	11.21
		Average	16.20
	As of February 28, 2022	Highest	26.22
		Lowest	23.37
		Average	24.56

#### 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) Status of implementation: The actual amount spent was NT\$2,010,000,000 and the repayment of bank loans was completed at 100.00% in accordance with the scheduled progress of fund utilization, which is in line with the progress of the original plan to repay bank loans, with no significant abnormalities. The execution of the project was completed according to the original plan and reported to the Taiwan stock exchange in July 2018.



## Chapter 5. Business Overview of the Company and Its Subsidiaries

### I. Business content

#### (I) Scope of business

##### 1. Main content:

Main Business Activities		Main contents and the current product (service) lineup
Company		
Parent company	Tung Ho Steel Enterprise Corporation	(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.
Subsidiary	Tung Yuan International Corp.	Foreign investments
	Tung Kang Steel Structure Co., Ltd.	(1) Iron and Steel Rolling, Drawing, and Extruding. (2) Steel Construction.
	Goldham Developmwn Ltd.	Foreign investments
	Katec Creative Resources Corp.	(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. (Note)	Recycling, lease, wholesale of recycled supplies, international trade.
	Tung Ho Steel Vietnam Corp., Ltd.	Production and sales of billets, re-bar, small steel, and wire rods.
	Dung Tang Energy Service Co., Ltd.	Fertilizer manufacturing and renewable energy self-use power generation equipment.
	3 Oceans International Inc.	Foreign investments.
	Duc Hoa International J.S.C.	Manufacture of quicklime.
	Tung Kang Engineering & Construction Co., Ltd.	(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.	(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.
	DongSheng Metal Processing Co., Ltd.	Manufacturing and sales of metal structures.

Note: Fada Corp. cancelled on March 2, 2022.

## 2. Revenue Breakdown

Item	As a percentage of cumulative operating revenue for 2020 (%)	As a percentage of cumulative operating revenue for 2021 (%)
Re-bar	49	46
Section beam (Note 1)	32	34
Billet	1	2
Others (Note 2)	18	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

- (1) Steelmaking: Development of billets with high steel cleanliness and high toughness, development of high-strength re-bar, research on ORC power generation technology for electric furnace waste heat recovery, development of low-carbon and green manufacturing technology for electric furnace, and electric furnace scrap preheating continuous feeding process research.
- (2) 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, and development of H-beam/ steel plate on-line size automatic measurement and surface defect detection system.
- (3) Others: Development of AI applications and smart chemical process technology, comprehensive and innovative solutions to promote a circular economy in the steel industry, renewable energy (solar, wind, biogas) application research, and Carbon Capture Utilization and Storage (CCUS) technology application research.

## (II) Industry overview

### 1. Current status and development of the industry

Consolidated revenue for 2021 was NT\$58.795 billion, up 37.16% from NT\$42.866 billion in 2020; consolidated sales volume also grew from 2.325 million metric tons in 2020 to 2.579 million metric tons in 2021, an increase of 15.43%. Under the influence of the global increasing coronavirus vaccination rate and the slowdown of the epidemic, the global economic recovery is strong, and the international steel and iron raw material prices have risen sharply. Taiwan's overall economic growth rate of 6.28% was the highest in the past 11 years due to the success of epidemic prevention and the benefits of the US-China trade war. After reaching a record high last year since the financial tsunami in 2008, Tung Ho Steel's consolidated net income reached a new high of NT\$5.922 billion in 2021, a significant increase of 66.50% over 2020. In addition, after-tax EPS increased significantly from 3.52 in 2020 to 5.95 in 2021. Tung Ho Steel's long-term management strategy of balancing sales and raw material procurement in terms of volume and price has enabled the delivery of outstanding operating results in 2021, which are full of uncertainties.

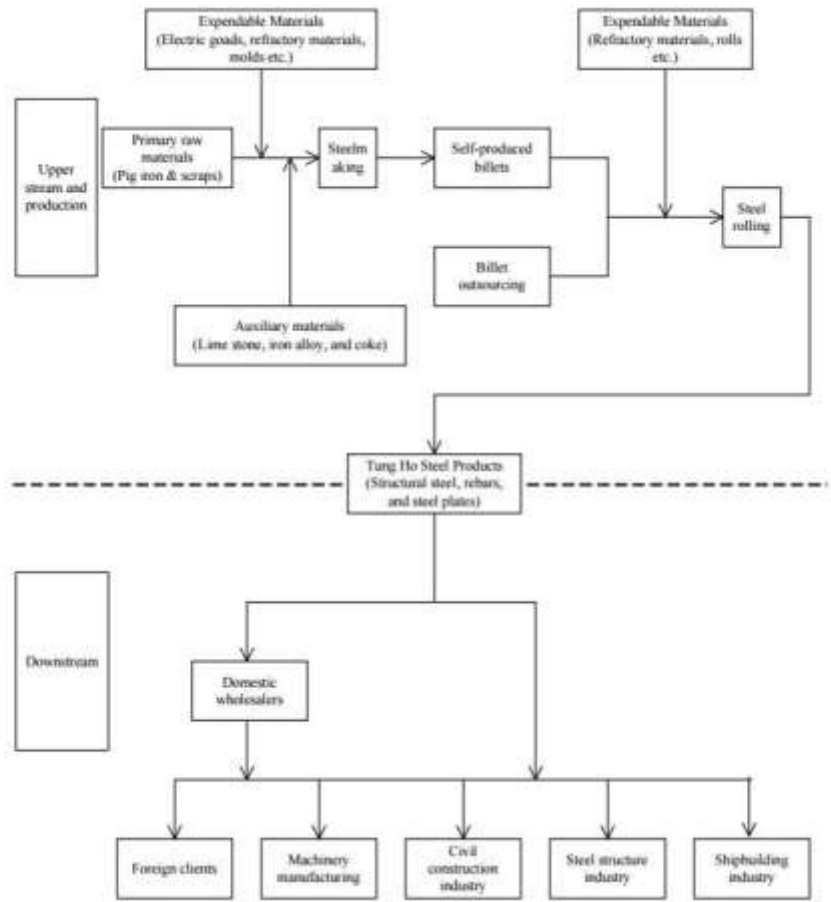
Tung Ho Steel Vietnam Corp., Ltd. is Tung Ho Steel's first overseas production base which include electric furnace smelting and rolling mill. Since it commenced re-bar production in 2019, Tung Ho Steel Vietnam Corp., Ltd. brand image has gradually gained market recognition, and turned to profits in the fourth quarter of 2020. Despite the adverse impact of the out-of-control city lockdown due to the coronavirus epidemic in Vietnam in 2021, the Company was able to turn a loss into a profit for the year in accordance with its original operating target. Tung Ho Steel investment in Vietnam has also begun to show excellent performances 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.

In addition, due to the strong market demand in 2021, the annual sales volume of Tung Ho Steel increased by 22.24% and 39.14% compared to 2020, and the visibility of orders has already reached the middle of 2023, so the operation performance continues to grow. In addition, Fujian Tung Ho Steel's sales grew by 88.12% compared to 2019, driven by the epidemic's slowdown and economic recovery in China, and out of the hardships of the coronavirus epidemic in 2019. However, how foreign companies can transform and break through under the unfavorable factors of global anti-central situation in China will be an important issue and challenge in the outlook of operational performance this year.

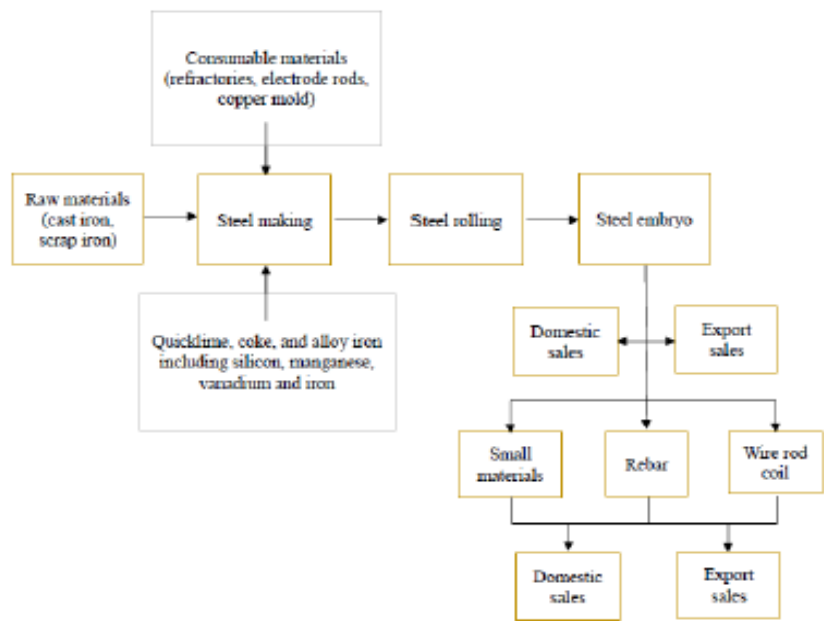
Tung Ho Steel has been actively investing in renewable energy and environmental protection businesses in the past: The invested companies include Tung Kang Wind Power Corp., Dung Tang Energy Service Co., Ltd., Katec Creative Resources Corp., Katec R&D Corporation and Taiwan Steel Union Inc. Tung Ho Steel's 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. The amendment of "Climate Change Response Act" according to the Greenhouse Gas Reduction and Management Act would be completed this year. The goal of achieving 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



(2) Tung Ho Steel Vietnam Corp. Ltd.



(III) Overview of Technology and R&D

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

Item	2021 R&D program	2022 R&D program
(1) Steelmaking	<ul style="list-style-type: none"> <li>a. Development of billets with high steel cleanliness and high toughness.</li> <li>b. Development of SM570 steel plate of 50mm thickness.</li> <li>c. Development of high-strength re-bar.</li> <li>d. Development of advanced steel material for ships.</li> <li>e. Development of ultra-high-strength steel.</li> <li>f. Testing of various supplies and refractory materials.</li> <li>g. Research on off-gas detection of electric furnaces and dynamic control of burners and combustion chambers.</li> <li>h. Research on ORC power generation technology for electric furnace waste heat recovery.</li> <li>i. Development of low-carbon and green manufacturing technology for electric furnace.</li> <li>j. Electric furnace scrap preheating continuous feeding process research.</li> </ul>	<ul style="list-style-type: none"> <li>a. Development of billets with high steel cleanliness and high toughness.</li> <li>b. Development of SM570 steel plate of 50mm thickness.</li> <li>c. Development of high-strength re-bar.</li> <li>d. Development of advanced steel material for ships.</li> <li>e. Development of ultra-high-strength steel.</li> <li>f. Testing of various supplies and refractory materials.</li> <li>g. Research on off-gas detection of electric furnaces and dynamic control of burners and combustion chambers.</li> <li>h. Research on ORC power generation technology for electric furnace waste heat recovery.</li> <li>i. Development of low-carbon and green manufacturing technology for electric furnace.</li> <li>j. Electric furnace scrap preheating continuous feeding process research.</li> </ul>
(2) Steel rolling	<ul style="list-style-type: none"> <li>a. Leading R&amp;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.</li> <li>b. Development of billet welding technology and application of direct rolling technology for continual re-bar rolling.</li> <li>c. The R&amp;D plan of universal edging, a new special rolling technology for the production of H-beams with B value of more than 300mm.</li> <li>d. Development of H-beam/ steel plate on-line size automatic measurement and surface quality inspection system.</li> <li>e. Development of smart combustion control system for heating furnace.</li> <li>f. Development of angle and flat bar H/V (horizontal/ vertical) combination rolling.</li> <li>g. R&amp;D plan for tandem reciprocating universal edging round profiled material rolling technology.</li> <li>h. Leading small-scale R&amp;D plan for domestic small steel.</li> <li>i. Development of ultra-high-strength steel.</li> </ul>	<ul style="list-style-type: none"> <li>a. Leading R&amp;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.</li> <li>b. Development of billet welding technology and application of direct rolling technology for continual re-bar rolling.</li> <li>c. The R&amp;D plan of universal edging, a new special rolling technology for the production of H-beams with B value of more than 300mm.</li> <li>d. Development of H-beam/ steel plate on-line size automatic measurement and surface quality inspection system.</li> <li>e. Development of smart combustion control system for heating furnace.</li> <li>f. R&amp;D plan for tandem reciprocating universal edging round profiled material rolling technology.</li> <li>g. Leading small-scale R&amp;D plan for domestic small steel.</li> <li>h. Development of ultra-high-strength steel.</li> </ul>
(3) Others	<ul style="list-style-type: none"> <li>a. Development of AI applications and smart chemical process technology.</li> <li>b. "Research on Temperature Change and Post fire resistance Assessment for High-Strength Screw Deformed Rebars and Couplers ”.</li> <li>c. "Research on Carbon Steel Oxidizing Slag Asphalt Pavement and Testing" new technology R&amp;D projects.</li> <li>d. Comprehensive and innovative solutions to promote a circular economy in the steel industry.</li> </ul>	<ul style="list-style-type: none"> <li>a. Development of AI applications and smart chemical process technology.</li> <li>b. Comprehensive and innovative solutions to promote a circular economy in the steel industry.</li> <li>c. Renewable energy (solar energy, wind energy, biogas power) application research</li> <li>d. Energy storage system application research.</li> <li>e. Research on Carbon Capture Utilization and Storage (CCUS) technology application.</li> <li>f. Research on hydrogen energy technology application.</li> </ul>

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

Unit: NT\$

Item \ Year	2020	2021
Total research and development expenses for Taoyuan plant	2,652,989	2,270,299
Total research and development expenses for Miaoli plant	25,720,581	27,413,675
Total research and development expenses for Kaohsiung plant	10,592,858	11,461,652
Total R&D expenditure	38,966,428	41,145,626
Ratio of total R&D expenditure to net sales (%)	0.09	0.07

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

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

- (1) The coronavirus vaccination rate is increasing, under the optimistic expectation of economic recovery, the world was already facing the problem of inflation; but because of the war between Russia and Ukraine, the democratic countries initiated economic sanctions against Russia to raise the confrontation, further aggravating the rapid deterioration of the global inflation problem, the global countries have taken various monetary deflation, interest rate increases and other measures that are not conducive to economic development, resulting in global economic development this year. We should further strengthen the risk control of trade receivables and the control of raw material procurement volume and period.
- (2) The trade war between the United States and China has caused the two powers to be at odds with each other, creating a confrontation between totalitarian and democratic countries, which was already a dark tide. But because of Russia's invasion of Ukraine, the democracies issued comprehensive economic sanctions against Russia, which has brought the issue of confrontation between totalitarian and democratic countries to the surface, and the beginning of a new Cold War era will lead to geopolitical turmoil in the world. The assessment of global economic development opportunities and risks should be taken seriously.
- (3) In response to the government's Glasgow Agreement, NDC (National Determined Contribution) with higher intensity will be proposed this year; Tung Ho Steel has formulated the carbon reduction plan based on greenhouse gas emissions in 2005.
- (4) The COP26 Glasgow Agreement resolved the carbon neutrality target for 2050, and renewable energy continues to arouse as popular issue. The freezing of domestic electricity prices for seven consecutive years has caused the problem that electricity prices must face pressure to increase in the long run. The rationalization of tariff structure is a necessary condition for the development of renewable energy and is an important issue that must be carefully studied in the medium and long term.
- (5) 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.

- (6) Observing the impact of continuous steel capacity expansion of emerging countries on the global steel market, especially in India and Southeast Asian countries.
  - (7) Strengthen the monitoring of raw material and steel product international price volatility trends to disperse the sources of raw material procurement.
  - (8) Urge the government to pass the CNS international standard verification and registration system for various types of steel products as soon as possible.
  - (9) Implement the industry and marketing project involving order-based productions and deepen cost-control project productions.
  - (10) 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		2021		2020	
		Amount	%	Amount	%
Foreign sales	Asia	6,012,973	10.23	3,540,385	8.26
	America	14,758	0.03	46,747	0.11
	Others	2,195,945	3.73	675,784	1.58
Subtotal		8,223,676	13.99	4,262,916	9.95
Domestic sales		50,571,413	86.01	38,603,374	90.05
Total		58,795,089	100.00	42,866,290	100.00

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

Unit: Tons

Year		2021	2020
Item			
H-beam	Total domestic sales volume	1,129,550	993,946
	The company	651,025	566,482
	Market share (%)	57.64	56.99
Re-bar	Total domestic sales volume	6,660,544	6,589,351
	The company	1,167,000	1,073,104
	Market share (%)	17.52	16.29

Source: Taiwan Steel & Iron Industries Association

## 3. Supply and Demand for the future market

Looking forward to 2022, COVID-19 pandemic has slowed down. Thanks to Taiwan's successful pandemic prevention and benefits from US-China trade war, we forecast the continuing upbeat demand on domestic investment from 2021, 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 2022. First of all, originally because of the rapid spread of the coronavirus epidemic, countries around the world have adopted quantitative easing policies to revitalize the economy, but with the coronavirus epidemic tends to slow down, the global economic recovery is strong, the global inflation problem is becoming increasingly serious. In addition, the Russian invasion of Ukraine at the beginning of the year, the democratic countries launched comprehensive economic sanctions against Russia means to raise the confrontation, more aggravating the rapid deterioration of global inflation, the global countries have adopted various monetary deflation, interest rate increases and other measures that are not conducive to economic development, resulting in this year's global economic development is not optimistic.

In addition, the significant expansion of nationalism in China and Russia, and the original trade war between China and the United States have caused the two major powers to be at odds with each other. With the confrontation between totalitarian and democratic countries raging already, the outbreak of the Russo-Ukrainian War has brought the issue of confrontation between totalitarian and democratic countries to the surface, and the beginning of a new Cold War era will lead to geopolitical turmoil in the world. The assessment of the opportunities and risks of global economic development should be taken seriously.

The "Climate Change Response Act" is expected to be amended this year, and in response to the government's advocacy of the COP26 Glasgow Agreement, a higher intensity NDC (National Determined Contribution) target will be proposed by COP27 this year. In the face of the 2050 carbon neutrality target, countries, companies, and even individuals must consider a comprehensive zero carbon emissions path.

The global steel overcapacity problem should still focus on Southeast Asia and India, where steel production capacity will rapidly increase 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 in the long term, including the worsening labor shortage in Taiwan's construction industry due to aging population and unwillingness of youth to participate in the 3K industries. In addition, in response to the global climate change, the issue of renewable energy continues to rise, and the freezing of domestic electricity prices for seven consecutive years has caused long-term pressure on electricity prices to increase, and the rationalization of the electricity price structure is a necessary condition for the development of renewable energy, all these unfavorable factors will have a negative impact on Taiwan's overall economic growth.

#### 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 Neihsu 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. The global inflation problem, coupled with the outbreak of the Russia-Ukraine war, the economic sanctions initiated by the democratic countries against Russia to raise the confrontation, further aggravating the rapid deterioration of the global inflation problem, the global countries have adopted various monetary deflation, interest rate increases and other measures that are not conducive to economic development, resulting in the global economic development this year is not optimistic.
- b. The confrontation between totalitarian and democratic countries is already raging, and the outbreak of the Russo-Ukrainian War has brought the issue of confrontation between totalitarian and democratic countries to the surface, and the beginning of a new Cold War era will lead to geopolitical turmoil in the world.
- c. Taiwan's water resource in response to global climate change.
- d. The presence of high-cost renewable energy will further exacerbate the pressure of operating cost control.

- e. Labor shortage in Taiwan's construction industry due to aging population and unwillingness of youth to participate in the 3K industries.
- 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. In response to the increasingly serious inflation problem, countries around the world have taken various monetary tightening, interest rate hikes and other measures that are not conducive to economic development, so that this year's global economic development is facing the risk of stagnant inflation, or even lead to recession.
- b. The confrontation between totalitarian and democratic countries, the unstable geopolitical situation in the world, and the new Cold War era have led to the reorganization of the global industrial upstream and downstream supply chains.
- c. The steel production capacity of developed countries and rising steel production capacity of emerging countries.
- d. Renewable energy issues continues to arouse attention, and domestic electricity was facing prolonged price tension.
- e. Taiwan's water resource management in response to global climate change.
- f. 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) Re-bar: 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.

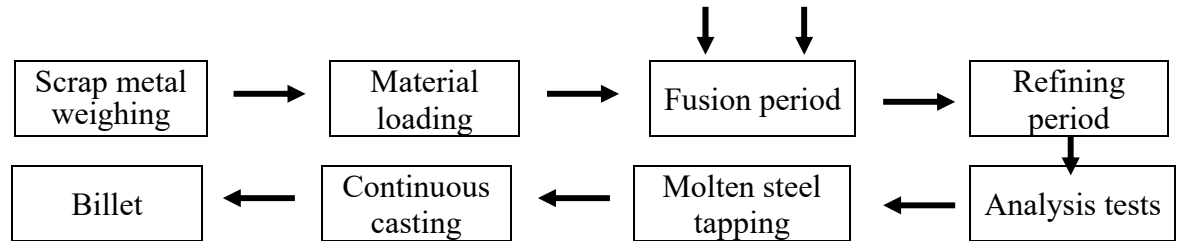
(11) Wind power generation: The electricity generated is sold to TPC and delivered to users.

(12) Quicklime: Steel refining auxiliary materials.

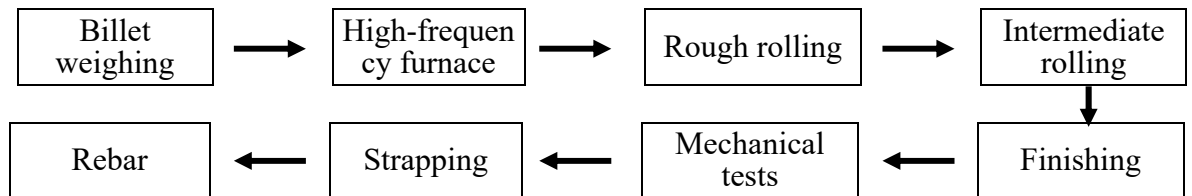
## 2. Production process

### (1) Billet refinement

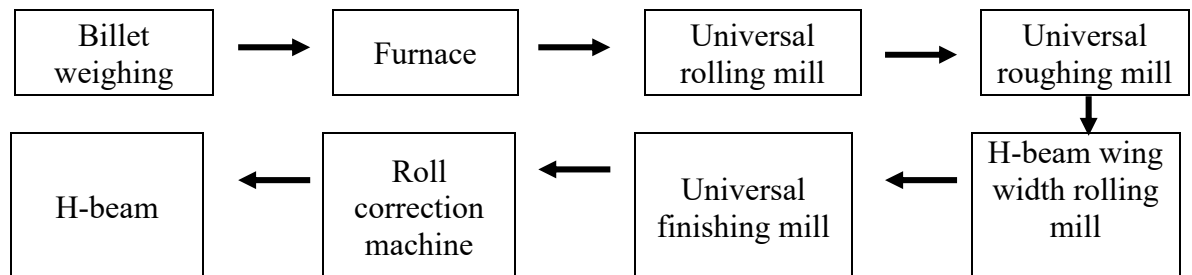
Power transmission auxiliary materials



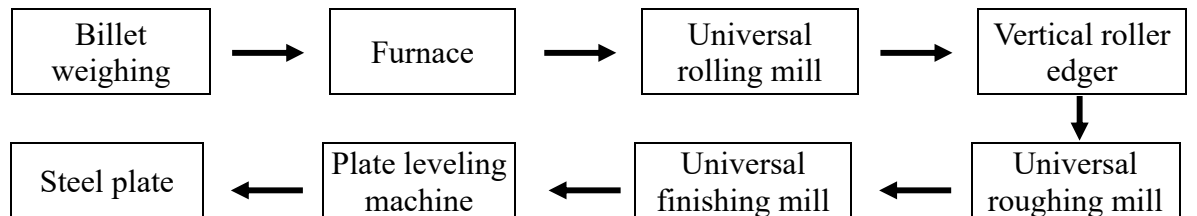
### (2) Rolling steel



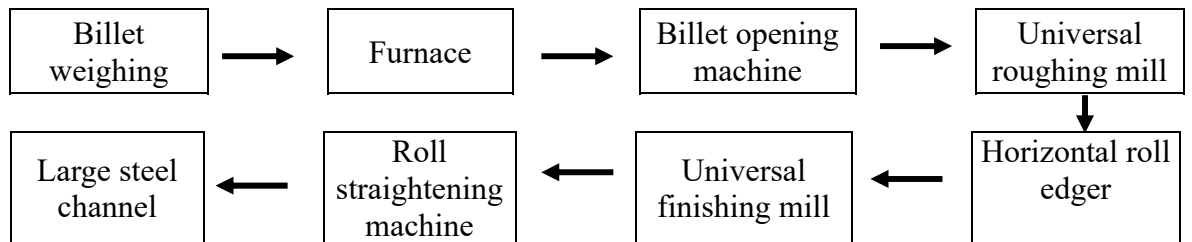
### (3) Rolled H-beam



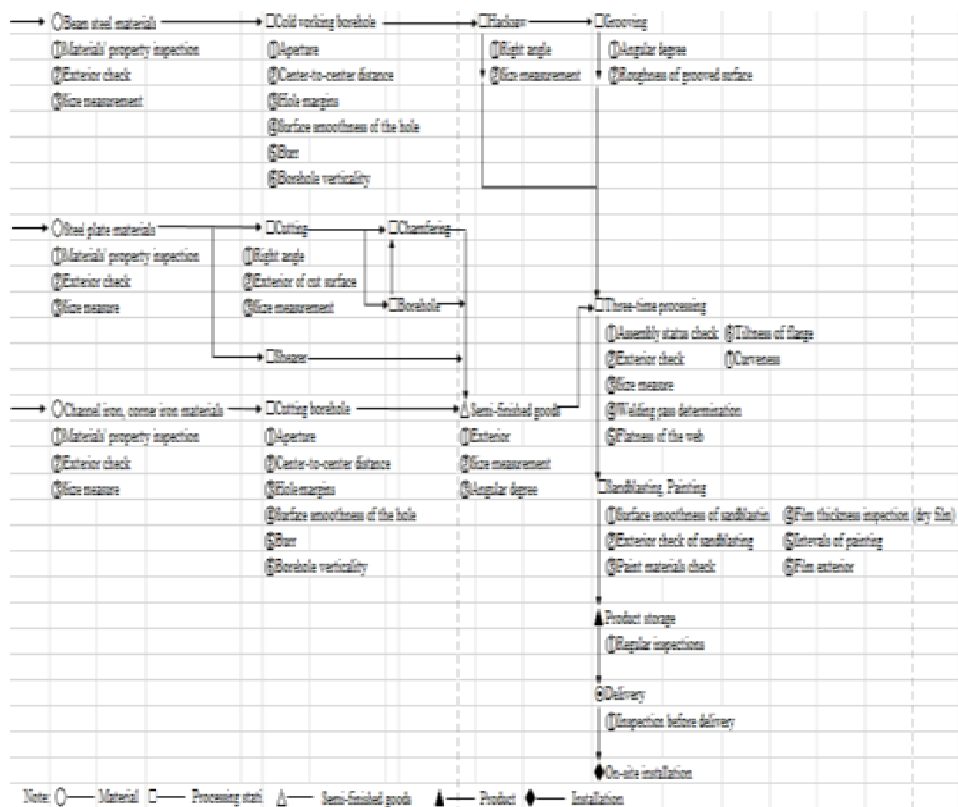
### (4) Universal plate rolling



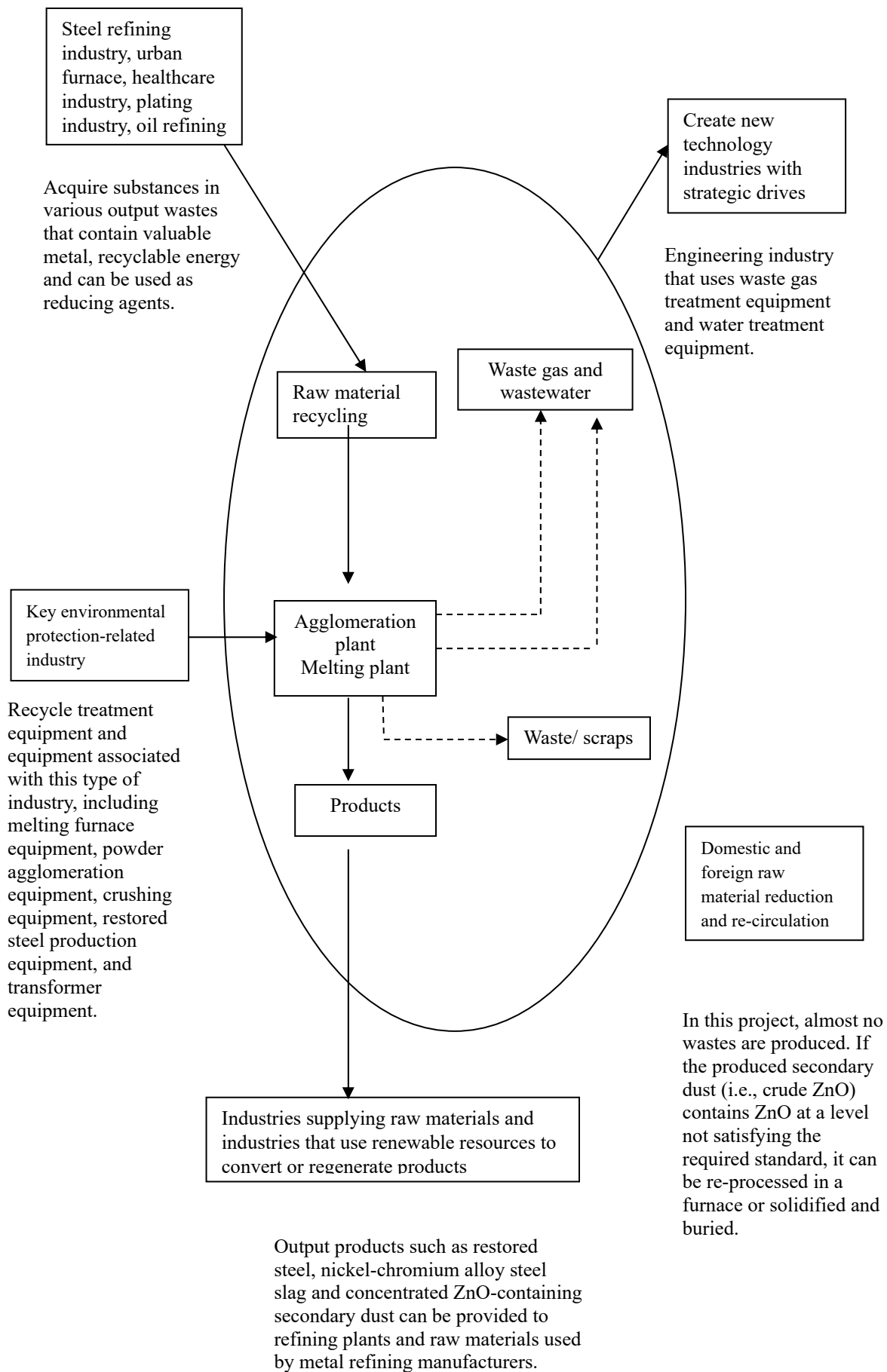
(5) Large channel for rolling



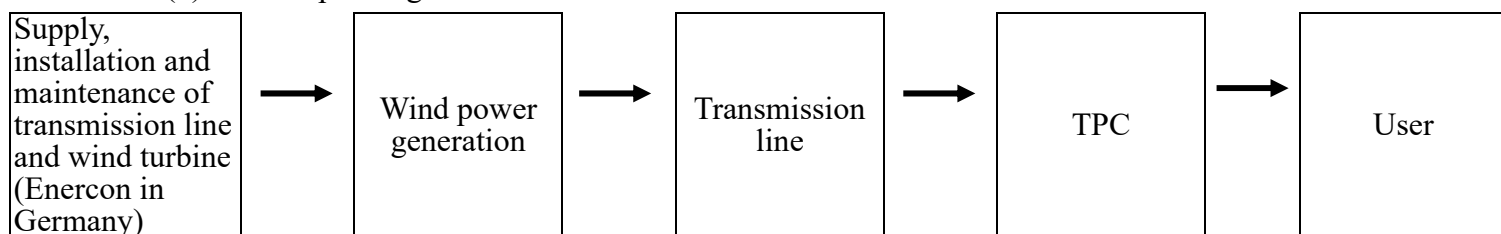
(6) Steel structure manufacturing



## (7) Environmental protection process



(8) Wind power generation



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

1. Purchase of main raw materials in 2021

Unit: Tons

Company	Product name	Quarter	First quarter	Second quarter	Third quarter	Fourth quarter	Total
		Quantity					
Tung Ho Steel	Scraps	Domestic	270,184	275,383	270,246	273,761	1,089,574
		Foreign	268,431	303,334	247,732	287,464	1,106,961
	Pig iron	Domestic	0	0	0	0	0
		Foreign	9,524	0	30,050	26,166	65,740
	Ferro-silicon	Domestic	0	0	0	0	0
		Foreign	1,200	1,400	1,250	750	4,600
	Ferro-manganese	Domestic	0	0	0	0	0
		Foreign	1,700	900	500	1,000	4,100
	Ferro-Silicon-manganese	Domestic	0	0	0	0	0
		Foreign	7,000	8,150	7,770	8,800	31,720
	Billet	Domestic	0	0	0	0	0
		Foreign	15,500	11,500	21,350	3,670	52,020
Tung Kang Steel Structure Co., Ltd.	Section beam	Domestic	13,276,694	12,331,119	7,924,169	11,576,334	45,108,316
		Foreign	0	0	0	0	0
	Steel plate	Domestic	17,232,791	16,157,785	19,397,175	19,082,210	71,869,961
		Foreign	5,401,118	9,178,735	8,702,914	11,169,982	34,452,749
Tung Ho Steel Vietnam Corp., Ltd.	Scraps	Domestic	56,399	57,827	15,488	47,319	177,033
		Foreign	75,351	42,809	42,809	42,809	203,778
	Pig iron	Domestic	5,017	6,035	5,041	4,043	20,136
		Foreign	0	0	0	0	0
Fujian Tung Kang Steel Corp., Ltd. Steel	Steel plate	Domestic	681	1,580	343	747	3,351
		Foreign	0	0	0	0	0
	H-beam	Domestic	856	1,091	690	222	2,859
	Profiled material	Domestic	2,905	2,247	1,144	1,583	7,879
		Foreign	0	0	0	0	0
Katec Creative Resources Corp.	Dust collection	Domestic	1,708	645	2,411	3,269	8,033
		Foreign	0	0	0	0	0
	Medical wastes	Domestic	149	52	128	215	544
		Foreign	0	0	0	0	0
	Other waste/scraps	Domestic	2,066	718	480	480	3,744
		Foreign	0	0	0	0	0
Duc Hoa International J.S.C.	Limestone	Domestic	33,592	42,406	41,998	44,349	162,345
		Foreign	0	0	0	0	0
	Blind Coal	Domestic	3,270	2,769	3,913	2,577	12,529
		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.

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

2021				2020			
Name	Amount (Unit: Thousands of New Taiwan Dollars)	Net sales ratio (%)	Relationship with the issuer	Name	Amount (Unit: Thousands of New Taiwan Dollars)	Net sales ratio (%)	Relationship with the issuer
Others	58,795,089	100	None	Others	42,866,290	100	None
Net sales	58,795,089	100	N/A	Net sales	42,866,290	100	N/A

(Note): The Company's suppliers in 2021 and 2020 are less concentrated, and the amount purchased per single supplier has not exceeded 10%, so they are collectively referred to as "Other".

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

2021			2020		
Name	Amount (Unit: Thousands of New Taiwan Dollars)	Total annual net purchase ratio (%)	Name	Amount (Unit: Thousands of New Taiwan Dollars)	Total annual net purchase ratio (%)
HONG KUAN METAL	2,983,044	5.12	HONG KUAN METAL	1,293,331	4.89
SIMS	2,142,997	3.68	SD	1,275,072	4.82
SD	1,578,661	2.71	SIMS	1,156,606	4.37
ALCO	1,103,330	1.89	ChinaSteel	730,461	2.76
MC3	1,036,159	1.78	Nippon Steel	621,432	2.35
ADVANCED	1,000,445	1.72	ALCO	477,018	1.80
METALTRADE PACIFIC	969,729	1.66	JINIL	464,047	1.75
DAEHAN	948,421	1.63	DAEHAN	419,284	1.59
ChinaSteel	943,837	1.62	AML	408,367	1.54
Nippon Steel	770,349	1.32	CÔNG TY ĐIỆN LỰC BRVT	382,464	1.45
Subtotal	13,476,972	23.12	Subtotal	7,228,082	27.33
Others	44,813,192	76.88	Others	19,223,241	72.67
Net purchase	58,290,164	100.00	Net purchase	26,451,323	100.00

(Note): The above top 10 customers are the final suppliers, not agents.



### 3.Primary supplier information for the recent two years

Period Item	2021				2020			
	Name	Amount (Unit: Thousands of New Taiwan Dollars)	Total annual net purchase ratio (%)	Relationship with the issuer	Name	Amount (Unit: Thousands of New Taiwan Dollars)	Total annual net purchase ratio (%)	Relationship with the issuer
1	Others	58,290,164	100.00	None	Others	26,451,323	100.00	None
Total	Net Purchases	58,290,164	100.00	N/A	Net Purchases	26,451,323	100.00	N/A

The Company's suppliers in 2021 and 2020 are less concentrated, and the amount purchased per single supplier has not exceeded 10% in 2021.

