

# Tong Ming Enterprise Co., Ltd.

## *2021 Annual Report*

### *(Translation)*



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Published April 16, 2022

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

Name of Spokesman: Ko, Wen-Ling

Title: President of Winlink Fasteners Co., Ltd

Tel: 886-7-6226977

E-mail: wenling@winlink.com.tw

Name of Acting Spokesman: Yen, Hsien-Ying

Title: Supervisor of Accounting of Tong Ming Enterprise (Zhejiang) Co., Ltd

Tel: 886-7-6226977

E-mail: sam.yen@tongming.com.cn

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

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

Name: Tong Ming Enterprise Co., Ltd.

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

Tel: 86-573-8220-3125

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

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

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

Tel: 86-573-8220-3125

### **3. Samoa Subsidiary**

(1) Name: Tong Win International Co., Ltd

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

Tel: 886-7-622-6977

(2) Name : Meta Global Co., Ltd.

Address : Vistra Corporate Services Center, Grond Floor NPF Building, Beach Road, Apia. Samoa

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

Name: Winlink Fasteners Co., Ltd

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

Tel: 886-7-622-6977

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

(1) Name: Tong Group Limited

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

Tel: 86-573-8220-3125

(2) Name: China Rich International Holding Limited

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

Tel: 86-573-8220-3125

## **6. JAPAN Subsidiary**

Name : Fastlink ,Inc.

Address : Address : 7F Honmachiminami Gardencity, 3-6-1 Kitakyuhouji-Machi, Chuou-Ku Osaka, Japan

Tel : 81-6-7639-8731

## **7. Other Sub-subsidiaries**

- (1) Name: Tong Ming Trading Limited

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

Tel: 86-573-8220-3125

- (2) Name: Tong Ming Holding Limited

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

Tel: 86-573-8220-312

- (3) Name: Shenzhen Easy Fasteners Co., Ltd

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

Tel: 86-0755-89630070

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

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

TEL: 86-0573-82227088

- (5) Name : Tong He Enterprise Co.,Ltd.

Address : Chengnan Industrial Park, Heping Town, Changxing County, Huzhou City, Zhejiang Province

TEL:86-573-8220-3125

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

- (1) Name: Wuxi Branch

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

Tel: 86-0510-83140748/82360907

- (2) Name: Nanjing Branch

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

Tel: 86-025-51833670/51833430

- (3) Name: Xinghua Branch

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

Tel: 86-0523-83788225

- (4) Name: Handan Branch

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

Tel: 86-0310-6891828

(5) Name: Hefei Branch

Address: Room 116, Building 4, Block B, Phase I, Anhui Hardware & Electrical Trade Center, Baohe District, Hefei

Tel: 86-0551-67191252

(6) Name: Chongqing Branch

Address: 3-4#, Building 16, No. 10 Baitao Road, Jiulongpo District, Chongqing

Tel: 86-023-68880935/68886936

(7) Name: Xiamen Branch

Address: Room 1018, No. 36, Changzhi Road, Huli District, Xiamen

Tel: 86-0592-5811970

(8) Name: Changzhou Branch

Address: No. 307, Building 2, Meijite Science and Technology Hardware Center, 99# North Qingyang Road, Changzhou

Tel: 86-0519-85162155/88103951

(9) Name: Dalian Branch

Address: 498-3# Dongwei Road, Ganjinzi District, Dalian

Tel: 86-0411-86669385

(10) Name: Foshan Branch

Address: No. 108, Building D8, Area E, China United Baoding Creative Industries Park, No. 1-3, Ming Ya, Dali Town, Nanhai District, Foshan

Tel: 86-0757-85611590/85611591

(11) Name: Dongguan Branch

Address: Building 5, Room 710, No. 84, Zongli Road, Nancheng District, Dongguan

Tel: 86-0769-21685365/21685366

(12) Name: Beijing Branch

Address: No. 21, Block B, North Chaolong Zone, 131# Chengshousi Road, Chaoyang District, Beijing

Tel: 86-010-67674809/67605191

(13) Name: Qingdao Branch

Address: No. 12 Wan'an Road, Sifang District, Qingdao City, Shandong

Tel: 86-0532-83765392/84991107/84991307

(14) Name: Jinan Branch

Address: No. 16, 1F, East Office Building, Zhaozhuang Residential Committee, Tianqiao District, Jinan

Tel: 86-0531-88672036/88672037

(15) Name: Shenyang Branch

Address: Door 8, No. 3 South Shixi Road, Tiexi District, Shenyang City, Liaoning

Tel: 86-024-25851962

(16) Name: Tianjin Branch

Address: Factory No.5, Yard 1, Yucheng Road, Yangliuqing Industrial Park, Xiqing District, Tianjin

Tel: 86-022-27610646/27699469

(17) Name: Shijiazhuang Branch

Address: No. 147, North Jianshe Street, Shijiazhuang City, Hebei

Tel: 86-0311-85269920/85269951

(18) Name: Hangzhou Branch

Address: No. 605, Hang Bo Tower, No. 630 Fei Jia Tong Road, New Street, Xiacheng District, Hangzhou City, Zhejiang Province

Tel: 86-0571-85457742/85772119

(19) Name: Shenzhen Branch

Address: Room 710, Building 5, No. 84, Zhongli Road, Nancheng Street, Dongguan City

Tel: 86-0755-27441020

(20) Name: Wuhan Branch

Address: Room 415, Longtan Century Office Building, No. 780 Huian Avenue, Dongxihu District, Wuhan

Tel: 86-027-85412436/85411882

(21) Name: Changsha Branch

Address: No. 339-341, Wanbao Avenue, Furong District, Changsha City

Tel: 86-0731-84719645

(22) Name: Xi'an Branch

Address: No. A, Building 1, 12th Street, Area E1 of Hardware & Electric Material, Hua Nan Cheng, Baqiao

District, Xi'an

Tel: 86-029-86140122

(23) Name: Taizhou Branch

Address: No. 705, Block A, Nan Yuan Business Hotel, No. 555, Dong Lu Qiao Avenue, Luqiao District, Taizhou City, Zhejiang

Tel: 86-0576-82453577

(24) Name: Shanghai Songjiang Branch

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

Tel: 86-021-52265982/52265920/57770166/58111458

(25) Name: Zhengzhou Branch

Address: 50 meters north from the intersection of South Jinguang Road and Nanping Road, Erqi District, Zhengzhou

Tel: 0371-63323998

(26) Name: Wenzhou Branch

Address: No. 29, Yucang West Road, Long Wan District, Wenzhou

Tel: 0577-86650091

(27) Name: Chengdu Branch

Address: No. 1, 1F, Building 6, 669# Limin Road, Xiangfu Town, Qingbaijiang District, Chengdu City, Sichuan

Tel: 028-83680661

### **III. Stock Transfer Institute:**

Name: Stock Administration Agent of KGI Securities Co. Ltd.

Website: [www.kgi.com.tw](http://www.kgi.com.tw)

Address: 5F, No. 2, Sec. 1, Chongqing S. Rd., Zhongzheng Dist.,  
Taipei City

Tel: 886-2-2314-8800

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

CPA Firm: Deloitte Touche Tohmatsu Limited

Website: [www.deloitte.com.tw](http://www.deloitte.com.tw)

CPA: Hsieh, Ming-Chung & Lu, I-Chen

Tel: 886-2-2725-9988

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

#### **V. Name of overseas trading office of listed valuable securities and the method for Inquiring about information of valuable overseas securities: Nil.**

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

#### **VII. Board of Directors**

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

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

Representative name: Ko, Wen-Ling

Title: President of Winlink Fasteners Co., Ltd.

Telephone: 886-7-622-6977

E-mail: [ir@tonggroup.com.tw](mailto:ir@tonggroup.com.tw)

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## I. A Letter to the Shareholders

Dear Shareholders,

### I. I. Business Performance of 2021

#### (1) Implementation results of business plan

The company's consolidated revenue in 2021 is NTD13.2 billion, increasing by 44% compared with that in 2020, which is mainly caused by the opening of major global markets, the growth of domestic demand in China, and the continuous rise in the prices of major raw materials, etc. The consolidated net profit after tax is NTD1.4 billion, increasing by about 192% compared with that in 2020. The basic earnings per share is NTD8. The following is an explanation of the operating results of the main operating units in the consolidated statements:

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

1. Overall shipment volume continues to grow: the total annual shipment volume reaches 111,000 tons, with a growth rate of 22%.
2. Shipment by business: Due to the growth of domestic demand in China, sufficient stock of the company, and continuous optimization of the logistics efficiency and pricing strategy to quickly respond to the market situation, the annual shipment volume of domestic sales of fasteners is about 59,000 tons, with an increase of 13%, accounting for 53% of the total shipment volume. Due to the competitive price, the shipment volume of export of fasteners increases by 55%, and the annual shipment volume is about 21,000 tons. The shipment volume of wire products increases by about 23%, and the annual shipment volume is about 31,000 tons.

B. WINLINK FASTENERS CO., LTD. and Tong win international Co., Ltd. are mainly engaged in international trade business. Due to the opening of major global markets, the total revenue increases by 56% this year.

#### (2) Profitability analysis:

| Items                    | 2021  | 2020  |
|--------------------------|-------|-------|
| Return on assets (%)     | 15.05 | 7.16  |
| Return on equity (%)     | 27.02 | 12.29 |
| Net profit rate (%)      | 10.94 | 5.40  |
| Earnings per share (NTD) | 8.00  | 2.94  |

The ratios in this year shows an increase due to the increase of profits.