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

2021			2020		
Name	Amount (Unit: Thousands of New Taiwan Dollars)	Total annual net purchase ratio (%)	Name	Amount (Unit: Thousands of New Taiwan Dollars)	Total annual net purchase ratio (%)
Bestcheer Industrial Ltd.	3,994,671	6.85	Bestcheer Industrial Ltd.	2,572,784	9.73
Metaltrade Pacific Ltd.	3,110,482	5.34	Hong Kuan Metal Co., Ltd.	1,293,331	4.89
Hong Kuan Metal Co., Ltd.	2,983,044	5.12	Metaltrade Pacific Ltd.	1,098,703	4.15
Qian Jing	1,489,881	2.56	Qian Jing	871,185	3.29
Chun Ying	1,448,501	2.48	Chun Ying	754,688	2.85
Hong Mao	1,060,284	1.82	CSC	730,461	2.76
ADVANCED STEEL RECOVERY LLC	1,000,445	1.72	Nippon Steel Corporation	621,432	2.35
Daehan Steel Co., Ltd.	948,421	1.63	Hong Mao	527,866	2.00
CSC	943,837	1.62	JINIL	464,047	1.75
Nippon Steel Corporation	770,349	1.32	Daehan Steel Co., Ltd.	419,284	1.59
Total	17,749,915	30.45	Total	9,353,781	35.36
Others	40,540,249	69.55	Others	17,097,542	64.64
Net Purchases	58,290,164	100.00	Net Purchases	26,451,323	100.00

## (V) Annual production value for the last 2 years

Year	2021			2020		
Product name \ Production volume and value	Production capacity (Tons)	Production volume (Tons)	Production value (Unit: Thousands of New Taiwan Dollars)	Production capacity (Tons)	Production volume (Tons)	Production value (Unit: Thousands of New Taiwan Dollars)
Billet	3,650,000	2,427,575	39,988,452	3,650,000	2,213,191	28,068,661
Re-bar	2,100,000	1,350,995	22,919,184	2,100,000	1,295,821	17,873,188
H-Beam	1,200,000	669,650	12,754,285	1,200,000	590,919	9,211,570
Plate		128,098	2,451,135		111,901	1,757,755
Channel		58,940	1,215,173		36,997	648,342
I-Beam		2,970	61,559		1,835	32,318
Sheet Piles		3,913	82,263		3,064	49,573
Steel Structure	123,600	187,501	8,949,867	123,600	143,385	6,250,131
Environmental Protection Handling	46,368	12,379	232,028	46,368	16,480	208,521
Wind Power Generation	28,000	23,448	46,897	28,000	26,624	53,248
Construction revenues	0	0	500,786	0	0	438,778
Others (Note)	100,000	100,638	582,782	100,000	93,927	464,773
Total	7,247,968	4,966,107	89,784,411	7,247,968	4,534,144	65,056,858

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

Year	2021				2020			
Product name \ Sales volume and value	Domestic sales		Foreign sales		Domestic sales		Foreign sales	
	Volume (Tons)	Value (Unit: Thousands of New Taiwan Dollars)	Volume (Tons)	Value (Unit: Thousands of New Taiwan Dollars)	Volume (Tons)	Value (Unit: Thousands of New Taiwan Dollars)	Volume (Tons)	Value (Unit: Thousands of New Taiwan Dollars)
Billet	40,555	764,379	10,906	218,813	31,528	404,868	6,409	3,333
Re-bar	1,162,949	22,276,241	248,257	4,894,836	1,063,294	18,011,420	243,447	3,022,047
H-Beam	605,916	14,936,301	51,736	1,318,752	530,524	11,012,400	25,893	478,999
Steel plate (self-made)	68,672	1,812,956	0	0	51,791	1,144,587	0	0
Steel plate (transaction)	5,575	144,549	0	0	5,586	123,919	0	0
Channel	15,583	365,345	39,892	1,016,413	17,989	340,150	18,607	339,133
I-Beam	2,943	81,915	0	0	2,090	49,239	70	1,735
Steel Structure	145,043	8,886,199	13,695	744,700	120,066	6,334,294	11,853	386,291
Steel Trading	0	0	0	0	0	0	0	0
Environmental Protection Handling	12,379	232,028	0	0	16,480	208,521	0	0
Sheet Piles	3,331	87,541	0	0	2,798	61,951	0	0
Wind Power Generation	23,448	46,897	0	0	26,624	53,248	0	0
Construction revenues	0	467,642	0	0	0	429,904	0	0
Others (Note)	34,874	469,419	94,130	30,163	49,123	428,873	10,812	31,378
Total	2,121,268	50,571,412	458,616	8,223,677	1,917,893	38,603,374	317,091	4,262,916

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		2021	2020
Number of employees (people)	Head office	189	188
	Kaohsiung Plant	288	271
	Taoyuan Plant	546	529
	Miaoli Plant	531	525
	Temporary	7	8
	Foreign employees	220	237
	Total - parent company	1,781	1,758
	Subsidiary (including foreign employees)	1,024	1,076
	Total	2,805	2,834
Average age (Note)		41.63	41.05
Average length of service (Note)		11.88	11.38
Degree distribution ratios (%) (Note)	Ph.D.	0.05	0.04
	Masters	5.30	3.96
	Bachelor's Degree	56.52	57.59
	Senior High School	23.85	19.35
	Below Senior High School	14.28	19.06

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:

The Company did not receive any penalty for major liquid or gas leaks at any of its plants in 2021, and has completed improvement measures for all environmental violations that have occurred. Detailed environmental regulations compliance status and improvement preventive measures are described in the following table:

Contents of Environmental Protection Penalty Cases		Environmental violations	Penalty	Countermeasures (improvement and preventive measures)
Company				
Parent company	Taoyuan Plant	2021.11.26 (Disposal No. 2022.01.11 Fu-Huan-Kuan-Zi No. 1110008070) The monitoring equipment was shut down due to a power failure in the electric chamber of the furnace, so that the daily automatic correction of the opacity could not be performed. Violation of Article 23, Paragraph 2 of the Air Pollution Control Act.	Penalty NT\$ 100,000.	When a power failure occurs at the site causing the monitoring computer to fail, be sure to notify the relevant units and take pictures to record the correction situation on that day to prevent further occurrence.
	Miaoli Plant	None	None	None
	Kaohsiung Plant	None	None	None
	Subsidiary		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 2021, the parent company's environmental protection expenditure (depreciation) was approximately NT\$81,596,000 and the running expense was approximately NT\$586,346,000, which bring about a total of NT\$667,942,000. 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 Company		Environmental protection expenditures (Unit: Thousands of New Taiwan Dollars)		
		Item	2021	2020
Parent company	Taoyuan Plant	Environmental protection expenditures (depreciation)	46,253	41,362
		Running expenses for environmental protection	285,887	301,763
	Taoyuan Plant Subtotal		332,140	343,125
	Miaoli Plant	Environmental protection expenditures (depreciation)	35,085	37,731
		Running expenses for environmental protection	288,095	259,320
	Miaoli Plant Subtotal		323,180	297,051
	Kaohsiung Plant	Environmental protection expenditures (depreciation)	258	258
		Running expenses for environmental protection	12,364	9,301
	Kaohsiung Plant Subtotal		12,622	9,559
	Total - parent company			667,942
Subsidiary	Tung Kang Steel Structure Co., Ltd.	Environmental protection expenditures (depreciation)	285	391,404
		Running expenses for environmental protection	107	0
	Tung Ho Steel Vietnam Corp., Ltd.	Environmental protection expenditures (depreciation)	8,617	4,358
		Running expenses for environmental protection	2,154	33
	Katec Creative Resources Corp.	Environmental protection expenditures (depreciation)	2,375	2,581
		Running expenses for environmental protection	2,982	1,839
Total - subsidiaries			16,520	400,215
Total			684,462	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 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 compensation  
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 2021 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.

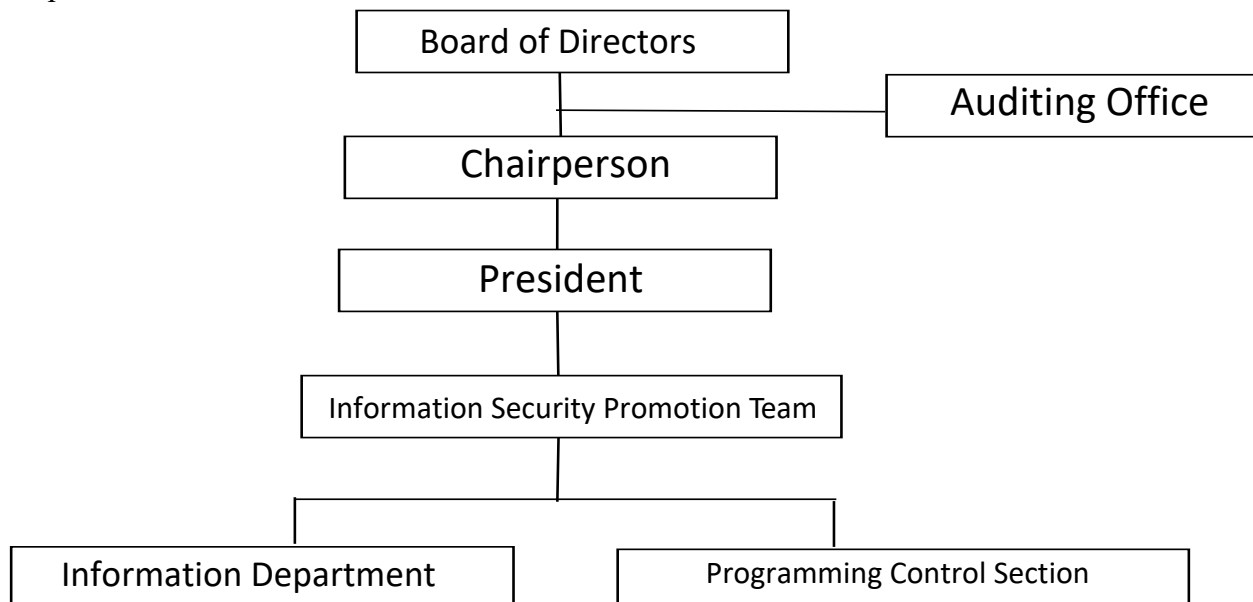
- (II) Disclose the losses suffered due to industrial relation disputes in recent years up to the publication date of this annual report as well as estimations for similar losses in the future and coping measures:

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. Information Security Management

### (I) Information Security Risk Management Structure

1. In 2003, the Company established the Information Security Promotion Team, whose organization and responsibilities are as follows:

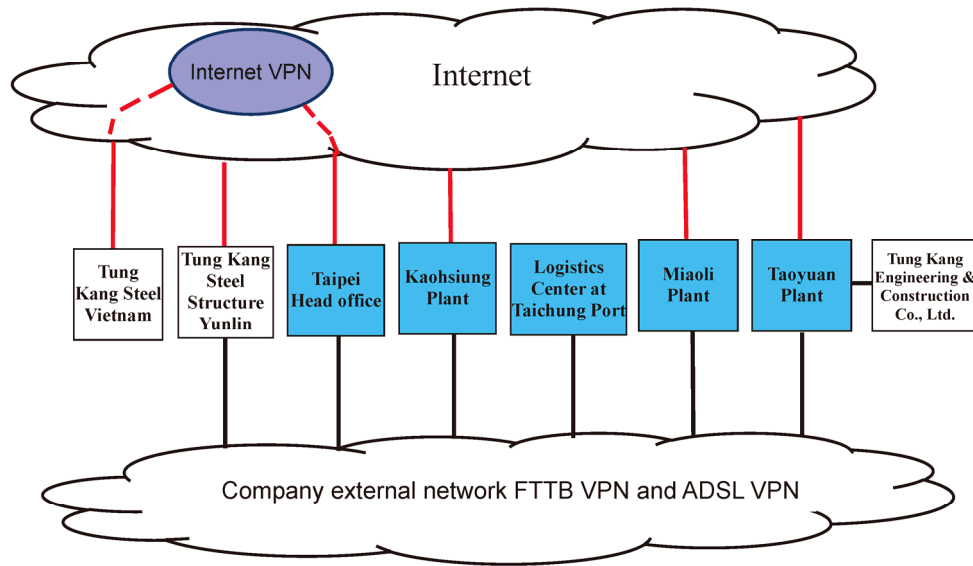


- (1) Information Security Implementation Team: The Responsible for establishing information security policies and objectives and coordinating and promoting information security management issues.
- (2) Information Department, Factory Program Control Division: Establishment and maintenance of information security system and handling of information security abnormalities.
- (3) Auditing Office: Audit of information security practices.

## 2. IT environments and instructions

### (1) 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.



### (2) 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.

## (II) Information security policy

For information security management, the Company has formulated the "Guidance for Information Security Management" for implementing information security. The information security management is carried out in accordance with these management rules by the Information Technology Department and the Plant Control Division. The Audit Office regularly audits the implementation status every year to ensure the confidentiality, integrity, availability, and legality of information data, and reports to the Board of Directors. Its information security policy:

1. Information security management regulations should comply with the law and contract requirements.
2. Maintaining the integrity and availability of information.
3. Limited access to confidential information.
4. Ensure that authorized users in accessing files and resources.
5. Prevent unauthorized use.
6. Prevent accidental damages on hardware, software, and other resources.
7. Prevent vandalism of hardware, software, and other resources.
8. Prevent improper use of network resources.



(III) Specific management plans and resources devoted to information security management

1. To ensure the normal operation of the information security system, and no interrupted operations, we continue to invest in the maintenance and updating of information security equipment. To strengthen the information security protection, we commission a security vendor to conduct annual security checks. Scope of health examination: Information security risk assessment (including network architecture inspection), server host vulnerability scanning and detection, information device configuration benchmarking, network packet profiling, malicious programs/ files inspection, and firewall inspection. Improvements for high-risk items in test results by reinforcement measures to continuously enhance quality of information security protection.
2. In terms of raising the awareness of information security among our employees, we conduct annual email campaigns and information security education and training.
3. In accordance with the "Guidelines on Information and Communications Security Control for Public Companies" published by the Taiwan Stock Exchange in 2021, the Company will establish a dedicated information security management unit to strengthen the information security framework in order to enhance information security protection and ensure the confidentiality, integrity, availability, legal compliance and uninterrupted operation of information data. The Company will also comply with Article 9-1 of the "Regulations Governing Establishment of Internal Control Systems by Public Companies" by setting up a dedicated information security unit, supervisors and personnel to implement the information security policy in advance of the end of 2022.

**VII. Significant contracts between parent company and subsidiary**

Important contracts Company		Nature of the contracts	Parties	Start and end date of the contracts	Main content	Restrictive clause
Parent company	Taoyuan Plant	Construction contract	Hao Shen Industrial Co., Ltd.	2020.01.01~2021.12.31 2022.01.01~2022.12.31	Disposal and recycling of oxidizing slag	Relevant monthly settlements are calculated based on the actual carrying capacity.
			Hwa Shen Environmental Co., Ltd.	2022.01.01~2022.12.31 2022.01.01~2022.12.31		
		Construction contract	Jinji Xin Enterprises Ltd.	2022.01.01~2022.12.31	Iron oxide disposal and sale	Price per lot by weight
		Construction contract	Cheng Ho Hsing Heavy Industries Co., Ltd.	2021.02.26~2021.07.31	Update of electric furnace	Deposit: 30% Product delivery: 60% Acceptance inspection fund: 10%
		Equipment procurement	SMS ELOTHERM	2021.03.15~2022.02.28	Upgrade of rolling heater	Deposit: 20% Product delivery: 70% Acceptance inspection fund: 10%
		Equipment procurement	Tatung heavy electric machinery	2021.06.01~2022.01.31	Procurement contract for voltage transformer to upgrade rolling heater	Product delivery: 90% Acceptance inspection fund: 10%

Important contracts Company		Nature of the contracts	Parties	Start and end date of the contracts	Main content	Restrictive clause
		Construction contract	Tai-En Enterprises Corporation	2021.06.01~2021.10.30	Installation contract for cooling water pipe to upgrade rolling heater	Product delivery: 50% Acceptance inspection fund: 50%
		Equipment procurement	DANIELI	2021.05.12~2022.01.31	Procurement contract of PR0 gripper	Deposit: 30% Acceptance inspection fund: 70%
		Equipment procurement	Forwin International Co., Ltd.	2021.05.20~2021.09.30	Administration building roof waterproofing contract	Deposit: 70% Acceptance inspection fund: 30%
		Equipment procurement	Maanshan Iron&Steel Company Limited	2021.06.24~2021.10.24	Procurement contract of lubricating oil system for finish rolling area	Deposit: 30% Acceptance inspection fund: 70%
		Equipment procurement	Jia Yaw Machinery Corp.	2021.05.20~2021.12.31	Cemented carbide ribbed rolling machine (grooving machine)	Deposit: 20% Product delivery: 60% Acceptance inspection fund: 20%
		Construction contract	Taiwan Cement Corporation Su-Ao Plant	2021.06.01~2022.05.31	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 2022.01.01~2022.12.31		
		Construction contract	Taiwan Steel Union Inc.	2022.02.01~2023.12.31	Industrial waste disposal and recycle contract (dust)	Monthly settlement
		Equipment procurement	Pro Machinery Co., Ltd.	2020.06.24~2021.02.15	Temperature sensing robotic arm and components procurement	Deposit: 30% Product delivery: 70%
		Equipment procurement	Shinyu Light Co., Ltd.	2021.09.01-2021.12.31	Contract for the Patio Light LED Replacement Project in Rolling Steel Plant	Price according to the actual pieces made in each batch
		Equipment procurement	The Giant Taiwan Ltd.	2021.11.18~2021.12.20	Back hoe equipment	After inspection and acceptance: 100%
		Certification	Taiwan Methodist	2022.01.01~2022.12.31	Greenhouse gas verification operations	Inspection and acceptance: 100%

Important contracts Company		Nature of the contracts	Parties	Start and end date of the contracts	Main content	Restrictive clause
		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%
		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%
		Construction contract	Tung Kang Engineering & Construction Co., Ltd.	2021.06.28~2021.12.31	Taoyuan Processing Center Outflow Control Project	Monthly progress-based pricing
		Construction contract	Tung Kang Engineering & Construction Co., Ltd.	2021.11.13~2022.11.31	Taoyuan Processing Center Main Construction Project	Monthly progress-based pricing
		Construction contract	Tung Kang Engineering & Construction Co., Ltd.	2021.11.13~2022.11.31	Taoyuan Plant Dormitory Construction Project	Monthly progress-based pricing
		Construction contract	Wu Hsiung Enterprise Co., Ltd.	2021.12.01~2022.11.30	Procurement of concrete for Taoyuan processing plant	Make payment request according to the actual quantity of each batch
		Construction contract	Wu Hsiung Enterprise Co., Ltd.	2021.12.01~2022.11.30	Procurement of concrete for Taoyuan plant dormitory	Make payment request according to the actual quantity of each batch
		Planning and Design	Luo Chin-Cheng Construction Co.	2022.03.01~2022.05.01	Taoyuan Processing Center - Additional Building C of the Plant and Machine Room Planning and Design Commissioning Project	Deposit: 10% Product delivery: 70% Inspection and acceptance: 20%

Important contracts Company		Nature of the contracts	Parties	Start and end date of the contracts	Main content	Restrictive clause
Miaoli Plant		Equipment procurement	Yuann Fuu Industry Co., Ltd.	2022.03.01~2022.07.31	Taoyuan Processing Center - MEP machine procurement project	Product delivery: 80% Inspection and acceptance: 20%
		Construction contract	Taiwan Cement Corporation (Suao)	2021.06.01~2022.05.01	Reducing slag for disposal and recycle	None
		Construction contract	Taiwan Cement Corporation (Heping)	2022.01.01~2022.04.30	Reducing slag for disposal and recycle	None
		Construction contract	Taiwan Steel Resources Co., Ltd.	2022.01.01~2022.12.31	Reducing slag for disposal and recycle	None
		Construction contract	Ruentex Materials Co.,Ltd.	2020.07.01~2025.06.30	Reducing slag for disposal and recycle	None
		Construction contract	Chium Shing Environmental Protection Co., Ltd.	2022.01.01~2022.12.31	Oxidizing slag for disposal and recycle	None
		Construction contract	Hao Shen Industrial Co., Ltd.	2021.01.01~2021.12.31	Oxidizing slag for disposal and recycle	None
		Construction contract	Hwa Shen Environmental Co., Ltd.	2021.04.01~2022.03.31	Oxidizing slag for disposal and recycle	None
		Construction contract	Li Shun Hing Technology Co., Ltd.	2022.01.01-2022.12.31	Oxidizing slag for disposal and recycle	None
		Construction contract	Taiwan Steel Union Inc.	2022.02.01~2023.12.31	Dust for disposal and recycle	None
		Purchase agreement	Chinese Petroleum Corporation	2020.10.29~2022.10.29	NG Natural Gas	Monthly payment on the 12th of each month
		Purchase agreement	Air Liquide Far Eastern Ltd.	2020.11.01~2025.10.31	Liquid argon gas	Fixed monthly fee and monthly basic usage fee
		Purchase agreement	Lienhwa Industrial Gases Co., Ltd. Chung Kang Branch	2020.01.01~2025.08.31	LPG liquid oxygen	Monthly equipment usage fee
		Purchase agreement	Formosa Plastics Corporation	2021.02.01~2022.01.31	Quicklime	None
		Purchase agreement	DUC HOA	2021.01.01~2021.12.31	Quicklime	None
		Sales agreement	Jinji Xin Enterprises Ltd.	2022.01.01~2022.12.31	Iron oxide, iron oxide powder for sale	None

Important contracts Company		Nature of the contracts	Parties	Start and end date of the contracts	Main content	Restrictive clause
	Kaohsiung Plant	Technical services	Eternity Corp.	2020.07~2022.06	1.Plant management technical support services. 2.Provision of administrative and data analysis. 3.Other matters related to the technical service agreement.	None
		Technical services	Far East Steel Enterprise Corporation	2022.01~2022.12	1.Rebar steel, sizing work 2.Beam rework 3.Rebar purchase and shipment	None
		Equipment procurement	Goodchum Enterprise Corp.	2021.03~2024.12	Contract renewal for PLC controller for stacking and shipping bed control of Kaohsiung plant steel production line	Deposit: 30% Equipment fund: 60% Acceptance inspection fund: 10%
		Equipment procurement	Yungtay-Hitachi Construction Machinery Co., Ltd.	2021.11~2022.06	490 Excavator purchase and sale contract	100% after inspection and acceptance
Subsidiary	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
		Commissioning design and engineering contract for renewable energy generation equipment	New Green Power Co., Ltd.	2021.09~2023.09	Commissioning design and construction of renewable energy generation equipment	None

Important contracts Company		Nature of the contracts	Parties	Start and end date of the contracts	Main content	Restrictive clause
	Tung Kang Engineerin g & Constructio n Co., Ltd.	Construction Engineering	National Tsing Hua University	2021.10 ~2024.12.30	New art faculty project of National Taiwan Normal University	Prepayment: 20% Construction fund: 75% Reserve fund: 5%
		Construction Engineering	National Tsing Hua University	2021.10 ~2024.12.30	New student dormitory project at South Campus, National Taiwan Normal University	Prepayment: 20% Construction fund: 75% Reserve fund: 5%
		Construction Engineering	Aql Company	2021.07.02~2022.11.30	Construction works contract for the new construction project of Qiaolian Corporate Headquarters Building	Construction fund: 100%
		Construction Engineering	Aql Company	2021.07.02~2022.11.30	Material procurement contract for the new construction project of Qiaolian Corporate Headquarters Building	Loan: 100%
		Construction Engineering	Tung Ho Steel Enterprise Corporation	2021.12.28~2022.12.31	New construction project of National Tsing Hua University: 5,581 tons of deformed re-bar	Loan: 100%
		Construction Engineering	Weixiang Construction Co., Ltd.	2021.11.05~ completed construction	New construction project of Xiang Guang Shan Temple Main Hall	Contract fee: 30% Material entry fund: 20% Complete installation fund: 30% Floor steel plate complete installation fund: 5% Intumescent paint project completion fund: 10% Acceptance inspection fund: 5%
		Construction Engineering	Guoshun Ready-Mixed Concrete Co., Ltd.	2021.12.27~ completed construction	New construction project of National Tsing Hua University: Ready-mixed concrete	Loan: 100%

Important contracts Company		Nature of the contracts	Parties	Start and end date of the contracts	Main content	Restrictive clause
		Construction Engineering	Di Qing Engineering Co., Ltd.	2021.12.08~ completed construction	New construction project of Tung Ho Taoyuan Processing Center: Outflow control project - wages	Construction fund: 90% Reserve fund: 10%
		Construction Engineering	Guanlin Steel Enterprise Co., Ltd.	2021.11.25~ completed construction	New construction project of Xiang Guang Shan Temple Main Hall: Steel structure engineering - wages	Contract establishment fund: 30% Steel structure complete installation fund: 40% Steel deck plate completion fund: 5% Intumescent paint (and finish paint) completion fund: 15% Final installment settled after owner inspection and acceptance: 10%
		Construction Engineering	Guanlin Steel Enterprise Co., Ltd.	2021.11.25~ completed construction	New construction project of Xiang Guang Shan Temple Main Hall: Steel structure engineering - materials	Contract establishment fund: 30% Steel structure complete installation fund: 40% Steel deck plate completion fund: 5% Intumescent paint (and finish paint) completion fund: 15% Final installment settled after owner inspection and acceptance: 10%
	Katec Creative Resources Corp.	Equipment upgrade	Delta Mechanical Engineering Co., Ltd.	2021.01.06~2021.03.31	Furnace shell cooling system renovation project	Deposit fund: 30% Product delivery fund: 30% Installation fund: 30% Acceptance inspection fund: 10%
		Equipment added	Major Technology Engineering Inc.	2021.02.19~2021.06.15	Hydraulic twin shaft crusher and hydraulic cutting machine	Deposit fund: 30% Product delivery fund: 30% Installation fund: 30% Acceptance inspection fund: 10%
		Equipment upgrade	Fander Machinery Enterprise Co.	2021.04.27~2021.05.29	030 Environmental dust collection improvement project	Deposit fund: 30% Product delivery fund: 30% Installation fund: 30% Acceptance inspection fund: 10%

Important contracts Company		Nature of the contracts	Parties	Start and end date of the contracts	Main content	Restrictive clause
		Equipment added	Sheng Chan Machinery Co., Ltd.	2021.06.29~2021.07.20	Air preheat burner purchase and installation project	Deposit fund: 30% Product delivery fund: 60% Acceptance inspection fund: 5%
		Equipment upgrade	Delta Mechanical Engineering Co., Ltd.	2021.11.18~2022.02.28	Furnace shell cooling system renovation project	Deposit fund: 30% Product delivery fund: 30% Installation fund: 30% Acceptance inspection fund: 10%
	Duc Hoa International J.S.C.	Purchase contract (agreement in principle)	A.N.L.A.N ANLAN Coal	2017.01.01	Procurement of blind coal	None
		Purchase contract (agreement in principle)	TRƯỜNG HÀNH Great Wall Mining Limited	2019.02.15	Procurement of limestone	None
		Sales agreement	THS Tung Ho Steel	2022.01.01~2022.12.31	Sales of quicklime	None
		Sales agreement	THSVC Donggang Vietnam	2022.01.01~2022.12.31	Sales of quicklime	None
		Sales agreement	G.T. International Enterprise	2022.09.25~2042.09.24	Sales of quicklime	None



## Chapter 6. Financial Status Overview of the Company and Its Subsidiaries

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

#### (I) Condensed balance sheet - consolidated

Unit: Thousands of New Taiwan Dollars

Item \ Year		Financial information for the last 5 years				
		2017	2018	2019	2020	2021
Current assets		14,835,353	22,968,952	23,009,268	21,192,142	31,394,169
Property, plant, and equipment (Note 1)		20,582,554	20,694,943	19,648,493	18,390,406	18,002,034
Intangible assets		190,187	186,738	177,149	163,396	185,611
Other assets (Note 1)		5,689,298	4,707,860	4,856,593	4,675,143	5,820,938
Total assets		41,297,392	48,558,493	47,691,503	44,421,087	55,402,752
Current liabilities	Before distribution	13,268,068	17,489,725	15,670,438	13,815,783	22,993,691
	After distribution (Note 2)	14,673,753	18,694,598	17,025,920	15,450,590	27,667,059
Non-current liabilities		3,996,293	7,058,004	7,719,654	2,897,479	2,676,476
Total liabilities	Before distribution	17,264,361	24,547,729	23,390,092	16,713,262	25,670,167
	After distribution (Note 2)	18,670,046	25,752,602	24,745,574	18,348,069	30,343,535
Equity attributed to the owners of the parent company		23,952,441	23,903,085	24,199,492	27,503,307	29,542,469
Shares		10,040,606	10,040,606	10,040,606	10,587,599	7,302,138
Capital surplus		6,320,178	6,592,236	6,592,236	7,287,920	7,684,679
Reserve fund: Surplus	Before distribution	7,399,469	7,917,267	8,272,872	10,450,151	14,713,541
	After distribution (Note 2)	5,993,785	6,712,394	6,917,390	8,815,344	10,040,173
Other equity		192,188	(647,024)	(706,222)	(822,363)	(157,889)
Treasury stock		0	0	0	0	0
Non-controlling interest		80,590	107,679	101,919	204,518	190,116
Equity	Before distribution	24,033,031	24,010,764	24,301,411	27,707,825	29,732,585
	After distribution (Note 2)	22,627,346	22,805,891	22,945,929	26,073,018	25,059,217
Total Amount		22,627,346	22,805,891	22,945,929	26,073,018	25,059,217

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 10th, 2022, the 2021 cash dividend distribution was approved by resolution of the board of directors, and reported to the shareholders meeting.

## Condense balance sheet - individual

Unit: Thousands of New Taiwan Dollars

Year		Financial information for the last 5 years				
		2017	2018	2019	2020	2021
Current assets		10,326,718	17,428,675	17,387,667	14,307,234	21,503,736
Property, plant, and equipment (Note 1)		13,572,371	13,352,838	12,638,857	11,960,389	11,319,898
Intangible assets		0	0	0	0	0
Other assets (Note 1)		12,366,127	12,032,116	11,409,964	10,991,440	13,271,417
Total assets		36,265,216	42,813,629	41,436,488	37,259,063	46,095,051
Current liabilities	Before distribution	8,322,513	12,732,372	11,042,221	7,668,044	14,044,073
	After distribution (Note 2)	9,728,198	13,937,245	12,397,703	9,302,851	18,717,441
Non-current liabilities		3,990,262	6,178,172	6,194,775	2,087,712	2,508,509
Current liabilities	Before distribution	12,312,775	18,910,544	17,236,996	9,755,756	16,552,582
	After distribution (Note 2)	13,718,460	20,115,417	18,592,478	11,390,563	21,225,950
Owners' equity		23,952,441	23,903,085	24,199,492	27,503,307	29,542,469
Share capital		10,040,606	10,040,606	10,040,606	10,587,599	7,302,138
Capital surplus		6,320,178	6,592,236	6,592,236	7,287,920	7,684,679
Reserve fund:	Before distribution	7,399,469	7,917,267	8,272,872	10,450,151	14,713,541
	After distribution (Note 2)	5,993,785	6,712,394	6,917,390	8,815,344	10,040,173
Other equity		192,188	(647,024)	(706,222)	(822,363)	(157,889)
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Equity Total	Before distribution	23,952,441	23,903,085	24,199,492	27,503,307	29,542,469
	After distribution (Note 2)	22,546,756	22,698,212	22,844,010	25,868,500	24,869,101

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 10th, 2022, the 2021 cash dividend distribution was approved by resolution of the board of directors, and reported to the shareholders meeting.

## Condensed income statement - consolidated

Unit: Thousands of New Taiwan Dollars

Year	Financial information for the last 5 years				
Item	2017	2018	2019	2020	2021
Operating revenue	31,749,271	39,769,621	44,863,600	42,866,290	58,795,089
Gross profit	3,801,861	3,324,682	4,131,766	6,620,704	9,473,774
Operating profit and loss	1,841,990	1,275,353	2,106,598	4,421,487	7,059,605
Non-operating income and expenditure	157,093	-20,250	15,534	68,083	291,106
Net profit before tax	1,999,083	1,255,103	2,122,132	4,489,570	7,350,711
Net profit of continuing operations	1,700,734	888,939	1,557,798	3,556,583	5,921,551
Net profit of the term					
Losses from discontinued units	0	0	0	0	0
Net profit (loss)	1,700,734	888,939	1,557,798	3,556,583	5,921,551
Other comprehensive income (net income after-tax)	(54,171)	(115,685)	(68,984)	(140,008)	640,531
Total comprehensive income for the period	1,646,563	773,254	1,488,814	3,416,575	6,562,082
Net Income Attributable to: Parent company	1,714,931	887,932	1,566,059	3,562,064	5,906,247
Net profit attributable to non-controlling equity	(14,197)	1,007	(8,261)	(5,481)	15,304
Total comprehensive income attributed to the owners of the parent company	1,656,764	762,869	1,494,574	3,418,766	6,556,297
Total comprehensive income attributed to non-controlling equity	(10,201)	10,385	(5,760)	(2,191)	5,785
Earnings per share	1.72	0.88	1.56	3.52	5.95

Item \ Year	Financial information for the last 5 years				
	2017	2018	2019	2020	2021
Operating revenue	24,704,836	34,692,282	35,247,359	34,263,435	45,569,308
Gross profit	3,377,611	3,177,085	4,117,593	6,062,161	7,986,476
Operating profit and loss	2,086,827	1,593,327	2,549,525	4,267,440	6,006,802
Non-operating income and expenditure	(101,605)	(366,522)	(460,135)	121,705	1,195,203
continuing operations department					
Net profit before tax	1,985,222	1,226,805	2,089,390	4,389,145	7,202,005
Losses from discontinued units	0	0	0	0	0
Net profit of the term	1,714,931	887,932	1,566,059	3,562,064	5,906,247
Other comprehensive income (net income after-tax)	(58,167)	(125,063)	(71,485)	(143,298)	650,050
Total comprehensive income for the period	1,656,764	762,869	1,494,574	3,418,766	6,556,297
Earnings per share	1.72	0.88	1.56	3.52	5.95

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

Year	Names of the certification accountants	Audit opinion	Description
2021	Cihui Li and Hsinying Kuo	Unqualified opinion	None
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

## II. Financial analysis for the last five years

## (I) Financial analysis—consolidated

Analysis Item (Note 2) \ Year (Note 1)		Financial analysis for the last five years				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt-to-assets ratio	41.80	50.55	49.04	37.62	46.33
	Long-term capital property, plant, and equipment ratio	136.18	150.13	162.97	166.42	180.03
Solvency (%)	Current ratio	111.81	131.33	146.83	153.39	136.53
	Quick ratio	39.32	31.34	32.32	43.37	30.18
	Interest coverage ratio	19.12	6.36	7.80	23.51	49.57
Operating ability	Receivables turnover ratio (times)	10.37	11.37	13.46	12.99	15.13
	Average collection period	35.19	32.10	27.11	28.09	24.12
	Inventory turnover ratio (times)	3.85	3.06	2.75	2.77	3.01
	Payable turnover ratio (times)	15.41	17.59	18.26	15.61	17.85
	Average days of sales	94.80	119.13	132.72	131.76	121.26
	Property, plant, and equipment turnover ratio (times)	1.65	1.93	2.22	2.25	3.23
	Total asset turnover ratio (times)	0.77	0.82	0.94	0.96	1.06
Profitability	Return on assets (%)	4.58	2.38	3.73	8.05	12.10
	Return on equity (%)	7.15	3.70	6.45	13.68	20.62
	Paid-in capital to income before tax (%)	19.91	12.50	21.14	42.40	100.67
	Net profit margin (%)	5.36	2.24	3.47	8.30	10.07
	Earnings per share (NT\$)	1.72	0.88	1.56	3.52	5.95
Cash flows	Cash flow ratio (%)	(0.97)	(31.10)	24.46	67.53	(4.58)
	Cash flow adequacy ratio (%)	107.57	30.78	29.59	44.89	21.05
	Cash reinvestment ratio (%)	(2.98)	(13.14)	4.83	14.66	(4.65)
Leverage	Operating leverage	2.93	3.98	3.05	2.07	1.73
	Financial leverage	1.06	1.21	1.16	1.04	1.02

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

1. Debt to assets ratio increased to 46.33%, quick ratio decreased to 30.18%, mainly due to the booming market demand for private construction and public works, and the high international scrap steel prices, resulting in an increase of NT\$8,267,773,000 in inventory this year compared to the previous year, which is an increase of 67.62%. At the same time, due to the increase in bank borrowings in response to the demand for loan funds, total liabilities and current liabilities increased by NT\$ 8,956,905,000 and NT 9,177,908,000, or 53.59% and 66.43%, respectively, compared with the previous year.
2. The interest coverage ratio increased to 49.57, the ratio of operating income to paid-in capital increased to 96.68%, and the ratio of ratio of net income before tax to share capital increased to 100.67%. This was mainly because of the Company's excellent operating performance, of which operating income increased by NT\$2,638,118,000(up 59.67%), and net income before tax increased by NT\$2,861,141,000 (up 63.73%) compared to the previous year.
3. The fixed asset turnover ratio (times) increased to 3.23, mainly due to the booming market demand for private construction and public works, and the high international scrap steel prices, resulting in an increase of approximately NT\$ 15,928,799,000 or 37.16% in net sales over the previous year.
4. The return on assets increased to 12.10%, while return on equity increased to 20.62%, with net profit margin of 10.70%, and EPS (NT\$) of NT\$5.95. This is mainly due to the Company's excellent operating performance, of which net income increased by NT\$2,364,968,000 (up 66.50%) compared with the previous year.
5. The cash flow ratio decreased to -4.58% and the cash reinvestment ratio decreased to -4.65%, mainly due to the increase in inventory cash outflow of NT\$ 9,884,268,000 compared with the previous year because of the stocking of orders and rising steel prices. As a result, the net cash outflow from operating activities increased by NT\$ 10,382,727,000 or 111.28% compared with the previous year; and due to the boom in operating activities, the bank borrowings increased in response to the demand for loan funds, resulting in an increase of approximately NT\$ 9,177,908,000 in current liabilities compared with the previous year, an increase of 66.43%.
6. The fair cash flow ratio decreased to 21.05%, mainly due to the fact that the amount of inventories increased by NT\$ 8,267,773,000 which is 67.62% in response to the demand for orders and the rise in steel prices this year, resulting in an increase of NT\$ 10,382,727,000 or a decrease of 111.28% in net cash outflow from operating activities compared with the previous 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) 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).

## (II) Financial analysis—individual

Analysis Item (Note 2)		Year (Note 1)	Financial analysis for the last five years				
			2017	2018	2019	2020	2021
Financial Structure (%)	Debt-to-assets ratio		33.95	44.17	41.60	26.18	35.91
	Long-term capital property, plant, and equipment ratio		205.88	225.28	240.48	247.41	283.14
solvency(%)	Current ratio		124.08	136.88	157.47	186.58	153.12
	Quick ratio		47.29	44.63	46.61	50.16	35.55
	Interest coverage ratio		27.77	9.56	15.09	54.82	209.65
Management capacity	Receivables turnover ratio (times)		9.30	8.35	7.85	10.00	12.47
	Average collection period		39.24	43.71	46.53	36.50	29.27
	Inventory turnover ratio (times)		3.60	3.56	2.65	2.52	2.82
	Payable turnover ratio (times)		18.99	22.43	20.80	18.89	19.43
	Average days of sales		101.38	102.52	137.73	144.84	129.43
	Property, plant, and equipment turnover ratio (times)		1.90	2.58	2.71	2.79	3.91
	Total asset turnover ratio (times)		0.68	0.81	0.85	0.92	0.99
Profitability	Return on assets (%)		5.05	2.53	4.00	9.22	14.24
	Return on equity (%)		7.23	3.71	6.51	13.78	20.71
	Paid-in capital	Operating income	20.78	15.87	25.39	40.31	82.26
	Paid-in capital ratio (%)	Income before tax	19.77	12.22	20.81	41.46	98.63
	Net profit margin (%)		6.94	2.56	4.44	10.40	12.96
	Earnings per share (NT\$)		1.72	0.88	1.56	3.52	5.95
Cash Flow	Cash flow ratio (%)		13.55	(36.06)	32.61	109.45	3.28
	Cash flow adequacy ratio (%)		161.71	54.51	52.60	63.66	40.18
	Cash reinvestment ratio (%)		(0.37)	(12.15)	4.74	13.88	(2.17)
Leverage	Operating leverage		2.32	2.84	2.23	1.84	1.64
	Financial leverage		1.03	1.10	1.06	1.02	1.01

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

1. Debt to assets ratio increased to 35.91%, quick ratio decreased to 35.55%, mainly due to the booming market demand for private construction and public works, and the high international scrap steel price, resulting in an increase of NT\$6,002,918,000 in inventory this year compared to the previous year, which is an increase of 58.13%. At the same time, due to the increase in bank borrowings in response to the demand for loan funds, total liabilities and current liabilities increased by NT\$ 6,796,826,000 and NT 6,376,029,000, or 69.67% and 83.15%, respectively, compared with the previous year.
2. The interest coverage ratio increased to 209.65, the ratio of operating income to paid-in capital increased to 82.26%, and the ratio of net income before tax to share capital increased to 98.63%. This was mainly because of the Company's excellent operating performance, of which operating income increased by NT\$1,739,362,000(up 40.76%), and net income before tax increased by NT\$2,812,860,000 (up 64.09%) compared to the previous year.
3. Accounts receivable turnover ratio (times) increased to 12.47, mainly due to the fact that the proportion of products and objects sold with faster payment conditions at the end of this year was higher than that of the previous year, resulting in lower account receivables at the end of the period.
4. The fixed asset turnover ratio (times) increased to 3.91, mainly due to the booming market demand for private construction and public works, along with the high international scrap steel prices, resulting in an increase of approximately NT\$ 11,305,873,000 or 33.00% increase in net sales over the previous year.