(3) Product research and service development:

The company is a professional manufacturer of stainless steel fasteners, which improves the production process and develops new products in a stable and gradual manner. The channel business unit established by integrating multiple departments has become mature. This year, it continues to optimize the WMS system, improve and simplify the receiving process, so as to improve the delivery efficiency.

(4) Environmental protection and labor hygiene and safety:

The company's business entity, Tong Ming Enterprise Co., Ltd., has obtained ISO14001 and ISO45001 certification, and the occupational safety of factory employees is good throughout the year. In order to improve production capacity and reduce emissions, the company has purchased new and efficient production equipment and upgraded sewage treatment equipment, which operate well.

## II. Summary of business plan for 2022

(1) Business entity-Tong Ming Enterprise Co., Ltd.

In 2021, the shipment volume increases by 22%. In order to meet the needs of long-term development, the operating entity has invested in the construction of Jiaxing high tech plant in 2021 to meet the future business growth. The plan for 2022 is as follows:

**1. In terms of domestic sales of fasteners:**

In sales strategy: Upgrade Tong Ming e-commerce platform, continuously improve value-added service content and expand product items, so as to further increase service differentiation, so that customers can focus more on product sales. It will continue to improve overall sales volume and market share and deepen cooperation.

In channel development: Improve the warehouse automatic sorting system and optimize the warehouse management system, so as to improve the delivery efficiency and customer service satisfaction.

**2. In terms of fastener export:**

In 2021, the export business benefited from the opening of foreign markets and price advantages. In 2022, the company will give full play to its cost advantages and continue to expand shipments.

**3. In terms of wire products:**

Since the shipment volume of wire products increases by about 23% in 2021, in order to

meet the market demand, the parent company has invested in a newly established wire factory in Zhejiang Huzhou in 2022, which will supply the wire demand of the operating entity in the future.

(2) Subsidiary-WINLINK FASTENERS CO., LTD. and Tong Win:

The company is mainly engaged in the export of fastener products. Due to the trend of expanding demand in major foreign markets, the company continues to strengthen the cooperative relationship with customers in specific industries and maintains the market share and stable growth as the main focus.

In 2022, many uncertain factors such as COVID-19 and international wars will continue to exist in the short term, and the degree of impact remains to be observed. Because the opening policy of major global markets remains unchanged, so the overall market is conducive to the business development of the company. In 2022, after the new plants for fasteners and wire products are completed and put into production successively, the output will be increased. They will cooperate with the channel business unit to improve various service contents and deepen the cooperative relationship with customers. It is expected that the shipment volume will grow steadily in 2022.

Best Regards

Tong Ming Enterprise Co., Ltd.

Chairman Tsai, Ching-Tung

President Tsai, Hung-Chuan

## **Two.Company Profile**

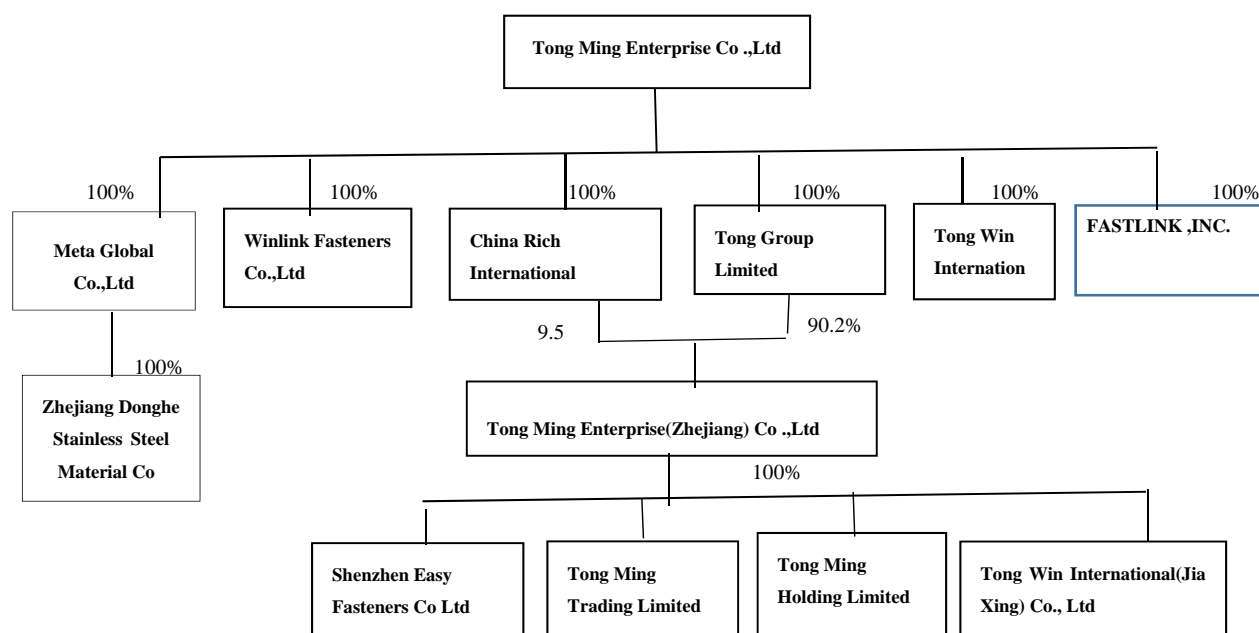
### **I. Established Date & Company History**

Established on November 30, 2009 in the Cayman Islands, Tong Ming Enterprise Co., Ltd. (hereafter called “the Company”) is the first listing application entity of the company. The Company reinvested in mainland China’s Rich International Holding Limited (hereafter called “Zhejiang Tong Ming”) through Tong Group Limited and Tong Ming Enterprise Co., Ltd. As the main business entity of the Company, Zhejiang Tong Ming was founded in December 1995 in the Economic Development Zone of Jiaxing City in the province of Zhejiang, covering an area of 152,000 square meters manufacturing more than 100,000 tons per year, and now expanded to 27 direct sales branch offices throughout China. The main products of the Company are stainless steel fasteners and wires; fasteners, commonly known as such standard industrial products as screws, nuts, and thread rods, have earned the reputation of the “Rice of Industry” since various industrial developments require them in a number of different shapes and sizes. Meanwhile, the stainless steel wire, as the connection between upstream steel mills and downstream hardware producers, is the customized raw material of manufacturing industries for small-sized screws, kitchen supplies, wire belts, redrawing wires, and springs.

Since its establishment in 1995 in mainland China, Zhejiang Tong Ming has actively explored the domestic market and produced stainless steel fasteners and wire-branded “TONG” on a large scale with rigorous working process and excellent management models. Now, it holds the leading position of the domestic market, with around 70 percent of the mainland China market share. Due to the continuous growth of Chinese market demand, the company set up new plants for fasteners and wires production in Zhejiang Province in 2021 and 2022 respectively, which are expected to be completed and put into operation in the second half of 2022.

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

## II. Organization Chart



## III. Company and Group History

| Year | Milestones  |
|------|---|
| 1995 | Dongming Industrial (Jiaxing) Co., Ltd, the predecessor of Tong Ming Enterprise (Zhejiang) Co., Ltd, was established in the Economic Development Zone of Zhejiang Province, covering an area of 150,000 square meters.  |
| 2004 | Completed the construction of the automated warehousing system with 20,000 grids storage  |
| 2005 | 1. Introduced Oracle Enterprise Resource Management System (Oracle JDE ERP)   |
| 2008 | 1. Generally restructured from Sino-foreign joint ventures to a foreign-invested joint-stock company, approved by the Ministry of Commerce, and changed the name to Tong Ming Enterprise Co., Ltd, recognized as National High-tech Enterprises.<br>2. Invested US\$ 400,000 into Jiaxing Chunyou Precise Mould Co., Ltd.   |
| 2009 | 1. Zhejiang Tong Ming reinvested RMB 5,498 thousand to Easy Trade (Shanghai) Co., Ltd.<br>2. Tong Ming Enterprise Co., Ltd was founded, and the Company was restructured.   |
| 2010 | 1. Tong Ming Enterprise Co., Ltd restructured its Board of Directors and elected three Independent Directors.<br>2. For equity decentralization, Tong Hwei Co., Ltd, the director holding 89.5% equity of the Company's capital, transferred its share to four natural person shareholders who actually contributed the capital: Tsai, Ching-Tung, Tsai, Hung-Chuan, Tsai, Ming-Ti, and Tsai, Yi-Ting.  |
| 2012 | 1. Tong Ming invested NT\$ 5.5 million in Winlink Fasteners Co., Ltd<br>2. Invested US\$ 500,000 in Tong Win International Co., Ltd   |
| 2013 | 1. Natural person shareholders of Tong Ming Enterprise Co., Ltd, Tsai, Ching-Tung, Tsai, Hung-Chuan, Tsai, Ming-Ti, and Tsai, Yi-Ting, transferred their equity to Tong One International Co., Ltd and Richard International Co., Ltd without changing the actual control force.<br>2. The Shareholders' meeting approved the Directors (including three Independent Directors) and Supervisor, with three Independent Directors replacing the Supervisors as members of the Audit Committee.<br>3. The compensation committee was established. |

| Year | Milestones  |
|------|---|
|      | <ul style="list-style-type: none"> <li>4. Shenzhen Easy Fasteners Co., Ltd, subsidiary of Zhejiang Tong Ming, was established.</li> <li>5. Listed on TWSE on December 16.</li> </ul>  |
| 2015 | <ul style="list-style-type: none"> <li>1. The Zhengzhou domestic branch office was established.</li> <li>2. The Wenzhou domestic branch office was established.</li> <li>3. The South China warehouse was set up in Guangzhou Foshan.</li> </ul>  |
| 2016 | <ul style="list-style-type: none"> <li>1. Channel division of Zhejiang Tong Ming was set up.</li> <li>2. Oracle Enterprise Resource Management System (Oracle JDE ERP) was upgraded.</li> <li>3. Chairman Tsai, Ching-Tung donated 16.26% equity of the Company's capital to New Star Limited., Capitaland Limited. and Mega Sun Limyted in custody of Chinatrust Commercial Bank on December 5.</li> </ul>   |
| 2017 | <ul style="list-style-type: none"> <li>1. Zhejiang Tong Ming started using roof-mounted solar power generation equipment.</li> <li>2. The North China warehouse was set up at Tianjin by Zhejiang Tong Ming.</li> <li>3. Zhejiang Tong Ming was re-evaluated and awarded a "National High-Tech Enterprise" for three consecutive years.</li> </ul>  |
| 2018 | <ul style="list-style-type: none"> <li>1. Zhejiang Tong Ming obtained an intellectual property management system certificate. (Standard of Intellectual Property Management System: GB/T 29490-2013).</li> <li>2. The whole factory of Zhejiang Tong Ming was installed with roof-mounted solar power generation equipment.</li> </ul>  |
| 2019 | <ul style="list-style-type: none"> <li>1. The Southwestern China warehouse was set up at Chengdu.</li> <li>2. Tong Ming Biz advocated new value proposition of "comprehensive, excellent, fast, and economizing".</li> <li>3. Opening of Tong Ming Enterprise (Zhejiang) Handan Branch</li> <li>4. Tong Ming Enterprise (Zhejiang) established Tong Win Trading (Jaxing) Co., Ltd. in May</li> <li>5. Tong Ming Enterprise (Zhejiang) established a central China regional warehouse in Wuhan, Hubei Province.</li> <li>6. The launch of "Joint Venture Area" in TongMing.Biz.</li> </ul>   |
| 2020 | <ul style="list-style-type: none"> <li>1. Tong Ming Enterprise (Zhejiang) resumed work on 14 February due to the impact of Covid-19.</li> <li>2. In February 2020, Zhejiang Tong Ming was awarded as one of the top ten industrial enterprises in Jiaxing Economic Development Zone for high quality development.</li> <li>3. In February 2020, Zhejiang Tong Ming was awarded the Outstanding Enterprise of Digital Economy in Jiaxing Economic Development Zone.</li> <li>4. In February 2020, Zhejiang Tong Ming was awarded the advanced unit of labor relations in Jiaxing Economic Development Zone.</li> <li>5. In November 2020, Cayman Tong Ming invested and established Fastlink Corporation in Japan to engage in trading business in Japan.</li> </ul> |
| 2021 | <ul style="list-style-type: none"> <li>1. In March 2021, Zhejiang Tong Ming was awarded as one of the top ten innovative enterprises of fasteners in Zhejiang Province.</li> <li>2. In March 2021, Zhejiang Tong Ming was awarded as the champion enterprise of fastener single product in Zhejiang Province.</li> <li>3. In March 2021, the board of directors of Cayman Tong Ming resolved to increase the capital by 30,000 thousand shares in cash.</li> <li>4. From June to August 2021, 3,203,000 shares of convertible corporate bonds were converted.</li> <li>5. In August 2021, the company completed the cash capital increase of 30,000,000 shares</li> </ul>   |
| 2022 | <ul style="list-style-type: none"> <li>1. Tong He Enterprise Co.,Ltd. (Zhejiang) was established in March, and wire products will be put into production in the future.</li> </ul>  |

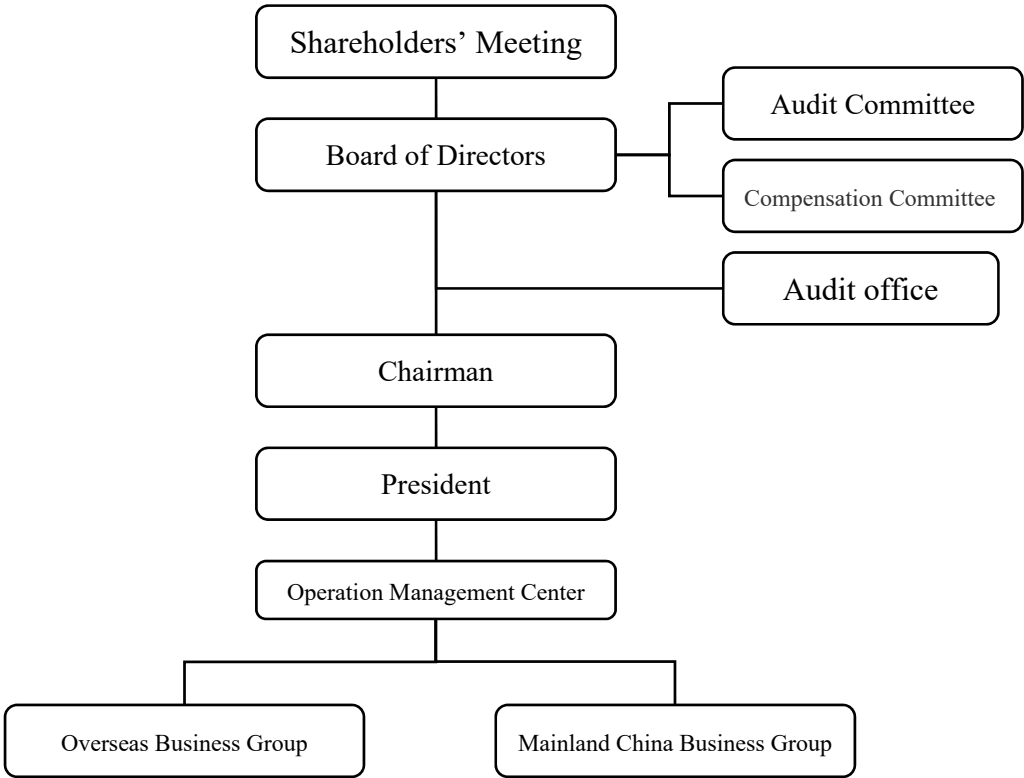
#### IV. Risk Analysis

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

# Three Company Governance

## I. Organization

### (I) Organization Structure



## (II) Functions

| Departments                   |                     | Functions  |
|-------------------------------|---------------------|--|
| Board of Directors            |                     | Overall strategic planning; promotion, assessment and guidance of corporate business.  |
| Audit Committee               |                     | Supervises group business and financial situations, proper financial statements and effective implementation of internal controls.   |
| Compensation Committee        |                     | Drafts and regularly reviews policy, system, standards, and structure of performance evaluation and compensation for directors and managers as the basis of payment.             |
| Audit Office                  |                     | A. Assesses the integrality, rationality, and effectiveness of the internal control and management system.<br>B. Implements internal audits and subsequent corrective actions.   |
| President                     |                     | Executes resolutions of the Board of Directors and manages all the Company's affairs.  |
| Operation Management Center   |                     | Comprehensively handles planning and execution of group finance, accounting, project, tax, and stock affairs.  |
| Mainland China Business Group | Channel Division    | Responsible for market development, sales management, customer service, product inspection, storage, and logistics.  |
|                               | Purchasing          | Responsible for purchasing, supplier management, and raw material shipment.  |
|                               | Production          | A. Production scheduling, product manufacturing and shipment, production progress, and technical management.<br>B. Raw material stock-in, requisition, and storage bin planning. |
|                               | R&D Center          | Planning and implementation of R&D and design.   |
|                               | HR & Administration | Setup and implementation of HR planning, education and training, administration, and SHE affairs.  |
|                               | Finance             | Responsible for finance, accounting, tax, and stock affairs.   |
| Overseas Business Group       | Winlink             | Sales and Trading.   |
|                               | Tong Win            | General investment, sales and trading.   |
|                               | Fastlink Inc.       | Sales and trading.   |



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

### (I) Directors and Supervisors

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

As of April 16, 2022

| Title    | Nationality or Place of Registration | Name                            | Gender        | Date Elected (Appointed) | Term    | Date First Elected | Shareholding When Elected |        | Current Shareholding |        | Spouse and Minor Children |   | Nominee Arrangement |   | Education and Select Past Positions   | Select Present Positions at Tong Ming and Other Companies   | Managers, Directors, or Supervisors Who are Spouses or within Two Degrees of Kinship to Each Other |                                      |
|----------|--------------------------------------|---------------------------------|---------------|--------------------------|---------|--------------------|---------------------------|--------|----------------------|--------|---------------------------|---|---------------------|---|---|---|--|--------------------------------------|
|          |                                      |                                 |               |                          |         |                    | Shares                    | %      | Shares               | %      | Shares                    | % | Shares              | % |   |   | Title  | Relation                             |
| Chairman | R.O.C.                               | Tsai, Ching-Tung                | Male<br>61-70 | 2019/<br>06/14           | 3 years | 2009/<br>11/30     | 27,317,625                | 18.21% | 3,317,625            | 1.65%  | -                         | - | -                   | - | Chiayi County, Puzih Junior High School<br>Chairman of Tong Ming Enterprise Co., Ltd<br>Chairman of Malaysia Penang, Tong Heer Industry Corp., Ltd. | Chairman of Tong Ming Enterprise Co., Ltd.<br>Chairman of Tong Ming Enterprise (Zhejiang) Co., Ltd<br>Director of Jiaxing Fuan Real Estate Development Co., Ltd.<br>Director of Jiaxing Fudi Real Estate Development Co., Ltd.<br>Director of Jiaxing Fumin Real Estate Development Co., Ltd.<br>Director of Tong Hwei Co., Ltd.<br>Director of Famous Star Co., Ltd.<br>Director of Aeon International Co., Ltd.<br>Director of All Star International Holdings Limited<br>Tong One Holdings Limited | Director Representative and President  | Tsai, Hung-Chuan<br>Father and son   |
|          |                                      |                                 |               |                          |         |                    |                           |        |                      |        |                           |   |                     |   |   |   |  |                                      |
| Director | BVI                                  | Richard International Co., Ltd. | -             | 2019/<br>06/14           | 3 years | 2013/<br>05/13     | 24,000,000                | 16%    | 24,000,000           | 11.93% | -                         | - | -                   | - | B. Sc., Purdue University<br>Assistant President of Tong Heer Fasteners Co. Sdn Bhd<br>Vice President of Tong Heer Resources Berhad                 | President of Tong Heer Resources Berhad<br>Director of Tong Heer Fasteners (Thailand) Co. Ltd.<br>Director of Tong Heer Aluminium Industries Sdn. Bhd.<br>Director of Kosmo Indah Sdn Bhd<br>Director of Richard Holdings Limited<br>Director Representative of Richard International Co., Ltd<br>Director of Winlink Fasteners Co., Ltd.   | Chairman   | Tsai, Ching-Tung<br>Uncle and nephew |
|          | R.O.C.                               |                                 |               |                          |         |                    |                           |        |                      |        |                           |   |                     |   |   |   |  |                                      |