5. The return on assets increased to 14.24%, while return on equity increased to 20.71%, with net profit margin of 12.96%, and EPS (NT\$) of NT\$5.95. This is mainly due to the Company's excellent operating performance of which net income increased by NT\$2,344,183,000 (up 65.81%) compared with the previous year.
6. The cash flow ratio decreased to 3.28% and the cash reinvestment ratio decreased to -2.17%, mainly due to the increase in inventory cash outflow of NT\$ 7,745,026,000 compared with the previous year due to the stocking of orders and rising steel prices. As a result, the net cash inflow from operating activities decreased by NT\$ 7,932,218,000, or 94.52%, compared with the previous year; and due to the boom in operating activities, the bank borrowings increased in response to the demand for loan funds, resulting in an increase of approximately NT\$ 6,376,029,000 in current liabilities, a decrease of 83.15%.
7. The cash flow adequacy ratio decreased to 21.05%, mainly due to the amount of inventories increased by NT\$ 8,267,773,000 which is 67.62% in response to the demand for orders and the rise in steel prices this year, resulting in an decrease of NT\$ 7,932,218,000 or 94.52% in net cash outflow from operating activities compared with the previous 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) 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).

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

#### **Audit Committee's Audit Report**

The Board of Directors made the Company's 2021 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.

To:

The Company's 2022 General Shareholders Meeting

Tung Ho Steel Enterprise Corporation  
Audit Committee convener: Yichi Liu

March 10, 2022

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

**V. Latest accountant audited individual financial report:**

Please see page X 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.**

## Chapter 7. Financial position and financial performance review analysis and risk assessments of the Compny and subsidiaries

### I. Financial summary

#### (I) Comparative analysis of financial status-consolidated

Unit: Thousands of New Taiwan Dollars

Item \ Year	2021	2020	Difference	
			Amount	%
Current assets	31,394,169	21,192,142	10,202,027	48.14
Long-term investments	2,164,906	1,842,457	322,449	17.50
Property, plant and equipment	18,002,034	18,390,406	(388,372)	(2.11)
Intangible assets	185,611	163,396	22,215	13.60
Investment properties	1,928,940	1,936,246	(7,306)	(0.38)
Other assets	1,727,092	896,440	830,652	92.66
Total assets	55,402,752	44,421,087	10,981,665	24.72
Current liabilities	22,993,691	13,815,783	9,177,908	66.43
Long-term liabilities	2,676,476	2,897,479	(221,003)	(7.63)
Other liabilities	0	0	0	0.00
Total liabilities	25,670,167	16,713,262	8,956,905	53.59
Share capital	7,302,138	10,587,599	(3,285,461)	(31.03)
Capital surplus	7,684,679	7,287,920	396,759	5.44
Retained earnings	14,713,541	10,450,151	4,263,390	40.80
Other equity	(157,889)	(822,363)	664,474	80.80
Total equity attributable to parent company owners	29,542,469	27,503,307	2,039,162	7.41
Non-controlling interest	190,116	204,518	(14,402)	(7.04)
Total equity	29,732,585	27,707,825	2,024,760	7.31
Description of items with significant changes (change ratio greater than 20% or change amount greater than NT\$10,000,000)				
1. Current assets There is an increase of NT\$10,202,027,000 compared to the previous year, mainly due to the benefit of the booming market demand for private construction and public works, and the high international scrap steel prices, resulting in an increase of NT\$ 8,267,773,000 in inventories over the previous year and an increase of NT\$ 1,205,666,000 in accounts receivable over the previous year.				
2. Other assets There is an increase of NT\$ 830,652,000 over the previous year mainly due to the prepayment of NT\$ 645,463,000 as a deposit to the "National Property Administration, Ministry of Finance" for the "Development Project of Donghe Guanyin Industrial Park in Guanyin District, Taoyuan City" this year.				
3. Current liabilities: There is an increase of NT\$ 9,177,908,000 compared with the previous year, mainly due to the active business activities. Contract liabilities (payments in advance) increased by NT\$ 949,348,000 and accounts payable increased by NT\$ 761,661,000 compared with the previous year, and bank loans also increased by NT\$ 7,624,587,000 as compared with the previous year.				
4. Share capital: There is a decrease of NT\$ 3,285,461,000 compared with the previous year mainly due to the cash capital reduction in the current year and the return of shareholders' share money of NT\$ 3,596,576,000; Convertible corporate bonds exercised the conversion right to issue 31,112,000 new shares, with a total amount of NT\$311,115,000.				
5. Retained earnings: There is an increase of NT\$4,263,390,000 compared to the previous year, mainly due to the net profit for the current period being NT\$ 5,906,247,000 and the distribution of cash dividends of NT\$ 1,634,807,000 in 2010.				
6. Other equity: There is an increase of NT\$ 664,474,000 over the previous year, mainly due to an increase of NT\$ 426,466,000 in exchange differences in the financial statements of foreign operating institutions due to the appreciation of the Vietnamese Dong. The increase in the share price of the shares on hand resulted in an increase of NT\$ 238,008,000 in the unrealized gain or loss of financial assets measured at fair value through other comprehensive gains and losses.				



## (II) Comparative analysis of financial position - individual

Unit: Thousands of New Taiwan Dollars

Item	Year	2021	2020	Difference	
				Amount	%
Current assets		21,503,736	14,307,234	7,196,502	50.30
Long-term investments		10,193,116	8,476,309	1,716,807	20.25
Property, plant and equipment		11,319,898	11,960,389	(640,491)	(5.36)
Intangible assets		0	0	0	0.00
Investment properties		1,991,799	2,000,835	(9,036)	(0.45)
Other assets		1,086,502	514,296	572,206	111.26
Total assets		46,095,051	37,259,063	8,835,988	23.72
Current liabilities		14,044,073	7,668,044	6,376,029	83.15
Long-term liabilities		2,508,509	2,087,712	420,797	20.16
Other liabilities		0	0	0	0.00
Total liabilities		16,552,582	9,755,756	6,796,826	69.67
Share capital		7,302,138	10,587,599	(3,285,461)	(31.03)
Capital surplus		7,684,679	7,287,920	396,759	5.44
Retained earnings		14,713,541	10,450,151	4,263,390	40.80
Other equity		(157,889)	(822,363)	664,474	80.80
Total equity		29,542,469	27,503,307	2,039,162	7.41

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

- Current assets: There is an increase of NT\$ 7,196,502,000 compared to the previous year, mainly due to the benefit of the hot market demand for private construction and public works, and the high international scrap steel quotations, resulting in an increase of NT\$ 6,002,918,000 in inventories over the previous year and an increase of NT\$ 1,513,961,000 in accounts receivable over the previous year.
- Long-term investments: There is an increase of NT\$ 1,716,807,000 over the previous year was mainly due to the good operating performance of the investment company, which resulted in an increase of NT\$ 119,722,000 in the share of profits and losses of related companies accounted for using the equity method.
- Other assets: There is an increase of NT\$ 572,206,000 over the previous year mainly due to the prepayment of NT\$ 645,463,000 as a deposit to the "National Property Administration, Ministry of Finance" for the "Development Project of Donghe Guanyin Industrial Park in Guanyin District, Taoyuan City" this year.
- Current liabilities: There is an increase of NT\$ 6,376,029,000 over the previous year, mainly due to the active business activities. Contract liabilities (payments in advance) increased by NT\$ 548,537,000 and accounts payable increased by NT\$ 656,120,000 over the previous year. Bank loans increased with the demand for loan funds over the previous year, resulting in a net increase of NT\$ 5,305,715,000.
- Long-term liabilities: An increase of NT\$ 420,797,000 over the previous year mainly due to the increase of long-term loan of NT\$ 600,000,000 which is the capital demand for operating activities.
- Share capital: There is a decrease of NT\$ 3,285,461,000 compared with the previous year mainly due to the cash capital reduction in the current year and the return of shareholders' share money of NT\$ 3,596,576,000. Convertible corporate bonds issued 31,112,000 new shares by exercising the conversion right with a total amount of NT\$311,115,000.
- Retained earnings: There is an increase of NT\$4,263,390,000 compared to the previous year, mainly due to the net profit for the current period being NT\$ 5,906,247,000 and the distribution of cash dividends of NT\$ 1,634,807,000 in 2010.
- Other equity: There is an increase of NT\$ 664,474,000 over the previous year, mainly due to an increase of NT\$ 426,466,000 in exchange differences in the financial statements of foreign operating institutions due to the appreciation of the Vietnamese Dong. The increase in the share price of the shares on hand resulted in an increase of NT\$ 238,008,000 in the unrealized gain or loss of financial assets measured at fair value through other comprehensive gains and losses.

## II. Financial performance

### (I) Comparative analysis of operating performance-consolidated

Unit: Thousands of New Taiwan Dollars

Item \ Year	2021	2020	Amount increase (decrease)	Percentage of change (%)
Total operating income	59,287,514	43,249,055	16,038,459	37.08
Less: Sales returns	6,018	3,676	2,342	63.71
Sales discounts	486,407	379,089	107,318	28.31
Net operating income	58,795,089	42,866,290	15,928,799	37.16
Operating costs	49,321,315	36,245,586	13,075,729	36.08
Gross profit	9,473,774	6,620,704	2,853,070	43.09
Operating expenses	2,414,169	2,199,217	214,952	9.77
Net operating profit	7,059,605	4,421,487	2,638,118	59.67
Non-operating income and expenditure	291,106	68,083	223,023	327.58
Net profit before tax from continuing operations	7,350,711	4,489,570	2,861,141	63.73
Less: Income tax expenses	1,429,160	932,987	496,173	53.18
Net profit of the term	5,921,551	3,556,583	2,364,968	66.50
Other comprehensive income (net income after-tax)	640,531	(140,008)	780,539	557.50
Total comprehensive income for the period	6,562,082	3,416,575	3,145,507	92.07

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

- Net operating income: Benefiting from the booming market demand for private construction and public works and rising steel prices this year, operating income increased by NT\$ 15,928,799,000 or 37.16% over the previous year.
- Operating costs: Corresponding with operating income, operating costs increased by NT\$ 13,075,729,000 or 36.08% over the previous year. To sum up, the booming steel market demand and rising steel prices have driven the growth of operating income, and in combination with the Company's production, sales and purchase strategies that have been properly coordinated and continued to improve the process to reduce unit costs, operating gross profit and operating net profit increased by NT\$ 2,853,070,000 and NT\$ 2,638,118,000 respectively over the previous year.
- Non-operating income and expenses: Increased by NT\$223,023,000 compared to the previous year mainly because of
  - The investment company performed well this year, resulting in an increase of NT\$ 119,722,000 in the share of profit and loss of related companies recognized using the equity method.
  - The average amount of total financing decreased from the previous year. Financial costs decreased by NT\$ 40,436,000.
  - Affected by the depreciation of the US dollar, foreign currency exchange gains increased by NT\$ 20,993,000 over the previous year.
  - Dividend income and scrap income increased by NT\$ 20,092,000 over the previous year.
- Income tax expenses: There is an increase of NT\$ 496,176,000 over the previous year, mainly due to the increase in net profit this year.
- Other comprehensive income (net income after tax): There is an increase of NT\$ 780,539,000 over the previous year mainly due to the increase of NT\$ 570,395,000 in the exchange difference of the financial statements of foreign operating institutions due to the appreciation of Vietnamese Dong. The increase in the share price of the shares at hand increased the unrealized gain or loss of financial assets measured at fair value through other comprehensive profit or loss by NT\$195,754,000 and the remeasurement of the defined benefit plan increased by approximately NT\$19,095,000.

## (II) Comparative analysis of operating performance - individual

Unit: Thousands of New Taiwan Dollars

Item \ Year	2021	2020	Amount increase (decrease)	Percentage of change (%)
Total operating income	45,916,706	34,576,358	11,340,348	32.80
Less: Sales returns	1,438	1,557	-119	-7.64
Sales discounts	345,960	311,366	34,594	11.11
Net operating income	45,569,308	34,263,435	11,305,873	33.00
Operating costs	37,582,832	28,201,274	9,381,558	33.27
Gross profit	7,986,476	6,062,161	1,924,315	31.74
Less: Unrealized gains from sales	96,349	82,953	13,396	16.15
Plus: Realized sales profit	82,953	25,818	57,135	221.30
Gross profit	7,973,080	6,005,026	1,968,054	32.77
Operating expenses	1,966,278	1,737,586	228,692	13.16
Net operating profit	6,006,802	4,267,440	1,739,362	40.76
Total non-operating income and expenses	1,195,203	121,705	1,073,498	882.05
Net profit (loss) before tax	7,202,005	4,389,145	2,812,860	64.09
Less: Income tax expenses	1,295,758	827,081	468,677	56.67
Net profit (loss)	5,906,247	3,562,064	2,344,183	65.81
Other comprehensive income (net income after-tax)	650,050	-143,298	793,348	553.64
Total comprehensive income for the period	6,556,297	3,418,766	3,137,531	91.77

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

1. Net operating income: Benefiting from the booming market demand for private construction and public works and rising steel prices this year, operating income increased by NT\$ 11,305,873,000 or 33% over the previous year.
2. Operating costs: Corresponding with the operating income, operating costs increased by NT\$ 9,381,558,000 or 33.27% over the previous year.
3. Realized sales profit: There is an increase of NT\$ 57,135,000 over the previous year mainly due to the difference in the water level of the inventories sold by the Company to the subsidiary Tung Kang Steel Structure Corp., which had not yet been put into production at the end of 2019 and 2020.
4. To sum up, the booming steel market demand and rising steel prices have driven the growth of operating income, and the Company's production, sales and purchase strategies have been properly coordinated and the production process has been continuously improved to reduce unit costs, resulting in an increase of NT\$ 1,968,054,000 and NT\$ 1,739,362,000 in operating gross profit and operating net profit respectively over the previous year.
5. Non-operating income and expenses: There is an increase of NT\$ 1,073,498,000 over the previous year mainly due to the good operating performance of the investment company, which resulted in an increase of NT\$ 990,809,000 in the share of profits and losses of related companies accounted for using the equity method.
6. Income tax expenses: There is an increase of NT\$ 468,677,000 over the previous year mainly due to the increase in net profit this year.
7. Other comprehensive income (net income after tax): There is an increase of NT\$ 793,348,000 over the previous year was mainly due to the increase of NT\$ 583,237,000 in the exchange difference of the financial statements of foreign operating institutions due to the appreciation of Vietnamese Dong. The increase in the share price of the shares at hand increased the unrealized gain or loss of financial assets measured at fair value through other comprehensive profit or loss by NT\$196,262,000, and the remeasurement of the defined benefit plan increased by approximately NT\$18,708,000.

### III. Cash flows

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

Item \ Year	2021	2020	Increase (decrease) ratio (%)
Cash flow ratio (%)	(4.58)	67.53	(106.78)
Cash flow adequacy ratio (%)	21.05	44.89	(53.11)
Cash reinvestment ratio (%)	(4.65)	14.66	(131.72)

Analysis description for items with increase and decrease ratio change of over 20% is as follows:

- The cash flow ratio decreased to -4.58% and the cash reinvestment ratio decreased to -4.65%, mainly due to the increase in inventory cash outflow of NT\$ 9,884,268,000 compared with the previous year because of the stocking of orders and rising steel prices. As a result, the net cash outflow from operating activities increased by NT\$ 10,382,727,000 or 111.28% compared with the previous year. Due to the boom in operating activities, the bank borrowings increased in response to the demand for loan funds, resulting in an increase of approximately NT\$ 9,177,908,000 in current liabilities compared with the previous year, an increase of 66.43%.
- The cash flow adequacy ratio decreased to 21.05%, mainly due to the amount of inventories increased by NT\$ 8,267,773,000 which is 67.62% in response to the demand for orders and the rise in steel prices this year, resulting in an increase of NT\$ 10,382,727,000 or a decrease of 111.28% in net cash outflow from operating activities compared with the previous year. .

#### 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
1,530,394	5,889,887	5,925,471	1,494,810	N/A	Applicable

#### 1. Cash flow status analysis:

- Operating activities: Operating revenue and surplus are expected to increase during 2022, and the net cash flow from business activities is expected to be NT\$5,392,919,000.
- Investing activities: Cash flow mainly for acquisition of property, plant and equipment.
- Financing activities: Cash flow mainly for payment of dividends and cash flow from long- and short-term loan repayments.

- Expected cash deficit remedies and liquidity analysis: The Group is expected to adopt increasing bank loans as a measure for shortage of cash.

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

Item \ Year	2021	2020	Increase (decrease) ratio (%)
Cash flow ratio (%)	3.28	109.45	(97.00)
Cash flow adequacy ratio (%)	40.18	63.66	(36.88)
Cash reinvestment ratio (%)	(2.17)	13.88	(115.63)

Analysis description for items with increase and decrease ratio change of over 20% is as follows:

- The cash flow ratio decreased to 3.28% and the cash reinvestment ratio decreased to -2.17%, mainly due to the increase in inventory cash outflow of NT\$ 7,745,026,000 compared with the previous year because of the stocking of orders and rising steel prices. As a result, the net cash inflow from operating activities decreased by NT\$ 7,932,218,000, or 94.52%, compared with the previous year. Due to the boom in operating activities, bank loans increased in response to the demand for loan funds, resulting in an increase of approximately NT\$ 6,376,029,000 in current liabilities, a decrease of 83.15%.
- The cash flow adequacy ratio decreased to 40.18%, mainly due to the amount of inventories increased by NT\$ 6,002,918,000 which is 69.67% in response to the demand for orders and the rise in steel prices this year, resulting in an increase of NT\$ 7,932,218,000 or a decrease of 94.52% in net cash outflow from operating activities compared with the previous year.

# 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
472,689	4,421,997	4,427,265	467,421	N/A	N/A

## 1. Cash flow status analysis:

- (1) Operating activities: Operating revenue and surplus are expected to increase during 2022, and the net cash flow from business activities is expected to be NT\$4,421,997,000.
- (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	2021	2020
Net operating income	58,795,089	42,866,290
Net interest gains (losses)	(134,091)	(181,676)
Net exchange gains (losses)	67,828	46,835
Ratio of net interest gains (losses) to net sales (%)	(0.23)	(0.42)
Ratio of net exchange gains (losses) to net sales (%)	0.12	0.11

## 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 the customers are located within Taiwan, NT\$ 50% of the main raw material scrap steel is purchased domestically. 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 2021, the Company recognized net foreign exchange gains of NT\$67,828,000, which accounted for 0.12% and 0.96% 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:

- (1) 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.
- (2) 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.
- (3) 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 2021, Taiwan's moderate inflation (based on the average consumer price index of the Directorate General of Budget, Accounting and Statistics) is around 1.96%, 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 2021, the Company has a short-term fund loan and a balance of NT\$968,000,000 for the operating turnover needs of its subsidiary, Tung Ho Steel Vietnam Corp., Ltd. The maximum limit of the company's capital loan is 20% of the net value [NT\$5,580,794 (NTD thousand)]; the capital loan and limit for a single enterprise is 10% of the net value [NT\$2,790,397 (NTD thousand)]. The company's fund lending is handled in accordance with the regulations of the company and each subsidiary's "Procedures for Extending Loans to Others".
3. As of the end of 2021, 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\$508,912,000 and NT\$7,847,280,000. 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\$145,32,000 (Unit: Thousands of New Taiwan Dollars). The maximum limit of the company's capital loan is 50% of the net value [NT\$13,951,986 (NTD thousand)]; the capital loan and limit for a single enterprise is 50% of the net value [NT\$13,951,986 (NTD thousand)]. The Company's fund lending is handled in accordance with the regulations of the Company and each subsidiary's "Procedures for Extending Loans to Others".

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

1. In terms of steelmaking: Development of high-definition and toughness steel billet, development of ultra-high-strength steel development, project research on electric furnace off-gas detection, dynamic control furnace burners, and carbon injections, research on ORC power generation technology for electric furnace waste heat recovery, technology development on electric furnace low-carbon green processes, research on electric furnace scrap preheating and continuous feeding process, etc.
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, development of H-beam/ steel plate on-line size automatic measurement and surface defect detection system, development of intelligent combustion control system for heating furnace, 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: Artificial intelligence technology application and intelligent factory technology development, comprehensive and innovative solutions in the iron and steel industry circular economy, research on renewable energy (solar, wind, biogas power generation), research on the energy storage system , R&D on carbon capture utilization and storage (CCUS) technology, various new technology research and development plans such as applied research, comprehensive and innovative solutions for circular economy in the iron and steel industry, etc.
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 2021, 2022 and up to the date of publication of the annual report, the Company's major changes in law in regard to business operations:

1. Article 29 of the "Labor Insurance Act", which was amended and promulgated on April 13, 2021, mainly restricts the claims originally under this regulation to the "annuity payment", and a special account can be opened in a financial institution for the purpose of depositing funds. It shall not be used for other purposes. Deposits in the special account shall not be used as the subject of offset, detention, undertaking or enforcement. The legislation is intended to protect the basic economic security of vulnerable workers or beneficiaries. However, the protection against sequestration of the special account should not be limited to annuity payments, and the lump-sum payment received by vulnerable workers or beneficiaries (such as lump-sum payments for old age) is also necessary. Considering the rest of the labor insurance benefits stipulated in this act, they are also a part of social care. All insurance benefits stipulated in this Act may be deposited in a special account, and the deposit in the special account shall not be used as the subject of offset, detention, undertaking, or enforcement.
2. On April 30, 2021, the Legislative Yuan enacted the full text of Article 109 of the "Labor Occupational Accident Insurance and Protection Act" promulgated by the President; the implementation date was promulgated by the Executive Yuan and scheduled to be implemented on May 1 of the same year. The general accident insurance under the labor insurance serves as a different purpose compared to the occupational accident insurance, and the occupational accident insurance is considered as a supplementary legislation. In addition to providing labor compensation as soon as possible with insurance payments when an occupational accident occurs and reasonably sharing the employer's occupational accident compensation responsibilities, it should also effectively link pre-disaster prevention with post-disaster reconstruction. At the same time, the existing occupational accident insurance regulations should be separated from the labor insurance regulations. In addition to expanding the scope of insurance coverage and improving various payment guarantees, it also integrates the provisions of the Occupational Accident Labor Protection Act, and strengthens the occupational accident prevention mechanism as well as actively assist the workers to return to the workplace in order to build a comprehensive security system including occupational accident prevention, compensation and reconstruction.



3. Articles 172-2 and 356-8 of the "Company Act" were amended and promulgated on December 29, 2021. The main reason is that with the advancement of digital technology, it has become more and more popular for shareholders to participate in shareholders' meetings and exercise their rights by video conference, which should be taken seriously and protected. In view of the occurrence of force majeure events such as the current pandemic, if the shareholders' meeting cannot be held by video conference because the company's articles of association have not been revised, it will affect the company's operation and the relevant rights and interests of shareholders. Supporting regulations will be added as follows: Regarding the Company and its closed board of directors meeting, the clause is added that the central competent authority can announce that due to force majeure events such as natural disasters, an announcement may be made within a certain period of time, that the meetings may be held by video conference or by way of an announcement without the provisions of the articles of association, so as to increase the flexibility of adopting a video conference for the shareholders' meeting. Video-conference of the shareholders is open to the public for the companies that issues public stocks. With regard to the conditions to be met, operating procedures and other matters to be complied with, priority shall be given to the sub-laws prescribed by the competent authority regulating securities. The Company cooperates with compliance.
4. On January 12, 2022, Articles 15, 19, and 40 of the "Act of Gender Equality in Employment " were amended and promulgated; Article 22 was deleted, and the "Leave for Pregnancy Checkups" and "Leave for Pregnancy Checkup Accompaniment and Paternity Leaves" were amended from 5 days to 7 days with additional salary for 2 days. Considering that different companies have different ability to afford the changes, all costs will be subsidized by the central government. In addition, in order to encourage parents to accompany their children, the new regulations allow both parents to apply for parental leave of absence together. The Company has started to formulate relevant sub-laws and measures, and will also strengthen publicity and guidance, implement reasonable adjustments to labor and maternity leaves, and protect human rights in a timely manner, so as to create a friendly parenting environment and meet international standards.

(V) The effect that technological changes (including information security risks) and industrial changes have on the company's financial operations as well as the responding measures:

1. Information security risk assessment:

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. 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 Information was stolen	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	Computer is infected Stolen account and data	Advocacies on information security on an irregular basis

## 3. The impact of information systems malfunction on the Company's business and countermeasures:

- (1) The Company will gradually establish a high availability remote host and data backup mechanism for the information system structure based on its risk level to ensure uninterrupted services.
- (2) 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.
- (3) 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.

## 4. Industry changes:

In 2021 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 2021 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 2021 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. The total net sales of the top ten customers of the consolidated subsidiary in 2021 accounted for approximately 31.57% of the net sales, of which the largest customer accounted for approximately 7.39%, so there was no sales concentration.
2. In 2021, the top ten suppliers of the Company consolidated its subsidiaries accounted for 30.45% 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 2021 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 2021 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 2021 and up to the date of publication of the annual report.
2. The company's directors, general managers, substantial persons in charge, and major shareholders holding more than 10% of the shares and affiliated companies were not involved in major litigations in 2021 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. 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 has established risk management policies and operating procedures, according to which the risk management process in 2021 was carried out. Through the risk management meeting, potential risks related to various departments were identified in four major areas: operation, finance, operation, and environment, and there are a total of 23 risk factors.

Each department assesses the possibility of various risk factors and degree of impact based on their functions, taking necessary measures, and assuring proper management of various risks. "Climate change risk" and "natural

disaster risk" in the environmental field are high-risk items, and relevant departments have formulated management measures. 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. The relevant promotion status has been reported on the 14th meeting of the 24th board of directors on November 12, 2021.

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	<p>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.</p>
Information security risks	<p>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.</p>
Occupational safety and health management risks	<p>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.</p>
Fraud risks	<p>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.</p>

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. For details, please refer to "Tung Ho Steel Enterprise Corp's 2022 Climate-related Financial Disclosure Report".
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 and the war between Russia and Ukraine. With that, the Company assesses the possible impact and formulated 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.

## 2. 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.

And published the "Tung Ho Steel Enterprise Corp's 2022 Climate-related Financial Disclosure Report" in June, ahead of the other peers in the industry.

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 President as the convener and the deputy general manager of production as the deputy convener who are 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. After identification, using the matrix analysis, and the discussion among the members of the environmental sustainability team, major climate change risks and opportunities were identified. The environmental sustainability team then holds a TCFD risk and opportunity coping strategy discussion meeting to determine the company's future climate change-related countermeasures. The Corporate Governance Committee will review climate-related risks and opportunities and formulate strategies and objectives. Ultimately, the board of directors is responsible for reviewing and guiding the climate change strategy, action plan and annual goals, and regularly monitors the implementation and reviews the greenhouse gas reduction goals and achievement levels every year.

The Company assessed climate strategy resilience based on TCFD recommendations using transition and entity risks and The Worst-case Scenario analysis of climate opportunities in 2022. The scenarios of the transition risk assessment strategy were the "1.5 Degree C Scenario" and the "Taiwan 2050 Net Zero Emission Pathway and Strategy". The scenario of the physical risk assessment strategy was "The worst-case scenario of global warming in the sixth scientific assessment report of PCC (SSP5-8.5)", and the members of the environmental sustainability team hold a climate change risk and opportunity identification meeting. According to the evaluation of the proposed framework of TCFD, there are 6 risks and 4 opportunities identified in 2022. Risks include "cap/emissions trading", "renewable energy regulations", "new technology investment", "tropical cyclone", "customer behavior changes", "changes in average rainfall"; opportunities include "use of more efficient production", "recycling", "financial institution incentives", "incentive policies adopted". Based on the identified major risks and opportunities,

the Company formulates corresponding measures according to the risk response measures (removing risks, reducing risks, diversifying risks, and transferring risks) in the Company's "Risk Management Policies and Operating Procedures". The financial implications and countermeasures for each risk are described below:

Risk Type/ item			Risk Financial Impact	Strategy Statement
Transition Risk	Policies and regulations	Cap and trade	<b>【Increase in costs】</b> The carbon fee is expected to increase year by year	In response to increasingly stringent requirements such as caps/emissions trading, renewable energy regulations, increased pricing of greenhouse gas emissions, low-carbon transition services, and demand for low-carbon products and services, the Company will use the low-carbon wind and solar power in the future, as well as try to enter the new market of carbon capture and storage, and start two electric furnace medium and longterm renovation plans.
		Renewable energy regulations	<b>【Increase in costs】</b> The Ministry of Economic Affairs announced the "Administrative Regulations on Renewable Energy Power Generation Equipment Installation for Electricity Users with a Certain Contracted Capacity". If renewable energy is not installed in accordance with the regulations, starting from 2026, an annual fee must be paid.	In response to the Ministry of Economic Affairs' "Administrative Regulations on Renewable Energy Power Generation Equipment Installation for Electricity Users with a Certain Contracted Capacity", the Company will install solar power generation equipment, which can also deduct the related commissions and reduce the cost of outsourced electricity.
	Technology	New technological investments	<b>【Increase in costs】</b> The carbon fee is expected to increase year by year	In response to the intensified increase in carbon charges, technologies regarding development of CCUS carbon capture, utilization and storage, including launching industry-academia research projects on CCUS carbon capture, utilization and storage, setting up experimental factories as well as other strategies to offset future carbon charges.
	Market	Changes in customer behavior	<b>【Decrease in Profit】</b> The customers requires the company's products to provide an EPD certificate within the short term, and the company's products should have carbon neutral certificates in the medium and long term before they are eligible for delivery.	In response to changes in customer behavior, we introduce EPD carbon label guidance and certification in the short term, and implement low-carbon transformation plans and purchase carbon rights in the medium and long term to achieve carbon neutrality in our products.

Risk Type/ item			Risk Financial Impact	Strategy Statement
Physical risks	immediate	Tropical wind	<p>【Increase in costs】</p> <p>【Decrease in Profit】</p> <p>The scenario being that the rate of increase of strong typhoons in Taiwan will be 100%, and it is estimated that from 2030 onwards, there will be 2 typhoons that will cause losses to all of the production plants, including property (repair costs) losses, downtime costs, and labor costs.</p>	For risk transfer, the Company has currently purchased property insurance, covering fire disasters, explosion-ignited fire, lightning, explosion, earthquake, typhoon and flood insurance.
	Long term	Change in average precipitation	<p>【Increase in costs】</p> <p>【Decrease in Profit】</p> <p>The scenario is that the total annual rainfall in Taiwan increases by 15%, but the number of consecutive days without rainfall increases by 5.5%, causing the water supply company to cut off water at the plant for 10 days. This will result in the loss of property depreciation in the plant area, the loss of labor costs, and even a shutdown of the plant area.</p>	Some of the company's factories have groundwater rights, which can respond to the impact of water restrictions in different regions. Factories without groundwater rights can purchase water from external sources to meet production needs.

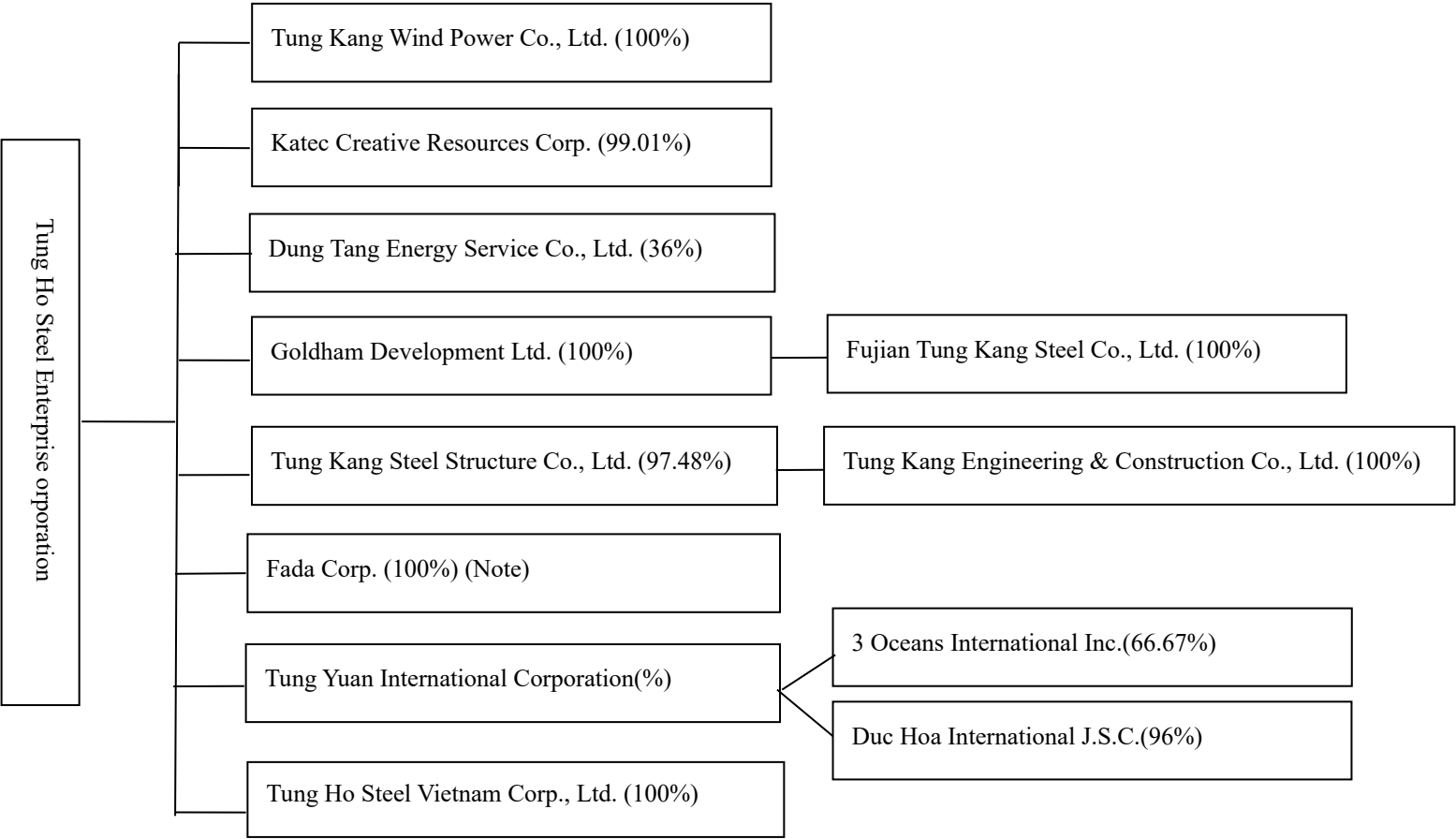
**VII. Other critical matters: None.**

Chapter 8. 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



Note: The Fada Corp. has been liquidated, and completed the deregistration of the subsidiary on March 2nd, 2022.

## 2. Basic information of the various affiliated enterprises

December 31, 2021

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	November 1992	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.	2,335	Foreign investments
3 Oceans International Inc.	March 2004	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	2,063,105	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. (Note 1)	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	966,852	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	655,000	Electric Power Supply
Goldham Development Ltd.	November 1997	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.(Note 2)	April 2007	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.	October 2009	Bach Dang Hamlet – Luu Ky Commune – Thuy Nguyen Distric – Hai Phong City – VietNam.	128,160	Quicklime plant
Dung Tang Energy Service Co., Ltd.	June 2019	9F, No. 9, Sec. 1, Chang'an East Road, Taipei City	150,000	Fertilizer manufacturing and renewable energy self-use power generation equipment

Note 1: Fada Corp has been deregistrated on March 2nd, 2022.

Note 2: 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, 2021

Enterprise name	Title	Name or representative	Shareholding	
			Number of shares (Shares)	Shareholding ratio (%)
Tung Yuan International Corporation	Director Director Director	Henry C. T. Ho Qixie Lin Joshua P.H. Tung	82	100.00
3 Oceans International Inc.	Director	Henry C. T. Ho	1,840,000	66.67
	Director	Qixie Lin		
Tung Kang Steel Structure Co., Ltd.	Chairman	Representative of Tung Ho Steel Enterprise Corporation: Henry C. T. Ho	201,121,339	97.48
	Vice Chairman	Representative of Tung Ho Steel Enterprise Corporation: Kuanren Gu		
	Director	Representative of Tung Ho Steel Enterprise Corporation: Joshua P.H. Tung		
	Director	Representative of Tung Ho Steel Enterprise Corporation: Zhengbin Qiu		
	Director	Representative of Tung Ho Steel Enterprise Corporation: Binghua Huang		
	Supervisor	Earle Ho and Sons, Ltd.		
	President	Zhengbin Qiu		
Tung Kang Engineering & Construction Co., Ltd.	Chairman	Representative of Dong Gang Steel Structure Co., Ltd.: Yong-Zhi Chen	25,000,000	100.00
	Director	Representative of Dong Gang Steel Structure Co., Ltd.: Henry C. T. Ho		
	Director	Representative of Dong Gang Steel Structure Co., Ltd.: Kuanren Gu		
	Supervisor	Representative of Dong Gang Steel Structure Co., Ltd.: Zhao Liu		
	President	Pi-Tung Chen		
Fada Corp.	Chairman	Representative of Tung Ho Steel Enterprise Corporation: Kuanren Gu	100,000	100.00
	Director	Representative of Tung Ho Steel Enterprise Corporation: Henry C. T. Ho		
	Director	Representative of Tung Ho Steel Enterprise Corporation: Yong-Zhi Chen		
	Supervisor	Representative of Tung Ho Steel Enterprise Corporation: Zhao Liu		
Director of Goldham Development Ltd.	Director	Henry C. T. Ho	15,000,000	100.00
	Director	Joshua P.H. Tung		
	Director	Zhengbin Qiu		
Fujian Tung Kang Steel Co., Ltd.	Chairman Supervisor President	Zhengbin Qiu Kuanren Gu Chen-Han Kuo	-	100.00
Katec Creative Resources Corp.	Chairman	Representative of Tung Ho Steel Enterprise Corporation: Yong-Zhi Chen	95,736,860	99.02
	Director	Representative of Tung Ho Steel Enterprise Corporation: Henry C. T. Ho		

Enterprise name	Title	Name or representative	Shareholding	
			Number of shares (Shares)	Shareholding ratio (%)
	Director	Representative of Tung Ho Steel Enterprise Corporation: Ching-Lian Huang		
	Director	Representative of Tung Ho Steel Enterprise Corporation: Zhang-Qing He		
	Director	Representative of Tung Ho Steel Enterprise Corporation: Zhao Liu		
	Supervisor	Representative of Katec R&D Corporation: Ruyu He		
	President	Yong-Zhi Chen		
Tung Kang Wind Power Co., Ltd.	Chairman	Representative of Tung Ho Steel Enterprise Corporation: Henry C. T. Ho	65,500,000	100.00
	Director	Representative of Tung Ho Steel Enterprise Corporation: Joshua P.H. Tung		
	Director	Representative of Tung Ho Steel Enterprise Corporation: Zhao Liu		
	Supervisor President	Representative of Tung Ho Steel Enterprise Corporation: Ruyu He Min-Ta Hsieh		
Tung Ho Steel Vietnam Corp., Ltd.	Chairman Director Director President	Binghua Huang Henry C. T. Ho Qixie Lin Xu Yizhi	-	100.00
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
Dung Tang Energy Service Co., Ltd.	Chairman	Representative of Tung Ho Steel Enterprise Corporation: Henry C. T. Ho	5,400,000	36.00

## 5. Status of operation for various affiliated companies

December 31, 2021

Enterprise name	Paid-in capital (Unit: Thousands of New Taiwan Dollars)	Total assets (Unit: Thousands of New Taiwan Dollars) (Note 1)	Total liabilities (Unit: Thousands of New Taiwan Dollars) (Note 1)	Net worth (Unit: Thousands of New Taiwan Dollars) (Note 1)	Operating revenue (Unit: Thousands of New Taiwan Dollars) (Note 2)	Operating net (loss) profit (Unit: Thousands of New Taiwan Dollars) (Note 2)	Current net (loss) profit (Unit: Thousands of New Taiwan Dollars) (Note 2)	Earnings per share
Tung Yuan International Corporation (Note 3)	2,335	800,263	194	800,069	75,288	75,017	75,017	914,847
3 Oceans International Inc. (Note 4)	78,605	35,670	125	35,545	11,910	6,391	6,391	2.32
Tung Kang Steel Structure Co., Ltd.	2,063,105	5,716,024	2,659,951	3,056,073	9,166,023	713,063	594,025	2.88
Tung Kang Engineering & Construction Co., Ltd.	250,000	642,364	381,498	260,866	729,666	1,582	2,024	0.08
Fada Corp.	1,000	765	0	765	0	(132)	(131)	(1.31)
Director of Goldham Development Ltd. (Note 4)	427,200	375,991	0	375,991	0	28,321	5,709	381
Fujian Tung Kang Steel Co., Ltd.	427,200	655,221	279,230	375,991	798,108	28,321	5,709	N/A
Katec Creative Resources Corp.	966,852	886,350	98,731	787,619	411,883	94,390	76,373	0.79
Tung Kang Wind Power Co., Ltd.	655,000	620,085	37,650	582,435	46,897	(1,578)	5,155	(0.08)
Tung Ho Steel Vietnam Corp., Ltd.	5,016,935	9,532,351	6,311,296	3,221,055	5,628,590	173,392	123,265	N/A
Dung Tang Energy Service Co., Ltd.	150,000	159,350	11,630	147,720	0	(2,079)	(1,466)	(0.10)
Duc Hoa International J.S.C.	128,160	144,289	23,101	121,188	214,593	23,450	18,650	2,196

Note 1: December 31, 2021 NTD to US dollar exchange rate USD1: NT\$ 27.68 ; NTD to RMB exchange rate CNY1: NT\$ 4.344 ; NTD to VND exchange rate VND1: NT\$ 0.001298

Note 2: The average exchange rate of the NTD against the US dollar in 2021 USD1: NT\$ 28.01 ; NTD to RMB exchange rate CNY1: NT\$ 4.341 ; NTD to VND exchange rate VND1: NT\$ 0.001277

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.**

**Chapter 9. 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**  
**Chairman Henry C. T. Ho**

**TUNG HO STEEL ENTERPRISE CORPORATION****Parent Company Only Financial Statements****With Independent Auditors' Report  
For the Years Ended December 31, 2021 and 2020**

**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, 2021 and 2020, 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, 2021 and 2020, 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 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the 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, 2021. 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 deformed bars and sections. 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 ;
- taking appropriate samples, verifying the relevant internal and external information, and confirming whether the control of goods has already been transferred to the buyer, as well as assessing the appropriateness of the timing and amount of revenue recognition ;
- 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 ;
- taking appropriate samples and verifying the relevant internal and external information to confirm the adequacy and reasonableness of the net realized value basis used by management ;
- 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 the future cash flow forecast and the evaluation of the discount rate of the Vietnam subsidiary of the Company ;
- discussing with the management and raising professional skepticism of the significant key judgments used in forecasting future cash flows ;
- understanding whether the reference basis of the discount rate used by the Company's management is consistent, and comparing it with relevant internal and external information, evaluating whether the discount rate used by the management is reasonable. In addition, performing verification process on the value in use of the assets calculated by the Company's management.

## **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 10, 2022

#### **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, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollars)**

		December 31, 2021		December 31, 2020				December 31, 2020	
		Amount	%	Amount	%			Amount	%
Assets									
Current assets:									
11100	Cash and cash equivalents (Note 6(a))	\$ 472,689	1	818,176	2	2100	Short-term loans (Note 6(k))	\$ 7,650,897	17
11110	Current financial assets at fair value through profit or loss (Note 6(b))	195,744	-	157,030	-	2111	Short-term notes and bills payable (Note 6(l))	-	-
11150	Notes receivable, net (Notes 6(d)(v))	180,274	-	288,493	1	2120	Current financial liabilities at fair value through profit or loss (Note 6(b))	5,045	-
11170	Accounts receivable, net (Notes 6(d)(v) and 7)	4,090,559	9	2,576,598	7	2130	Current contract liabilities (Note 6(v))	1,336,905	3
1200	Other receivables (Notes 6(e) and 7)	13,904	-	5,938	-	2150	Notes payable	142,704	-
1310	Inventories (Note 6(f))	16,330,054	36	10,327,136	28	2170	Accounts payable (Note 7)	2,160,870	5
1410	Prepayments	181,008	1	133,762	-	2200	Other payables (Notes 6(q) and 7)	1,867,142	4
1470	Other current assets (Note 8)	39,504	-	101	-	2230	Current tax liabilities	849,368	2
	Total current assets	21,503,736	47	14,307,234	38	2280	Current lease liabilities (Note 6(o))	21,645	-
Non-current assets:									
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	669,355	1	457,230	1	2321	Bonds payable, current portion (Note 6(n))	-	-
1550	Investments accounted for using the equity method (Notes 6(g) and 7)	9,523,761	21	8,019,079	22	2300	Other current liabilities	9,497	-
1600	Property, plant and equipment (Notes 6(h) and 7)	11,319,898	25	11,960,389	32		Total current liabilities	14,044,073	31
1755	Right-of-use assets (Note 6(i))	140,529	-	164,452	1	2540	Long-term loans (Note 6(m))	1,800,000	4
1760	Investment property (Notes 6(h) and (j))	1,991,799	4	2,000,835	6	2570	Deferred tax liabilities (Note 6(s))	169,814	-
1840	Deferred tax assets (Note 6(s))	63,837	-	97,031	-	2580	Non-current lease liabilities (Note 6(o))	122,001	-
1990	Other non-current assets	57,849	-	68,112	-	2640	Non-current defined benefit liability, net (Note 6(r))	403,987	1
1915	Prepayments for equipment	53,444	-	28,287	-	2645	Guarantee deposits received (Note 7)	12,707	-
1920	Refundable deposits (Note 8)	770,843	2	156,414	-		Total non-current liabilities	2,508,509	5
	Total non-current assets	24,591,315	53	22,951,829	62		Total liabilities	16,552,582	36
Equity (Note 6(t))									
3100	Capital stock					3100	Capital stock	7,302,138	16
3200	Capital surplus					3200	Capital surplus	7,684,679	16
	Retained earnings:								
3310	Legal reserve					3310	Legal reserve	4,128,399	9
3320	Special reserve					3320	Special reserve	822,363	2
3350	Unappropriated retained earnings					3350	Unappropriated retained earnings	9,762,779	21
	Total retained earnings						Total retained earnings	14,713,541	32
3400	Other equity interest						Other equity interest	(157,889)	-
	Total equity	46,095,051	100	37,259,063	100		Total equity	29,542,469	64
	Total liabilities and equity	\$ 46,095,051	100	\$ 37,259,063	100		Total liabilities and equity	\$ 46,095,051	100

(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, 2021 and 2020**  
**(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)**

		For the years ended December 31,			
		2021		2020	
		Amount	%	Amount	%
4000	<b>Operating revenue (Notes 6(v) and 7)</b>	\$ 45,569,308	100	34,263,435	100
5000	<b>Operating costs (Notes 6(f)(r) and 7))</b>	<u>37,582,832</u>	<u>82</u>	<u>28,201,274</u>	<u>82</u>
5900	<b>Gross profit from operations</b>	7,986,476	18	6,062,161	18
5910	Less: Unrealized profit (loss) from sales (Note 7)	96,349	-	82,953	-
5920	Add: Realized profit (loss) from sales (Note 7)	<u>82,953</u>	<u>-</u>	<u>25,818</u>	<u>-</u>
5950	<b>Gross profit, net</b>	<u>7,973,080</u>	<u>18</u>	<u>6,005,026</u>	<u>18</u>
6000	<b>Operating expenses:</b>				
6100	Selling expenses (Notes 6(r)(w) and 7)	815,440	2	707,466	2
6200	Administrative expenses (Notes 6(r)(w) and 7)	1,150,838	3	977,335	3
6450	Expected credit loss (Note 6(d))	-	-	<u>52,785</u>	-
6500	<b>Total operating expenses</b>	<u>1,966,278</u>	<u>5</u>	<u>1,737,586</u>	<u>5</u>
6900	<b>Operating income</b>	<u>6,006,802</u>	<u>13</u>	<u>4,267,440</u>	<u>13</u>
7000	<b>Non-operating income and expenses:</b>				
7010	Other income (Notes 6(x) and 7)	99,217	-	82,586	-
7100	Interest income (Notes 6(x) and 7)	10,247	-	3,430	-
7020	Other gains and losses, net (Notes 6(n) and (x))	118,696	1	106,599	-
7050	Finance costs, net (Note 6(x))	(34,189)	-	(81,333)	-
7060	Share of profit of subsidiaries and associates accounted for using the equity method, net (Note 6(g))	<u>1,001,232</u>	<u>2</u>	<u>10,423</u>	-
	<b>Total non-operating income and expenses</b>	<u>1,195,203</u>	<u>3</u>	<u>121,705</u>	-
7900	<b>Income before income tax</b>	7,202,005	16	4,389,145	13
7950	Less: Income tax expenses (Note 6(s))	<u>1,295,758</u>	<u>3</u>	<u>827,081</u>	<u>2</u>
	<b>Net income</b>	<u>5,906,247</u>	<u>13</u>	<u>3,562,064</u>	<u>11</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that will not be reclassified subsequently to profit or loss:</b>				
8311	Losses on remeasurements of defined benefit plans (Note 6 (r))	18,134	-	(574)	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	207,524	-	11,262	-
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	1,553	-	2,670	-
8349	Less : income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6 (s))	<u>3,627</u>	<u>-</u>	<u>(115)</u>	-
	<b>Total items that will not be reclassified subsequently to profit or loss</b>	<u>223,584</u>	-	<u>13,473</u>	-
8360	<b>Items that may be reclassified subsequently to profit or loss:</b>				
8361	Exchange differences on translation of foreign financial statements	426,466	1	(156,771)	(1)
8399	Less : income tax related to components of other comprehensive income that may be reclassified to profit or loss	-	-	-	-
	<b>Total items that may be reclassified subsequently to profit or loss</b>	<u>426,466</u>	<u>1</u>	<u>(156,771)</u>	<u>(1)</u>
8300	<b>Other comprehensive income</b>	<u>650,050</u>	<u>1</u>	<u>(143,298)</u>	<u>(1)</u>
8500	<b>Total comprehensive income for the period</b>	<u>\$ 6,556,297</u>	<u>14</u>	<u>3,418,766</u>	<u>10</u>
9750	<b>Basic earnings per share (in dollars) (Note 6(u))</b>	<u>\$ 5.95</u>		<u>3.52</u>	
9850	<b>Diluted earnings per share(in dollars) (Note 6(u))</b>	<u>\$ 5.92</u>		<u>3.27</u>	

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****Statements of Changes in Equity****For the years ended December 31, 2021 and 2020****(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	
<b>Balance at January 1, 2020</b>	\$ 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)
<b>Balance at December 31, 2020</b>	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
Net income for the period	-	-	-	-	-	-	5,906,247	5,906,247	-	-	-	5,906,247
Other comprehensive income for the period	-	-	-	-	-	-	14,312	14,312	426,466	209,272	635,738	650,050
Total comprehensive income for the period	-	-	-	-	-	-	5,920,559	5,920,559	426,466	209,272	635,738	6,556,297
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	-	353,276	-	(353,276)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	116,142	(116,142)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(1,634,807)	(1,634,807)	-	-	-	(1,634,807)
Capital reduction	(3,596,576)	-	(3,596,576)	32	-	-	-	-	-	-	-	(3,596,544)
Conversion of convertible bonds	730,812	(419,697)	311,115	396,740	-	-	-	-	-	-	-	707,855
Changes in ownership interests in subsidiaries	-	-	-	(13)	-	-	-	-	-	-	-	(13)
Capital reduction of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(22,362)	(22,362)	-	28,736	28,736	6,374
<b>Balance as of December 31, 2021</b>	<u>\$ 7,302,138</u>	<u>-</u>	<u>7,302,138</u>	<u>7,684,679</u>	<u>4,128,399</u>	<u>822,363</u>	<u>9,762,779</u>	<u>14,713,541</u>	<u>(514,902)</u>	<u>357,013</u>	<u>(157,889)</u>	<u>29,542,469</u>

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

**Statements of Cash Flows**  
**For the years ended December 31, 2021 and 2020**  
**(Expressed in Thousands of New Taiwan Dollars)**

	2021	2020
<b>Cash flows from (used in) operating activities:</b>		
Income before income tax	\$ 7,202,005	4,389,145
<b>Adjustments:</b>		
Adjustments to reconcile profit or loss:		
Depreciation expense	983,876	989,335
Amortization expense	10,262	35,628
Expected credit loss	-	52,785
Net gain on financial assets or liabilities at fair value through profit or loss	(50,675)	(71,666)
Interest expense	34,189	81,333
Interest income	(10,247)	(3,430)
Dividend income	(30,889)	(18,613)
Share of gain of subsidiaries and associates accounted for using the equity method	(1,001,232)	(10,423)
Loss on disposal of property, plant and equipment	8	858
Loss on disposal of investment properties	-	43
Unrealized profit from sales	96,349	82,953
Realized profit from sales	(82,953)	(25,818)
Unrealized foreign currency exchange loss	435	3,278
Loss on bond redemption	14	-
<b>Total adjustments to reconcile profit or loss</b>	<b>(50,863)</b>	<b>1,116,263</b>
<b>Changes in operating assets and liabilities:</b>		
Decrease in financial assets mandatorily measured at fair value through profit or loss	15,771	56,617
Decrease (increase) in notes receivable	108,219	(165,667)
(Increase) decrease in accounts receivable	(1,288,345)	265,545
(Increase) decrease in accounts receivable from related parties	(225,616)	854,916
(Increase) decrease in other receivable	(7,971)	14,127
(Increase) decrease in inventories	(6,002,918)	1,742,108
(Increase) decrease in prepayments	(47,246)	45,373
(Increase) decrease in other current assets	(39,403)	15,853
<b>Total changes in operating assets</b>	<b>(7,487,509)</b>	<b>2,828,872</b>
Increase in contract liabilities	548,537	264,605
Increase (decrease) in notes payable	81,880	(261)
Increase in accounts payable	664,739	131,393
(Decrease) increase in accounts payable to related parties	(8,619)	14,321
Increase in other payables	234,044	447,795
Increase (decrease) in other current liabilities	998	(347)
Decrease in net defined benefit liability	(136,703)	(277,984)
<b>Total changes in operating liabilities</b>	<b>1,384,876</b>	<b>579,522</b>
<b>Net changes in operating assets and liabilities</b>	<b>(6,102,633)</b>	<b>3,408,394</b>
<b>Total adjustments</b>	<b>(6,153,496)</b>	<b>4,524,657</b>
Cash inflow generated from operations	1,048,509	8,913,802
Interest received	10,252	3,430
Dividends received	442,745	86,462
Interest paid	(31,675)	(67,105)
Income taxes paid	(1,009,688)	(544,228)
<b>Net cash flows from operating activities</b>	<b>460,143</b>	<b>8,392,361</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(4,601)	(3,708)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	5,770	13,688
Acquisition of investments accounted for using equity method	-	(39,000)
Proceeds from capital reduction of investments accounted for using equity method	-	71,005
Acquisition of property, plant and equipment	(286,859)	(220,866)
(Increase) decrease in refundable deposits	(614,429)	28,631
Decrease in other receivables	-	702,409
Acquisition of investment properties	(248)	(14,725)
Increase in prepayments for equipment and land	(47,485)	(21,555)
Investments in subsidiaries	(500,092)	-
<b>Net cash flows (used in) from investing activities</b>	<b>(1,447,944)</b>	<b>515,879</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	39,791,892	43,294,031
Decrease in short-term loans	(34,146,451)	(48,253,292)
Increase in short-term notes and bills payable	540,000	2,492,000
Decrease in short-term notes and bills payable	(880,000)	(2,712,000)
Proceeds from long-term loans	1,310,000	2,700,000
Repayments of long-term loans	(710,000)	(4,600,000)
(Decrease) increase in guarantee deposits received	(1,627)	1,074
Payment of lease liabilities	(29,114)	(28,709)
Cash dividends paid	(1,634,807)	(1,355,482)
Capital reduction payments to shareholders	(3,596,544)	-
Repayment of bonds	(600)	-
<b>Net cash flows from (used in) financing activities</b>	<b>642,749</b>	<b>(8,462,378)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(435)</b>	<b>(3,269)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(345,487)</b>	<b>442,593</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>818,176</b>	<b>375,583</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 472,689</b>	<b>818,176</b>

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, 2021 and 2020**

**(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, 2021 and 2020 were approved and authorized for issue by the Board of Directors on March 10, 2022.

**(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. 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, 2021:

- 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”

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from April 1, 2021:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

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

The Company’s adoption of the new amendments, effective for annual period beginning on January 1, 2022, are expected to have the following impacts:

- (i) Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- (ii) Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- (iii) Other amendments

The following amendments are not expected to have a significant impact on the Company’s consolidated financial statements.

- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

**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:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
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"> <li>• requiring companies to disclose their material accounting policies rather than their significant accounting policies;</li> <li>• clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and</li> <li>• clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.</li> </ul>	January 1, 2023

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

(Continued)

## 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 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 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

#### (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.

(Continued)



**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 ;
- (iii) The asset is expected to be realized within twelve months after the reporting date ; or

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

- (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.

(Continued)

**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, financial assets measured at amortized cost, notes and trade receivables, other receivable, guarantee deposit paid and other financial assets), trade receivables and debt investments measured at FVOCI and contract assets.

(Continued)

## TUNG HO STEEL ENTERPRISE CORPORATION

### 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.

(Continued)

## 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.

(Continued)

**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.

(Continued)

**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.

(Continued)



## 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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(l) Leases

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.

(i) 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.

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

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

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.

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.

From January 1, 2021, when the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group will remeasure the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

(ii) 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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(n) Revenue recognition

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.

(i) 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.

(ii) Rebar Processing Services

The Company provides rebar processing services, and the related income is recognized during the financial reporting period of the provision of labor services. If the situation changes, under a fixed price contract, the customer pays a fixed amount according to the agreed schedule. A contract liability is recognized when the payment exceeds the service rendered.

The merged company can only request the customer for payment according to the degree of completion, wherein the amount can be collected after the invoice is issued.

(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.

(Continued)

## TUNG HO STEEL ENTERPRISE CORPORATION

### Notes to the Financial Statements

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.

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.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

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.

(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, 2021 and 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 whether the Company has substantive control over its investees, please refer to the consolidated financial statements for the year ended December 31, 2021.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

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.

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**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash on hand	\$ 1,114	1,080
Checking and demand deposits	471,575	502,197
Repurchase agreement	-	314,899
Cash and cash equivalents on the statement of cash flows	<u><u>\$ 472,689</u></u>	<u><u>818,176</u></u>

(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, 2021 and 2020, certain term deposits were pledged as collateral of performance guarantee and such term deposits were reclassified to other current assets or refundable deposits. Please refer to Note 8 for details.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Publicly listed stocks	\$ 195,744	145,240
Redemption options on convertible bonds	-	1,233
Derivative financial assets not used for hedging		
Foreign exchange forward contracts	-	10,557
Total	<u>\$ 195,744</u>	<u>157,030</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial liabilities at fair value through profit or loss:		
Held for trading financial liabilities		
Derivative instruments not used for hedging		
Foreign exchange forward contracts	\$ <u>5,045</u>	<u>-</u>

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, 2021 and 2020 :

Forward exchange contracts :

	<u>December 31, 2021</u>		
	<u>Nominal amount (in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>
Forward exchange purchased	USD <u>58,801</u>	Sell USD/buy TWD	2022.01.04~2022.03.10
	<u>December 31, 2020</u>		
	<u>Nominal amount (in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>
Forward exchange purchased	USD <u>48,892</u>	Sell USD/buy TWD	2021.01.05~2021.03.30

None of the financial assets were pledged as collateral as of December 31, 2021 and 2020.

(Continued)



**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Equity investments at fair value through other comprehensive income :		
Publicly listed domestic stocks	\$ 498,821	305,948
Unlisted domestic stocks	<u>170,534</u>	<u>151,282</u>
Total	<b><u>\$ 669,355</u></b>	<b><u>457,230</u></b>

- (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) Katec Creative Resources Corp. reduced capital to refunded of shares in 2021, where it realized a loss of \$17,630 thousand, which was recognized as other comprehensive income, and thereafter, was reclassified to retained earnings.
- (iii) 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.
- (iv) For credit risk and market risk; please refer to note 6(y).
- (v) None of the financial assets were pledged as collateral as of December 31, 2021 and 2020.

(d) Notes and accounts receivable and overdue receivables

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Notes receivable from operating activities	\$ 180,697	288,916
Accounts receivable—measured as amortized cost	3,514,659	2,226,313
Accounts receivable from related parties	597,434	371,819
Overdue receivables	63,178	63,178
Less : loss allowance	<u>(85,135)</u>	<u>(85,135)</u>
	<b><u>\$ 4,270,833</u></b>	<b><u>2,865,091</u></b>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

The analysis of expected credit loss of the notes and accounts receivable of the Company as of December 31, 2021 and 2020, was as follows :

<b>December 31, 2021</b>			
<b>Credit rating</b>	<b>Gross carrying amount</b>	<b>Weighted-average rate of expected credit loss</b>	<b>Loss allowance for expected credit losses</b>
With low risk	\$ 1,406,036	-	-
With moderate risk	2,886,754	0.76%	21,957
With financial difficulties	63,178	100%	63,178
	<u><b>\$ 4,355,968</b></u>		<u><b>85,135</b></u>
<b>December 31, 2020</b>			
<b>Credit rating</b>	<b>Gross carrying amount</b>	<b>Weighted-average rate of expected credit loss</b>	<b>Loss allowance for expected credit losses</b>
With low risk	\$ 833,098	-	-
With moderate risk	2,053,950	1.07%	21,957
With financial difficulties	63,178	100%	63,178
	<u><b>\$ 2,950,226</b></u>		<u><b>85,135</b></u>

The aging analysis of notes and accounts receivable as of December 31, 2021 and 2020, which were past due but not impaired, were as follows :

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
1 to 60 days past due	<u><b>\$ 15,955</b></u>	<u><b>48</b></u>

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

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1, 2021 and 2020	\$ 85,135	32,350
Impairment losses recognized	-	52,785
Balance at December 31, 2021 and 2020	<u><b>\$ 85,135</b></u>	<u><b>85,135</b></u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(e) Other receivables

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Other receivables from related parties	\$ 6,600	2,557
Others	7,304	3,381
Less : loss allowance	-	-
	<b><u>\$ 13,904</u></b>	<b><u>5,938</u></b>

No other receivables were impaired resulted from overdue as of December 31, 2021 and 2020. For credit risk, please refer to note 6(y).

(f) Inventories

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Finished goods (including consigned goods)	\$ 1,977,011	2,212,575
Work in process (including goods in transit and consigned goods)	3,702,655	2,745,772
Raw materials (including goods in transit)	8,960,386	4,127,416
Material supplies (including goods in transit and consigned goods)	1,690,002	1,241,373
Inventories, net	<b><u>\$ 16,330,054</u></b>	<b><u>10,327,136</u></b>

For the years ended December 31, 2021 and 2020, cost of sales and services provided recognized was as follows :

	<b>For the years ended December 31, 2021</b>	<b>2020</b>
Cost of goods sold	\$ 37,619,892	28,192,240
Cost of services	21,089	16,897
Unallocated production overheads — capacity variance	28,211	60,936
Revenue from sale of materials and scrap	(86,360)	(68,799)
Total	<b><u>\$ 37,582,832</u></b>	<b><u>28,201,274</u></b>

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, 2021 and 2020.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(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 :

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Subsidiaries		
Tung Yuan International Corp.	\$ 800,070	747,295
Tung Kang Steel Structure Corp.	2,824,418	2,582,939
Goldham Development Ltd.	322,275	317,520
Katec Creative Resources Corp.	779,900	704,204
Tung Kang Wind Power Corp.	582,685	87,766
Fa Da Enterprise Corp.	17,178	17,846
Tung Tang Energy Corp.	53,190	53,707
Tung Ho Steel Vietnam Corp., Ltd.	<u>3,221,055</u>	<u>2,647,378</u>
Subtotal	<u>8,600,771</u>	<u>7,158,655</u>
Associates		
Katec Research & Development Corp.	77,623	66,774
Taiwan Steel Union Co., Ltd.	<u>845,367</u>	<u>793,650</u>
Subtotal	<u>922,990</u>	<u>860,424</u>
Total	<u><b>\$ 9,523,761</b></u>	<u><b>8,019,079</b></u>

(ii) Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2021.

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Carrying amount of individually insignificant associates' equity	<u><b>\$ 922,990</b></u>	<u><b>860,424</b></u>
	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Attributable to the Company :		
Net income from continuing operations	\$ 146,475	104,111
Other comprehensive income	<u>497</u>	<u>875</u>
Comprehensive income	<u><b>\$ 146,972</b></u>	<u><b>104,986</b></u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

- (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 :

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Tung Kang Steel Structure Corp.	\$ 327,958	-
Katec Research & Development Corp.	9,411	3,294
Taiwan Steel Union Co., Ltd.	74,487	64,555
<b>Total</b>	<b>\$ 411,856</b>	<b>67,849</b>

- (v) Collateral

None of the investments accounted for using the equity method were pledged for collateral as of December 31, 2021 and 2020.

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, 2021 and 2020, were as follows :

	<b>Land</b>	<b>Buildings</b>	<b>Machinery equipment</b>	<b>Miscellaneous equipment</b>	<b>Other assets</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Cost or deemed cost:</b>							
Balance as of January 1, 2021	\$ 2,379,625	6,377,184	23,473,880	297,749	533,416	9,543	33,071,397
Additions	39,240	1,210	120,165	10,987	-	109,868	281,470
Reclassification in	245,796	-	22,328	1,534	(245,796)	(1,534)	22,328
Disposals	-	-	-	(5,996)	-	-	(5,996)
Balance as of December 31, 2021	<u>\$ 2,664,661</u>	<u>6,378,394</u>	<u>23,616,373</u>	<u>304,274</u>	<u>287,620</u>	<u>117,877</u>	<u>33,369,199</u>
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	-	(4,325)	(15,088)	(8,920)	-	-	(28,333)
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>
<b>Depreciation :</b>							
Balance as of January 1, 2021	\$ -	3,355,675	17,572,411	182,922	-	-	21,111,008
Depreciation for the period	-	124,941	794,237	25,103	-	-	944,281
Disposals	-	-	-	(5,988)	-	-	(5,988)
Balance as of December 31, 2021	<u>\$ -</u>	<u>3,480,616</u>	<u>18,366,648</u>	<u>202,037</u>	<u>-</u>	<u>-</u>	<u>22,049,301</u>

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**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>
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>
<b>Carrying value</b>							
Balance as of December 31, 2021	<u>\$ 2,664,661</u>	<u>2,897,778</u>	<u>5,249,725</u>	<u>102,237</u>	<u>287,620</u>	<u>117,877</u>	<u>11,319,898</u>
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>

- (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, 2021</u>	<u>December 31, 2020</u>
Property, plant and equipment	\$ 287,620	533,416
Investment property	499,124	529,374
	<u>\$ 786,744</u>	<u>1,062,790</u>

- (ii) Collateral

None of the property, plant and equipment was pledged for collateral as of December 31, 2021 and 2020.

- (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.

- (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, 2021	\$ 146,534	41,075	2,941	11,157	2,678	204,385
Additions	411	4,395	-	2,715	-	7,521
Disposal	(1,134)	(4,395)	-	(6,445)	-	(11,974)
Balance at December 31, 2021	<u>\$ 145,811</u>	<u>41,075</u>	<u>2,941</u>	<u>7,427</u>	<u>2,678</u>	<u>199,932</u>

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Vehicles</u>	<u>Office equipment</u>	<u>Total</u>
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	(300)	(19,522)	-	(248)	-	(20,070)
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>
Accumulated depreciation :						
Balance at January 1, 2021	\$ 25,603	6,162	657	6,683	828	39,933
Depreciation for the period	12,909	12,610	503	3,885	404	30,311
Disposal	-	(4,396)	-	(6,445)	-	(10,841)
Balance at December 31, 2021	<u>\$ 38,512</u>	<u>14,376</u>	<u>1,160</u>	<u>4,123</u>	<u>1,232</u>	<u>59,403</u>
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	(300)	(19,522)	-	(248)	-	(20,070)
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>
Carrying amount :						
Balance at December 31, 2021	<u>\$ 107,299</u>	<u>26,699</u>	<u>1,781</u>	<u>3,304</u>	<u>1,446</u>	<u>140,529</u>
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>

(j) Investment property

	<u>Land and improvements</u>	<u>Buildings</u>	<u>Total</u>
<b>Cost or deemed cost :</b>			
Balance as of January 1, 2021	\$ 1,863,277	335,903	2,199,180
Additions	248	-	248
Balance as of December 31, 2021	<u>\$ 1,863,525</u>	<u>335,903</u>	<u>2,199,428</u>
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	(14,419)	1,352	(13,067)
Balance as of December 31, 2020	<u>\$ 1,863,277</u>	<u>335,903</u>	<u>2,199,180</u>
<b>Depreciation :</b>			
Balance as of January 1, 2021	\$ -	198,345	198,345
Depreciation for the period	-	9,284	9,284
Balance as of December 31, 2021	<u>\$ -</u>	<u>207,629</u>	<u>207,629</u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
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	<b>Land and improvements</b>	<b>Buildings</b>	<b>Total</b>
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	-	1,211	1,211
Balance as of December 31, 2020	<u>\$ -</u>	<u>198,345</u>	<u>198,345</u>
<b>Carrying amounts :</b>			
Balance as of December 31, 2021	<u>\$ 1,863,525</u>	<u>128,274</u>	<u>1,991,799</u>
Balance as of December 31, 2020	<u>\$ 1,863,277</u>	<u>137,558</u>	<u>2,000,835</u>
<b>Fair value :</b>			
Balance as of December 31, 2021			<u>\$ 7,125,300</u>
Balance as of December 31, 2020			<u>\$ 6,731,541</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, 2021 and 2020, the carrying value for the above investment both amounted to \$968,139 thousand.
- (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, 2021 and 2020.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
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(k) Short-term loans

Details of the Company's short-term loans were as follows :

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Unsecured credit loans	\$ 6,700,000	1,725,000
Letters of credit	950,897	280,457
Total	<u>\$ 7,650,897</u>	<u>2,005,457</u>
Unused credit lines	<u>\$ 13,672,155</u>	<u>18,603,771</u>
Range of interest rates	<u>0.40% ~ 0.95%</u>	<u>0.42% ~ 1.20%</u>

(l) Short-term notes and bills payable

Details of the Company's short-term notes and bills payable were as follows :

	<b>December 31, 2020</b>
	<b>Bank of acceptance</b>
	<b>Interest rate</b>
	<b>Amount</b>
Commercial paper payable	IBFC 0.728% \$ 340,000
Less : discount on short-term bills payable	(275)
Total	<u>\$ 339,725</u>

Please refer to Note 6(k) for unused credit lines.

(m) Long-term loans

Details of the Company's long-term loans were as follows :

	<b>December 31, 2021</b>
	<b>Currency</b>
	<b>Interest rate</b>
	<b>Maturity</b>
	<b>Amount</b>
Unsecured bank loans	TWD 0.58% 2023.04.27 \$ 1,800,000
Less: current portion	-
Total	<u>\$ 1,800,000</u>
Unused credit lines	<u>\$ 2,090,000</u>

	<b>December 31, 2020</b>
	<b>Currency</b>
	<b>Interest rate</b>
	<b>Maturity</b>
	<b>Amount</b>
Unsecured bank loans	TWD 0.68% ~ 0.72% 2022.04.27 \$ 1,200,000
Less: current portion	-
Total	<u>\$ 1,200,000</u>
Unused credit lines	<u>\$ 2,405,000</u>

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
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(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	<p>(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.</p> <p>(2) If at least 90% in principal amount of the bonds has already been redeemed, repurchased and cancelled, or converted.</p>
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 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.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
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- (ii) Bonds payable as of December 31, 2021 and 2020, were as follows :

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Originally issued amount of unsecured domestic convertible bonds	\$ 2,000,000	2,000,000
Accumulated redeemed and executed convertible bonds	(600)	-
Accumulated converted convertible bonds	(1,999,400)	(1,274,500)
Adjustment on the equity and liability component from repurchases and conversions	(49,760)	(37,083)
Capital surplus–stock options	-	(29,736)
Call option, put options, and conversion rights	-	1,233
Accumulated interest expenses	49,760	48,979
Less: expected to be redeemed within one year	-	(708,893)
Total	<u>\$ -</u>	<u>-</u>

	<b>For the years ended December 31, 2021</b>	<b>2020</b>
Interest expense	<u>\$ 781</u>	<u>17,500</u>

- (iii) As of December 31, 2021 and 2020, accumulated repurchase and conversion of the seventh unsecured domestic convertible bonds were as follows:

	<b>Face value of the seventh domestic unsecured convertible bonds</b>
Accumulated redemption	
December 31, 2021	\$ <u>600</u>
December 31, 2020	\$ <u>-</u>
Accumulated conversion	
December 31, 2021	\$ <u>1,999,400</u>
December 31, 2020	\$ <u>1,274,500</u>

- (iv) On March 16, 2021, the outstanding balance of the bonds were lower than 10% of the originally issued amount. Therefore, the Company redeemed the remaining 6 issued bonds in cash, at par value, amounting to \$600 thousand, resulting in a loss of \$14 thousand to be recognized, and a capital surplus-stock options of \$25 thousand to be reclassified to capital surplus-others.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
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(o) Lease liabilities

The details of the Company's lease liabilities were as follows :

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Current	\$ <u>21,645</u>	<u>23,939</u>
Non-current	\$ <u>122,001</u>	<u>142,434</u>

The amounts recognized in profit or loss were as follows :

	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on lease liabilities	\$ <u>1,363</u>	<u>1,509</u>
Expenses relating to short-term leases	\$ <u>5,906</u>	<u>4,706</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>1,839</u>	<u>2,314</u>

The amounts recognized in the statement of cash flows was as follows:

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Total cash outflow for leases	\$ <u>38,222</u>	<u>37,238</u>

(i) Real estate leases

As of December 31, 2021, 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 five 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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**TUNG HO STEEL ENTERPRISE CORPORATION**  
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The Company also leases IT equipment 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, 2021 and 2020, a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows :

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Less than one year	\$ 51,119	50,986
One to two years	33,093	32,299
Two to three years	34,024	31,522
Three to four years	2,879	32,453
Four to five years	2,951	2,878
More than five years	<u>7,987</u>	<u>10,938</u>
Total undiscounted lease payments	<b><u>\$ 132,053</u></b>	<b><u>161,076</u></b>

The operating lease revenues for the years ended December 31, 2021 and 2020 were \$49,710 and \$50,136 thousand .

(q) Other payables

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Accrued payroll, year-end bonuses, provisionally estimated bonuses, remuneration of directors and supervisors, and employee benefits	\$ 730,562	492,392
Utilities payable	245,299	283,559
Freight payable	252,566	237,992
Sales bonuses payable	310,451	237,313
Waste disposal payable (including to related parties)	102,786	84,048
Cash dividends payable (including from prior years)	44,526	44,683
Equipment payable	15,208	20,597
Other operating and manufacturing overhead payables(including to related parties)	<u>165,744</u>	<u>236,445</u>
	<b><u>\$ 1,867,142</u></b>	<b><u>1,637,029</u></b>

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
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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 :

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Present value of the defined benefit obligations	\$ 1,571,887	1,608,336
Fair value of plan assets	<u>(1,167,900)</u>	<u>(1,049,511)</u>
Net defined benefit liabilities	<u><b>\$ 403,987</b></u>	<u><b>558,825</b></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, 2021 and 2020, the Company's Bank of Taiwan labor pension reserve account balance amounted to \$1,167,900 thousand and \$1,049,511 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 :

	<b>For the years ended December 31, 2021</b>	<b>2020</b>
Defined benefit obligations at January 1	\$ 1,608,336	1,627,071
Service cost and interest expense for the period	25,339	33,680
Remeasurements of the net defined benefit liability (asset)		
— Experience adjustments	(2,430)	28,290
— Actuarial (gains) losses arising from changes in population statistics assumptions	-	5
Benefits paid	<u>(59,358)</u>	<u>(80,710)</u>
Defined benefit obligations at December 31	<u><b>\$ 1,571,887</b></u>	<u><b>1,608,336</b></u>

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
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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 :

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Fair value of plan assets at January 1	\$ 1,049,511	790,837
Interest income	3,115	5,422
Remeasurements of the net defined benefit liability(assets):		
Return on plan assets (excluding interests for the period)	15,705	27,720
Contributions from employer	158,927	305,572
Benefits paid	(59,358)	(80,040)
Fair value of plan assets at December 31	<b>\$ 1,167,900</b>	<b>1,049,511</b>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows :

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Service costs for the period	\$ 20,608	22,552
Net interest expense of net defined benefit liabilities	1,616	5,706
	<b>\$ 22,224</b>	<b>28,258</b>

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Operating costs	\$ 18,036	22,583
Selling expenses	767	956
Administrative expenses	3,421	4,719
	<b>\$ 22,224</b>	<b>28,258</b>

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, 2021 and 2020, was as follows :

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Accumulated amount at January 1	\$ 344,817	345,391
Recognized during the period	18,134	(574)
Accumulated amount at December 31	<b>\$ 362,951</b>	<b>344,817</b>

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
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6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows :

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Discount rate	0.50 %	0.30 %
Future salary increase rate	2.00 %	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\$62,000 thousand.