| Title                | Nationality or Place of Registration | Name                       | Gender          | Date Elected (Appointed) | Term    | Date First Elected | Shareholding When Elected |       | Current Shareholding |        | Spouse and Minor Children |   | Nominee Arrangement |   | Education and Select Past Positions   | Select Present Positions at Tong Ming and Other Companies   | Managers, Directors, or Supervisors Who are Spouses or within Two Degrees of Kinship to Each Other |                  |                |
|----------------------|--------------------------------------|----------------------------|-----------------|--------------------------|---------|--------------------|---------------------------|-------|----------------------|--------|---------------------------|---|---------------------|---|---|---|--|------------------|----------------|
|                      |                                      |                            |                 |                          |         |                    | Shares                    | %     | Shares               | %      | Shares                    | % | Shares              | % |   |   | Title  | Name             | Relation       |
| Director             | Samea                                | Tong One Holdings Limited. |                 | 2019/06/14               | 3 years | 2013/05/13         | 24,000,000                | 16%   | 24,000,000           | 11.93% | -                         | - | -                   | - | MBA, University of Washington<br>President of Tong Ming Enterprise (Zhejiang) Co., Ltd.<br>Director and President of Tong Ming Enterprise Co., Ltd.                                 | President of Tong Ming Enterprise Co., Ltd.<br>Legal representative, Director and President of Ming Enterprise (Zhejiang) Co., Ltd.<br>Legal representative, Director and President of Trade(Shanghai)Co., Ltd.<br>Legal representative, Director and President of Jiaxing Fudi Real Estate Development Co., Ltd.<br>Legal representative, Director and President of Jiaxing Fumin Real Estate Development Co., Ltd.<br>Legal representative of Jiaxing Chunyou Precise Mould Co., Ltd.<br>Director of Tong One Holdings Limited<br>Director of Tong Win International Co., LTD.<br>Chairman of Winlink Fasteners Co., Ltd. | Chairman   | Tsai, Ching-Tung | Father and son |
|                      |                                      |                            |                 |                          |         |                    |                           |       |                      |        |                           |   |                     |   |   |   |  |                  |                |
| Director             | R.O.C.                               | Ko, Wen-Ling               | Female<br>51-60 | 2019/06/14               | 3 years | 2018/06/14         | 173,000                   | 0.10% | 203,786              | 0.10%  |                           |   |                     |   | MBA, Chang Jung Christian University<br>Spokesman of Tong Min Enterprise Co., Ltd.<br>President of Winlink Fasteners Co., Ltd.<br>President of Tong Win Trading (Jiaxing) Co., Ltd. | Spokesman of Tong Min Enterprise Co., Ltd.<br>President of Winlink Fasteners Co., Ltd.<br>President of Tong Win Trading (Jiaxing) Co., Ltd.   | -  | -                | -              |
| Independent Director | R.O.C.                               | Ko, Yung-Hsiang            | Male<br>61-70   | 2019/06/14               | 3 years | 2013/05/13         | -                         | -     | -                    | -      | -                         | - | -                   | - | Bachelor of Accounting, Tamkang University<br>Accountant of Shunyi Joint Accounting Firm  | Accountant of Shunyi Joint Accounting Firm<br>Independent Director of JMC Electronic Co., Ltd.  | -  | -                | -              |
| Independent Director | R.O.C.                               | Huang, Ming-Tze            | Male<br>71-80   | 2019/06/14               | 3 years | 2013/05/13         | -                         | -     | -                    | -      | -                         | - | -                   | - | Bachelor of Industrial Engineering, Feng Chia University<br>President of Suzhou New Best Wire Tech Co., Ltd.  | -   | -  | -                | -              |
| Independent Director | R.O.C.                               | Hsu, Ching-Pang            | Male<br>71-80   | 2019/06/14               | 3 years | 2013/05/13         | -                         | -     | -                    | -      | -                         | - | -                   | - | Master of Public Affairs Management, Sun Yat-Sen University<br>Section Chief of Kaohsiung East District Tax Collection Office (Retired)   | -   | -  | -                | -              |

2. Principal shareholders of corporate shareholders:  
(1) Principal shareholders of corporate shareholders

As of April 16, 2022

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

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

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

| condition<br>Name               | Professional qualifications and experience   | Independence situation  | Number of independent directors of other public companies |
|---------------------------------|--|---|---|
| Tsai, Ching-Tung                | For the professional qualifications and experience of directors, please refer to this annual report, information on board members (pages 9-10) | na  | 0   |
| Richard International Co., Ltd. |  |   | 0   |
| Tsai, Yi-Ting                   |  |   | 0   |
| Tong One Holdings Limited       |  |   | 0   |
| Tsai, Hung-Chuan                | None of the directors has any of the conditions of Article 30 of the Company Law   | All independent directors meet the following conditions:<br>1. Comply with the relevant provisions of Article 14-2 of the Securities and Exchange Act of the Financial Supervisory Commission and the "Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to Be Followed" (Note 2)<br>2. I (or in the name of others), spouse and minor children do not hold company shares<br>3. The amount of remuneration received from providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years | 0   |
| Ko, Wen-Ling                    |  |   | 1   |
| Ko, Yung-Hsiang                 |  |   | 0   |
| Huang, Ming-Tze                 |  |   | 0   |
| Hsu, Ching-Pang                 |  |   |   |

Note 1: Professional qualifications and experience: state the professional qualifications and experience of individual directors and supervisors. If they are members of the audit committee and have accounting or financial expertise, their accounting or financial background and work experience should be stated, and whether they have not There are various matters in Article 30 of the Company Law.

Note 2: Independent directors should state their independence, including but not limited to whether they, their spouse, or relatives within the second degree of kin act as directors, supervisors or employees of the company or its affiliated companies; The number and proportion of the company's shares held by relatives (or in the name of others); whether he is a company that has a specific relationship with the company (refer to the establishment of independent directors of public companies and matters to be followed) The amount of remuneration received by the company or its affiliates for business, legal, financial, and other services in the last two years.

#### 4. Board diversity and independence:

The company advocates and respects the policy of diversity of directors. In order to strengthen corporate governance and promote the sound development of the composition and structure of the board of directors, it is believed that the policy of diversity will help improve the overall performance of the company. The selection and appointment of board members are based on the principle of talent-based selection, and they have diverse and complementary capabilities across industries, including basic composition (such as age, gender, nationality, etc.), as well as industry experience and related skills (such as: finance, accounting, Law, information technology and public welfare, etc.), as well as business judgment, business management, leadership decision-making and crisis management capabilities.

In order to strengthen the functions of the board of directors and achieve the ideal goal of corporate governance, Article 20 of the Company's "Corporate Governance Code" clearly states that the board of directors should have the following capabilities as a whole:

1. Business judgment ability
2. Accounting and financial analysis ability
3. Operation and management ability
4. Crisis handling ability
5. Industry knowledge
6. International market outlook
- 7 Leadership ability
8. Decision-making ability, and the current board of directors of the company's diversity policy and its implementation as follows:

| Diversified projects<br>Director's name             | basic component        |        |       |                                   | Industry experience  |            |                      |                                       | Professional ability |     |            |                 |
|---|------------------------|--------|-------|-----------------------------------|----------------------|------------|----------------------|---------------------------------------|----------------------|-----|------------|-----------------|
|   | Country of Citizenship | gender | age   | Part-time employee of the company | business development | Management | international market | Lecturer in colleges and universities | business             | law | Accounting | Risk Management |
| Tsai, Ching-Tung<br>Richard International Co., Ltd. | R.O.C.                 | male   | 61-70 | Chairman                          | V                    | V          | V                    |                                       | V                    |     |            | V               |
| Tsai, Yi-Ting                                       | R.O.C.                 | male   | 31-40 | General manager                   | V                    | V          | V                    |                                       | V                    |     |            | V               |
| Tong One Holdings Limited<br>Tsai, Hung-Chuan       | R.O.C.                 | male   | 41-50 | General manager                   | V                    | V          | V                    |                                       | V                    |     |            | V               |
| Ko, Wen-Ling  | R.O.C.                 | Female | 51-60 | spokesman                         | V                    | V          | V                    |                                       | V                    |     |            | V               |
| Ko, Yung-Hsiang                                     | R.O.C.                 | male   | 61-70 | none                              |                      |            | V                    |                                       | V                    |     | V          | V               |
| Huang, Ming-Tze                                     | R.O.C.                 | male   | 71-80 | none                              |                      | V          | V                    |                                       | V                    |     |            | V               |
| Hsu, Ching-Pang                                     | R.O.C.                 | male   | 71-80 | none                              |                      |            | V                    |                                       | V                    | V   |            | V               |

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

1. This Company

As of April 16, 2022

| Title  | Name               | Gender        | Nationality | On-Board Date | Shareholding |       | Spouse and Minor Children |   | Nominee Arrangement |        | Education and Select Past Positions   | Select Present Positions at other Companies   | Managers who are Spouses or within Two Degrees of Kinship to Each Other |      |          | Comments |
|--|--------------------|---------------|-------------|---------------|--------------|-------|---------------------------|---|---------------------|--------|---|---|---|------|----------|----------|
|  |                    |               |             |               | Shares       | %     | Shares                    | % | Shares              | %      |   |   | Title   | Name | Relation |          |
| President  | Tsai, Hung-Chuan   | Male<br>41-50 | R.O.C.      | 2009/11/30    | —            | —     | —                         | — | 29,781,500          | 17.73% | MBA, University of Washington<br>President of Tong Ming Enterprise (Zhejiang) Co., Ltd  | Director of Tong Ming Enterprise Co., Ltd.<br>Legal representative, Director and President of Tong Ming Enterprise (Zhejiang) Co., Ltd<br>Legal representative, Director and President of Easy Trade (Shanghai) Co., Ltd.<br>Legal representative, Director and President of Jiaxing Fudi Real Estate Development Co., Ltd.<br>Legal representative, Director and President of Jiaxing Fumin Real Estate Development Co., Ltd.<br>Legal representative of Jiaxing Chunyou Precise Mould Co., Ltd.<br>Director of Tong One Holdings Limited<br>Director of Tong Win International Co., Ltd.<br>Chairman of Winlink Fasteners Co., Ltd. | —   | —    | —        |          |
| Operation Management Center Vice President and Supervisor of Finance | Tsai, Cheng-Hsiung | Male<br>71-80 | R.O.C.      | 2009/11/30    | 318,544      | 0.16% | —                         | — | —                   | —      | MCS, Kaohsiung First University of Science and Technology<br>Finance and Administration Manager of SAMPO CORP.<br>Vice Finance President of Tong Ming Enterprise Co., Ltd | Director of Tong Ming Enterprise (Zhejiang) Co., Ltd<br>Director of Tong Ming Trading Limited<br>Director of Jiaxing Fuan Real Estate Development Co., Ltd.<br>Director of Jiaxing Fudi Real Estate Development Co., Ltd.<br>Director of Jiaxing Fumin Real Estate Development Co., Ltd.<br>Legal representative and Director of Jiaxing Honghua Consulting Co., Ltd.<br>Legal representative, Director of Tong Win Trading (Jiaxing) Co., Ltd<br>Director of Jiaxing Weihong Consulting Co., Ltd.<br>Supervisor of Jiaxing Chunyou Precise Mould Co., Ltd.<br>Supervisor of Winlink Fasteners Co., Ltd.                              | —   | —    | —        |          |

| Title                               | Name            | Gender          | Nationality | On-Board Date | Shareholding |   | Spouse and Minor Children |   | Nominee Arrangement | Education and Select Past Positions  | Select Present Positions at other Companies | Managers who are Spouses or within Two Degrees of Kinship to Each Other |      |          | Comments |
|-------------------------------------|-----------------|-----------------|-------------|---------------|--------------|---|---------------------------|---|---------------------|--|---|---|------|----------|----------|
|                                     |                 |                 |             |               | Shares       | % | Shares                    | % |                     |  |   | Title   | Name | Relation |          |
| Supervisor of Accounting            | Yen, Hsien-Ying | Male<br>41-50   | R.O.C.      | 2014/08/11    | —            | — | 28,000                    | — | —                   | Bachelor of Accounting, Fu Jen Catholic University<br>Internal Auditor of Carrefour Co., Ltd.<br>Audit Department Manager of BDO Taiwan                            | None  | —   | —    | —        |          |
| Supervisor of Internal Audit Office | Su, Chia-Yu     | Female<br>41-50 | R.O.C.      | 2014/08/11    | 8,000        | — | —                         | — | —                   | Business Administration, Pingtung Institute of Commerce<br>Sourcing Specialist of Tong Hwei Enterprise Co., Ltd.<br>Section Manager of Winlink Fasteners Co., Ltd. | None  | —   | —    | —        |          |

## 2. Tong Ming Enterprise Co., Ltd

As of April 16, 2022

| Title          | Nationality | Name                  | Gender          | On-Board Date | Shareholding |       | Spouse and Minor Children |       | Nominee Arrangement |        | Education and Select Past Positions  | Select Present Positions at other Companies  | Managers who are Spouses or within Two Degrees of Kinship to Each Other |                       |          | Comments |
|----------------|-------------|-----------------------|-----------------|---------------|--------------|-------|---------------------------|-------|---------------------|--------|--|--|---|-----------------------|----------|----------|
|                |             |                       |                 |               | Shares       | %     | Shares                    | %     | Shares              | %      |  |  | Title   | Name                  | Relation |          |
| President      | R.O.C.      | Tsai, Hung-Chuan      | Male<br>41-50   | 2009/11/30    | -            | -     | -                         | -     | 36,825,474          | 18.30% | MBA, University of Washington  | Director and President of Tong Ming Enterprise Co., Ltd.<br>Director of Tong Ming Enterprise (Zhejiang) Co., Ltd<br>Legal representative, Director, and President of Easy Trade (Shanghai) Co., Ltd.<br>Legal representative, Director, and President of Jiaxing Fudi Real Estate Development Co., Ltd.<br>Legal representative, Director, and President of Jiaxing Fumin Real Estate Development Co., Ltd.<br>Legal representative of Jiaxing Chunyou Precise Mould Co., Ltd.<br>Director of Tong One Holdings Limited<br>Director of Tong Win International Co., LTD.<br>Chairman of Winlink Fasteners Co., Ltd.   | Vice President  | Tsai, Chia-Yen        | Siblings |          |
| Vice President | R.O.C.      | Tsai, Cheng-Hsiung    | Male<br>71-80   | 2009/11/30    | 318,544      | 0.16% | -                         | -     | -                   | -      | MCS, Kaohsiung First University of Science and Technology<br>Finance and Administration Manager of SAMPO CORP.   | Director of Tong Ming Enterprise Co., Ltd<br>Director of Tong Ming Trading Limited<br>Director of Jiaxing Fuan Real Estate Development Co., Ltd.<br>Director of Jiaxing Fudi Real Estate Development Co., Ltd.<br>Director of Jiaxing Fumin Real Estate Development Co., Ltd.<br>Legal representative and Director of Jiaxing Honghua Consulting Co., Ltd.<br>Director of Jiaxing Weihong Consulting Co., Ltd.<br>Supervisor of Jiaxing Chunyou Precise Mould Co., Ltd.<br>Supervisor of Winlink Fasteners Co., Ltd.<br>Legal representative, Director of Tong Win Trading (Jiaxing) Co., Ltd<br>Operation Management Center Vice President and Finance Supervisor of Tong Ming Enterprise Co., Ltd. | -   | -                     | -        |          |
| Vice President | R.O.C.      | Tsai, Chia-Yen        | Female<br>41-50 | 2013/5/1      | -            | -     | -                         | -     | 10,400,000          | 5.17%  | DM, University of Illinois at Urbana-Champaign<br>Assistant Mathematics Teacher, University of Illinois at Urbana-Champaign  | Director of Winlink Fasteners Co., Ltd.<br>Director of Tong Ming Enterprise Co., Ltd   | President   | Tsai, Hung-Chuan      | Siblings |          |
| Vice President | Canada      | Michael Patrick Dewar | Male<br>41-50   | 2013/5/1      | -            | -     | 10,400,000                | 5.17% | -                   | -      | DM, University of Illinois at Urbana-Champaign<br>Postdoctoral Fellow, Queen's University<br>Assistant Mathematics Teacher, University of Illinois at Urbana-Champaign | None   | Vice President  | Michael Patrick Dewar | Spouse   |          |
|                |             |                       |                 |               |              |       |                           |       |                     |        |  |  | President   | Tsai, Hung-Chuan      | Affinity |          |
|                |             |                       |                 |               |              |       |                           |       |                     |        |  |  | Vice President  | Tsai, Chia-Yen        | Spouse   |          |