The weighted average lifetime of the defined benefits plans is 7.2 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 :

	<b>Effects on the Company's defined benefit obligations</b>	
	<b>Increase by 0.25%</b>	<b>Decrease by 0.25%</b>
December 31, 2021		
Discount rate	\$ (19,297)	19,902
	<b>Effects on the Company's defined benefit obligations</b>	
	<b>Increase by 1%</b>	<b>Decrease by 1%</b>
Future salary increasing rate	80,920	(73,111)
	<b>Effects on the Company's defined benefit obligations</b>	
	<b>Increase by 0.25%</b>	<b>Decrease by 0.25%</b>
December 31, 2020		
Discount rate	(34,777)	35,923
Future salary increasing rate	35,402	(34,456)

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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 2021 and 2020.

(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 \$46,289 thousand and \$43,698 thousand for the years ended December 31, 2021 and 2020, respectively.

(s) Income taxes

(i) The details of income tax expense for the years ended December 31, 2021 and 2020, were as follows :

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Income tax expense for the period		
Current tax expense incurred during the period	\$ 1,264,722	829,711
Adjustments for prior years	<u>3,774</u>	<u>(44,891)</u>
	<u>1,268,496</u>	<u>784,820</u>
Deferred tax expense		
The origination and reversal of temporary differences	<u>27,262</u>	<u>42,261</u>
Income tax expense for continuing operations	<u><b>\$ 1,295,758</b></u>	<u><b>827,081</b></u>

The income tax benefit (expense) related to components of other comprehensive income for the years ended December 31, 2021 and 2020, were as follows :

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Remeasurement from defined benefit plans	<u><b>\$ (3,627)</b></u>	<u><b>115</b></u>

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

The reconciliation of income tax expense and income before income tax for the years ended December 31, 2021 and 2020, were as follows :

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Income before income tax	<u>\$ 7,202,005</u>	<u>4,389,145</u>
Income tax using the Company's domestic tax rate	\$ 1,440,401	877,829
Assessed levied tax on unappropriated earnings of terminated companies in business combination	60,253	-
Permanent difference	(78,267)	(117,286)
Changes of unrecognized temporary difference	(123,981)	118,688
Current investment tax credits used	(6,422)	(7,345)
Difference between administrative remedy and assessment by the tax authority	3,583	1,229
(High)under-estimation from prior periods	191	(46,034)
Total	<u>\$ 1,295,758</u>	<u>827,081</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

There was no unrecognized deferred tax liability as of December 31, 2021 and 2020.

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items :

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Tax effect of deductible temporary differences	\$ 24,707	24,707
Temporary differences related to investment subsidiaries	492,196	616,177
Tax effect of deductible temporary differences	<u>\$ 516,903</u>	<u>640,884</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, 2021 and 2020, were as follows :

	<b>Reserve for land appreciation tax</b>	<b>Others</b>	<b>Total</b>
Deferred tax liabilities :			
Balance as of January 1, 2021	\$ 167,174	4,945	172,119
Recognized in profit or loss	-	(2,305)	(2,305)
Balance as of December 31, 2021	<u>\$ 167,174</u>	<u>2,640</u>	<u>169,814</u>

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	<b>Reserve for land appreciation tax</b>		<b>Others</b>	<b>Total</b>
Balance as of January 1, 2020	\$	167,174	3,026	170,200
Recognized in profit or loss		-	1,919	1,919
Balance as of December 31, 2020	\$	<u>167,174</u>	<u>4,945</u>	<u>172,119</u>

	<b>Defined benefit plans</b>	<b>Unrealized loss on financial assets and liabilities</b>	<b>Reversal of difference on difference between financial and tax reports arising from deferred gain on foreign exchange forward contracts</b>	<b>Others</b>	<b>Total</b>
Deferred tax assets :					
Balance as of January 1, 2021	\$ 50,761	-	16,862	29,408	97,031
Recognized in profit or loss	(27,340)	1,009	(1,905)	(1,331)	(29,567)
Recognized in other comprehensive income	(3,627)	-	-	-	(3,627)
Balance as of December 31, 2021	<u>\$ 19,794</u>	<u>1,009</u>	<u>14,957</u>	<u>28,077</u>	<u>63,837</u>
Balance as of January 1, 2020	\$ 106,243	1,356	18,767	10,892	137,258
Recognized in profit or loss	(55,597)	(1,356)	(1,905)	18,516	(40,342)
Recognized in other comprehensive income	115	-	-	-	115
Balance as of December 31, 2020	<u>\$ 50,761</u>	<u>-</u>	<u>16,862</u>	<u>29,408</u>	<u>97,031</u>

(iii) The Company's income tax returns have been examined by the ROC tax authorities through 2017.

(t) Capital and other equity

(i) Capital stock

As of December 31, 2021 and 2020, 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 730,214 thousand and 1,058,760 thousand shares, respectively. All issued shares were paid up upon issuance.

The capital reduction amounting to \$3,596,576 thousand and the cancelation of the total number of issued common shares of 359,658 thousand shares were based on the resolution approved during the shareholders' meeting held on July 15, 2021. Thereafter, the paid-in capital amounted to \$7,302,138 thousand, with the approval of the Taiwan Stock Exchange Co., Ltd. on September 22, 2021, with Letter No. 1101805121, as well as the Ministry of Economic Affairs on October 21, 2021, with Letter No. 11001185940. The base date for the above capital reduction was set on September 27, 2021, and the Consolidated Company determined to refund the amount, accounted for as other accounts payable, to its shareholders on December 3, 2021.

The holders of convertible bonds exercised certain conversion rights; therefore, the Company issued 31,112 thousand certificates of entitlements for the new shares amounting to \$311,115 thousand, at par value. All related registration procedures had been completed as of December 31, 2021.

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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 2020, the remaining 41,969 thousand shares had been completed as of December 31, 2021.

Reconciliation of shares outstanding for 2021 and 2020 was as follows :

(in thousands of shares)	<b>2021</b>	<b>2020</b>
Balance as of January 1	1,058,760	1,004,061
Conversion of convertible bonds	31,112	54,699
Cash reduction	(359,658)	-
Balance as of December 31	<u><b>730,214</b></u>	<u><b>1,058,760</b></u>

On September 22, 1994, the Company issued 6,000 thousand Global Depositary 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)	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Total issued shares	<u><b>66,187,923</b></u>	<u><b>68,610,809</b></u>
Outstanding shares	<u><b>4,919,192</b></u>	<u><b>7,345,128</b></u>

(ii) Capital surplus

The balances of capital surplus as of December 31, 2021 and 2020, were as follows :

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Additional paid-in capital	\$ 2,289,734	2,289,734
Conversion of bonds	5,014,194	4,587,743
Treasury stock transactions	59,036	59,036
Difference arising from subsidiary's share price and its carrying value	21,511	21,524
Changes in equity of associates accounted for using the equity method	190,445	190,445
Stock options	-	29,736
Others	<u>109,759</u>	<u>109,702</u>
	<u><b>\$ 7,684,679</b></u>	<u><b>7,287,920</b></u>

(Continued)

## TUNG HO STEEL ENTERPRISE CORPORATION

### Notes to the Financial Statements

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, are distributed in cash under the authorized resolution by the Board of Directors attended by two-thirds of the directors and more than half of the attended directors agree, and then report to the board of shareholders. However, if they are distributed not only in cash, then they should be distributed as dividends and earnings distribution under the stockholders' 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 by the FSC, 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, 2021.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

In accordance with Ruling by the FSC, 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

On March 23, 2021, the Company's Board of Directors resolved to appropriate the 2020 earnings. On May 19, 2020, the shareholder's meetings resolved to distribute the 2019 earnings. The relevant dividend distributions to shareholders were as follows :

	<b>2020</b>		<b>2019</b>	
	<b>Amount per share (in dollars)</b>	<b>Total amount</b>	<b>Amount per share (in dollars)</b>	<b>Total amount</b>
Cash dividend appropriated for ordinary shareholders	\$ 1.50	<u><b>1,634,807</b></u>	1.35	<u><b>1,355,482</b></u>

On March 10, 2022, the Company's Board of Directors resolved to appropriate the 2021 earnings. The relevant dividend distributions to shareholders was as follows:

	<b>2021</b>	
	<b>Amount per share (in dollars)</b>	<b>Total amount</b>
Cash dividend appropriated for ordinary shareholders	6.40	<u><b>4,673,368</b></u>

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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

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, 2021	\$ (941,368)	119,005	(822,363)
Exchange differences on translation of foreign operations :			
The Company	449,795	-	449,795
Subsidiaries	(23,329)	-	(23,329)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income :			
The Company	-	207,524	207,524
Associates and subsidiaries	-	1,748	1,748
Others :			
The Company	-	28,736	28,736
Balance as of December 31, 2021	<u>\$ (514,902)</u>	<u>357,013</u>	<u>(157,889)</u>
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	<u>\$ (941,368)</u>	<u>119,005</u>	<u>(822,363)</u>

(u) Earnings per share

(i) Basic earnings per share

The basic earnings per share for the years ended December 31, 2021 and 2020, were calculated on the basis of profit attributable to ordinary shareholders, which were \$5,906,247 thousand and \$3,562,064 thousand, respectively, and the weighted-average number of outstanding ordinary shares, which were 991,957 thousand and 1,012,599 thousand, respectively. The calculations were as follows :

1) Profit attributable to ordinary shareholders of the Company

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Profit attributable to the Company	\$ 5,906,247	3,562,064
Profit attributable to the ordinary shareholders	<u>\$ 5,906,247</u>	<u>3,562,064</u>

2) Weighted-average number of ordinary shares (in thousands of shares)

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Number of outstanding shares	<u>991,957</u>	<u>1,012,599</u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(ii) Diluted earnings per share

The diluted earnings per share for the years ended December 31, 2021 and 2020, were calculated on the basis of profit attributable to ordinary shareholders, which were \$5,907,027 thousand and \$3,564,131 thousand, respectively, and the weighted-average number of outstanding ordinary shares after adjustments for the effect of any potentially dilutive ordinary shares, which were 998,575 thousand and 1,090,985 thousand, respectively. The calculations were as follows :

1) Profit attributable to ordinary shareholders of the Company (diluted) :

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Profit attributable to the ordinary shareholders of the Company (basic)	\$ 5,906,247	3,562,064
Interest expense after tax and valuation of convertible bonds	780	2,067
Profit attributable to the ordinary shareholders of the Company (diluted)	<u>\$ 5,907,027</u>	<u>3,564,131</u>

2) Weighted-average number of ordinary shares (diluted) (in thousands of shares)

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Weighted-average number of outstanding ordinary shares (basic)	991,957	1,012,599
Effects of convertible bonds	3,163	74,852
Effects of employee stock bonus	3,455	3,534
Weighted-average number of outstanding ordinary shares (diluted)	<u>998,575</u>	<u>1,090,985</u>

(v) Revenue from contracts with customers

(i) Disaggregation of revenue

	<b>For the year ended December 31, 2021</b>		
	<b>Sale of goods</b>	<b>Rendering of services</b>	<b>Total</b>
Primary geographical markets:			
Taiwan	\$ 42,387,944	26,932	42,414,876
The United States	14,758	-	14,758
Asia	955,637	-	955,637
Others	2,184,037	-	2,184,037
	<u>\$ 45,542,376</u>	<u>26,932</u>	<u>45,569,308</u>

(Continued)



**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

	<b>For the year ended December 31, 2021</b>		
	<b>Sale of goods</b>	<b>Rendering of services</b>	<b>Total</b>
Main products/services lines:			
Deformed bars	\$ 22,758,734	-	22,758,734
Sections	21,560,836	-	21,560,836
Billets	764,380	-	764,380
Rendering of services	-	26,932	26,932
Others	458,426	-	458,426
	<b>\$ 45,542,376</b>	<b>26,932</b>	<b>45,569,308</b>

	<b>For the year ended December 31, 2020</b>		
	<b>Sale of goods</b>	<b>Rendering of services</b>	<b>Total</b>
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
	<b>\$ 34,244,534</b>	<b>18,901</b>	<b>34,263,435</b>

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
	<b>\$ 34,244,534</b>	<b>18,901</b>	<b>34,263,435</b>

(ii) Contract balances

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Notes receivable	\$ 180,697	288,916	123,249
Accounts receivable	4,112,093	2,598,132	3,771,378
Overdue receivables	63,178	63,178	10,393
Less: allowance for impairment	(85,135)	(85,135)	(32,350)
Total	<b>\$ 4,270,833</b>	<b>2,865,091</b>	<b>3,872,670</b>
	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Contract liabilities — advance receipts	<b>\$ 1,336,905</b>	<b>788,368</b>	<b>530,262</b>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

The amount of revenue recognized for the years ended December 31, 2021 and 2020 that were included in the contract liability balance at the beginning of the period were \$699,067 thousand and \$330,347 thousand, respectively.

For details on accounts receivable and allowance for impairment, please refer to note 6(d).

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.

(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, 2021 and 2020, the Company's estimated employee compensation amounted to \$188,534 thousand and \$114,899 thousand, respectively, and the remuneration of directors amounted to \$150,827 thousand and \$91,919 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, 2021 and 2020. 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, 2021 and 2020, are identical to those of the actual distributions.

(x) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Interest income from bank deposits	\$ 92	126
Other interest income	10,155	3,304
Total Interest income	<b>\$ 10,247</b>	<b>3,430</b>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(ii) Other income

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Rental income	\$ 59,969	60,387
Dividend income	30,889	18,613
Scrap income	8,359	3,586
Total other income	<u><u>\$ 99,217</u></u>	<u><u>82,586</u></u>

(iii) Other gains and losses

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Net loss on disposal of property, plant and equipment	\$ (8)	(858)
Net loss on disposal of investment property	-	(43)
Foreign exchange gain	34,823	31,439
Gain on financial assets at fair value through profit or loss	50,675	50,496
Others	33,206	25,565
Other gains and losses(net)	<u><u>\$ 118,696</u></u>	<u><u>106,599</u></u>

(iv) Finance costs

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Interest Expense		
Bank loans	\$ 31,561	60,642
Amortized interest of domestic corporate bond	781	17,500
Interest on domestic commercial paper	811	1,891
Lease payments	1,363	1,509
Less: Interest capitalization	(327)	(209)
Finance costs(net)	<u><u>\$ 34,189</u></u>	<u><u>81,333</u></u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(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, 2021 and 2020, the maximum exposure to credit risk amounted to \$5,920,899 thousand and \$3,641,703 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.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
<b>December 31, 2021</b>							
Non-derivative financial liabilities							
Unsecured bank loans	\$ 9,450,897	9,474,119	7,664,954	5,291	1,803,874	-	-
Current financial liabilities at fairvalue through profit or loss	5,045	5,045	5,045	-	-	-	-
Lease liabilities	143,646	150,605	12,222	10,543	20,731	43,605	63,504
Accounts payable	2,303,574	2,303,574	2,303,574	-	-	-	-
Other payables	1,867,142	1,867,142	1,867,142	-	-	-	-
Guarantee deposits received	12,707	12,707	12,707	-	-	-	-
	<u>\$ 13,783,011</u>	<u>13,813,192</u>	<u>11,865,644</u>	<u>15,834</u>	<u>1,824,605</u>	<u>43,605</u>	<u>63,504</u>
<b>December 31, 2020</b>							
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	1,637,029	1,637,029	1,637,029	-	-	-	-
Guarantee deposits received	14,334	14,334	14,334	-	-	-	-
	<u>\$ 7,637,385</u>	<u>7,677,319</u>	<u>5,583,128</u>	<u>741,830</u>	<u>1,225,094</u>	<u>53,689</u>	<u>73,578</u>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(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:

	December 31, 2021			December 31, 2020		
	Foreign currency	Exchange rate (in dollars)	TWD	Foreign currency	Exchange rate (in dollars)	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 19,630	27.68	543,358	5,957	28.48	169,655
EUR	2	31.32	63	2	35.02	70
JPY	472	0.2405	114	472	0.2763	130
CNY	24	4.344	104	24	4.377	105
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	34,148	27.68	945,217	9,161	28.48	260,905
EUR	92	31.32	2,881	558	35.02	19,541
JPY	11,550	0.2405	2,778	-	-	-

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, 2021 and 2020, assuming the TWD appreciate or depreciate by 1% against the USD, EUR, JPY, and CNY, while other factors remain constant, as of December 31, 2021 and 2020, were as follows :

	Effect of appreciation on net income after tax	Effect of depreciation on net income after tax
December 31, 2021		
USD (appreciation/depreciation of 1%)	\$ (3,215)	3,215
EUR (appreciation/depreciation of 1%)	(23)	23
JPY (appreciation/depreciation of 1%)	(21)	21
CNY (appreciation/depreciation of 1%)	1	(1)
	<u>\$ (3,258)</u>	<u>3,258</u>
	Effect of appreciation on net income after tax	Effect of depreciation on net income after tax
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**

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, 2021 and 2020, foreign exchange gain (including realized and unrealized portions) amounted to \$34,823 thousand and \$31,439 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 \$94,509 thousand and \$32,055 thousand for the years ended December 31, 2021 and 2020 respectively, assuming all other variable factors remaining constant.

(v) Other market price risk

For the years ended December 31, 2021 and 2020, 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 :

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Securities price at reporting date</b>	<b>Other comprehensive income after tax</b>	<b>Other comprehensive income after tax</b>
Increasing 1%	\$ <u>4,988</u>	<u>3,059</u>
Decreasing 1%	\$ <u>(4,988)</u>	<u>(3,059)</u>

(Continued)

**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, 2021				
	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	\$ 195,744	195,744	-	-	195,744
Financial assets at fair value through other comprehensive income					
Publicly listed domestic stocks	498,821	498,821	-	-	498,821
Equity instruments measured at fair value with no publicly quoted price	170,534	-	-	170,534	170,534
Subtotal	669,355	498,821	-	170,534	669,355
Financial assets measured at amortized cost					
Cash and cash equivalents	472,689	-	-	-	-
Notes and accounts receivable	4,270,833	-	-	-	-
Other receivables	13,904	-	-	-	-
Other current assets	220	-	-	-	-
Refundable deposits	770,843	-	-	-	-
Subtotal	5,528,489	-	-	-	-
Total	\$ 6,393,588	694,565	-	170,534	865,099
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities—foreign exchange forward contract	\$ 5,045	-	5,045	-	5,045
Financial liabilities measured at amortized cost					
Short-term loans	7,650,897	-	-	-	-
Long-term loans	1,800,000	-	-	-	-
Notes and accounts payable	2,303,574	-	-	-	-
Other payables	1,867,142	-	-	-	-
Lease liabilities	143,646	-	-	-	-
Subtotal	13,765,259	-	-	-	-
Total	\$ 13,770,304	-	5,045	-	5,045

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

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
Redemption 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	157,030	145,240	11,790	-	157,030
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	457,230	305,948	-	151,282	457,230
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	3,845,619	-	-	-	-
Total	\$ 4,459,879	451,188	11,790	151,282	614,260
Financial liabilities at fair value through profit or loss					
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	7,623,051	-	717,882	-	717,882
Total	\$ 7,623,051	-	717,882	-	717,882

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 :

Financial assets and financial liabilities 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 discounted cash flows are used to estimate fair values.

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.

(Continued)



## TUNG HO STEEL ENTERPRISE CORPORATION

### Notes to the Financial Statements

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, 2021 and 2020.

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".

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

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 (0.86~5.63 and 0.78~4.09 as of December 31, 2021 and December 31, 2020)	·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 (7.65%~36.40% and 7.46%~34.89% as of December 31, 2021 and December 31, 2020)	

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:

		Changes in assumptions	Changes in fair value reflected in OCI	
	Input		Favorable	Unfavorable
December 31, 2021				
Financial assets at fair value through other comprehensive income				
Investment in equity instrument without an active market	Discount on circulation 7.65%~36.40%	5%	11,276	(11,276)
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)

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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(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.

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.

(Continued)

## TUNG HO STEEL ENTERPRISE CORPORATION

### Notes to the Financial Statements

#### 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 \$15,762,155 thousand as of December 31, 2021. 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.

#### 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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

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 89 to 11 for the year ended December 31, 2021. The external sales for the year ended December 31, 2021 was about \$2,350,000 thousand, which was 5% 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.

(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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

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, 2021 and 2020, were as follows :

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Total liabilities	\$ 16,552,582	9,755,756
Less : cash and cash equivalents	<u>(472,689)</u>	<u>(818,176)</u>
Net liabilities	16,079,893	8,937,580
Total equity	<u>29,542,469</u>	<u>27,503,307</u>
Total capital	<b><u>\$ 45,622,362</u></b>	<b><u>36,440,887</u></b>
Debt-to-capital ratio	<b><u>35.25 %</u></b>	<b><u>24.52 %</u></b>

As of December 31, 2021, 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, 2021 and 2020, were as follows :

	<b>For the years ended December 31, 2021</b>	<b>2020</b>
Reclassification of prepayment of land and equipment to property, plant and equipment	<b><u>\$ 22,328</u></b>	<b><u>41,241</u></b>
Changes in unrealized gain or loss on financial instruments	<b><u>\$ 209,273</u></b>	<b><u>13,631</u></b>
Exchange differences arising from foreign operation	<b><u>\$ 426,466</u></b>	<b><u>(156,771)</u></b>
Increase in property, plant and equipment	\$ 281,470	230,140
Add: payable for equipment as of January 1	20,597	11,323
Less: payable for equipment as of December 31	<u>(15,208)</u>	<u>(20,597)</u>
Cash paid	<b><u>\$ 286,859</u></b>	<b><u>220,866</u></b>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

Reconciliation of liabilities arising from financing activities were as follows:

		Cash flows		Non-cash changes	December 31,
		Proceeds	Repayment	Other	
	<b>January 1, 2021</b>				<b>2021</b>
Short-term loans	\$ 2,005,457	39,791,892	(34,146,452)	-	7,650,897
Long-term loans	1,200,000	1,310,000	(710,000)	-	1,800,000
Short-term notes and bills payable	340,000	540,000	(880,000)	-	-
Bonds payable	708,893	-	-	(708,893)	-
Refundable deposits	14,334	-	(1,627)	-	12,707
Lease liabilities	166,373	-	(29,114)	6,387	143,646
Total liabilities from financing activities	<u>\$ 4,435,057</u>	<u>41,641,892</u>	<u>(35,767,193)</u>	<u>(702,506)</u>	<u>9,607,250</u>

		Cash flows		Non-cash changes	December 31,
		Proceeds	Repayment	Other	
	<b>January 1, 2020</b>				<b>2020</b>
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)	49,448	166,373
Total liabilities from financing activities	<u>\$ 12,718,633</u>	<u>48,487,105</u>	<u>(55,594,001)</u>	<u>(1,176,680)</u>	<u>4,435,057</u>

**(7) Related-party transactions**

**(a) Names and relationship with related parties**

<b>Name of related party</b>	<b>Relationship with the Company</b>
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
Tung Kang Engineering and Construction Corp.	A subsidiary
Fujian Tung Kang Steel Co., Ltd.	A subsidiary
Tung Sugar Energy Service Co., Ltd.	A subsidiary
Duc Hoa International Joint Stock Company	A subsidiary
Fujian Dong Sheng Metal Processing Co., Ltd.	A subsidiary
Katec R & D Corp.	An associate
Taiwan Steel Union Co., Ltd.	An associate

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

<b>Name of related party</b>	<b>Relationship with the Company</b>
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
Eternity Corp.	Same chairman with the Company
Tung Ho Steel Foundation ("THSF")	The entity's principal is the first degree of the Company's chairman
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 :

<b>Relationship</b>	<b>Sales</b>		<b>Accounts receivable</b>	
	<b>For the years ended December 31,</b>		<b>December 31,</b>	<b>December 31,</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Subsidiaries	\$ <u>2,401,437</u>	<u>2,278,682</u>	<u>597,434</u>	<u>371,819</u>

Except for the credit term for sales to Tung Ho Steel Vietnam Corp., Ltd., which is within 120 days, the selling price and credit terms for sales to related parties are not significantly different from those of the other customers.

(ii) Purchases from related parties

<b>Relationship</b>	<b>Purchases</b>		<b>Accounts payable</b>	
	<b>For the years ended December 31,</b>		<b>December 31,</b>	<b>December 31,</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Other related parties	\$ 2,600	-	-	-
Associates	1,475	997	-	1,019
Subsidiaries	<u>1,366,044</u>	<u>1,136,465</u>	<u>24,017</u>	<u>31,617</u>
	<u>\$ 1,370,119</u>	<u>1,137,462</u>	<u>24,017</u>	<u>32,636</u>

The terms of purchase transactions and the payment terms with related parties were not significantly different from those with other vendors.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

- (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, 2021 and 2020, were as follows :

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Downstream unrealized profit from sales	\$ (96,349)	(82,953)
Downstream realized profit from sales	82,953	25,818
	<b>\$ (13,396)</b>	<b>(57,135)</b>

As of December 31, 2021 and 2020, the balances of unrealized profits from downstream sale transactions were \$96,349 thousand and \$82,953 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 and 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 2020, the Company entered into an agreement with Tung Kang Steel Structure Corp. for its "Warehouse of Tung Kang Taichung Distribution Center Expansion Project", at an amount of \$91,880 thousand. The ongoing construction amounting to \$85,755 thousand for the year ended December 31, 2021 was accounted for as construction in progress, with the amount of \$10,234 thousand that has yet to be paid as of the reporting date.

- (v) Endorsement/guarantees provided

The details regarding balances of financing endorsement were as follows :

Expressed in thousands

	<b>December 31, 2021</b>					
	<b>Highest balance for current period</b>		<b>Ending amount (Note)</b>		<b>Actual usage amount</b>	
Subsidiaries	USD\$	372,500	USD	290,900	USD	209,449
Subsidiaries	CNY\$	125,000	CNY	70,000	CNY	12,411

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

	<b>December 31, 2020</b>					
	<b>Highest balance for current period</b>		<b>Ending amount (Note)</b>		<b>Actual usage amount</b>	
Subsidiaries	USD\$	381,500	USD	290,500	USD	158,367
Subsidiaries	USD\$	125,000	USD	75,000	USD	33,379

Note : The credit limit approved by the Board of Directors

(vi) Financing to related parties

	<b>For the year ended December 31, 2020</b>		<b>December 31, 2020</b>
<b>Relationship</b>	<b>Interest income</b>	<b>Interest rate</b>	<b>Interest receivable</b>
Subsidiary – Tung Ho Steel Vietnam Corp., Ltd.	\$ <u>3,212</u>	0.948%~2.144%	<u>-</u>

(vii) Others

	<b>Rental income</b>		<b>Miscellaneous revenue</b>		<b>Sales of scrap (Reduced operating costs)</b>	
	<b>For the years ended December 31,</b>		<b>For the years ended December 31,</b>		<b>For the years ended December 31,</b>	
<b>Relationship</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Subsidiaries	\$ 7,788	7,792	20,127	4,936	3,456	13,660
Associates	3,246	3,246	3,000	-	-	-
Other related parties	4,472	4,328	4,301	6,881	5,024	-
	<u>\$ 15,506</u>	<u>15,366</u>	<u>27,428</u>	<u>11,817</u>	<u>8,480</u>	<u>13,660</u>

	<b>Other operating expenses</b>		<b>Donations</b>		<b>Manufacturing expenses</b>	
	<b>For the years ended December 31,</b>		<b>For the years ended December 31,</b>		<b>For the years ended December 31,</b>	
<b>Relationship</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Subsidiaries	\$ 4,949	3,718	-	-	-	2,065
Associates	4,977	2,617	-	-	8,541	61,016
Other related parties	-	-	3,724	2,450	-	-
	<u>\$ 9,926</u>	<u>6,335</u>	<u>3,724</u>	<u>2,450</u>	<u>8,541</u>	<u>63,081</u>

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

<b>Relationship</b>	<b>Other receivables</b>		<b>Other payables</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Subsidiaries	\$ 2,697	1,496	776	803
Associates	-	-	499	3,286
Other related parties	3,903	1,061	-	-
	<u><b>\$ 6,600</b></u>	<u><b>2,557</b></u>	<u><b>1,275</b></u>	<u><b>4,089</b></u>

<b>Relationship</b>	<b>Deposits received</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Associates	<u><b>\$ 304</b></u>	<u><b>304</b></u>

(c) Compensation of key management personnel

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 40,330	40,160
Post-employment benefits	1,709	2,068
	<u><b>\$ 42,039</b></u>	<u><b>42,228</b></u>

For the years ended December 31, 2021 and 2020, the Company provided a car that cost \$2,490 thousand for the key management personnel of the entity.

**(8) Pledged assets**

The details of the Company's pledged assets were as follows :

<b>Pledged assets</b>	<b>Pledged to secure</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Other current assets	Leases guarantee	\$ 220	-
Refundable deposits	Leases guarantee	8,917	3,993
		<u><b>\$ 9,137</b></u>	<u><b>3,993</b></u>

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**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, 2021	December 31, 2020
Guarantees securities amounts	<u>\$ 8,356,192</u>	<u>8,601,715</u>

- (ii) The amounts of guaranteed notes issued by the Company were as follows :

Nature	December 31, 2021	December 31, 2020
Bank credit limit	\$ 1,000,000	1,000,000
Leases	200	200
Guaranteed payment for purchases of raw materials	<u>59,980</u>	<u>75,580</u>
	<u>\$ 1,060,180</u>	<u>1,075,780</u>

- (iii) The amount of unused outstanding letters of credit was as follows :

	December 31, 2021	December 31, 2020
Unused outstanding letters of credit	<u>\$ 2,117,048</u>	<u>1,582,972</u>

**(10) Losses Due to Major Disasters: None**

**(11) Subsequent Events: None**

(Continued)

**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, 2021			For the year ended December 31, 2020		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	1,309,069	718,203	2,027,272	1,137,749	605,464	1,743,213
Labor and health insurance	113,123	42,443	155,566	100,284	37,723	138,007
Pension expenses	53,126	15,387	68,513	55,884	16,072	71,956
Remuneration of directors	-	150,827	150,827	-	91,919	91,919
Other personnel expenses	38,999	10,732	49,731	37,988	10,444	48,432
Depreciation expenses	910,545	73,331	983,876	910,035	79,300	989,335
Amortization expenses	9,191	1,071	10,262	34,285	1,343	35,628

For the years ended December 31, 2021 and 2020, the Company's additional information of number of employees and employee benefit expenses were as follows :

	For the years ended December 31,	
	2021	2020
Number of employees	<u>1,771</u>	<u>1,766</u>
Number of directors who were not employees	<u>9</u>	<u>9</u>
The average employee benefit	<u>\$ 1,306</u>	<u>1,139</u>
The average salaries and wages	<u>\$ 1,151</u>	<u>992</u>
Adjustment of average employee salary expenses	<u>16.03 %</u>	<u>6.90 %</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.

(Continued)

**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.

(Continued)

## 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 for the year ended December 31, 2021:

##### (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	968,800 (USD35,000)	968,800 (USD35,000)	-	0.653%	2	-	Operating capital	-		-	2,954,247	5,908,494
1	Tung Yuan International Corp.	Duc Hoa International J.S.C	Accounts receivable-related parties	Yes	27,680 (USD1,000)	-	-	3.000%	2	-	Operating capital	-		-	80,023 (USD2,891)	160,018 (USD5,781)

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, 2021.

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	14,771,235	985,880 (USD16,000) (CNY125,000)	508,912 (USD7,400) (CNY70,000)	109,271 (USD2,000) (CNY12,411)	-	1.72 %	14,771,235	Y	N	Y
0	The Company (Note2,3)	Tung Ho Steel Vietnam Corp., Ltd.	2	14,771,235	9,867,920 (USD356,500)	7,847,280 (USD283,500)	5,742,182 (USD207,449)	-	26.56 %	14,771,235	Y	N	N
1	Tung Yuan International Corp. (Note 4, 5)	Best Steel Trade Corp	1	400,031 (USD14,452)	33,216 (USD1,200)	-	-	-	- %	800,063 (USD28,904)	N	N	N
1	Tung Yuan International Corp. (Note 4, 5)	Fujian Sino-Japan Metal Corp.	6	400,031 (USD14,452)	145,320 (USD5,250)	145,320 (USD5,250)	145,320 (USD5,250)	-	18.16 %	800,063 (USD28,904)	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 USD28,904 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: \$14,771,235 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: \$14,771,235 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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to Financial Statements**

(iii) Securities held as of December 31, 2021 (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				Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Stock – Zenitron Corporation	-	(a)	3,825,000	133,110	1.79 %	133,110	None
The Company	Stock – Adlink	-	(a)	966,577	62,634	0.44 %	62,634	"
The Company	Stock – Shiao Kang Warehousing Corp.	One of its directors	(b)	2,384,060	16,235	19.87 %	16,235	"
The Company	Stock – Hexawave Photonic System, Inc.	-	(b)	2,564,023	31,794	6.39 %	31,794	"
The Company	Stock – Overseas Investment & Development Corp.	-	(b)	1,000,000	8,230	1.11 %	8,230	"
The Company	Stock – Power World Fund, Inc.	One of its directors	(b)	677,245	10,680	5.68 %	10,680	"
The Company	Stock – Universal Venture Fund, Inc.	One of its directors	(b)	558,255	8,201	4.76 %	8,201	"
The Company	Stock – Tung Jiang Investment Corp.	One of its directors	(b)	-	36,269	9.12 %	36,269	"
The Company	Stock – Taiwan Aerospace Corp.	-	(b)	1,621,441	27,029	1.19 %	27,029	"
The Company	Stock – Universal Venture Capital Investment Corp.	-	(b)	2,800,000	24,612	2.33 %	24,612	"
The Company	Stock – IBT	-	(b)	1,312,993	7,484	4.17 %	7,484	"
The Company	Stock – Chien Shing Harbour Service Co., Ltd.	One of its directors	(b)	8,203,800	442,185	10.11 %	442,185	"
The Company	Stock – Taiwan High Speed Rail Corporation	-	(b)	1,913,376	56,636	0.03 %	56,636	"
Tung Yuan International Corp.	Chinese Products Promotion Center	-	(b)	2,500	212	0.66 %	212	"
Tung Yuan International Corp.	Tech alliance Corp.	-	(b)	227,500	1,024	5.69 %	1,024	"
Tung Kang Engineering & Construction Corp.	Toko Sanitaryware Trading Development Corp.	-	(b)	150,000	3,602	3.75 %	3,602	"

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

(Continued)



## 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	(1,906,223)	(4.18)%	OA10/OA30	-	-	406,288	9.51%	
The Company	Tung Kang Steel Structure Corp.	Subsidiary of the Company	Purchase	114,009	0.30%	Payable within 60 days	-	-	(1,024)	(0.04)%	
The Company	THSVC	Subsidiary of the Company	Sale	(407,268)	(0.89)%	Payment at the end of the month	-	-	175,602	4.11%	
The Company	THSVC	Subsidiary of the Company	Purchase	916,874	2.42%	120 days after B/L	-	-	-	-%	
Tung Kang Steel Structure Corp.	The Company	Parent company	Sale	(114,009)	(1.24)%	Payable within 60 days	-	-	1,024	0.50%	
Tung Kang Steel Structure Corp.	The Company	Parent company	Purchase	1,906,223	45.81%	OA10/OA30	-	-	(406,288)	(43.65)%	
THSVC	The Company	Parent company	Sale	(916,874)	(16.29)%	120 days after B/L	-	-	-	-%	
THSVC	The Company	Parent company	Purchase	407,268	7.20%	Payment at the end of the month	-	-	(175,602)	(54.50)%	

(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	406,288 (Accounts receivable—related parties)	6.09	-	-	406,288	-
			795 (Other receivables—related parties)	-	-	-	795	-
The Company	THSVC	Subsidiary of the Company	175,602 (Accounts receivable—related parties)	2.97	-	-	71,029	-

(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, 2021 (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, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value			
The Company	Tung Yuan International Corp.	British Virgin Islands	Investment activities	752,434 (USD27,183)	752,434 (USD27,183)	82	100.00 %	800,070	75,018	75,018	Subsidiary
"	Tung Kang Steel Structure Corp.	Taiwan	Metal structure and building component construction	1,775,138	1,775,138	201,121,339	97.48 %	2,824,418	594,025	581,751	Subsidiary
"	Katec R & D Corp.	Taiwan	Waste recycling	35,352	35,352	4,705,332	46.19 %	77,623	44,252	20,439	Associate
"	Goldham Development Ltd.	British Virgin Islands	Investment activities	415,200 (USD15,000)	415,200 (USD15,000)	15,000,000	100.00 %	322,275	5,709	5,372	Subsidiary
"	Taiwan Steel Union Co., Ltd.	Taiwan	Waste disposal	113,291	113,291	24,829,009	22.31 %	845,367	564,869	126,036	Associate
"	Katec Creative Resources Corporation	Taiwan	Waste recycling	1,211,535	1,211,442	95,736,860	99.02 %	779,900	76,373	75,617	Subsidiary
"	Fa Da Enterprise Corp.	Taiwan	Waste recycling	1,000	1,000	100,000	100.00 %	17,178	(131)	(668)	Subsidiary
"	Tung Kang Wind Power Corp.	Taiwan	Electric power generation	655,000	155,000	65,500,000	100.00 %	582,685	(5,155)	(5,081)	Subsidiary
"	Tung Ho Steel Vietnam Corp., Ltd.	Vietnam	Steel industry	5,016,935	5,016,935	-	100.00 %	3,221,055	123,265	123,265	Subsidiary
"	Tung Sugar Energy Service Co., Ltd.	Taiwan	Fertilizer producing and self-used equipment of renewable electric power	54,000	54,000	5,400,000	36.00 %	53,190	(1,437)	(517)	Subsidiary
Tung Yuan International Corp.	3 Oceans International Inc.	Samoa	Investment activities	50,931 (USD1,840)	50,931 (USD1,840)	1,840,000	66.67 %	23,699	6,391	4,261	Subsidiary
Tung Yuan International Corp.	Duc Hoa International J.S.C	Vietnam	Quicklime factory	104,326 (USD3,769)	104,326 (USD3,769)	8,154,419	96.00 %	107,290	18,020	17,300	Subsidiary
Tung Kang Steel Structure Corp.	Tung Kang Engineering & Construction Corp.	Taiwan	Civil engineering	359,340	359,340	25,000,000	100.00 %	260,865	2,024	2,024	Subsidiary

1 USD=27.68 NTD

Note: Fa Da Enterprise Corp. was dissolved in August 2021 by the resolution of the shareholders' meeting and was approved for deregistration in the same month. As of December 31, 2021, the liquidation declaration operation procedure was still in progress.

(Continued)

## 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, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	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	1,439,360 (USD52,000)	( 2 )	508,399 (USD18,367)	-	-	508,399 (USD18,367)	152,739	35.00%	53,459	567,723	-
Fujian Tung Kang Steel Co., Ltd.	Processing of section steels and steel structures	415,200 (USD15,000)	( 2 )	368,974 (USD13,330)	-	-	368,974 (USD13,330)	5,709	100.00%	5,372	322,275	-
Fujian Dong Sheng Metal Processing Co., Ltd.	Metal processing	39,096 (CNY9,000)	( 3 )	-	-	-	-	(4,802)	-% (Note 4)	(2,449)	-	-

Note 1: List of the method of investments

(1) Direct investment

(2) Indirect investment

(3) Others

Note 2: On December 31, 2021, 1 USD = 27.68 NTD, 1 CNY = 4.344 NTD.

Note 3: For the year ended December 31, 2021, 1 USD = 28.01 NTD, 1 CNY = 4.341 NTD.

Note 4: Fujian Tung Kang Steel Co., Ltd. disposed entire holding shares of Fujian Dong Sheng Metal Processing Co., Ltd. and loss of control over it in November 18, 2021.

(ii) Limitation on investment in Mainland China:

(in thousands of New Taiwan Dollars and USD)

Accumulated investment in Mainland China as of December 31, 2021	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment (Note)
932,733 (USD33,697)	932,733 (USD33,697)	17,725,481

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.		108,715,999	14.88 %
Mao sheng Investment Co., Ltd.		46,265,877	6.33 %
He Zhao Investment Co., Ltd.		44,757,750	6.12 %

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, 2021.

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF CASH AND CASH EQUIVALENTS**

**December 31, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Notes</u>
Cash	Cash on hand	\$ 246	
	Revolving funds	868	
	Subtotal	1,114	
Cash in banks	Checking accounts	198,652	
	Demand deposits accounts	256,355	
	Foreign currency demand deposits	16,568	Note 1
	Subtotal	471,575	
Total		<u>\$ 472,689</u>	

Note 1: Total amount of foreign currency	USD 591,473 (dollars)
	JPY 470,749 (dollars)
	EUR 636 (dollars)
	CNY 14,413 (dollars)
Exchange rate	USD →NT @27.68
	JPY →NT @0.2405
	EUR →NT @31.32
	CNY →NT @4.344

## TUNG HO STEEL ENTERPRISE CORPORATION

## DETAILS OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS-CURRENT

December 31, 2021

(Expressed in thousands of New Taiwan Dollars/USD)

Name of financial instruments—current	Description	Number of shares or unit	Book value	Total amount/ Nominal amount	Interest rate %	Acquisition costs	Fair value	
							Unit price	Amount
Financial assets held for trading:								
Stock:								
Zenitron	Publicly List	3,825,000	\$ 10	38,250	-	92,166	34.80	133,110
Adlink	Publicly List	966,577	10	9,666	-	30,957	64.80	62,634
Total						\$ 123,123		195,744

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF NOTES RECEIVABLE**

**December 31, 2021**

**(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	\$ 39,679
Chung Lin Construction	Payment for goods	38,602
Sheng Kun Construction	Payment for goods	36,579
S.T.Y STEELS	Payment for goods	24,812
Yi Cheng Construction	Payment for goods	12,231
Others (Note)	Payment for goods	<u>28,794</u>
Total notes receivable		180,697
Less: Allowance for impairment		<u>(423)</u>
Total		<u><u>\$ 180,274</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, 2021**

**(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	\$ 406,288
Tung Kang Engineering and Construction	Payment for goods	15,544
Tung Ho Steel Vietnam Corp., Ltd.	Payment for goods	<u>175,602</u>
Subtotal		<u>597,434</u>
Non-related parties:		
BES Engineering Corporation	Payment for goods	184,167
Others (Note)	Payment for goods	<u>3,330,492</u>
Subtotal		<u>3,514,659</u>
Total accounts receivable		4,112,093
Less: Allowance for impairment		<u>(21,534)</u>
Total		<u><u>\$ 4,090,559</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, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Amount</u>
Revenue of selling scrap iron and material supplies (related parties included)	\$ 4,820
Revenue of disposing metal shavings	3,388
Revenue of technical service (related parties included)	1,747
Others (related parties included)	<u>3,949</u>
Total	<u><u>\$ 13,904</u></u>

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF INVENTORIES**

**December 31, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

Items	Description	Amount		Notes
		Cost	Market price	
Finished goods	Deformed bars	\$ 1,182,129	1,318,836	Market price based on net realizable value
	Sections	668,022	886,914	"
	Universal plates	126,860	153,189	"
	Subtotal	1,977,011	2,358,939	
Work in process	Billets	1,678,849	1,922,338	"
	Beam blank	1,876,019	2,514,710	"
	Bloom	147,787	160,773	"
	Subtotal	3,702,655	4,597,821	
Raw materials	Scrap iron	8,960,386	10,569,007	"
Material supplies	Electrode rods	286,012	323,526	"
	Silicon iron	80,827	88,317	"
	Manganese iron	34,858	36,400	"
	Silicon manganese	159,439	163,476	"
	Vanadium iron	135,933	149,302	"
	Roller	6,667	6,147	"
	Roller ring	81,682	82,094	"
	Other material	904,584	786,040	"
	Subtotal	1,690,002	1,635,302	
Inventories, net		<u>\$ 16,330,054</u>	<u>19,161,069</u>	



**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF PREPAYMENTS**

**December 31, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Prepaid expenses	Prepaid supplies expenses	\$ 97,245
	Insurance premium and rent expenses	15,247
	Prepaid heavy oil and maintenance expenses	1,618
	Others	<u>8,545</u>
	Subtotal	122,655
Prepayments for goods		47,536
Other prepayments		<u>10,817</u>
Total		<u><u>\$ 181,008</u></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, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

Name of company	Balance as of January 1, 2021		Increase and reclassification		Decrease and reclassification		Investment income recognized under the equity method (loss)	Balance as December 31, 2021		Net value or market price	Pledged or collateralized
	Share	Amount	Share	Amount	Share	Amount		Share	Share- holding percentage		
Subsidiaries:											
Tung Yuan International Corp.	82	\$ 747,295	-	1,086 (Note 6,7)	-	23,329 (Notes 1)	75,018	82	100.00 %	800,070	None
Tung Kang Steel Structure Corp.	197,565,134	2,582,939	3,556,238	1,082 (Note 3,6)	-	341,354 (Notes 2,5)	581,751	201,121,372	97.48 %	2,824,418	None
Goldham Development Ltd.	15,000,000	317,520	-	-	-	617 (Notes 1)	5,372	15,000,000	100.00 %	322,275	None
Katec Creative Resources Corp.	95,724,402	704,204	12,458	79 (Note 4)	-	-	75,617	95,736,860	99.02 %	779,900	None
Tung Kang Wind Power Corp.	15,500,000	87,766	50,000,000	500,000 (Note 4)	-	-	(5,081)	65,500,000	100.00 %	582,685	None
Fa Da Enterprise Corp.	100,000	17,846	-	-	-	-	(668)	100,000	100.00 %	17,178	None
Tung Sugar Energy Service Corp.	5,400,000	53,707	-	-	-	-	(517)	5,400,000	36.00 %	53,190	None
Tung Ho Steel Vietnam Corp., Ltd.	-	2,647,378	-	450,412 (Note 1)	-	-	123,265	-	100.00 %	3,221,055	None
Subtotal		<u>7,158,655</u>		<u>952,659</u>		<u>365,300</u>	<u>854,757</u>			<u>8,600,771</u>	
Associates:											
Katec R&D Corp.	4,705,332	66,774	-	497 (Note 6)	-	10,087 (Notes 3, 5)	20,439	4,705,332	46.19 %	77,623	None
Taiwan Steel Union Co., Ltd.	24,829,009	793,650	-	168 (Note 3)	-	74,487 (Note 5)	126,036	24,829,009	22.31 %	845,367	None
Subtotal		<u>860,424</u>		<u>665</u>		<u>84,574</u>	<u>146,475</u>			<u>922,990</u>	
Total		<u>\$ 8,019,079</u>		<u>953,324</u>		<u>449,874</u>	<u>1,001,232</u>			<u>9,523,761</u>	

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 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, 2021

(Expressed in thousands of New Taiwan Dollars)

Name of company	Balance as of January 1, 2021		Increase and reclassification		Decrease and reclassification		Balance as December 31, 2021		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	\$ 18,357	-	-	-	2,122	2,384,060	16,235	None
Hexawave Photonic System, Inc.	2,564,023	24,435	-	7,359	-	-	2,564,023	31,794	None
Taiwan Aerospace Corp.	1,621,441	25,084	-	1,945	-	-	1,621,441	27,029	None
Overseas Investment & Development Corp.	1,000,000	7,030	-	1,200	-	-	1,000,000	8,230	None
Power World Fund, Inc.	677,245	10,261	-	419	-	-	677,245	10,680	None
Universal Venture Fund, Inc.	558,255	7,497	-	704	-	-	558,255	8,201	None
IBT II Venture Capital Co.	1,312,993	5,252	-	2,232	-	-	1,312,993	7,484	None
Tung Jing Investment Corp.	-	32,478	-	4,601 (Notes 1, 3)	-	810 (Note 2)	-	36,269	None
Universal Venture Capital Investment Corp.	2,800,000	20,888	-	3,724	-	-	2,800,000	24,612	None
Katec Creative Resources Corp.—preferred stock	577,031	-	-	-	577,031	-	-	-	None
Subtotal		151,282		22,184		2,932		170,534	
Public listed stocks — Taiwan High Speed Rail Corporation	1,913,376	60,654				4,018	1,913,376	56,636	None
Stock listed on emerging markets — Chien Shing Harbour Service Co., Ltd.	8,203,800	245,294	-	196,891	-	-	8,203,800	442,185	None
Subtotal		305,948		196,891		4,018		498,821	
Total		\$ 457,230		219,075		6,950		669,355	

Note 1 : New acquisition

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF REFUNDABLE DEPOSITS**

**December 31, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Refundable deposits	National land purchase deposit of the Ministry of Finance	\$ 645,463
	Gas procurement guarantees	64,481
	Golf card deposits	41,500
	Lease deposits	12,031
	Performance guarantees	<u>7,368</u>
Total		<u>\$ 770,843</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, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Amount</b>
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>\$ -</u></u>

## TUNG HO STEEL ENTERPRISE CORPORATION

## DETAILS OF SHORT-TERM LOANS

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Bank	Description	Balance as of December 31, 2021	Duration	Interest rate	Amount	Pledge or collateralized
HSBC Bank	Unsecured loans	\$ 1,110,000	October 12, 2021 ~ May 23, 2022	0.58%	1,150,000	None
Bank of Taiwan	Unsecured loans	640,000	October 19, 2021 ~ March 29, 2022	0.62%	700,000	None
First Commercial Bank	Unsecured loans	230,000	December 21, 2021 ~ January 20, 2022	0.65%	1,000,000	None
Taipei Fubon Bank	Unsecured loans	1,100,000	September 10, 2021 ~ March 9, 2022	0.58%-0.59%	1,600,000	None
Cathay United Bank	Unsecured loans	600,000	December 21, 2021 ~ January 21, 2022	0.63%	700,000	None
Agricultural Bank of Taiwan	Unsecured loans	800,000	November 12, 2021 ~ February 25, 2022	0.60%	800,000	None
O Bank	Unsecured loans	110,000	November 30, 2021 ~ February 25, 2022	0.60%	200,000	None
Standard Chartered Bank	Unsecured loans	390,000	December 29, 2021 ~ March 29, 2022	0.60%	420,000	None
DBS Bank	Unsecured loans	520,000	November 9, 2021 ~ March 9, 2022	0.60%	570,000	None
Yuantan Bank	Unsecured loans	700,000	December 9, 2021 ~ March 29, 2022	0.62%	800,000	None
E. Sun Bank	Unsecured loans	500,000	December 30, 2021 ~ January 17, 2022	0.63%	600,000	None
		<u>6,700,000</u>				
Bank of Taiwan	Letter of credit	70,230	August 31, 2021 ~ June 21, 2022	0.42%-0.71%	855,000	None
Land Bank of Taiwan	Letter of credit	13,707	October 7, 2021 ~ April 5, 2022	0.69%	800,000	None
Taiwan Corporative Bank	Letter of credit	2,300	October 22, 2021 ~ April 20, 2022	0.64%-0.71%	1,200,000	None
First Commercial Bank	Letter of credit	6,173	December 14, 2021 ~ March 7, 2022	0.74%	1,500,000	None
Hua Nan Commercial Bank	Letter of credit	381,965	August 20, 2021 ~ June 28, 2022	0.64%-0.84%	2,000,000	None
The Shanghai Commercial & Savings Bank	Letter of credit	3,291	December 8, 2021 ~ March 18, 2022	0.81%-0.95%	285,000	None
Taipei Fubon Bank	Letter of credit	17,056	November 2, 2021 ~ June 26, 2022	0.68%-0.82%	1,480,000	None
Cathay United Bank	Letter of credit	103,690	September 21, 2021 ~ June 28, 2022	0.66%-0.74%	960,000	None
Bank of Kaohsiung	Letter of credit	10,136	December 27, 2021 ~ June 27, 2022	0.74%	450,000	None
Taishin Bank	Letter of credit	20,965	December 23, 2021 ~ February 23, 2022	0.82%-0.84%	1,200,000	None
O-Bank	Letter of credit	16,196	December 1, 2021 ~ March 9, 2022	0.71%-0.76%	200,000	None
Taiwan Business Bank	Letter of credit	247,573	November 18, 2021 ~ March 29, 2022	0.40%-0.49%	427,500	None
Taichung Bank	Letter of credit	12,034	November 9, 2021 ~ June 15, 2022	0.81%-0.91%	285,000	None
DBS Bank	Letter of credit	2,459	December 6, 2021 ~ June 2, 2022	0.78%	570,000	None
Union Bank of Taiwan	Letter of credit	14,270	November 11, 2021 ~ March 28, 2022	0.75%-0.84%	300,000	None
E. Sun Bank	Letter of credit	6,867	October 8, 2021 ~ April 15, 2022	0.67%	712,500	None
Chang Hwa Bank	Letter of credit	20,083	December 27, 2021 ~ March 30, 2022	0.71%	1,000,000	None
KGI Bank	Letter of credit	1,902	December 29, 2021 ~ June 29, 2022	0.90%	200,000	None
Subtotal		<u>950,897</u>				
Total		<u><u>\$ 7,650,897</u></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 NOTES PAYABLE**

**December 31, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Objects</u>	<u>Description</u>	<u>Amount</u>
Non-related parties:		
E-SHENG Steel	Operating expenses	\$ 67,561
Tung Kang Transportation	Operating expenses	11,392
Yi Tsai Transportation	Operating expenses	9,830
Lung Chang Transportation	Operating expenses	7,347
Others (Note)	Operating expenses	<u>46,574</u>
Total		<u><u>\$ 142,704</u></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, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Objects</u>	<u>Description</u>	<u>Amount</u>
Related parties:		
Tung Kang Engineering and Construction Corp.	Payment for goods	\$ 19,378
Duc Hou International J.S.C.	Payment for goods	3,615
Tung Kang Steel Sturcture Corp.	Payment for goods	<u>1,024</u>
Subtotal		<u>24,017</u>
Non-related parties:		
Hong Kuan Material	Payment for goods	177,205
Others (Note)	Payment for goods	<u>1,959,648</u>
Subtotal		<u>2,136,853</u>
Total		<u><u>\$ 2,160,870</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, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Non-related parties:		
Immense Team Construction & Building	Payment for goods	\$ 82,699
Xu Yuan Construction	Payment for goods	74,816
Tung Ying Construction	Payment for goods	61,068
Others (Note)		<u>1,118,322</u>
Total contract liabilities		<u><u>\$ 1,336,905</u></u>

Note: Consisting of individual accounts of less than 5% of the total amount

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF LONG-TERM LOANS**

**December 31, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Bank</b>	<b>Duration</b>	<b>Nature</b>	<b>Interest rate</b>	<b>Amount</b>	<b>Pledged or Collateralized</b>
Mizuho Bank	April 27, 2021 ~ April 27, 2023 Principal repaid at maturity	Repayment of loan and improvement of financial structure	0.58%	\$ <u><u>1,800,000</u></u>	None

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF GUARANTEE DEPOSITS**

**December 31, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
Related parties:		
Katec Research and 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
Qianzhen Land	Rental deposits	1,630
Kang Shiung Construction	Performance guarantee	1,071
WEIBELL Enterprises	Performance guarantee	606
Others (Note)	Rental deposits and performance guarantee	<u>497</u>
Subtotal		<u>12,403</u>
Total		<u><u>\$ 12,707</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, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Deformed steel bar	1,183,310 tons	\$ 22,764,068
Billet	40,619 tons	765,281
H-beams	706,730 tons	17,764,270
Universal plate	106,686 tons	2,671,734
I-beams	2,950 tons	82,168
Channel steel	55,531 tons	1,383,591
Raw material and other steel	12,749 tons	458,662
Others	- tons	<u>26,932</u>
Total operating revenue		45,916,706
Less: Sales returns		(1,438)
Sales allowances		<u>(345,960)</u>
Net operating revenue		<u><u>\$ 45,569,308</u></u>

## TUNG HO STEEL ENTERPRISE CORPORATION

## DETAILS OF OPERATING COSTS

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Items	Amount	
	Subtotal	Total
Manufacturing:		
(a) Direct raw materials		
Beginning balance of raw materials	\$ 4,127,416	
Self-manufactured transferred in	43,267,561	
Purchases of raw materials	30,961,985	
Sale of raw materials	(3,951)	
Reclassification to manufacturing overhead	(1,489)	
Reclassification to donation expenses	(1,869)	
Reclassification to other expenses	(1,374)	
Transfer to material supplies	(543)	
Transfer to finished goods	(419)	
Transfer to work in process	(10,242)	
R&D scrap transferred in	1,429	
Roller scrap transferred in	12,295	
Ending balance of raw materials	(8,960,386)	
Cost of direct raw materials consumed		69,390,413
(b) Indirect raw materials		
Beginning balance of raw materials	1,235,123	
Purchases of raw materials	4,627,554	
Sale of material supplies	(5,506)	
Reclassification to manufacturing overhead	(1,188,884)	
Reclassification to deferred expenses and prepaid expenses	(290,587)	
Reclassification to construction in progress and equipment	(10,955)	
Transfer to finished goods	(849)	
Transfer from material supplies	543	
Ending balance of raw materials	(1,679,921)	
Reclassification to consigned goods	(3,831)	
Cost of indirect materials consumed		2,682,687
(c) Direct labor, net		915,725
(d) Manufacturing overhead, net		6,300,845
Manufacturing cost		79,289,670
(e) Cost of by-products		(1,349,382)
Cost of finished goods (work in process)		77,940,288
(f) Beginning balance of work in process	2,741,459	
(g) Purchases of work in process	1,047,255	
(h) Raw materials transferred in	10,242	
(i) Consigned goods transferred in	16,322	
(j) Work in process transferred to raw materials	(32,844,258)	
(k) Transfer to consigned goods	(1,041,029)	
(l) Ending balance of work in process	(3,655,241)	
(m) Reclassification to other expenses	(861)	
Subtotal		(33,726,111)
Cost of finished goods		
(n) Beginning balance of finished goods	2,030,420	
(o) Finished goods transferred to raw materials	(9,073,502)	
(p) Material supplies transferred to finished goods	849	
(r) Finished goods transferred to construction in progress and prepayment of equipment	(15,750)	
(s) Consigned goods transferred to finished goods	7,051,976	
(t) Transfer to consigned goods	(6,107,071)	
(u) Ending balance of finished goods	(1,752,959)	
(v) Reclassification to other expenses	(1,050)	
(w) Reclassification to deferred expenses	(1,771)	
(x) Temporary adjustments for downstream/ upstream transactions	5,759	
Subtotal		(7,863,099)
Cost of work in process and finished goods		36,351,078
(y) Cost of by-products		
Beginning balance of by-products	-	
By-products manufactured	1,349,382	
By-product transferred to raw materials	(1,349,382)	
Ending balance of by-products	-	
Cost of by-products		-
(z) Cost of consigned goods		
Beginning balance of consigned goods	192,718	
Raw materials transferred in	3,831	
Work in process transferred in	1,041,029	
Finished goods transferred in	6,107,071	
Transfer to cost of equipment	5,498	
Transfer to work in process	(16,624)	
Transfer to finished goods	(7,051,976)	
Ending balance of consigned goods	(281,547)	
Cost of goods sold — manufacturing		
Selling:		
Beginning inventory	-	
Purchases	1,268,814	
Ending inventory	-	
Cost of goods sold — selling		1,268,814
Work in process		21,089
Adjustment for capacity variance		28,211
Revenue from sale of raw materials and scrap		(86,360)
Operating costs		\$ 37,582,832

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF MANUFACTURING EXPENSES**

**For the year ended December 31, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Amount</u>
Indirect labor	\$ 389,388
Utilities expense	2,492,431
Depreciation	910,545
Amortization	9,191
Repair and maintenance	734,968
Equipment insurance	26,329
Labor insurance	60,597
National health insurance	52,526
Meal expenses	38,999
Employee benefits	23,861
Pension	53,126
Fuel expenses	787,154
Cleaning expense	330,575
Taxes	40,092
Professional service fee	82,064
Packaging fee	63,955
Others	<u>205,044</u>
Total	<u><u>\$ 6,300,845</u></u>

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF OPERATING EXPENSES**

**For the year ended December 31, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Selling expenses</u>	<u>Administrative expenses</u>	<u>Total</u>
Salaries	\$ 66,943	651,260	718,203
Freight expense	651,953	197,493	849,446
Taxes	18	56,696	56,714
Depreciation	2,219	71,112	73,331
Amortizations	-	1,072	1,072
Meal expense	1,355	9,377	10,732
Labor pension	2,889	12,498	15,387
Export expense	32,079	-	32,079
Labor insurance	2,168	23,471	25,639
National health insurance	2,807	13,997	16,804
Others	53,009	113,862	166,871
Total	<u>\$ 815,440</u>	<u>1,150,838</u>	<u>1,966,278</u>

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**DETAILS OF NON-OPERATING INCOME AND EXPENSES**

**For the year ended December 31, 2021**

**(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	\$ 55,756
Net loss on financial liabilities at fair value through profit or loss	(5,081)
Net foreign exchange gain	34,823
Directors' remuneration and transportation fee	13,056
Technical service revenue	13,452
Foreign worker board and lodging income	3,413
Gain on disposal of metal shavings	4,410
Net loss on disposal of property, plant, and equipment	(8)
Net loss on asset damage compensation	(204)
Others	<u>(921)</u>
Total	<u><u>\$ 118,696</u></u>



**TUNG HO STEEL ENTERPRISE CORPORATION AND  
SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2021 and 2020**

**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, 2021 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 10, 2022



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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, 2021 and 2020, 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, 2021 and 2020, 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 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. 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, 2021 and 2020, 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, 2021. 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 deformed bars and sections. 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 ;
- taking appropriate samples, verifying the relevant internal and external information, and confirming whether the control of goods has already been transferred to the buyer, as well as assessing the appropriateness of the timing and amount of revenue recognition ;
- 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 ;
- taking appropriate samples and verifying the relevant internal and external information to confirm the adequacy and reasonableness of the net realized value basis used by management ;
- 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(c) “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 the future cash flow forecast and the evaluation of the discount rate of the Vietnam subsidiary of the Company ;
- discussing with management, and raising professional skepticism of the significant key judgments used in forecasting future cash flows ;
- understanding whether the reference basis of the discount rate used by the Company's management is consistent, and comparing it with relevant internal and external information, evaluating whether the discount rate used by the management is reasonable. In addition, performing verification process on the value-in-use of the assets calculated by the Company's management.

**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 10, 2022

#### 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, 2021 and 2020**

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020			December 31, 2021		December 31, 2020	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Assets</b>					<b>Liabilities and equity</b>				
<b>Current assets:</b>					<b>Current liabilities:</b>				
1100 Cash and cash equivalents (Note 6(a))	\$ 1,530,394	3	1,933,168	4	2100 Short-term loans (Note 6(m))	\$ 13,325,964	24	5,315,701	12
1110 Current financial assets at fair value through profit or loss (Note 6(b))	195,744	-	157,030	-	2110 Short-term notes and bills payable (Note 6(n))	99,987	-	559,714	1
1140 Current contract assets (Note 6(x))	3,617,001	7	2,794,916	6	2120 Current financial liabilities at fair value through profit or loss (Note 6(b))	5,045	-	-	-
1150 Notes receivable, net (Notes 6(d)(x))	291,913	-	516,034	1	2130 Current contract liabilities (Note 6(x))	2,532,606	5	1,583,258	4
1170 Accounts receivable, net (Notes 6(d)(x) and 7)	3,952,400	7	2,746,734	6	2150 Notes payable	149,471	-	90,840	-
1200 Other receivables, net (Notes 6(e) and 7)	16,708	-	12,389	-	2170 Accounts payable (Note 7)	3,023,740	6	2,262,079	5
1310 Inventories, net (Note 6(f))	20,495,166	37	12,227,393	28	2200 Other payables (Notes 6(s) and 7)	2,129,262	4	1,861,089	4
1410 Prepayments	343,546	1	177,259	1	2230 Current tax liabilities	949,307	2	718,397	2
1470 Other current assets (Notes 6(i) and 8)	951,297	2	627,219	2	2250 Current provisions	995	-	695	-
<b>Total current assets</b>	<b>31,394,169</b>	<b>57</b>	<b>21,192,142</b>	<b>48</b>	2280 Current lease liabilities (Note 6(q))	40,364	-	48,243	-
<b>Non-current assets:</b>					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))	674,193	1	463,716	1	2322 Long-term loans, current portion (Note 6(o))	724,418	1	650,367	1
1550 Investments accounted for using the equity method, net (Note 6(i))	1,490,713	3	1,378,741	3	2399 Other current liabilities, others	12,532	-	16,507	-
1600 Property, plant and equipment (Note 6(j))	18,002,034	33	18,390,406	42	<b>Total current liabilities</b>	<b>22,993,691</b>	<b>42</b>	<b>13,815,783</b>	<b>31</b>
1755 Right-of-use assets (Note 6(k))	394,666	1	423,848	1	<b>Non-current liabilities:</b>				
1760 Investment property, net (Notes 6(j)(l))	1,928,940	3	1,936,246	4	2540 Long-term loans (Note 6(o))	1,817,857	3	1,857,915	4
1780 Intangible assets	185,611	-	163,396	-	2570 Deferred tax liabilities (Note 6(u))	169,953	-	172,180	1
1840 Deferred tax assets (Note 6(u))	86,431	-	115,591	-	2580 Non-current lease liabilities (Note 6(q))	191,522	-	229,851	1
1900 Other non-current assets (Notes 6(i) and 8)	87,156	-	95,286	-	2640 Non-current defined benefit liability, net (Note 6(i))	403,987	1	558,825	1
1911 Natural resources	23,936	-	30,073	-	Guarantee deposits received (Note 7)	12,768	-	16,584	-
1915 Prepayments for equipment	155,867	-	60,673	-	Non-current provisions	80,389	-	62,124	-
1920 Refundable deposits (Notes 6(l) and 8)	979,036	2	170,969	1	<b>Total non-current liabilities</b>	<b>2,676,476</b>	<b>4</b>	<b>2,897,479</b>	<b>7</b>
<b>Total non-current assets</b>	<b>24,008,583</b>	<b>43</b>	<b>23,228,945</b>	<b>52</b>	<b>Total liabilities</b>	<b>25,670,167</b>	<b>46</b>	<b>16,713,262</b>	<b>38</b>
<b>Total assets</b>	<b>\$ 55,402,752</b>	<b>100</b>	<b>\$ 44,421,087</b>	<b>100</b>	<b>Equity (Note 6 (v)):</b>				
					3100 Capital stock	7,302,138	13	10,587,599	24
					3200 Capital surplus	7,684,679	14	7,287,920	16
					Retained earnings:				
					3310 Legal reserve	4,128,399	7	3,775,123	9
					3320 Special reserve	822,363	2	706,221	2
					3350 Unappropriated retained earnings	9,762,779	18	5,968,807	13
					Total retained earnings	14,713,541	27	10,450,151	24
					3400 Other equity interest	(157,889)	-	(822,363)	(2)
					Total equity attributable to owners of the parent	29,542,469	54	27,503,307	62
					36XX Non-controlling interests	190,116	-	204,518	-
					<b>Total equity</b>	<b>29,732,585</b>	<b>54</b>	<b>27,707,825</b>	<b>62</b>
					<b>Total liabilities and equity</b>	<b>\$ 55,402,752</b>	<b>100</b>	<b>\$ 44,421,087</b>	<b>100</b>

See accompanying notes to consolidated financial statements.

(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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (Notes 6(x) and 7)	\$ 58,795,089	100	42,866,290	100
5000	Operating costs (Notes 6(f)(t)(y) and 7)	49,321,315	84	36,245,586	85
5900	Gross profit from operations	9,473,774	16	6,620,704	15
6000	Operating expenses:				
6100	Selling expenses (Notes 6(t)(y) and 7)	953,430	2	846,197	2
6200	Administrative expenses (Notes 6(t)(y) and 7)	1,454,012	2	1,284,486	3
6450	Expected credit loss (Note 6(d))	6,727	-	68,534	-
6500	Total operating expenses	2,414,169	4	2,199,217	5
6900	Operating income	7,059,605	12	4,421,487	10
7000	Non-operating income and expenses:				
7010	Other income (Notes 6(z) and 7)	95,605	-	75,927	-
7100	Interest income (Note 6(z))	15,410	-	8,261	-
7020	Other gains and losses, net (Notes 6(e)(h)(q)(z) and 7)	129,658	-	93,620	-
7050	Finance costs, net (Note 6(z))	(149,501)	-	(189,937)	-
7060	Share of profit of associates accounted for using the equity method, net (Note 6(i))	199,934	-	80,212	-
	Total non-operating income and expenses	291,106	-	68,083	-
7900	Income before income tax	7,350,711	12	4,489,570	10
7950	Less: income tax expenses (Note 6(u))	1,429,160	2	932,987	2
	Net income	5,921,551	10	3,556,583	8
8300	Other comprehensive income:				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Losses on remeasurements of defined benefit plans (Note 6(t))	18,536	-	(559)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	208,795	-	13,041	-
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))	(11)	-	875	-
8349	Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Notes 6(t)(u))	3,707	-	(112)	-
	Total items that will not be reclassified subsequently to profit or loss	223,613	-	13,469	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	416,918	1	(153,477)	-
8399	Less: income tax related to components of other comprehensive income that may be reclassified to profit or loss	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	416,918	1	(153,477)	-
8300	Other comprehensive income for the period	640,531	1	(140,008)	-
8500	Total comprehensive income for the period	\$ 6,562,082	11	3,416,575	8
8600	Net income attributable to:				
8610	Owners of the parent	\$ 5,906,247	10	3,562,064	8
8620	Non-controlling interests	15,304	-	(5,481)	-
		\$ 5,921,551	10	3,556,583	8
8700	Comprehensive income attributable to:				
8710	Owners of the parent	\$ 6,556,297	11	3,418,766	8
8720	Non-controlling interests	5,785	-	(2,191)	-
		\$ 6,562,082	11	3,416,575	8
9750	Basic earnings per share (in dollars) (Note 6(w))	\$ 5.95		3.52	
9850	Diluted earnings per share (in dollars) (Note 6(w))	\$ 5.92		3.27	

See accompanying notes to consolidated financial statements.

(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, 2021 and 2020**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent										Total other equity interest		
	Retained earnings										Unrealized gains		
	Certificate of entitlement to new shares		Unappropriated retained earnings		Total retained earnings		Exchange differences on translation of foreign financial statements		(losses) on financial assets measured at fair value through other comprehensive income		Total other equity interest		Total equity
	Ordinary shares	convertible bond	Total stock capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	foreign financial statements	comprehensive income	equity interest	Non-controlling interests	
<b>Balance as of January 1, 2020</b>	\$ 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)	101,919	24,301,411
Net income for the period	-	-	-	-	-	-	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)	3,290	(140,008)
Total comprehensive income for the period	-	-	-	-	-	-	(539)	(539)	(156,771)	14,012	(142,759)	(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)
Conversion of convertible bonds	127,296	419,697	546,993	695,434	-	-	-	-	-	-	-	-	1,242,427
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	9,040	9,040
Changes in ownership interests in subsidiaries	-	-	-	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)
<b>Balance at December 31, 2020</b>	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)	204,518	27,707,825
Net income for the period	-	-	-	-	-	-	5,906,247	5,906,247	-	-	-	15,304	5,921,551
Other comprehensive income for the period	-	-	-	-	-	-	14,312	14,312	426,466	209,272	635,738	(9,519)	640,531
Total comprehensive income for the period	-	-	-	-	-	-	5,920,559	5,920,559	426,466	209,272	635,738	5,785	6,562,082
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	-	-	353,276	-	(353,276)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	116,142	(116,142)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(1,634,807)	(1,634,807)	-	-	-	-	(1,634,807)
Capital reduction	(3,596,576)	-	(3,596,576)	32	-	-	-	-	-	-	-	-	(3,596,544)
Conversion of convertible bonds	730,812	(419,697)	311,115	396,740	-	-	-	-	-	-	-	-	707,855
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(11,256)	(11,256)
Changes in ownership interest in subsidiaries	-	-	-	(13)	-	-	-	-	-	-	-	(79)	(92)
Capital reduction of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(22,362)	(22,362)	-	28,736	28,736	(8,852)	(2,478)
<b>Balance as of December 31, 2021</b>	\$ 7,302,138	-	7,302,138	7,684,679	4,128,399	822,363	9,762,779	14,713,541	(514,902)	357,013	(157,889)	190,116	29,732,585

See accompanying notes to consolidated financial statements.

**(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, 2021 and 2020**  
**(Expressed in Thousands of New Taiwan Dollars)**

	2021	2020
<b>Cash flows from operating activities:</b>		
Income before income tax	\$ 7,350,711	4,489,570
Adjustments:		
Adjustments to reconcile profit or loss:		
Depreciation expense	1,574,119	1,558,963
Amortization expense	56,275	81,618
Expected credit loss	6,727	68,534
Net gain on financial assets or liabilities at fair value through profit or loss	(49,410)	(72,028)
Interest expense	149,501	189,937
Interest income	(15,410)	(8,261)
Dividend income	(31,111)	(19,063)
Share of profit of associates accounted for using the equity method	(199,934)	(80,212)
Loss on disposal of property, plant and equipment	109	337
Gain on lease modification	(2,017)	-
Loss on disposal of investment properties	-	43
Gain from disposal of subsidiaries	(2,490)	(13,739)
Gain on disposal of investments accounted for using equity method	-	(5,408)
Impairment loss on financial assets	-	68,850
Impairment loss on non-financial assets	2,994	1,703
Unrealized foreign exchange loss	435	1,236
Loss on bond redemption	14	-
Property, plant and equipment transferred to expense	939	-
<b>Total adjustments to reconcile profit or loss</b>	<b>1,490,741</b>	<b>1,772,510</b>
<b>Changes in operating assets and liabilities:</b>		
Decrease in financial assets mandatorily measured at fair value through profit or loss	14,478	56,617
(Increase) decrease in contract assets	(822,085)	1,082,659
Decrease (increase) in notes receivable	224,478	(281,780)
(Increase) decrease in accounts receivable	(1,212,276)	158,082
Decrease (increase) in other receivable	1,385	(55,464)
(Increase) decrease in inventories	(8,267,169)	1,617,099
(Increase) decrease in prepayments	(163,226)	91,925
(Increase) decrease in other current assets	(356,559)	77,919
Increase in other operating assets	(43,028)	(85,227)
Increase in contract liabilities	949,348	705,350
Increase in notes payable	58,631	21,117
Increase in accounts payable	761,762	69,350
Increase in other payables	273,911	526,610
Increase in provisions	18,565	12,591
(Decrease) increase in other current liabilities	(3,975)	5,084
Decrease in net defined benefit liability	(136,703)	(277,984)
<b>Total adjustments</b>	<b>(7,211,722)</b>	<b>5,496,458</b>
Cash inflow from operations	138,989	9,986,028
Interest received	15,474	8,604
Dividends received	115,009	86,913
Interest paid	(146,918)	(180,607)
Income taxes paid	(1,175,024)	(570,681)
<b>Net cash flows (used in) from operating activities</b>	<b>(1,052,470)</b>	<b>9,330,257</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(4,601)	(3,708)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	3,413	15,509
Net cash flow from acquisition of subsidiaries (exclude cash obtained)	-	(20,137)
Proceeds from disposal of subsidiaries (exclude cash of subsidiaries)	9,732	(1,365)
Acquisition of property, plant and equipment	(443,797)	(279,903)
Proceeds from disposal of property, plant and equipment	14	1,521
(Increase) decrease in refundable deposits	(808,067)	34,363
Acquisition of investment properties	(248)	(14,725)
Decrease in other current and non-current assets	32,353	1,997
Increase in prepayments for equipment and land	(146,877)	(51,136)
<b>Net cash flows used in investing activities</b>	<b>(1,358,078)</b>	<b>(317,584)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	55,565,565	57,111,589
Decrease in short-term loans	(48,004,185)	(61,406,937)
Increase in short-term notes and bills payable	2,345,000	6,027,000
Decrease in short-term notes and bills payable	(2,805,000)	(6,432,000)
Proceeds from long-term loans	1,332,143	2,700,000
Repayments of long-term loans	(1,489,552)	(4,815,164)
Decrease in guarantee deposits received	(3,816)	1,077
Payment of lease liabilities	(69,626)	(63,988)
Cash dividends paid	(1,634,807)	(1,355,482)
Capital reduction payments to shareholders	(3,596,544)	-
Acquisition of ownership interests in subsidiaries by non-controlling interest	(92)	96,000
Repayment of bonds	(600)	-
Change in non-controlling interests	(18,371)	3,290
<b>Net cash flows from (used in) financing activities</b>	<b>1,620,115</b>	<b>(8,134,615)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>387,659</b>	<b>78,260</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(402,774)</b>	<b>956,318</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,933,168</b>	<b>976,850</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,530,394</b>	<b>1,933,168</b>

See accompanying notes to consolidated financial statements.

**(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, 2021 and 2020**

**(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 the years ended December 31, 2021 and 2020 were approved and authorized for issuance by the Board of Directors on March 10, 2022.

**(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. 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, 2021:

- 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”

The Consolidated Company has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from April 1, 2021:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

- (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, 2022, would not have a significant impact on its consolidated financial statements:

- 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”

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated 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 Consolidated Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
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"> <li>• requiring companies to disclose their material accounting policies rather than their significant accounting policies;</li> <li>• clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and</li> <li>• clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.</li> </ul>	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.

(Continued)

## TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

#### (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 other comprehensive income ;
- 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.

(Continued)



## TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(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, 2021	December 31, 2020	
The Company	Tung Yuan International Corp.	Investment activities	100.00 %	100.00 %	
The Company	Tung Kang Steel Structure Corp.	Steel structure engineering construction	97.48 %	97.48 %	
The Company	Goldham Development Ltd.	Investment activities	100.00 %	100.00 %	
The Company	Katec Creative Resources Corporation	Waste recycling	99.02 %	99.01 %	Note1
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 Sugar Energy Service Co., Ltd.	Fertilizer producing and self-used equipment of renewable electric power	36.00 %	36.00 %	
Tung Yuan International Corp.	3 Oceans International Inc.	Investment activities	66.67 %	66.67 %	
Tung Yuan International Corp.	Duc Hoa International Joint Stock Company	Quicklime manufacturing	96.00 %	96.00 %	
Tung Kang Steel Structure Corp.	Tung Kang Engineering & Construction Corp.	Civil engineering	100.00 %	100.00 %	
Goldham Development Ltd.	Fujian Tung Kang Steel Co., Ltd.	Processing 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 %	Note2

Note 1: The Company obtained the shares sold by an individual shareholder of Katec Creative Resources Corporation in September 2021 which resulted in its shareholding ratio to increase from 99.01% to 99.02%.

Note 2: The Consolidated Company sold its entire shares in Fujian Dong Sheng Metal Processing Co., Ltd. and lost control over it in November 2021.

(Continued)



**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(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.

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 ;

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated 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 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.

(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) – 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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated 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 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.