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

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

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

Unit: NT\$ 1,000

| Title                | Name                                      | Remuneration to Directors |                                |                                |                                |                               |                                | Total of A, B, C and D as a % of Net Income |       | Compensation Earned by Being an Employee of Tong Ming or Tong Ming's Affiliated Entities |                                |       |                                |       |   | Total of A, B, C, D, E, F and G as a % of Net Income |               | Receive remuneration from a company other than a subsidiary for reinvestment business or from parent company |
|----------------------|---|---------------------------|--------------------------------|--------------------------------|--------------------------------|-------------------------------|--------------------------------|---|-------|--|--------------------------------|-------|--------------------------------|-------|---|--|---------------|--|
|                      |   | Base Compensation (A)     |                                | Severance Pay and Pensions (B) |                                | Compensation to Directors (C) |                                | Allowances (D)                              |       | Base Compensation, Bonus, Allowances, etc. (E)   | Severance Pay and Pensions (F) |       | Employee Compensation (G)      |       |   |  |               |  |
|                      |   | The Company               | From All Consolidated Entities | The Company                    | From All Consolidated Entities | The Company                   | From All Consolidated Entities | The Company                                 |       |  | The Company                    |       | From All Consolidated Entities |       |   |  |               |  |
|                      |   |                           |                                |                                |                                |                               |                                | Cash  | Stock |  | Cash                           | Stock | Cash                           | Stock |   |  |               |  |
| Chairman             | Tsai, Ching-Tung                          | 240                       | 240                            | 0                              | 0                              | 120                           | 120                            | 42  | 42    | 0  | 0                              | 0     | 0                              | 0     | 0 | 402 (0.03%)  | 402 (0.03%)   |  |
| Director             | Richard Representative: Tsai, Yi-Ting     | 240                       | 240                            | 0                              | 0                              | 120                           | 230                            | 42  | 42    | 0  | 0                              | 0     | 0                              | 0     | 0 | 402 (0.03%)  | 512 (0.04%)   |  |
| Director             | Tong One Representative: Tsai, Hung-Chuan | 240                       | 240                            | 0                              | 0                              | 120                           | 230                            | 42  | 42    | 1,200  | 4,017                          | 0     | 0                              | 0     | 0 | 1,602 (0.11%)  | 5,729 (0.32%) |  |
| Director             | Ko, Wen-Ling                              | 240                       | 240                            | 0                              | 0                              | 120                           | 120                            | 42  | 42    | 0  | 7,336                          | 0     | 0                              | 0     | 0 | 402 (0.03%)  | 7,738 (0.54%) |  |
| Independent Director | Ko, Yung-Hsiang                           | 240                       | 240                            | 0                              | 0                              | 120                           | 120                            | 42  | 42    | 0  | 0                              | 0     | 0                              | 0     | 0 | 402 (0.03%)  | 402 (0.03%)   |  |
| Independent Director | Huang, Ming-Tze                           | 240                       | 240                            | 0                              | 0                              | 120                           | 120                            | 42  | 42    | 0  | 0                              | 0     | 0                              | 0     | 0 | 402 (0.03%)  | 402 (0.03%)   |  |
| Independent Director | Hsu, Ching-Pang                           | 240                       | 240                            | 0                              | 0                              | 120                           | 120                            | 42  | 42    | 0  | 0                              | 0     | 0                              | 0     | 0 | 402 (0.03%)  | 402 (0.03%)   |  |

- Please state the policy, system, standards, and structure of independent director remuneration, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested, etc.: Reasonable. According to Article 91 of the Company Article state, the director compensation should less than five percent of the rest of the current year pre-tax income subtracts the employee compensation and director compensation.
- Besides the above disclosure, the directors of the company have received remuneration for services by all companies in the financial report (such as serving as consultants for non-employees) in recent years: None.



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

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

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

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

Unit: NT\$ 1,000

| Title          | Name                  | Salary (A)  |                                | Severance Pay and Pensions (B) |                                | Bonus and Allowances (C) |                                | Employee Compensation (D) |       |                                |       | Total of A, B, C and D as a % of Net Income |                                | Receive remuneration from a company other than a subsidiary for reinvestment business or from parent company |
|----------------|-----------------------|-------------|--------------------------------|--------------------------------|--------------------------------|--------------------------|--------------------------------|---------------------------|-------|--------------------------------|-------|---|--------------------------------|--|
|                |                       | The Company | From All Consolidated Entities | The Company                    | From All Consolidated Entities | The Company              | From All Consolidated Entities | The Company               |       | From All Consolidated Entities |       | The Company                                 | From All Consolidated Entities |  |
|                |                       |             |                                |                                |                                |                          |                                | Cash                      | Stock | Cash                           | Stock |   |                                |  |
| President      | Tsai, Hung-Chuan      | 1,200       | 4,017                          | 0                              | 0                              | 0                        | 0                              | 0                         | 0     | 0                              | 0     | 1,200<br>(0.08%)                            | 5,217<br>(0.28%)               | 0  |
| Vice President | Tsai,Cheng-Hsiung     | 1,200       | 1,200                          | 0                              | 0                              | 0                        | 300                            | 0                         | 0     | 0                              | 0     | 1,200<br>(0.08%)                            | 1,500<br>(0.10%)               | 0  |
| Vice President | Tsai, Chia-Yen        | 0           | 529                            | 0                              | 0                              | 0                        | 0                              | 0                         | 0     | 0                              | 0     | 0<br>(0.00%)                                | 529<br>(0.04%)                 | 0  |
| Vice President | Michael Patrick Dewar | 0           | 529                            | 0                              | 0                              | 0                        | 0                              | 0                         | 0     | 0                              | 0     | 0<br>(0.00%)                                | 529<br>(0.04%)                 | 0  |

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

Unit: NT\$ 1,000

| Title          | Name                  | Salary (A)  |                                | Severance Pay and Pensions (B) |                                | Bonus and Allowances (C) |                                | Employee Compensation (D) |       |                                |       | Total of A, B, C and D as a % of Net Income |                                | Receive remuneration from a company other than a subsidiary for reinvestment business or from parent company |
|----------------|-----------------------|-------------|--------------------------------|--------------------------------|--------------------------------|--------------------------|--------------------------------|---------------------------|-------|--------------------------------|-------|---|--------------------------------|--|
|                |                       | The Company | From All Consolidated Entities | The Company                    | From All Consolidated Entities | The Company              | From All Consolidated Entities | The Company               |       | From All Consolidated Entities |       | The Company                                 | From All Consolidated Entities |  |
|                |                       |             |                                |                                |                                |                          |                                | Cash                      | Stock | Cash                           | Stock |   |                                |  |
| President      | Tsai, Hung-Chuan      | 2,400       | 6,326                          | —                              | —                              | —                        | 300                            | —                         | —     | —                              | —     | 2,400<br>(0.16%)                            | 6,626<br>(0.46%)               | —  |
| Vice President | Tsai,Cheng-Hsiung     |             |                                |                                |                                |                          |                                |                           |       |                                |       |   |                                |  |
| Vice President | Tsai, Chia-Yen        |             |                                |                                |                                |                          |                                |                           |       |                                |       |   |                                |  |
| Vice President | Michael Patrick Dewar |             |                                |                                |                                |                          |                                |                           |       |                                |       |   |                                |  |

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

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

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

Unit: NT\$ 1,000

| Title                    | Name                  | Salary (A)  |                                | Severance Pay and Pensions (B) |                                | Bonus and Allowances (C) |                                | Employee Compensation (D) |                                |                                |                                | Total of A, B, C and D as a % of Net Income |                  | Receive remuneration from a company other than a subsidiary for reinvestment business or from parent company |
|--------------------------|-----------------------|-------------|--------------------------------|--------------------------------|--------------------------------|--------------------------|--------------------------------|---------------------------|--------------------------------|--------------------------------|--------------------------------|---|------------------|--|
|                          |                       | The Company | From All Consolidated Entities | The Company                    | From All Consolidated Entities | The Company              | From All Consolidated Entities | The Company               |                                | From All Consolidated Entities |                                |   |                  |  |
|                          |                       |             |                                |                                |                                |                          |                                | The Company               | From All Consolidated Entities | The Company                    | From All Consolidated Entities |   |                  |  |
| President                | Tsai, Hung-Chuan      | 1,200       | 4,017                          | 0                              | 0                              | 0                        | 0                              | 0                         | 0                              | 0                              | 0                              | 1,200<br>(0.08%)                            | 4,017<br>(0.28%) | 0  |
| Vice President           | Tsai, Cheng-Hsiung    | 1,200       | 1,200                          | 0                              | 0                              | 0                        | 300                            | 0                         | 0                              | 0                              | 0                              | 1,200<br>(0.08%)                            | 1,500<br>(0.10%) | 0  |
| Vice President           | Tsai, Chia-Yen        | 0           | 529                            | 0                              | 0                              | 0                        | 0                              | 0                         | 0                              | 0                              | 0                              | 0<br>(0.00%)                                | 529<br>(0.04%)   | 0  |
| Vice President           | Michael Patrick Dewar | 0           | 529                            | 0                              | 0                              | 0                        | 0                              | 0                         | 0                              | 0                              | 0                              | 0<br>(0.00%)                                | 529<br>(0.04%)   | 0  |
| Supervisor of Accounting | Yen, Hsien-Ying       | 720         | 1,299                          | 0                              | 0                              | 0                        | 344                            | 0                         | 0                              | 0                              | 0                              | 720<br>(0.05%)                              | 1,643<br>(0.11%) | 0  |

1.The name of the manager who distributes employee compensation and the situation of distribution:

|         | job title<br>(Note 1) | Name<br>(Note 1)         | stock amount | cash amount | cash<br>amount | Proportion of<br>total amount<br>to net profit<br>after tax (%) |
|---------|-----------------------|--------------------------|--------------|-------------|----------------|---|
| manager | President             | Tsai, Hung-Chuan         | 0            | 0           | 0              | 0   |
|         | Vice President        | Tsai,Cheng-Hsiung        |              |             |                |   |
|         | Vice President        | Tsai, Chia-Yen           |              |             |                |   |
|         | Vice President        | Michael Patrick<br>Dewar |              |             |                |   |

Note 1: Individual names and titles should be disclosed, but profit distribution may be disclosed in aggregate.

Note 2: Fill in the amount of employee remuneration (including stock and cash) that was approved by the board of directors to distribute to managers in the most recent year. If it is impossible to estimate, the proposed distribution amount for this year will be calculated in proportion to the actual distribution amount of the previous year. Net profit after tax refers to the net profit after tax of the most recent year; if IFRS has been adopted, net profit after tax refers to the net profit after tax of the individual or individual financial report of the most recent year.

Note 3: The scope of application of managers is as follows:

- (1) General Manager and equivalent
- (2) Deputy general manager and equivalent
- (3) Associate and equivalent level
- (4) Head of the financial department
- (5) Head of Accounting Department
- (6) Others who have the right to manage affairs and sign for the company

Note 4: If the directors, general managers and deputy general managers receive employee remuneration (including stock and cash), they should fill in this table in addition to the attached table 1-2

(IV) Analysis of remuneration and compensation paid to Directors, President, and Vice Presidents by the Company and all consolidated entities in 2020 and 2021 as a percentage of net income and explanation of the remuneration policy, standards, composition, procedures, and the correlation with operation performance and future risks are as follows:

1. Analysis of remuneration and compensation paid to Directors, Supervisors, President, and Vice Presidents in 2020 and 2021 as a percentage of consolidated net income:

| Title      | Amount of Remuneration and Compensation to Consolidated Net Income (%) |      |        |      |
|------------|--|------|--------|------|
|            | 2020   |      | 2021   |      |
|            | Amount   | %    | Amount | %    |
| Director   | 2,848  | 0.58 | 2,848  | 0.58 |
| Supervisor | -  | -    | -      | -    |
| Manager    | 8,689  | 1.76 | 8,689  | 1.76 |

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

- A. As stipulated in Article 64 of the Articles of Incorporation, remuneration to Directors shall vary and shall be evaluated by the Board of Directors with the Company's authorization every year, regardless of gain or loss, based on (a) the involvement of Directors in the business operations of the Company; (b) the contribution of Directors to the Company; (c) the remuneration standards of the industry; (d) the suggestion of the Compensation Committee; and (e) other relevant factors.
- B. Compensation to the President and Vice Presidents shall be determined according to the personnel regulations of the Company based on position, assumed responsibility, and operational performance, as well as industrial standards.

## IV. Corporate Governance Implementation

### (I) Operation of Board of Directors

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

In total, five (A) Board Meetings were convened in 2021 and as of the publication of this annual report, with seven seats for Directors, of which three were for Independent Directors. The attendance status of the Directors in the Company is as follows:

| Title                | Name   | Attendance in Person (B) | By Proxy | Attendance Rate (%) (B/A) | Comments |
|----------------------|--|--------------------------|----------|---------------------------|----------|
| Chairman             | Tsai, Ching-Tung   | 8                        | 0        | 100.00                    |          |
| Director             | Richard International Co., Ltd.<br>Representative: Tsai, Yi-Ting | 8                        | 0        | 100.00                    |          |
| Director             | Tong One Holdings Limited<br>Representative: Tsai, Hung-Chuan    | 8                        | 0        | 100.00                    |          |
| Director             | Ko, Wen-Ling   | 8                        | 0        | 100.00                    |          |
| Independent Director | Hsu, Ching-Pang  | 8                        | 0        | 100.00                    |          |
| Independent Director | Huang, Ming-Tze  | 6                        | 2        | 100.00                    |          |
| Independent Director | Ko, Yung-Hsiang  | 8                        | 0        | 100.00                    |          |

Notes:

- I. If any Board Meeting had any of the following cases, the date and session of the Board meeting, contents of motions, all Independent Directors' opinions, and actions taken by the Company regarding the opinions shall be specified:
- (I) Matters specified in Article 14-3 of the Securities Exchange Act:
- (1) Approved by the 6th 8th Board of Directors Meeting on March 16, 2021:
- (a) Amendments to the "Rules of Procedure for Shareholders' Meetings" and "Rules for Election of Board of Directors"
- (b) Designation of the Company's first Head of Corporate Governance.
- (c) The Company intends to issue new shares for cash.
- Resolution: The motions listed above were approved by the Board of Directors.
- (2) Approved by the 6th 11th Board of Directors Meeting on July 27, 2021:
- (a) To formulate a price plan for the company's 2011 annual cash capital increase and issuance of new shares.
- Resolution: The motions listed above were approved by the Board of Directors.
- (3) Approved by the 6th 13th Board of Directors Meeting on November 11, 2021:
- (a) The case of the Company's proposed capital loan to its subsidiary Zhejiang Dongming.
- Resolution: The motions listed above were approved by the Board of Directors.
- (4) Approved by the 6th 15th Board of Directors Meeting on March 16, 2022:
- (a) Amendment to the Articles of Association.
- (b) Amendment to the "Procedures for the Acquisition or Disposal of Assets".
- (c) Amendment to the "Code of Practice for Corporate Social Sustainability".
- Resolution: The motions listed above were approved by the Board of Directors.
- (II) cept for the items specified above, other resolutions on which an Independent Director expressed an objection or reservation, either by recorded statement or in writing: None.
- (III) All Independent Directors' opinions and actions taken by the Company regarding such opinions: None.
- II. For situations where Directors recuse themselves from any motion due to a conflict of interest, the Directors' names, contents of motions, causes for the recusal, and participation in voting shall be specified: None.
- III. Objectives of strengthening the functionality of the Board of Directors (i.e. To establish the Audit Committee and increase the information transparency) in the current year and the most recent year and evaluation of the execution thereof:
- The Company approved the establishment of the Audit Committee and Compensation Committee on June 10, 2013 and created the "Charter of the Audit Committee" and "Charter of the Compensation Committee" to strengthen the function of the Board of Directors, while the auditors of the Company shall periodically submit the audit report to Directors to increase the information transparency and disclose related information on the website pursuant to laws and regulations.

## 2. Evaluation of Board of Directors

| Evaluation Frequency | Evaluation Period   | Evaluation Scope  | Evaluation Method  | Evaluation Content  |
|----------------------|---------------------|---|--|---|
| Once per year        | 2021/1/1~2021/12/31 | Performance evaluation of the Board of Directors, individual Board members and functional committees. | Performance evaluation by internal board self-evaluation, self-evaluation by board members, self-evaluation by peers, appointment of external professional bodies, experts or other appropriate means. | 1. Level of participation in the company's operations<br>2. Improve the quality of Board decisions<br>3. Board composition and structure<br>4. Board selection and continuing education<br>5. Ensure the implementation of internal control systems |

## 3. Continuing Education of Directors and Supervisors

| Title                             | Name             | Date of Study | Organizer                     | Course  | Hours |
|-----------------------------------|------------------|---------------|-------------------------------|---|-------|
| Director                          | Tsai, Ching-Tung | 2021/08/19    | Taiwan Securities Association | Short-term and insider trading legal liability and case study | 3.0   |
| Corporate Director Representative | Tsai, Hung-Chuan | 2021/08/19    | Taiwan Securities Association | Short-term and insider trading legal liability and case study | 3.0   |
| Corporate Director Representative | Tsai, Yi-Ting    | 2021/08/19    | Taiwan Securities Association | Short-term and insider trading legal liability and case study | 3.0   |
| Director                          | Ko, Wen-Ling     | 2021/08/19    | Taiwan Securities Association | Short-term and insider trading legal liability and case study | 3.0   |

| Title                | Name            | Date of Study | Organizer                     | Course  | Hours |
|----------------------|-----------------|---------------|-------------------------------|---|-------|
| Independent Director | Hsu, Ching-Pang | 2021/08/19    | Taiwan Securities Association | Short-term and insider trading legal liability and case study | 3.0   |
| Independent Director | Huang, Ming-Tze | 2021/08/19    | Taiwan Securities Association | Short-term and insider trading legal liability and case study | 3.0   |
| Independent Director | Ko, Yung-Hsiang | 2021/08/19    | Taiwan Securities Association | Short-term and insider trading legal liability and case study | 3.0   |

## (II) Operation of Audit Committee

- In total, five (A) Audit Committee meetings were convened in 2021 and as of the publication of this annual report, and the attendance status is as follows:

| Title                | Name            | Attendance in Person (B) | By Proxy | Attendance Rate (%) (B/A) | Comments |
|----------------------|-----------------|--------------------------|----------|---------------------------|----------|
| Independent Director | Hsu, Ching-Pang | 8                        | 0        | 100                       |          |
| Independent Director | Huang, Ming-Tze | 6                        | 2        | 100                       |          |
| Independent Director | Ko, Yung-Hsiang | 8                        | 0        | 100                       |          |

Notes:

- If the Audit Committee has any of the following cases, the date and session of the Board meeting, contents of motions, resolution of the Audit Committee, and actions taken by the Company regarding the opinions of the Audit Committee shall be specified:
  - Matters specified in Article 14-5 of the Securities Exchange Act:
    - Approved by the 6th 8th Board of Directors Meeting on March 16, 2021:
      - Amendments to the "Rules of Procedure for Shareholders' Meetings" and "Rules for Election of Board of Directors"
      - Designation of the Company's first Head of Corporate Governance.
      - The Company intends to issue new shares for cash.

Resolution: The motions listed above were approved by the Board of Directors.
    - Approved by the 6th 11th Board of Directors Meeting on July 7, 2021:
      - To formulate a price plan for the company's 2011 annual cash capital increase and issuance of new shares.

Resolution: The motions listed above were approved by the Board of Directors.
    - Approved by the 6th 13th Board of Directors Meeting on November 11, 2021:
      - The Company intends to lend funds to its subsidiary Zhejiang Dongming.

Resolution: The motions listed above were approved by the Board of Directors.
    - Approved by the 6th 15th Board of Directors Meeting on March 16, 2022:
      - Amendment to the Articles of Association.
      - Amendment to the "Procedures for the Acquisition or Disposal of Assets".
      - Amendment to the "Code of Practice for Corporate Social Sustainability".