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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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 :

- 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.

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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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.

The gross carrying amount of a financial asset is written off when the Consolidated Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Consolidated 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 Consolidated 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 Consolidated 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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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.

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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(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.

(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

(Continued)



**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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.

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.

(Continued)



**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(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.

(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.

(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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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 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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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, 2022; and
- there is no substantive change in other terms and conditions of the lease.

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, contract assets, and deferred tax assets 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.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(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.

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.

(o) Revenue recognition

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 :

(i) 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.

(ii) 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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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.

The Consolidated Company recognizes provisions for its warranty for the agreed specifications of the construction contracts.

(iii) Deformed bars Processing Services

The Consolidated Company provides deformed bars processing services, and the related income is recognized during the financial reporting period of the provision of labor services.

If the situation changes, under a fixed price contract, the customer pays a fixed amount according to the agreed schedule. A contract liability is recognized when the payment exceeds the service rendered.

The Consolidated company can only request the customer for payment according to the degree of completion, wherein the amount can be collected after the invoice is issued.

(iv) 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.

(v) 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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(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:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

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.

(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) 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 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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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.

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.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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.

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.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(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.

(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**

In preparing these consolidated financial statements, management has made 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. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

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.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(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.

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

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(6) Explanation of significant accounts**

**(a) Cash and cash equivalents**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash on hand	\$ 2,491	2,651
Checking and demand deposits	1,073,764	1,035,841
Term deposits	384,151	359,799
Repurchase agreement	69,988	534,877
Cash and cash equivalents on the statement of cash flows	<b>\$ 1,530,394</b>	<b>1,933,168</b>

(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, 2021 and 2020, 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.

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
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	195,744	145,240
Redemption and put options on convertible bonds	-	1,233
Total	<b>\$ 195,744</b>	<b>157,030</b>

Financial liabilities at fair value through profit or loss:

Derivative instruments not used for hedging

Foreign exchange forward contracts	\$ <b>5,045</b>	-
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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:

	<b>December 31, 2021</b>		
	<b>Nominal amount (in thousands)</b>	<b>Currency</b>	<b>Maturity dates</b>
Foreign exchange forward	USD <b>58,801</b>	Sell USD/buy TWD	2022.01.04~2022.03.10

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	December 31, 2020		
	Nominal amount (in thousands)	Currency	Maturity dates
Foreign exchange forward	USD <u>48,892</u>	Sell USD/buy TWD	2021.01.05~2021.03.30

None of the financial assets were pledged as collateral as of December 31, 2021 and 2020, respectively.

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

	December 31, 2021	December 31, 2020
Equity investments at fair value through other comprehensive income:		
Stocks listed on domestic markets	\$ 498,821	305,948
Unlisted stocks	<u>175,372</u>	<u>157,768</u>
Total	<u>\$ 674,193</u>	<u>463,716</u>

- (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) Katec Creative Resources Corp. reduced capital to refund of shares in 2021, where it realized a loss of \$17,630 thousand, which was recognized as other comprehensive income, and thereafter, was reclassified to retained earnings.
- (iii) Tech Alliance Corp. reduced its capital and refunded the entire amount its stockholders in 2021, resulting in a loss of \$4,732 thousand, which was reclassified from other comprehensive income to retained earnings.
- (iv) Tech Alliance Corp. reduced capital to refund 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.
- (v) Tung Jiang Investment Corp. reduced capital to refund 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.
- (vi) For credit risk and market risk, please refer to Note 6(aa).
- (vii) None of the financial assets were pledged.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Notes and accounts receivable

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Notes receivable from operating activities	\$ 292,600	517,078
Accounts receivable from amortised cost	4,044,014	2,831,876
Accounts receivable from related parties	4,709	4,571
Overdue receivables	63,178	15,185
Less: loss allowance	<u>(160,188)</u>	<u>(105,942)</u>
	<b><u>\$ 4,244,313</u></b>	<b><u>3,262,768</u></b>

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:

	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average rate of expected credit loss</b>	<b>Loss allowance for expected credit losses</b>
Current	\$ 190,949	0%	-
With financial difficulties	<u>70,979</u>	100%	<u>70,979</u>
	<b><u>\$ 261,928</u></b>		<b><u>70,979</u></b>

	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average rate of expected credit loss</b>	<b>Loss allowance for expected credit losses</b>
Current	\$ 292,612	0%	-
With financial difficulties	<u>63,583</u>	100%	<u>63,583</u>
	<b><u>\$ 356,195</u></b>		<b><u>63,583</u></b>

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:

	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average rate of expected credit loss</b>	<b>Loss allowance for expected credit losses</b>
With low risk	\$ 1,629,168	0.24%	3,923
With moderate risk	2,450,220	0.90%	22,075
With financial difficulties	<u>63,184</u>	100%	<u>63,184</u>
	<b><u>\$ 4,142,572</u></b>		<b><u>89,182</u></b>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	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	15,192	100%	15,192
	<b>\$ 3,012,515</b>		<b>42,334</b>

The aging analysis of notes and accounts receivable, which were past due but not impaired, was as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
1 to 60 days past due	<b><u>\$ 15,955</u></b>	<b><u>48</u></b>

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

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 105,942	36,028
Impairment losses recognized	7,871	68,534
Reversal of impairment losses	(1,144)	-
Additional overdue receivables	47,993	-
Foreign exchange (gains) losses	<u>(474)</u>	<u>1,380</u>
Balance at December 31	<b><u>\$ 160,188</u></b>	<b><u>105,942</u></b>

(e) Other receivables

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Tax refund receivables	\$ 575	565
Other receivables from related parties	3,939	1,098
Others	12,194	10,726
Less: allowance for impairment	<u>-</u>	<u>-</u>
	<b><u>\$ 16,708</u></b>	<b><u>12,389</u></b>

For the years ended December 31, 2021 and 2020, no other receivables were impaired resulted from overdue.

For credit risk, please refer to Note 6 (aa).

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(f) Inventories

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Finished goods (including consigned goods)	\$ 2,857,227	2,400,035
Work in process (including consigned goods and goods in transit )	3,910,858	2,939,513
Raw materials (including goods in transit)	11,025,264	4,975,795
Material supplies (including consigned goods and goods in transit)	<u>2,701,817</u>	<u>1,912,050</u>
Inventories, net	<u><b>\$ 20,495,166</b></u>	<u><b>12,227,393</b></u>

None of the inventory was pledged as collateral as of December 31, 2021 and 2020.

(i) For the years ended December 31, 2021 and 2020, cost of sales recognized was as follows:

	<b>For the years ended December 31, 2021</b>	<b>2020</b>
Cost of goods sold	\$ 41,730,343	31,241,609
Gain from recovery of inventory market price	(5,399)	(120,183)
Unallocated fixed overheads — capacity variance	89,600	86,048
Revenue from sale of materials and scrap	<u>(176,026)</u>	<u>(136,606)</u>
Total	<u><b>\$ 41,638,518</b></u>	<u><b>31,070,868</b></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 Consolidated 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, 2021 and 2020, consisted of the following:

	<b>For the years ended December 31, 2021</b>	<b>2020</b>
Processing costs	<u><b>\$ 449,257</b></u>	<u><b>564,972</b></u>

(g) 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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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.

(i) 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	(93,615)
Fair value of identifiable net assets	<u><u>\$ 100,514</u></u>

(ii) 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	49,503
Fair value of identifiable net assets	<u><u>\$ 100,514</u></u>

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 (USD183 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.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(h) Loss control of subsidiaries

Its 51% shares in Fujian Dong Sheng Metal Processing Co., Ltd. at a disposal price of \$14,207 thousand, resulting in a gain on disposal of \$2,490 thousand, recognized under “ other gains or losses” in the statement of comprehensive income. On November 18, 2021, the Consolidated Company lost control over Fujian Dong Sheng Metal Processing Co., Ltd.

The fair values of assets and liabilities due to the disposal of Fujian Dong Sheng Metal Processing Co., Ltd. are as follows:

Cash and cash equivalents	\$ 4,475
Inventories	2,767
Other receivables	3
Other current assets	16
Property, plant and equipment	15,811
Accounts payable and other payable	<u>(101)</u>
Par value of previous subsidiary's net assets	<u><u>\$ 22,971</u></u>

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 \$66,357 thousand)	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><u>\$ (22,602)</u></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:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Carrying amount of individually insignificant associates' equity	<u><u>\$ 1,490,713</u></u>	<u><u>1,378,741</u></u>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Attributable to the Consolidated Company :		
Net income from continuing operations	\$ 199,934	80,212
Other comprehensive income	(12)	875
Total	<b>\$ 199,922</b>	<b>81,087</b>

- (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 :

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Katec Research & Development Corp.	\$ 9,411	3,294
Taiwan Steel Union Co., Ltd.	74,487	64,555
Total	<b>\$ 83,898</b>	<b>67,849</b>

- (iii) Collateral

None of the investments accounted for using the equity method were pledged for collateral as of December 31, 2021 and 2020.

- (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, 2021 and 2020 were as follows:

	Land	Buildings	Machinery equipment	Miscellaneous equipment	Other assets	Construction in progress	Total
<b>Cost or deemed cost:</b>							
Balance as of January 1, 2021	\$ 2,790,635	9,358,869	28,901,286	401,562	613,002	103,978	42,169,332
Additions	39,240	10,465	170,139	51,816	-	163,536	435,196
Reclassification in (out)	245,796	5,290	104,579	1,941	(245,795)	(67,385)	44,426
Disposals	-	-	(13,872)	(9,213)	-	-	(23,085)
Effects of exchange rate and others (note)	-	246,933	516,526	1,975	-	13,976	779,410
Balance as of December 31, 2021	<b>\$ 3,075,671</b>	<b>9,621,557</b>	<b>29,678,658</b>	<b>448,081</b>	<b>367,207</b>	<b>214,105</b>	<b>43,405,279</b>
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	<b>\$ 2,790,635</b>	<b>9,358,869</b>	<b>28,901,286</b>	<b>401,562</b>	<b>613,002</b>	<b>103,978</b>	<b>42,169,332</b>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
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	Land	Buildings	Machinery equipment	Miscellaneous equipment	Other assets	Construction in progress	Total
<b>Depreciation and impairment:</b>							
Balance as of January 1, 2021	\$ -	4,019,390	19,509,418	250,118	-	-	23,778,926
Depreciation for the period	-	261,783	1,209,079	37,310	-	-	1,508,172
Disposals	-	-	(13,872)	(9,090)	-	-	(22,962)
Effects of exchange rate and others (note)	-	26,995	111,188	926	-	-	139,109
Balance as of December 31, 2021	<u>\$ -</u>	<u>4,308,168</u>	<u>20,815,813</u>	<u>279,264</u>	<u>-</u>	<u>-</u>	<u>25,403,245</u>
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>
<b>Carrying value</b>							
Balance as of December 31, 2021	<u>\$ 3,075,671</u>	<u>5,313,389</u>	<u>8,862,845</u>	<u>168,817</u>	<u>367,207</u>	<u>214,105</u>	<u>18,002,034</u>
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>

Note: Please refer to Note 6(h) for the reduction of property, plant and equipment amounted to \$15,811 thousand and \$316 thousand from disposal of the equity in its subsidiaries in 2021 and 2020.

- (i) Because some of the Consolidated Company's property, plant and equipment and investment property are agricultural lands, the transfer registration could not be undertaken using the Consolidated Company's own title; therefore, the Consolidated Company was temporarily registered them under the name of a trust registration agreement, which stipulates the rights and obligations of both parties to preserve the ownership of the land. The Consolidated Company is applying successively for the registration of change in the category of land from relevant authorities. During the period in 2021, the classification of certain parcels of the agricultural land had been altered by the Consolidated Company, resulting in the Consolidated Company to obtain full ownership of the title deed of the land at a total amount of \$276,046 thousand, with details as follows:

<b>Accounts</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Property, plant and equipment	\$ 367,207	613,002
Investment property	499,124	529,374
	<u><u>\$ 866,331</u></u>	<u><u>1,142,376</u></u>

- (ii) Impairment

For the years ended December 31, 2021 and 2020, 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, 2021 and 2020, the carrying value was higher than the value in use. The Consolidated Company recorded an impairment loss which amounted to \$7,540 thousand and \$7,692 thousand, respectively.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Collateral

None of the property, plant and equipment was pledged for collateral as of December 31, 2021 and 2020.

(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, 2021	\$ 324,939	85,736	78,951	19,351	5,093	514,070
Additions	2,947	4,395	-	6,199	574	14,115
Disposal	(1,134)	(41,086)	-	(7,780)	(255)	(50,255)
Effect of changes in foreign exchange rates	<u>23,670</u>	<u>548</u>	<u>12,874</u>	<u>-</u>	<u>-</u>	<u>37,092</u>
Balance at December 31, 2021	<u><u>\$ 350,422</u></u>	<u><u>49,593</u></u>	<u><u>91,825</u></u>	<u><u>17,770</u></u>	<u><u>5,412</u></u>	<u><u>515,022</u></u>
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	<u>(7,465)</u>	<u>377</u>	<u>(4,109)</u>	<u>-</u>	<u>-</u>	<u>(11,197)</u>
Balance at December 31, 2020	<u><u>\$ 324,939</u></u>	<u><u>85,736</u></u>	<u><u>78,951</u></u>	<u><u>19,351</u></u>	<u><u>5,093</u></u>	<u><u>514,070</u></u>
Accumulated depreciation:						
Balance at January 1, 2021	\$ 36,032	23,952	18,199	10,019	2,020	90,222
Depreciation for the period	21,152	19,021	10,593	6,642	985	58,393
Disposal	-	(24,644)	-	(7,780)	(255)	(32,679)
Effect of changes in foreign exchange rates	<u>1,341</u>	<u>(56)</u>	<u>3,135</u>	<u>-</u>	<u>-</u>	<u>4,420</u>
Balance at December 31, 2021	<u><u>\$ 58,525</u></u>	<u><u>18,273</u></u>	<u><u>31,927</u></u>	<u><u>8,881</u></u>	<u><u>2,750</u></u>	<u><u>120,356</u></u>
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	<u>(322)</u>	<u>271</u>	<u>(774)</u>	<u>-</u>	<u>-</u>	<u>(825)</u>
Balance at December 31, 2020	<u><u>\$ 36,032</u></u>	<u><u>23,952</u></u>	<u><u>18,199</u></u>	<u><u>10,019</u></u>	<u><u>2,020</u></u>	<u><u>90,222</u></u>
Carrying amount:						
Balance at December 31, 2021	<u><u>\$ 291,897</u></u>	<u><u>31,320</u></u>	<u><u>59,898</u></u>	<u><u>8,889</u></u>	<u><u>2,662</u></u>	<u><u>394,666</u></u>
Balance at December 31, 2020	<u><u>\$ 288,907</u></u>	<u><u>61,784</u></u>	<u><u>60,752</u></u>	<u><u>9,332</u></u>	<u><u>3,073</u></u>	<u><u>423,848</u></u>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(l) Investment property

	<u>Land and improvements</u>	<u>Buildings</u>	<u>Total</u>
<b>Cost or deemed cost:</b>			
Balance as of January 1, 2021	\$ 1,863,277	269,585	2,132,862
Additions	<u>248</u>	<u>-</u>	<u>248</u>
Balance as of December 31, 2021	<u><u>\$ 1,863,525</u></u>	<u><u>269,585</u></u>	<u><u>2,133,110</u></u>
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	<u>(14,419)</u>	<u>1,352</u>	<u>(13,067)</u>
Balance as of December 31, 2020	<u><u>\$ 1,863,277</u></u>	<u><u>269,585</u></u>	<u><u>2,132,862</u></u>
<b>Depreciation and impairment:</b>			
Balance as of January 1, 2021	\$ -	196,616	196,616
Depreciation for the period	<u>-</u>	<u>7,554</u>	<u>7,554</u>
Balance as of December 31, 2021	<u><u>\$ -</u></u>	<u><u>204,170</u></u>	<u><u>204,170</u></u>
Balance as of January 1, 2020	\$ -	188,500	188,500
Depreciation for the period	-	8,640	8,640
Disposal	-	(1,735)	(1,735)
Reclassification	<u>-</u>	<u>1,211</u>	<u>1,211</u>
Balance as of December 31, 2020	<u><u>\$ -</u></u>	<u><u>196,616</u></u>	<u><u>196,616</u></u>
<b>Carrying amount:</b>			
Balance as of December 31, 2021	<u><u>\$ 1,863,525</u></u>	<u><u>65,415</u></u>	<u><u>1,928,940</u></u>
Balance as of December 31, 2020	<u><u>\$ 1,863,277</u></u>	<u><u>72,969</u></u>	<u><u>1,936,246</u></u>
<b>Fair value:</b>			
Balance as of December 31, 2021			<u><u>\$ 7,125,300</u></u>
Balance as of December 31, 2020			<u><u>\$ 6,731,541</u></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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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (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, 2021 and 2020, all of the carrying value for the above investments amounted to \$968,139 thousand.
- (iii) In order to handle the " Taoyuan City Guanyin Industrial Park Development Project ", The Company applied to the " National Property Administration " for the purchase of 19 pieces of national land including the ground number 1157 etc. in Baozhang Section of Guanyin District, and in April 2021, in accordance with the 33rd point of the National Non-public Use Real Estate Sales Procedures, prepaid security deposit of \$645,463 thousand, under the account " Refundable Deposits".
- (iv) Please refer to Note 6(j) for relevant information on investment property acquired under the ownership of others.
- (v) 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 and the third hierarchy of input value.
- (vi) None of the investment property was for pledged for collateral as of December 31, 2021 and 2020.
- (m) Short-term loans
- (i) Details of the Consolidated Company's short-term loans were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Letters of credits	\$ 950,897	280,456
Unsecured bank loans	12,375,067	5,035,245
	<b><u>\$ 13,325,964</u></b>	<b><u>5,315,701</u></b>
Unused credit lines (including notes and bills payable)	<b><u>\$ 20,387,453</u></b>	<b><u>26,865,515</u></b>
Range of interest rates	<b><u>0.40%~5.22%</u></b>	<b><u>0.42%~5.22%</u></b>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(n) Short-term notes and bills payable

(i) Details of the Consolidated Company's short-term bills payable were as follows:

		<b>December 31, 2021</b>	
		<b>Interest rate</b>	<b>Amount</b>
Commercial papers payable	Mega Bills,CBF	0.8%~0.858%	\$ 100,000
Less : discount on short-term bills payable			(13)
Total			<u><u>\$ 99,987</u></u>

		<b>December 31, 2020</b>	
		<b>Interest rate</b>	<b>Amount</b>
Commercial papers payable	IBSC, SCSB, FEIB	0.728%~1.45%	\$ 560,000
Less : discount on short-term bills payable			(286)
Total			<u><u>\$ 559,714</u></u>

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:

		<b>December 31, 2021</b>		
	<b>Currency</b>	<b>Interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Unsecured bank loans	TWD	0.58%~1.45%	2023.04.27 ~2025.04.10	\$ 1,825,000
Unsecured bank loans	USD	1.305%	2022.03.11 ~2022.12.11	717,275
Less : current portion				(724,418)
Total				<u><u>\$ 1,817,857</u></u>
Unused credit lines				<u><u>\$ 2,090,000</u></u>

		<b>December 31, 2020</b>		
	<b>Currency</b>	<b>Interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Unsecured bank loans	TWD	0.68%~1.49%	2021.04.10 ~2025.04.10	\$ 1,253,143
Unsecured bank loans	USD	1.04%~3.51%	2021.09.11 ~2022.12.09	1,255,139
Less : current portion				(650,367)
Total				<u><u>\$ 1,857,915</u></u>
Unused credit lines				<u><u>\$ 2,405,000</u></u>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(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	<p>(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.</p> <p>(2) If at least 90% in principal amount of the bonds has already been redeemed, repurchased and cancelled, or converted.</p>
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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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
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(ii) Bonds payable as of December 31, 2021 and 2020, were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Originally issued amount of unsecured domestic convertible bonds	\$ 2,000,000	2,000,000
Accumulated redeemed and executed convertible bonds	(600)	-
Accumulated converted convertible bonds	(1,999,400)	(1,274,500)
Adjustment on the equity and liability component from repurchases and conversions	(49,760)	(37,083)
Capital surplus-stock options	-	(29,736)
Call options, put options, and conversion rights	-	1,233
Accumulated interest expenses	49,760	48,979
Less: expected to be redeemed within one year	<u>-</u>	<u>(708,893)</u>
Total	<u>\$ -</u>	<u>-</u>
Interest expense	<u>\$ 781</u>	<u>17,500</u>

(iii) On March 16, 2021, the outstanding balance of the bonds were lower than 10% of the originally issued amount. Therefore, the Company redeemed the remaining 6 issued bonds in cash, at par value, amounting to \$600 thousand, resulting in a loss of \$14 thousand to be recognized, and a capital-surplus-stock option of \$25 thousand to be reclassified to capital surplus-others.

(iv) As of December 31, 2021 and 2020 the accumulated repurchase and conversion of the seventh unsecured domestic convertible bonds were as follows :

	<b>Face value of the seventh Domestic Unsecured Convertible Bonds (in thousands of NTD)</b>
Accumulated redemption	
December 31, 2021	\$ <u>600</u>
December 31, 2020	\$ <u>-</u>
Accumulated conversion	
December 31, 2021	\$ <u>1,999,400</u>
December 31, 2020	\$ <u>1,274,500</u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(q) Lease liabilities

The details of the Consolidated Company's lease liabilities were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Current	<b>\$ 40,364</b>	<b>48,243</b>
Non-current	<b>\$ 191,522</b>	<b>229,851</b>

The details of maturity , please refer to note 6(aa).

The amounts recognized in profit or loss were as follows:

	<b>For the years ended December 31, 2021</b>	<b>2020</b>
Interest on lease liabilities	<b>\$ 3,932</b>	<b>4,866</b>
Income from sub-leasing right-of-use assets	<b>\$ -</b>	<b>104</b>
Expenses relating to short-term leases	<b>\$ 28,506</b>	<b>22,849</b>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<b>\$ 3,868</b>	<b>4,435</b>
Covid-19-related rent concessions(recognized as other income)	<b>\$ 123</b>	<b>-</b>

The amounts recognized in the statement of cash flows was as follows:

	<b>For the years ended December 31, 2021</b>	<b>2020</b>
Total cash outflow for leases	<b>\$ 105,809</b>	<b>96,034</b>

(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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
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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.

(r) Operating lease

The Consolidated Company leases out its investment property and some machinery. The Consolidated 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(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 :

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Less than one year	\$ 51,119	50,986
One to two years	33,093	32,299
Two to three years	34,024	31,522
Three to four years	2,879	32,453
Four to five years	2,951	2,878
Over five years	7,987	10,938
	<b><u>\$ 132,053</u></b>	<b><u>161,076</u></b>

The operating lease revenues for the December 31, 2021 and 2020, were \$49,710 thousand and \$50,136 thousand.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(s) Other payables

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Accrued payroll, year-end bonuses, provisionally estimated bonuses, remuneration of directors and supervisors, and employee benefits	\$ 871,609	594,516
Freight payable	254,041	246,335
Utilities payable	252,691	292,526
Sales bonuses payable	310,451	237,313
Waste disposal payable (including to related parties)	102,786	84,048
Cash dividends payable (including from prior years)	44,526	44,683
Taxes payable	10,575	24,969
Equipment payable	15,246	23,847
Other operating and manufacturing overhead payable	<u>267,337</u>	<u>312,852</u>
	<b><u>\$ 2,129,262</u></b>	<b><u>1,861,089</u></b>

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 :

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Present value of the defined benefit obligation	\$ 1,571,887	1,608,336
Fair value of the plan assets	<u>(1,167,900)</u>	<u>(1,049,511)</u>
Net defined benefit liabilities	<b><u>\$ 403,987</u></b>	<b><u>558,825</u></b>

Reconciliation between the present value of the subsidiaries's defined benefit obligation and the fair value of plan assets were as follows :

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Present value of defined benefit obligation	\$ (1,828)	(1,881)
Fair value of plan assets	<u>13,402</u>	<u>13,167</u>
Net defined benefit assets	<b><u>\$ 11,574</u></b>	<b><u>11,286</u></b>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
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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, 2021 and 2019, the balance of the Consolidated Company's pension fund at Bank of Taiwan amounted to \$1,181,302 thousand and \$1,062,678 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.

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 :

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Balance as of January 1	\$ 1,608,336	1,627,071
Service cost and interest expense for the period	25,339	33,680
Remeasurements of the net defined benefit liabilities :		
— Experience adjustments	(2,430)	28,290
— Actuarial (gains) losses arising from changes in population statistics assumptions	-	5
Benefits paid	(59,358)	(80,710)
Balance as of December 31	<u><u>\$ 1,571,887</u></u>	<u><u>1,608,336</u></u>

Changes in the present value of the subsidiaries' defined benefit obligation were as follows :

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Balance as of January 1	\$ (1,881)	(1,469)
Service cost and interest expense for the period	(167)	(11)
Remeasurements of the net defined benefit assets :		
— Experience adjustments	103	(287)
— Actuarial (gains) losses arising from changes in population statistics assumptions	-	(3)
— Actuarial losses arising from changes in financial assumptions	117	(111)
Balance as of December 31	<u><u>\$ (1,828)</u></u>	<u><u>(1,881)</u></u>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Changes in the fair value of the plan assets

Changes in the Company's fair value of the plan assets were as follows :

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Balance as of January 1	\$ 1,049,511	790,837
Interest income	3,115	5,422
Remeasurements of the net defined benefit liabilities :		
— Return on plan assets (excluding interests for the period)	15,705	27,720
Contributions from employer	158,927	305,572
Benefits paid	(59,358)	(80,040)
Balance at December 31	<u><u>\$ 1,167,900</u></u>	<u><u>1,049,511</u></u>

Changes in the subsidiaries' fair value of the plan assets were as follows :

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Balance as of January 1	\$ 13,167	12,656
Interest income	53	95
Remeasurements of the net defined benefit assets:		
— Return on plan assets (excluding interests for the period)	182	416
Balance as of December 31	<u><u>\$ 13,402</u></u>	<u><u>13,167</u></u>

4) Expenses recognized as profit or loss

The Consolidated Company's expenses recognized in profit or loss were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Service cost for the period	\$ 20,608	22,552
Net interest expense of net defined benefit liabilities	1,616	5,706
	<u><u>\$ 22,224</u></u>	<u><u>28,258</u></u>

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Operating costs	\$ 18,036	22,583
Selling expenses	767	956
Administrative expenses	3,421	4,719
	<u><u>\$ 22,224</u></u>	<u><u>28,258</u></u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
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The subsidiaries' expense recognized in profit or loss were as follows :

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Service cost for the period	\$ 159	-
Net interest expense of net defined benefit liabilities	(45)	(84)
	<u><b>\$ 114</b></u>	<u><b>(84)</b></u>
Reduction of administrative expenses	<u><b>\$ 114</b></u>	<u><b>(84)</b></u>

- 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 :

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 344,817	345,391
Recognized in the current period	18,134	(574)
Balance at December 31	<u><b>\$ 362,951</b></u>	<u><b>344,817</b></u>

The subsidiaries' cumulated remeasurement of the net defined benefit liabilities recognized in other comprehensive income was as follows :

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Balance as of January 1	\$ (196)	(211)
Recognized in the current period	313	15
Balance as of December 31	<u><b>\$ 117</b></u>	<u><b>(196)</b></u>

- 6) Actuarial assumptions

The principal assumptions of the Company's actuarial valuation were as follows :

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Discount rates	0.50 %	0.30 %
Rates of increase in future salary	2.00 %	1.50 %

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
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The Company expects to make a contribution of NT\$62,000 thousand to its defined benefit plans in the following year, beginning December 31, 2021. The weighted average duration of the defined benefit obligation is 7.2 years.

The principal assumptions of the subsidiaries' actuarial valuation were as follows :

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Discount rates	0.70 %	0.40 %
Rates of increase in future salary	2.00 %	2.00 %

The subsidiaries do not expect to make contributions to its defined benefit plans in the following year, beginning December 31, 2021. The weighted average duration of the defined benefit obligation is 18.2 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 :

	<b>Effects on the Company's defined benefit obligations</b>	
	<b>Increase by 0.25%</b>	<b>Decrease by 0.25%</b>
December 31, 2021		
Discount rate	\$ (19,297)	19,902
	<b>Effects on the Company's defined benefit obligations</b>	
	<b>Increase by 1%</b>	<b>Decrease by 1%</b>
Rate of increase in future salary	\$ 80,920	(73,111)
	<b>Effects on the Company's defined benefit obligations</b>	
	<b>Increase by 0.25%</b>	<b>Decrease by 0.25%</b>
December 31, 2020		
Discount rate	\$ (34,777)	35,923
Rate of increase in future salary	35,402	(34,456)

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

		<b>Effects on the subsidiaries' defined benefit obligations</b>	
		<b>Increase by</b>	<b>Decrease by</b>
		<b>0.25%</b>	<b>0.25%</b>
December 31, 2021			
Discount rate	\$	(90)	97
		<b>Increase by</b>	<b>Decrease by</b>
		<b>1%</b>	<b>1%</b>
Rate of increase in future salary	\$	419	(326)
		<b>Increase by</b>	<b>Decrease by</b>
		<b>0.25%</b>	<b>0.25%</b>
December 31, 2020			
Discount rate	\$	(80)	85
Rate of increase in future salary		83	(79)

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 2021 and 2020.

(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 \$70,938 thousand and \$63,289 thousand for 2021 and 2020, respectively. The payment was made to the Bureau of the Labor Insurance.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(u) Income tax

(i) The details of income tax expense were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Income tax expense for the period		
Current tax expense incurred during the period	\$ 1,419,109	950,681
Adjustments for prior years	<u>(13,175)</u>	<u>(57,442)</u>
	<u>1,405,934</u>	<u>893,239</u>
Deferred tax expense		
The origination and reversal of temporary differences	<u>23,226</u>	<u>39,748</u>
Income tax expense for continuing operations	<u><b>\$ 1,429,160</b></u>	<u><b>932,987</b></u>

The income tax (expense) benefit related to components of other comprehensive income for the years ended December 31, 2021 and 2020, were as follows :

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Remeasurement of the defined benefit plans	<u><b>\$ (3,707)</b></u>	<u><b>112</b></u>

The reconciliation of income tax expense and income before income tax for the years ended December 31, 2021 and 2020, were as follows :

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Income before income tax	<u><b>\$ 7,350,711</b></u>	<u><b>4,489,570</b></u>
Income tax using the Company's domestic tax rate	\$ 1,470,142	897,914
Effect of difference in income tax rates between foreign investees	(28,544)	40,793
Permanent difference	95,312	(135,885)
Current investment tax credits used	(6,422)	(7,345)
Changes of unrecognized temporary difference	(126,058)	106,242
Overdue of previously loss carryforward	379	290
Losses from current periods of unrecognized deferred tax assets	375	55,303
Over-estimation from prior periods	(16,758)	(58,476)
Surtax on unappropriated earnings	60,332	10,889
Difference between administrative remedy and assessment by the tax authority	3,583	1,229
Use carryforward losses on unrecognized deferred tax assets	(25,379)	-
Other adjustments	<u>2,198</u>	<u>22,033</u>
Total	<u><b>\$ 1,429,160</b></u>	<u><b>932,987</b></u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

There was no unrecognized deferred tax liabilities as of December 31, 2021 and 2020.

2) Unrecognized deferred tax assets

The items of unrecognized deferred tax assets were as follows :

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Tax effect of deductible temporary differences	\$ 37,357	36,866
Temporary differences related to investment in subsidiary	492,196	616,177
Loss carry-forward	<u>284,120</u>	<u>303,669</u>
	<b><u>\$ 813,673</u></b>	<b><u>956,712</u></b>

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.

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 taxable losses.

As of December 31, 2021 and 2020, the Consolidated Company's unused loss carry-forwards that were not recognized as deferred tax assets were \$2,267,303 thousand and \$2,368,358 thousand, the deductible deadline were December 31, 2021 and 2030.

3) Recognized deferred tax assets and liabilities

Changes in deferred tax assets and liabilities for the years ended December 31, 2021 and 2020 were as follows :

	<b>Reserve for land appreciation tax</b>	<b>Others</b>	<b>Total</b>
Deferred tax liabilities:			
Balance as of January 1, 2021	\$ 167,174	5,006	172,180
Recognized in profit or loss	-	(2,307)	(2,307)
Recognized in other comprehensive income	-	80	80
Balance as of December 31, 2021	<b><u>\$ 167,174</u></b>	<b><u>2,779</u></b>	<b><u>169,953</u></b>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>Reserve for land appreciation tax</b>		<b>Others</b>	<b>Total</b>
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	\$	<u>167,174</u>	<u>5,006</u>	<u>172,180</u>

	<b>Defined benefit plans</b>	<b>Unrealized loss on financial assets</b>	<b>Reversal of difference on difference between financial and tax reports arising from deferred gain on foreign exchange forward contracts</b>	<b>Loss carry-forward</b>	<b>Others</b>	<b>Total</b>
Deferred tax assets:						
Balance as of January 1, 2021	\$ 50,761	-	16,862	6,124	41,844	115,591
Recognized in profit or loss	(27,340)	1,009	(1,905)	290	2,413	(25,533)
Recognized in other comprehensive income	(3,627)	-	-	-	-	(3,627)
Balance as of December 31, 2021	<u>\$ 19,794</u>	<u>1,009</u>	<u>14,957</u>	<u>6,414</u>	<u>44,257</u>	<u>86,431</u>
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	<u>\$ 50,761</u>	<u>-</u>	<u>16,862</u>	<u>6,124</u>	<u>41,844</u>	<u>115,591</u>

As of December 31, 2021, the Consolidated Company's unused loss carry-forwards that were recognized as deferred tax assets were as follows:

<b>Year of occurrence</b>	<b>Remaining creditable amount</b>	<b>Expiry year</b>
2012 (assessment)	\$ 1,670	2022
2013 (assessment)	970	2023
2014 (assessment)	6,776	2024
2015 (assessment)	7,848	2025
2016 (assessment)	3,569	2026
2017 (assessment)	2,358	2027
2018 (assessment)	2,998	2028
2019 (assessment)	222	2029
2020 (assessment)	798	2030
2021 (projection)	4,863	2031
	<u>\$ 32,072</u>	

- (iii) The Company's income tax returns have been examined by the ROC tax authorities through 2017.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(v) Capital and other equity

(i) Capital stock

As of December 31, 2021 and 2020, 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 730,214 thousand and 1,058,760 thousand shares respectively. All issued shares were paid up upon issuance.

The capital reduction amounting to \$3,596,576 thousand and the cancelation of the total number of issued common shares of 359,658 thousand shares were based on the resolution approved during the shareholders' meeting held on July 15, 2021. Thereafter, the paid-in capital amounted to \$7,302,138 thousand, with the approval of the Taiwan Stock Exchange Co., Ltd. on September 22, 2021, with Letter No. 1101805121, as well as the Ministry of Economic Affairs on October 21, 2021, with Letter No. 11001185940. The base date for the above capital reduction was set on September 27, 2021, and the Consolidated Company determined to refund the amount, accounted for as other accounts payable, to its shareholders on December 3, 2021.

The holders of convertible bonds exercised certain conversion rights; therefore, the Company issued 31,112 thousand certificates of entitlements for the new shares amounting to \$311,115 thousand, at par value. All related registration procedures had been completed as of December 31, 2021.

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 2020, the remaining 41,969 thousand shares had been completed as of December 31, 2021.

The reconciliation for numbers of outstanding shares was as follows :

(in thousand shares)

	<b>For the years ended</b>	
	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Balance as of January 1	1,058,760	1,004,061
Conversion of convertible bonds	31,112	54,699
Cash reduction	(359,658)	-
Balance as of December 31	<b>730,214</b>	<b>1,058,760</b>

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**Notes to the Consolidated Financial Statements**

On September 22, 1994, the Consolidated Company issued 6,000 thousand Global Depositary 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, 2021	December 31, 2020
Total issued shares	<u>66,187,923</u>	<u>68,610,809</u>
Outstanding shares	<u>4,919,192</u>	<u>7,345,128</u>

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2021	December 31, 2020
Additional paid-in capital	\$ 2,289,734	2,289,734
Conversion of bonds	5,014,194	4,587,743
Treasury stock transactions	59,036	59,036
Difference between the acquiring value and the carrying value of subsidiaries	21,511	21,524
Changes in equity of associates accounted for using the equity method	190,445	190,445
Stock options	-	29,736
Others	<u>109,759</u>	<u>109,702</u>
	<u>\$ 7,684,679</u>	<u>7,287,920</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, are distributed in cash under the authorized resolution by the Board of Directors attended by two-thirds of the directors and more than half of the attended directors agree, and then report to the board of shareholders. However, if they are distributed not only in cash, then they should be distributed as dividends and earnings distribution under the stockholders' resolution.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
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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, 2021.

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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Earnings distribution

On March 23, 2021, the Company's Board of Directors resolved to appropriate the 2020 earnings. On May 19, 2020, the shareholder's meetings resolved to distribute the 2019 earnings. These earnings were appropriate as follows:

	<b>2020</b>		<b>2019</b>	
	<b>Amount per share (in dollars)</b>	<b>Total amount</b>	<b>Amount per share (in dollars)</b>	<b>Total amount</b>
Cash dividend appropriated for ordinary shareholders	\$ 1.50	<u><b>1,634,807</b></u>	1.35	<u><b>1,355,482</b></u>

On March 10, 2022, the Company's Board of Directors resolved to appropriate the 2021 earnings. These earnings were appropriate as follows:

	<b>2021</b>	
	<b>Amount per share (in dollars)</b>	<b>Total amount</b>
Cash dividend appropriated for ordinary shareholders	\$ 6.40	<u><b>4,673,368</b></u>

4) OCI accumulated in reserves, net of tax

	<b>Exchange differences on translation of foreign financial statements</b>	<b>Unrealized gains (losses) from financial assets measured at fair value through OCI</b>	<b>Total</b>
Balance as of January 1, 2021	\$ (941,368)	119,005	(822,363)
Exchange differences on translation of foreign operations :			
The Consolidated Company	426,466	-	426,466
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income :			
The Consolidated Company	-	214,608	214,608
Others :			
The Consolidated Company	-	23,400	23,400
Balance as of December 31, 2021	<u><b>\$ (514,902)</b></u>	<u><b>357,013</b></u>	<u><b>(157,889)</b></u>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	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 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
Other :			
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>

(w) Earnings per share

(i) Basic earnings per share

The basic earnings per share for the years ended December 31, 2021 and 2020, were calculated on the basis of profit attributable to common shareholders, which were \$5,906,247 thousand and \$3,562,064 thousand, respectively, and the weighted-average number of outstanding ordinary shares, which were 991,957 thousand and 1,012,599 thousand, respectively. The calculations were as follows :

1) Profit attributable to ordinary shareholders of the Company (basic)

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Profit attributable to the Company	\$ 5,906,247	3,562,064
Profit attributable to the ordinary shareholders	<u>\$ 5,906,247</u>	<u>3,562,064</u>

2) Weighted-average number of outstanding ordinary shares (basic) (in thousands of shares)

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Number of outstanding shares	<u>991,957</u>	<u>1,012,599</u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Diluted earnings per share

The diluted earnings per share for the years ended December 31, 2021 and 2020, were calculated on the basis of profit attributable to ordinary shareholders, which were \$5,907,027 thousand and \$3,564,131 thousand, respectively, and the weighted-average number of outstanding ordinary shares after adjustments for the effect of any potentially dilutive ordinary shares, which were 998,575 thousand and 1,090,985 thousand, respectively. Calculations were as follows :

1) Profit attributable to ordinary shareholders of the Company (diluted) :

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Profit attributable to the ordinary shareholders of the Company (basic)	\$ 5,906,247	3,562,064
Interest expense after tax and valuation of convertible bonds	780	2,067
Profit attributable to the ordinary shareholders of the Company (dilutive)	<u><u>\$ 5,907,027</u></u>	<u><u>3,564,131</u></u>

2) Weighted-average number of ordinary shares (diluted) (in thousands of shares)

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Weighted-average number of outstanding ordinary shares (basic)	991,957	1,012,599
Effects of convertible bonds	3,163	74,852
Effects of employee stock bonus	3,455	3,534
Weighted-average number of outstanding ordinary shares (dilutive)	<u><u>998,575</u></u>	<u><u>1,090,985</u></u>

(x) Revenue from contracts with customers

(i) Disaggregation of revenue

	<b>For the year ended December 31, 2021</b>			
	<b>Sale of goods</b>	<b>Construction contracts</b>	<b>Rendering of services</b>	<b>Total</b>
Primary geographical markets:				
Taiwan	\$ 40,815,566	9,353,841	402,006	50,571,413
The United States	14,758	-	-	14,758
Asia	5,256,714	736,065	20,194	6,012,973
Others	2,184,036	-	11,909	2,195,945
	<u><u>\$ 48,271,074</u></u>	<u><u>10,089,906</u></u>	<u><u>434,109</u></u>	<u><u>58,795,089</u></u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
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<b>For the year ended December 31, 2021</b>				
	<b>Sale of goods</b>	<b>Construction contracts</b>	<b>Rendering of services</b>	<b>Total</b>
Main product/service line:				
Deformed bars	\$ 27,171,078	-	-	27,171,078
Sections	19,763,771	-	-	19,763,771
Billets	983,192	-	-	983,192
Rendering of services	-	-	434,109	434,109
Metal structure	-	8,860,519	-	8,860,519
Civil engineering	-	1,229,387	-	1,229,387
Others	353,033	-	-	353,033
	<b>\$ 48,271,074</b>	<b>10,089,906</b>	<b>434,109</b>	<b>58,795,089</b>

<b>For the year ended December 31, 2020</b>				
	<b>Sale of goods</b>	<b>Construction contracts</b>	<b>Rendering of services</b>	<b>Total</b>
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
	<b>\$ 35,301,225</b>	<b>7,150,489</b>	<b>414,576</b>	<b>42,866,290</b>

Main product/service line:				
Deformed bars	\$ 21,033,467	-	-	21,033,467
Sections	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
	<b>\$ 35,301,225</b>	<b>7,150,489</b>	<b>414,576</b>	<b>42,866,290</b>

(ii) Contract balances

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Notes receivable	\$ 292,600	517,078	235,298
Accounts receivable	4,048,723	2,836,447	2,987,369
Overdue receivables	63,178	15,185	10,393
Less: allowance for impairment	(160,188)	(105,942)	(36,028)
Total	<b>\$ 4,244,313</b>	<b>3,262,768</b>	<b>3,197,032</b>
Contract assets — construction contract	<b>\$ 3,617,001</b>	<b>2,794,916</b>	<b>3,877,575</b>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Contract liabilities — advance receipts	\$ 1,381,809	699,067	330,347
Contract liabilities — construction contract	<u>1,150,797</u>	<u>884,191</u>	<u>554,059</u>
Total	<u><b>\$ 2,532,606</b></u>	<u><b>1,583,258</b></u>	<u><b>884,406</b></u>

For details on accounts receivable and allowance for impairment for, please refer to note 6(d).

The amounts of revenue recognized for the years ended December 31, 2021 and 2020 that were included in the contract liability balance at the beginning of the period were \$699,067 thousand and \$330,347 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, 2021 and 2020, the Company's estimated employee compensation amounted to \$188,534 thousand and \$114,899 thousand, and the remuneration of directors amounted to \$150,827 thousand and \$91,919 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, 2021 and 2020. 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, 2021 and 2020, 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:

	<b>2021</b>	<b>2020</b>
Interest income from bank deposits	\$ 13,662	7,765
Other interest income	<u>1,748</u>	<u>496</u>
Total Interest income	<u><b>\$ 15,410</b></u>	<u><b>8,261</b></u>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Other income

	<u>2021</u>	<u>2020</u>
Rental income	\$ 52,747	53,161
Dividend income	31,111	19,063
Scrap income	<u>11,747</u>	<u>3,703</u>
Total other income	<u><u>\$ 95,605</u></u>	<u><u>75,927</u></u>

(iii) Other gains and losses

	<u>2021</u>	<u>2020</u>
Net loss on disposal of property, plant and equipment	\$ (109)	(337)
Net loss on disposal of investment property	-	(43)
Net gain on disposal of investments accounted for using the equity method	-	5,408
Foreign exchange gain	67,828	46,835
Gain on financial assets (liabilities) at fair value through profit or loss	49,410	49,360
Gain on disposal of subsidiary	2,490	13,739
Impairment loss on financial assets	-	(68,850)
Impairment loss on non-financial assets (Note)	(2,994)	(1,703)
Gain on lease modification	2,017	-
Compensation income (loss)	(15,544)	309
Loss on bond repurchase	(14)	-
Others	<u>26,574</u>	<u>48,902</u>
Other gains and losses	<u><u>\$ 129,658</u></u>	<u><u>93,620</u></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 by professionals. Since the carrying value was higher than the value-in-use, the Consolidated Company recognized an impairment loss amounting to \$2,994 thousand and \$1,703 thousand as other gains and losses under non-operating income for the years ended December 31, 2021 and 2020. The input value used in its fair value evaluation belongs to level 3 of the fair value hierarchy.

(iv) Finance costs

	<u>2021</u>	<u>2020</u>
Interest Expense		
Bank loans	\$ 137,920	170,623
Amortized interest of domestic corporate bond	781	17,500
Interest on domestic commercial paper	3,283	6,076
Lease payments	3,932	4,866
Preferred stock interest	5,389	-
Less: Interest capitalization	<u>(1,804)</u>	<u>(9,128)</u>
Finance costs(net)	<u><u>\$ 149,501</u></u>	<u><u>189,937</u></u>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(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, 2021 and 2020, the maximum exposure to credit risk amounted to \$6,116,275 thousand and \$4,105,506 thousand, respectively.

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.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
<b>December 31, 2021</b>							
Non-derivative financial liabilities							
Unsecured bank loans	\$ 15,868,239	15,930,306	12,856,277	1,251,472	1,818,885	3,672	-
Commercial papers payable	99,987	100,000	100,000	-	-	-	-
Current financial liabilities at fair value through profit or loss	5,045	5,045	5,045	-	-	-	-
Lease liabilities	231,886	245,024	22,507	20,779	38,140	82,345	81,253
Accounts and notes payable	3,173,211	3,173,211	3,173,211	-	-	-	-
Other payables	2,129,262	2,129,262	2,129,262	-	-	-	-
Guarantee deposits received	12,768	12,768	12,768	-	-	-	-
	<u>\$ 21,520,398</u>	<u>21,595,616</u>	<u>18,299,070</u>	<u>1,272,251</u>	<u>1,857,025</u>	<u>86,017</u>	<u>81,253</u>
<b>December 31, 2020</b>							
Non-derivative financial liabilities							
Unsecured bank loans	\$ 7,823,983	7,848,277	5,357,152	627,940	1,848,726	14,459	-
Commercial paper payable	559,714	560,000	560,000	-	-	-	-
Unsecured corporate bonds	708,893	725,500	-	725,500	-	-	-
Lease liabilities	278,094	294,859	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	-	-	-	-
Guarantee deposits received	16,584	16,584	16,584	-	-	-	-
	<u>\$ 13,601,276</u>	<u>13,659,228</u>	<u>10,174,438</u>	<u>1,379,186</u>	<u>1,898,590</u>	<u>108,081</u>	<u>98,933</u>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
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It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(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, 2021				December 31, 2020		
	Foreign currency	Exchange rate	TWD		Foreign currency	Exchange rate	TWD
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	20,642	27.68	571,371	6,634	28.48	188,936
EUR		2	31.32	63	2	35.02	70
JPY		472	0.2405	114	472	0.2763	130
CNY		24	4.344	104	24	4.377	105
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD		161,517	27.68	4,470,791	99,701	28.48	2,839,484
EUR		95	31.32	2,975	627	35.02	21,958
JPY		11,550	0.2405	2,778	-	0.2763	-

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 \$67,828 thousand and \$46,835 thousand for the years ended December 31, 2021 and 2020, 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, 2021 and 2020 assuming the TWD appreciate or depreciate by 1% against the USD, EUR, JPY, and CNY, while other factors remain constant, as of December 31, 2021 and 2020 were as follows:

	Effect of appreciation on net income after tax	Effect of depreciation on net income after tax
December 31, 2021		
USD (appreciation/depreciation of 1%)	\$ (31,195)	31,195
EUR (appreciation/depreciation of 1%)	(23)	23
JPY (appreciation/depreciation of 1%)	(21)	21
CNY (appreciation/depreciation of 1%)	1	(1)
	<u>\$ (31,238)</u>	<u>31,238</u>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>Effect of appreciation on net income after tax</b>	<b>Effect of depreciation on net income after tax</b>
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%)	<u>1</u>	<u>(1)</u>
	<u><u>\$ (21,377)</u></u>	<u><u>21,377</u></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 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 \$158,682 thousand and \$78,240 thousand for the years ended December 31, 2021 and 2020 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 :

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Security price on reporting date</b>	<b>Other comprehensive income (after tax)</b>	<b>Other comprehensive income (after tax)</b>
Increase 1%	\$ <u>4,988</u>	<u>3,059</u>
Decrease 1%	\$ <u>(4,988)</u>	<u>(3,059)</u>

(Continued)



**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
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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, 2021			
		Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non-derivative financial assets—publicly listed stocks	\$ 195,744	195,744	-	-	195,744
Financial assets at fair value through other comprehensive income					
Publicly listed stocks	498,821	498,821	-	-	498,821
Equity instruments measured at fair value with no publicly quoted price	175,372	-	-	175,372	175,372
Subtotal	674,193	498,821	-	175,372	674,193
Financial assets measured at amortized cost					
Cash and cash equivalents	1,530,394	-	-	-	-
Notes and accounts receivable	4,244,313	-	-	-	-
Other receivables	16,708	-	-	-	-
Refundable deposits and pledged deposits	985,317	-	-	-	-
Subtotal	6,776,732	-	-	-	-
Total	\$ 7,646,669	694,565	-	175,372	869,937
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities—forward foreign exchange contracts	\$ 5,045	-	5,045	-	5,045
Financial liabilities measured at amortized cost					
Short-term loans	13,325,964	-	-	-	-
Long-term loans (including current portion)	2,542,275	-	-	-	-
Short-term notes and bills payable	99,987	-	-	-	-
Notes and accounts payable	3,173,211	-	-	-	-
Other payables	2,129,262	-	-	-	-
Lease liabilities	231,886	-	-	-	-
Subtotal	21,502,585	-	-	-	-
Total	\$ 21,507,630	-	5,045	-	5,045

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	December 31, 2020				
	Carrying amount	Fair value			Total
		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	145,240	145,240	-	-	145,240
Subtotal	157,030	145,240	11,790	-	157,030
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	157,768	-	-	157,768	157,768
Subtotal	463,716	305,948	-	157,768	463,716
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	209,603	-	-	-	-
Subtotal	5,417,928	-	-	-	-
Total	<u>\$ 6,038,674</u>	<u>451,188</u>	<u>11,790</u>	<u>157,768</u>	<u>620,746</u>
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	278,094	-	-	-	-
Subtotal	13,584,692	-	717,882	-	717,882
Total	<u>\$ 13,584,692</u>	<u>-</u>	<u>717,882</u>	<u>-</u>	<u>717,882</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:

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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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, 2021 and 2020.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
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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 follow:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income — equity investments without an active market	<ul style="list-style-type: none"> <li>Comparative Method</li> <li>Net Asset Value Method</li> </ul>	<ul style="list-style-type: none"> <li>Multiplier of P/E ratio (0.38~5.63, 0.59~4.09, as of December 31, 2021 and 2020)</li> <li>Discount rate for lack of market circulation (5.09%~36.40%, 7.46%~34.89%, as of December 31, 2021 and 2020)</li> </ul>	<ul style="list-style-type: none"> <li>The higher the multiplier and the control premium, the higher the fair value</li> <li>The higher the discount rate, the lower the fair value</li> </ul>

- 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:

		Changes in	Changes in fair value	
	Input	assumptions	reflected in OCI	
			Favorable	Unfavorable
December 31, 2021				
Financial assets at fair value through other comprehensive income				
Investment in equity instrument without an active market	Discount on circulation 5.09%~36.40%	5%	\$ 11,587	(11,587)
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)

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
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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 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) 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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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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 \$22,477,453 thousand as of December 31, 2021. 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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated 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 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 88 to 12 for the year ended December 31, 2021. The external sales for the year ended December 31, 2021 was about \$2,330,000 thousand, which was 4% 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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(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, 2021 and 2020, were as follows :

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Total liabilities	\$ 25,670,167	16,713,262
Less: cash and cash equivalents	<u>1,530,394</u>	<u>(1,933,168)</u>
Net liabilities	27,200,561	14,780,094
Total equity	<u>29,732,585</u>	<u>27,707,825</u>
Total capital	<b><u>\$ 56,933,146</u></b>	<b><u>42,487,919</u></b>
Debt-to-capital ratio	<b><u>47.78 %</u></b>	<b><u>34.79 %</u></b>

As of December 31, 2021, 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, 2021 and 2020, were as follows:

	<b>For the years ended December 31, 2021</b>	<b>2020</b>
Reclassification of prepayment of land and equipment to property, plant and equipment	<b><u>\$ 49,947</u></b>	<b><u>48,793</u></b>
Changes in unrealized gain or loss on financial instruments	<b><u>208,796</u></b>	<b><u>13,041</u></b>
Foreign exchange differences arising from foreign operations	<b><u>426,466</u></b>	<b><u>(156,771)</u></b>
Increase in property, plant and equipment	\$ 435,196	291,824
Add: Payable for equipment as of January 1	23,847	11,926
Less: Payable for equipment as of December 31	<u>(15,246)</u>	<u>(23,847)</u>
Cash paid	<b><u>\$ 443,797</u></b>	<b><u>279,903</u></b>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash flows			Non-cash changes		December 31, 2021
		Acquisition	Repayment	Other	Foreign exchange	Other	
Short-term loans	\$ 5,315,701	55,565,565	(48,004,185)	-	448,883	-	13,325,964
Long-term loans (including current portion)	2,508,282	1,332,143	(1,489,552)	-	191,402	-	2,542,275
Short-term notes and bills payable	560,000	2,345,000	(2,805,000)	-	-	-	100,000
Deposits received	16,584	-	-	(3,816)	-	-	12,768
Lease liabilities	278,094	-	(69,626)	-	28,894	(5,476)	231,886
Convertible Bonds	708,893	-	-	(600)	-	(708,293)	-
Total liabilities from financing activities	<u>\$ 9,387,554</u>	<u>59,242,708</u>	<u>(52,368,363)</u>	<u>(4,416)</u>	<u>669,179</u>	<u>(713,769)</u>	<u>16,212,893</u>

	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
Refundable deposits	15,507	-	-	1,077	-	-	16,584
Lease liabilities	263,150	-	(63,988)	-	1,619	77,293	278,074
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>94,692</u>	<u>(84,640)</u>	<u>(1,148,835)</u>	<u>9,387,534</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
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
Tung Ho Steel Foundation	The entity's principal is the first degree of the Company's chairman
Eternity Corp.	The entity's chairman is the same as the Company
Directors, general manager and vice general manager	

**(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,
	2021	2020	2021	2020
Associates	<u>\$ 18,488</u>	<u>25,428</u>	<u>4,709</u>	<u>4,571</u>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The selling price and credit terms for sales to related parties are not significantly different from those to other customers.

(ii) Purchase from related parties

Purchase from related parties and the balance of outstanding accounts payable were as follows:

	<b>Purchases</b>		<b>Accounts payable</b>	
	<b>For the year ended</b>		<b>December</b>	<b>December</b>
	<b>December 31,</b>		<b>31, 2021</b>	<b>31, 2020</b>
	<b>2021</b>	<b>2020</b>		
Associates	\$ 1,475	997	-	1,019
Other related parties	2,600	-	-	-
	<b>\$ 4,075</b>	<b>997</b>	<b>-</b>	<b>1,019</b>

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

	<b>December 31, 2021</b>			
	<b>Highest balance for</b>	<b>Ending amount</b>	<b>Actual amount usage</b>	
	<b>current period</b>	<b>(Note)</b>		
Associates	USD\$ 5,250	USD 5,250	USD	5,250
	<b>December 31, 2020</b>			
	<b>Highest balance for</b>	<b>Ending amount</b>	<b>Actual amount usage</b>	
	<b>current period</b>	<b>(Note)</b>		
Associates	USD\$ 10,500	USD 5,250	USD	5,250

Note : The credit limit approved by the Board of Directors

(iv) Others

	<b>Rental income</b>	
	<b>For the years ended</b>	
	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Associates	\$ 3,306	3,306
Other related parties	4,472	4,328
	<b>\$ 7,778</b>	<b>7,634</b>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

		<b>Miscellaneous revenue</b>	
		<b>For the years ended</b>	
		<b>December 31,</b>	
		<b>2021</b>	<b>2020</b>
Associates	\$	3,146	200
Other related parties		9,324	6,881
	\$	<u>12,470</u>	<u>7,081</u>
		<b>Operating expenses</b>	
		<b>For the years ended</b>	
		<b>December 31,</b>	
		<b>2021</b>	<b>2020</b>
Associates	\$	<u>4,977</u>	<u>2,617</u>
		<b>Donations</b>	
		<b>For the years ended</b>	
		<b>December 31,</b>	
		<b>2021</b>	<b>2020</b>
Other related parties-Tung Ho Steel Foundation	\$	<u>3,724</u>	<u>2,450</u>
		<b>Manufacturing Expense</b>	
		<b>For the years ended</b>	
		<b>December 31,</b>	
		<b>2021</b>	<b>2020</b>
Associates	\$	<u>8,975</u>	<u>61,016</u>
		<b>Other receivables</b>	
		<b>December 31,</b>	<b>December 31,</b>
		<b>2021</b>	<b>2020</b>
Associates	\$	36	37
Other related parties		3,903	1,061
	\$	<u>3,939</u>	<u>1,098</u>
		<b>Other payables</b>	
		<b>December 31,</b>	<b>December 31,</b>
		<b>2021</b>	<b>2020</b>
Associates		955	3,286
Other related parties		-	-
		<u>955</u>	<u>3,286</u>
		<b>Refundable deposits</b>	
		<b>December 31,</b>	<b>December 31,</b>
		<b>2021</b>	<b>2020</b>
Associates	\$	-	-
		<b>Deposits received</b>	
		<b>December 31,</b>	<b>December 31,</b>
		<b>2021</b>	<b>2020</b>
Associates		304	304

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Compensation of key management personnel

Compensation of key management personnel consists of:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 45,038	46,382
Post-employment benefits	1,817	2,262
	<b><u>\$ 46,855</u></b>	<b><u>48,644</u></b>

As of years ended December 31, 2021 and 2020, the Consolidated Company provided a car that cost \$2,490 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:

<b>Pledged assets</b>	<b>Pledged to secure</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Other current and non-current assets	Customs guarantee and performance guarantee	\$ 6,281	38,634
Refundable deposits	Performance guarantee	206,918	4,774
		<b><u>\$ 213,199</u></b>	<b><u>43,408</u></b>

**(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:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Guarantees securities amounts	<b><u>\$ 145,320</u></b>	<b><u>149,520</u></b>

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**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, 2021	December 31, 2020
Bank credit limit	\$ 14,906,462	13,680,742
Leases	200	200
Guaranteed payment for purchases of raw materials	59,980	75,580
	<u>\$ 14,966,642</u>	<u>13,756,522</u>

(iii) The amount of unused outstanding letters of credit was as follows:

	December 31, 2021	December 31, 2020
Unused outstanding letters of credit	<u>\$ 2,549,390</u>	<u>1,672,472</u>

**(10) Losses Due to Major Disasters: None**

**(11) Subsequent Events: None**

**(12) Other**

(a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

	For the year ended December 31, 2021			For the year ended December 31, 2020		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	1,745,306	863,114	2,608,420	1,499,593	731,671	2,231,264
Labor and health insurance	148,275	51,452	199,727	128,738	45,480	174,218
Pension expenses	72,083	21,193	93,276	71,421	20,042	91,463
Remuneration of directors	-	150,827	150,827	-	91,919	91,919
Other personnel expenses	57,476	15,520	72,996	54,845	24,252	79,097
Depreciation expenses	1,449,792	124,327	1,574,119	1,431,250	127,713	1,558,963
Amortization expenses	45,215	11,060	56,275	69,091	12,527	81,618

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (b) As of December 31, 2021 and 2020, the analysis of the liquidity of the company's assets and liabilities was as follow :

	<b>December 31, 2021</b>		
	<b>Receivables / Payables expected to be realized within twelve months</b>	<b>Receivables / Payables expected to be realized after twelve months</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,530,394	-	1,530,394
Current financial assets at fair value through profit or loss	195,744	-	195,744
Notes and accounts receivable	4,244,313	-	4,244,313
Other receivables	16,708	-	16,708
Inventories	20,495,166	-	20,495,166
Contract assets	23,971	3,593,030	3,617,001
Prepayments and other current assets	1,294,843	-	1,294,843
	<b>\$ 27,801,139</b>	<b>3,593,030</b>	<b>31,394,169</b>
<b>Liabilities</b>			
Short-term loans	\$ 13,325,964	-	13,325,964
Current financial liabilities at fair value through profit or loss	5,045	-	5,045
Short-term notes and bills payable	99,987	-	99,987
Current contract liabilities	-	2,532,606	2,532,606
Notes and accounts payable	3,173,211	-	3,173,211
Other payables	2,129,262	-	2,129,262
Lease liabilities	40,364	-	40,364
Current tax liabilities	949,307	-	949,307
Provisions and other current liabilities	737,945	-	737,945
	<b>\$ 20,461,085</b>	<b>2,532,606</b>	<b>22,993,691</b>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>December 31, 2020</b>		
	<b>Expected to receive or paid within twelve months</b>	<b>Expected to receive or paid over twelve months</b>	<b>Total</b>
<b>Assets</b>			
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
	<b><u>\$ 18,397,226</u></b>	<b><u>2,794,916</u></b>	<b><u>21,192,142</u></b>
<b>Liabilities</b>			
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
	<b><u>\$ 12,232,525</u></b>	<b><u>1,583,258</u></b>	<b><u>13,815,783</u></b>

(Continued)

## 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 for the year ended December 31, 2021:

##### (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 (Note 4)	Actual usage amount during the period (Note 5)	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	968,800 (USD35,000)	968,800 (USD35,000)	-	0.653%	2	-	Operating capital	-	-	-	2,954,247	5,908,494
1	Tung Yuan International Corp.	Duc Hoa International J.S.C	Accounts receivable-related parties	Yes	27,680 (USD1,000)	-	-	3.000%	2	-	Operating capital	-	-	-	80,023 (USD2,891)	160,018 (USD5,781)

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, 2021.

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 (Note 7)	Actual usage amount during the period (Note 8)	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	14,771,235	985,880 (USD16,000) (CNY125,000)	508,912 (USD7,400) (CNY70,000)	109,271 (USD2,000) (CNY12,411)	-	1.72 %	14,771,235	Y	N	Y
0	The Company (Note 2, 3)	THSVC	2	14,771,235	9,867,920 (USD356,500)	7,847,280 (USD283,500)	5,742,182 (USD207,449)	-	26.56 %	14,771,235	Y	N	N
1	Tung Yuan International Corp. (Note 4, 5)	Best-Steel Trade Corp.	1	400,031 (USD14,452)	33,216 (USD1,200)	-	-	-	- %	800,063 (USD28,904)	N	N	N
1	Tung Yuan International Corp. (Note 4, 5)	Fujian Sino-Japan Metal Corp.	6	400,031 (USD14,452)	145,320 (USD5,250)	145,320 (USD5,250)	145,320 (USD5,250)	-	18.16 %	800,063 (USD28,904)	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.

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 USD28,904 thousand. Guarantees and endorsements for an individual company should not exceed 50% of the Company's net worth on its latest financial statements.

(Continued)



## TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated 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: \$14,771,235 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: \$14,771,235 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, 2021 (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	133,110	1.79 %	133,110	1.79 %	None
The Company	Stock — Adlink	-	(a)	966,577	62,634	0.44 %	62,634	0.70 %	"
The Company	Stock — Shiao Kang Warehousing Corp.	One of its directors	(b)	2,384,060	16,235	19.87 %	16,235	19.87 %	"
The Company	Stock — Hexawave Photonic System, Inc.	-	(b)	2,564,023	31,794	6.39 %	31,794	6.39 %	"
The Company	Stock — Overseas Investment & Development Corp.	-	(b)	1,000,000	8,230	1.11 %	8,230	1.11 %	"
The Company	Stock — Power World Fund, Inc.	One of its directors	(b)	677,245	10,680	5.68 %	10,680	5.68 %	"
The Company	Stock — Universal Venture Fund, Inc.	One of its directors	(b)	558,255	8,201	4.76 %	8,201	4.76 %	"
The Company	Stock — Tung Jiang Investment Corp.	One of its directors	(b)	-	36,269	9.12 %	36,269	9.13 %	"
The Company	Stock — Taiwan Aerospace Corp.	-	(b)	1,621,441	27,029	1.19 %	27,029	1.19 %	"
The Company	Stock — Universal Venture Capital Investment Corp.	-	(b)	2,800,000	24,612	2.33 %	24,612	2.33 %	"
The Company	Stock — IBT	-	(b)	1,312,993	7,484	4.17 %	7,484	4.17 %	"
The Company	Stock — Chien Shing Harbour Service Co., Ltd	One of its directors	(b)	8,203,800	442,185	10.11 %	442,185	10.11 %	"
The Company	Stock — Taiwan High Speed Rail Corporation	-	(b)	1,913,376	56,636	0.03 %	56,636	0.03 %	"
Tung Yuan	Chinese Products Promotion Center	-	(b)	2,500	212	0.66 %	212	0.66 %	"
International Corp.	Tech alliance Corp.	-	(b)	227,500	1,024	5.69 %	1,024	5.69 %	"
International Corp.	Toko Sanitaryware Trading Development Corp.	-	(b)	150,000	3,602	3.75 %	3,602	3.75 %	"
Tung Kang Engineering & Construction Corp.									

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 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
- (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	(1,906,222)	(4.18)%	OA10/OA30	-	-	406,288	9.51%	
The Company	Tung Kang Steel Structure Corp.	"	Purchase	114,009	0.30%	OA60	-	-	(1,024)	(0.04)%	
The Company	THSVC	"	Sale	(407,268)	(0.89)%	Payment at the end of the month	-	-	175,602	4.11%	
The Company	THSVC	"	Purchase	916,874	2.42%	120 days after B/L	-	-	-	-%	
Tung Kang Steel Structure Corp.	The Company	Parent Company	Sale	(114,009)	(1.24)%	OA60	-	-	1,024	0.50%	
Tung Kang Steel Structure Corp.	The Company	"	Purchase	1,906,223	45.81%	OA10/OA30	-	-	(406,288)	(43.65)%	
THSVC	The Company	"	Sale	(916,874)	(16.29)%	120 days after B/L	-	-	-	-%	
THSVC	The Company	"	Purchase	407,268	7.20%	Payment at the end of the month	-	-	(175,602)	(54.50)%	

Note : The transactions have already been written off in the consolidated financial statements.

(Continued)

## TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

### Notes to 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	406,288(Accounts receivable—related parties)	6.09	-		406,288	-
			795(Other receivables—related parties)	-	-		795	-
The Company	THSVC	Subsidiary	175,602(Accounts receivable—related parties)	2.97	-		71,029	-

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 its subsidiaries	1	Sales	1,983,995	General conditions	3.37%
0	The Company	Tung Kang Steel Structure Corp. and its subsidiaries	1	Accounts receivable	421,832	OA10/OA30	0.76%
0	The Company	THSVC	1	Sales	407,268	General conditions	0.69%
0	The Company	THSVC	1	Accounts receivable	175,602	120 days after B/L	0.32%
1	Tung Kang Steel Structure Corp. and its subsidiaries	The Company	2	Sales	238,613	General conditions	0.41%
1	Tung Kang Steel Structure Corp. and its subsidiaries	The Company	2	Accounts receivable	31,444	Receive within 30 days	0.06%
2	THSVC	The Company	2	Sales	916,874	General conditions	1.56%

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.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2021 (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, 2021			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value				
The Company	Tung Yuan International Corp.	British Virgin Islands	Investment activities	752,434 (USD27,183)	752,434 (USD27,183)	82	100.00 %	800,070	82	75,018	75,018	Subsidiary (Note 1)
"	Tung Kang Steel Structure Corp.	Taiwan	steel structure engineering construction	1,775,138	1,775,138	201,121,339	97.48 %	2,824,418	201,121,372	594,025	581,751	Subsidiary (Note 1)
"	Katec R & D Corp.	Taiwan	Waste recycling	35,352	35,352	4,705,332	46.19 %	77,623	4,705,332	44,252	20,439	Associate
"	Goldham Development Ltd.	British Virgin Islands	Investment activities	415,200 (USD15,000)	415,200 (USD15,000)	15,000,000	100.00 %	322,275	15,000,000	5,709	5,372	Subsidiary (Note 1)
"	Taiwan Steel Union Co., Ltd.	Taiwan	Waste disposal	113,291	113,291	24,829,009	22.31 %	845,367	24,829,009	564,869	126,036	Associate
"	Katec Creative Resources Corporation	Taiwan	Waste recycling	1,211,535	1,211,442	95,736,860	99.02 %	779,900	95,736,860	76,373	75,617	Subsidiary (Note 1)
"	Fa Da Enterprise Corp.	Taiwan	Waste recycling	1,000	1,000	100,000	100.00 %	17,178	100,000	(131)	(668)	Subsidiary (Note 1)
"	Tung Kang Wind Power Corp.	Taiwan	Electric power generation	655,000	155,000	65,500,000	100.00 %	582,685	65,500,000	(5,155)	(5,081)	Subsidiary (Note 1)
"	THSVC	Vietnam	Steel industry	5,016,935	5,016,935	-	100.00 %	3,221,055	-	123,265	123,265	Subsidiary (Note 1)

(Continued)

## TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value				
The Company	Tung Sugar Energy Service Co., Ltd.	Taiwan	Fertilizer producing and self-used equipment of renewable electric power	54,000	54,000	5,400,000	36.00 %	53,190	5,400,000	(1,437)	(517)	Subsidiary (Note 1)
Tung Yuan International Corp.	3 Oceans International Inc.	Samoa	Investment activities	50,931 (USD1,840)	50,931 (USD1,840)	1,840,000	66.67 %	23,699	1,840,000	6,391	4,261	Subsidiary (Note 1)
Tung Yuan International Corp.	Duc Hoa International Joint Stock Company	Vietnam	Quicklime factory	104,326 (USD3,769)	104,326 (USD3,769)	8,154,419	96.00 %	107,290	8,154,419	18,020	17,300	Subsidiary (Note 1)
Tung Kang Steel Structure Corp.	Tung Kang Engineering & Construction Corp.	Taiwan	Civil engineering	359,340	359,340	25,000,000	100.00 %	260,865	25,000,000	2,024	2,024	Subsidiary (Note 1)

1 USD = 27.68 NTD

Note1: The transactions were written off in the consolidated financial statements.

Note2: Fa Da Enterprise Corp. was dissolved in August 2021 by the resolution of the shareholders' meeting and was approved for deregistration in the same month. As of December 31, 2021, the liquidation declaration operation procedure was still in progress.

(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, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	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	1,439,360 (USD52,000)	( 2 )	508,399 (USD18,367)	-	-	508,399 (USD18,367)	152,739	35.00%	35.00 %	53,459	567,723	-
Fujian Tung Kang Steel Co., Ltd.	Processing of section steels and steel structures	415,200 (USD15,000)	( 2 )	368,974 (USD13,330)	-	-	368,974 (USD13,330)	5,709	100.00%	100.00 %	5,372	322,275	-
Fujian Dong Sheng Metal Processing Co., Ltd.	Metal processing	39,096 (CNY9,000)	( 3 )	-	-	-	-	(4,802)	-% (Note 4)	51.00 %	(2,449)	-	-

Note 1: List of the method of investment

- (1) Direct investment
- (2) Indirect investment
- (3) Others

Note 2: On December 31, 2021, 1 USD = 27.68 NTD, 1 CNY = 4.344 NTD.

Note 3: For the year ended December 31, 2021, 1 USD = 28.01 NTD, 1 CNY = 4.341 NTD.

Note 4: Fujian Tung Kang Steel Co., Ltd. disposed entire holding shares of Fujian Sino-Japan Metal Corp. and loss of control over it in November 18, 2021.

(ii) Limitation on investment in Mainland China:

(in thousands of NTD/USD)

Accumulated Investment in Mainland China as of December 31, 2021	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment (Noted)
932,733 (USD33,697)	932,733 (USD33,697)	17,725,481

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."

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Shen Yuan Investment Co., Ltd.		108,715,999	14.88 %
Mao Sheng Investment Co., Ltd.		46,265,877	6.33 %
He Zhao Investment Co., Ltd.		44,757,750	6.12 %

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 tapered 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 tapered 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

(Continued)

# TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

The operating segments of the Consolidated Company for the year ended December 31, 2021 and 2020, were as follows:

	For the year ended December 31, 2021								
	<u>Kaohsiung</u>	<u>Taoyuan</u>	<u>Miaoli</u>	<u>Taipei</u>	<u>Steel Structure</u>	<u>Vietnam</u>	<u>Others</u>	<u>Adjustments and eliminations</u>	<u>Total</u>
Revenue:									
Net revenue from external customers	\$ 8,520,992	18,615,783	13,286,152	851,399	10,387,045	4,711,716	2,422,002	-	58,795,089
Inter-segment revenue	<u>45,452</u>	<u>77,880</u>	<u>1,888,660</u>	<u>389,445</u>	<u>317,843</u>	<u>916,874</u>	<u>146,067</u>	<u>(3,782,221)</u>	<u>-</u>
Total revenues	<u>\$ 8,566,444</u>	<u>18,693,663</u>	<u>15,174,812</u>	<u>1,240,844</u>	<u>10,704,888</u>	<u>5,628,590</u>	<u>2,568,069</u>	<u>(3,782,221)</u>	<u>58,795,089</u>
Interest expense	\$ -	-	-	(34,189)	(12,160)	(93,462)	(20,112)	10,422	(149,501)
Interest revenue	-	-	-	10,247	1,463	12,962	825	(10,087)	15,410
Reportable segment profit or loss	<u>\$ 1,240,817</u>	<u>1,375,545</u>	<u>3,198,007</u>	<u>1,270,282</u>	<u>726,212</u>	<u>123,265</u>	<u>269,443</u>	<u>(852,860)</u>	<u>7,350,711</u>
Reportable segment assets	<u>\$ 1,731,897</u>	<u>15,693,849</u>	<u>8,197,971</u>	<u>19,320,839</u>	<u>6,752,743</u>	<u>9,532,351</u>	<u>3,655,321</u>	<u>(9,482,219)</u>	<u>55,402,752</u>
Reportable segment liabilities	<u>\$ 421,747</u>	<u>1,541,182</u>	<u>1,114,208</u>	<u>13,449,918</u>	<u>3,320,680</u>	<u>6,311,296</u>	<u>195,371</u>	<u>(684,235)</u>	<u>25,670,167</u>
	For the year ended December 31, 2020								
	<u>Kaohsiung</u>	<u>Taoyuan</u>	<u>Miaoli</u>	<u>Taipei</u>	<u>Steel Structure</u>	<u>Vietnam</u>	<u>Others</u>	<u>Adjustments and eliminations</u>	<u>Total</u>
Revenue:									
Net revenue from external customers	5,321,468	14,885,133	9,674,118	503,404	7,392,556	2,999,695	2,089,916	-	42,866,290
Inter-segment revenue	<u>22,523</u>	<u>206,538</u>	<u>1,788,341</u>	<u>261,279</u>	<u>275,067</u>	<u>745,042</u>	<u>111,557</u>	<u>(3,410,347)</u>	<u>-</u>
Total revenues	<u>\$ 5,343,991</u>	<u>15,091,671</u>	<u>11,462,459</u>	<u>764,683</u>	<u>7,667,623</u>	<u>3,744,737</u>	<u>2,201,473</u>	<u>(3,410,347)</u>	<u>42,866,290</u>
Interest expense	\$ -	-	-	(81,333)	(12,736)	(89,343)	(10,168)	3,643	(189,937)
Interest revenue	-	-	-	3,430	1,265	4,987	1,792	(3,213)	8,261
Reportable segment profit or loss	<u>\$ 388,228</u>	<u>1,323,742</u>	<u>2,578,344</u>	<u>54,983</u>	<u>443,499</u>	<u>(409,615)</u>	<u>11,851</u>	<u>98,538</u>	<u>4,489,570</u>
Reportable segment assets	<u>\$ 1,638,735</u>	<u>14,706,138</u>	<u>5,344,814</u>	<u>14,579,555</u>	<u>5,924,849</u>	<u>6,686,977</u>	<u>3,337,520</u>	<u>(7,797,501)</u>	<u>44,421,087</u>
Reportable segment liabilities	<u>\$ 384,216</u>	<u>1,183,427</u>	<u>1,149,098</u>	<u>7,020,189</u>	<u>2,742,879</u>	<u>4,039,599</u>	<u>647,002</u>	<u>(453,148)</u>	<u>16,713,262</u>

(c) Products information

Revenue from the external customers of the Consolidated Company was as follows :

<u>Product Name</u>	For the years ended December 31,	
	<u>2021</u>	<u>2020</u>
Deformed bars	\$ 27,171,078	21,033,467
Sections	19,763,771	13,552,114
Billets	983,192	408,201
Construction Contracts	10,089,906	7,150,489
Others	787,142	722,019
	<b>\$ 58,795,089</b>	<b>42,866,290</b>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(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 :

<b>Geographic information</b>	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Net revenue from external customers :		
Taiwan	\$ 50,571,413	38,603,374
China	1,000,776	430,163
Vietnam	4,718,881	2,723,150
Others	2,504,019	1,109,603
	<b>\$ 58,795,089</b>	<b>42,866,290</b>
<b>Geographic information</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Non-current assets :		
Taiwan	\$ 16,740,086	16,568,366
China	112,490	166,530
Vietnam	4,869,160	4,495,306
Others	23,936	29,409
	<b>\$ 21,745,672</b>	<b>21,259,611</b>

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

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Customer A from sections department	<b>\$ 4,343,696</b>	<b>2,939,052</b>
Customer B from sections department(Note)	<b>(Note)</b>	<b>\$ 1,483,321</b>

Note: The information on the 2021 financial statements did not reached the 10% disclosure standard.