Resolution: The motions listed above were approved by the Board of Directors.
  - Except for the aforementioned items, resolutions that were not approved by the Audit Committee but were approved by two-thirds or more of all Directors: None.
  - Actions taken by the Company regarding such opinions of the Audit Committee: None.
- For situations where Independent Directors recuse themselves from any motion due to a conflict of interest, the Independent Directors' names, contents of motions, causes for the recusal, and participation in voting shall be specified: None.
- Communications between the Independent Directors, the internal audit supervisor, and CPAs (including important issues concerning the finance and business of the Company and the means and outcomes of communication).
  - In addition to regularly communicating with the members of the Audit Committee for the results of audit reports, the internal audit supervisor shall report the internal audit status in the Audit Committee meeting on a quarterly basis and will also report to the members of the Audit Committee in a timely manner in the case of any special circumstances. No such special circumstances occurred in 2020
  - CPAs of the Company shall report the audit results of financial statements in the Audit Committee meeting on a quarterly basis and will also report to the members of the Audit Committee in a timely manner in the case of any special circumstances. No such special circumstances occurred in 2020

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



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

The Annual General Meeting was held on June 07, 2021, and the approved items and the implementation status of the resolutions were as follows.

### (1) Recognition of the Company's 2020 operating report and financial statements

Implementation status: Recognition of 2020 financial statements, full year consolidated operating revenue of NT\$9,171,338 thousand, profit after tax of NT\$494,824 thousand and earnings per share of NT\$2.94.

### (2) Acknowledgement of the Company's 2020 Annual Earnings Allocation.

Implementation status: Approved a cash dividend of NT\$1.8 per common share. An ex-dividend date of July 20, 2021 was set and a cash dividend was paid on August 31, 2021.

### (3) Amendment of Articles of Incorporation.

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

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

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

## 2. Important resolutions of Board Meetings

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

- 2020 Annual Report on Operations and Consolidated Financial Statements

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

- 2020 Distribution of the earnings

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

- Statement of the Company's Internal Control System

Execution: Resolution adopted.

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

Execution: Resolution adopted.

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

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

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

Execution: Resolution adopted.

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

Execution: Resolution adopted.

- \* Issuance of new shares by cash capital increase

Execution: Resolution adopted.

- \* 2020 Employees' Compensation and Directors' Compensation Distribution

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

- \* Distribution of authorized shares for the employee

Execution: Resolution adopted.

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

Execution: Resolution adopted.

(2) The Board of Directors on March 11, 2021:: none

(3) The Board of Directors on June 17, 2021:

- \* The Company intends to sign the "Securities Compliance Counseling Contract" with KGI Securities Co., Ltd. Execution: Resolution adopted.
- \* The Company cooperated with the proposal to change the date and place of the 2021 Annual General Meeting of Shareholders. Execution: Resolution adopted.

(4) The Board of Directors on July 27, 2021:

- \* To formulate a price plan for the company's 110-year cash capital increase and issuance of new shares. Execution: Resolution adopted.

(5) The Board of Directors on August 19, 2021:

- \* It is proposed to pass the consolidated financial statements for the second quarter of 2011. Execution: Resolution adopted.

(6) The Board of Directors on August 19, 2021:

- \* Drafted the company's 2022 annual operating plan (annual budget).

Execution: Resolution adopted.

- \* To formulate the company's 2022 annual audit plan.

Execution: Resolution adopted.

- \* The Company's Acting Spokesperson Changed Case.

Execution: Resolution adopted.

- \* The company intends to loan funds to its subsidiary Zhejiang Dongming.

Execution: Resolution adopted.

- \* Regarding the approval of the salary of the managers of the company.

Execution: Resolution adopted.

(7) The Board of Directors on December 23, 2021:

- In response to business development and expansion of production capacity, it is planned to establish a new subsidiary in Samoa and transfer investment to the mainland to establish a new company. Execution: Resolution adopted. Justice case.
- Supplementary proposal on March 18, 109, the salary and remuneration committee, the company's managers salary approval.

Execution: Resolution adopted.

(8) The Board of Directors on March 16, 2022:

- The company's 2021 annual business report and consolidated financial statements.

Execution situation: The resolution is passed and submitted to the shareholders' meeting for resolution.

- The Company's 2021 earnings distribution proposal.

Execution situation: The resolution is passed and submitted to the shareholders' meeting for resolution. • The company's internal control system statement.

Execution: Resolution adopted.

- Adjustment of KGI Bank's credit line and Cayman Dongming's endorsement guarantee line.

Execution: Resolution adopted.

Formulate the "Code of Practice on Corporate Governance".

Execution situation: The resolution is passed and submitted to the shareholders' meeting for resolution.

- Amendment to the "Articles of Association".

Execution: Resolution adopted.

- Amendment of the "Acquisition or Disposal of Assets Handling Procedures" case.

Execution: Resolution adopted.

- Amendment of the "Code of Practice for Corporate Social Sustainability".

Execution: Resolution adopted.

- 110 year employee compensation and director compensation distribution plan.

Execution situation: The resolution is passed and submitted to the shareholders' meeting for resolution.

- Comprehensive re-election of directors (including independent directors) of the Company.

Execution: Resolution adopted.

- The case of lifting the non-compete restriction on newly appointed directors (including independent directors) and their representatives.

Execution: Resolution adopted.

- It is proposed to convene the 2022 Annual General Meeting of Shareholders of the Company.

Execution: Resolution adopted.

- The company plans to issue the second secured convertible corporate bonds in the Republic of China.

Execution: Resolution adopted.

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

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

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

| Assessment Item   | Status |    |  | Non-compliance and Reasons |
|---|--------|----|--|----------------------------|
|   | Yes    | No | Description  |                            |
| implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and insurance for directors and supervisors provided by the Company)? |        |    | <p>and issues related to rights for investors, customers, suppliers, and stakeholders. Meanwhile, the Company discloses significant financial information on the MOPS website as regulated, as well as such information that may influence the decision-making of investors.</p> <p>(3) Stakeholder rights: The Company maintains smooth communication with the dealing banks, employees, customers, and suppliers, respecting and ensuring their due legal rights. In addition to setting up a spokesman system and litigant and non-litigant agent, the Company also honestly discloses highly transparent financial information for the stakeholders pursuant to regulations.</p> <p>(4) Continuing education of Directors and Supervisors: The Company has appointed Taiwan Corporate Governance Association and invites securities underwriters to give corporate governance lessons, as well as applies the Security Act of the R.O.C. to the Directors and Supervisors for a better understanding of their own responsibilities.</p> <p>(5) Risk management policy and risk measurement standards: The Company has set up an internal control system and relevant regulations and implements the policy and regulations accordingly.</p> <p>(6) Customer policy implementation: The Company has set up a customer service department with designated personnel for after-sales service, and customers can submit complains via paper, e-mail, or telephone, which will be tracked and managed to ensure their rights and benefits.</p> <p>(7) The Company has bought liability insurance for all directors and key persons with a cumulative liability limit of US\$2 million. The Company no longer has the Supervisor position.</p> |                            |
| IX. The improvement status for the outcome of Corporate Governance Evaluation announced by Taiwan Stock Exchange Corporate Governance Center and the priority of pending issues.                  | V      |    | <p>(1) In 2021, the Company establishes a corporate governance officer to be responsible for corporate governance-related matters and will explain the operation and execution of this unit in the annual report and on the Company's website.</p> <p>(2) In 2021, the Company will publish significant information in Chinese and simultaneously in English.</p>  |                            |

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

## 1. Members of the Compensation Committee

| separate<br>Name     | Condition       | Professional qualifications and experience   | Independence situation   | Number of independent directors of other public companies |
|----------------------|-----------------|--|--|---|
| independent director | Ko, Yung-Hsiang | For the professional qualifications and experience of directors, please refer to this annual report, information on board members (pages 9-10) | All independent directors meet the following conditions:<br>1. Comply with the relevant provisions of Article 14-2 of the Securities and Exchange Act of the Financial Supervisory Commission and the "Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to Be Followed" (Note 2) | 0   |
| independent director | Huang, Ming-Tze | None of the directors has any of the conditions of Article 30 of the Company Law   | 2. I (or in the name of others), spouse and minor children do not hold company shares  | 0   |
| independent director | Hsu, Ching-Pang |  | 3. The amount of remuneration received from providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years   | 0   |

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

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

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

## 2. Operation of the Compensation Committee

(1) The Company's Compensation Committee comprises three members.

(2) Term: June 14, 2019~ June 13, 2021. The Compensation Committee held two (A) meetings in 2021. The title and attendance status are as follows:

| Title  | Name            | Attendance In Person (B) | By Proxy | Actual Attendance Rate (%) (B/A) (Note) | Comments |
|--|-----------------|--------------------------|----------|---|----------|
| Convener   | Hsu, Ching-Pang | 2                        | 0        | 100%                                    |          |
| Member   | Huang, Ming-Tze | 2                        | 0        | 100%                                    |          |
| Member   | Ko, Yung-Hsiang | 2                        | 0        | 100%                                    |          |
| Notes:<br>I. The date and session of the Board Meeting, contents, resolution, and implemented measures concerning the recommendation of the Compensation Committees shall be stated if the recommendation of the Compensation Committee is not adopted or is revised by the Board of Directors (For example, if the compensation passed by the Board of Directors is higher than the recommendation of the Compensation Committee, the discrepancy and reason therefor shall be stated): N/A.<br>II. The date and session of the Compensation Committee meeting, contents, opinions of all members, and implemented measures shall be stated if any objections or opinion indicates reservations about the resolution of the meeting with records or stated in writing: N/A. |                 |                          |          |   |          |

#### (VI) Social Responsibility Implementation Status

| Assessment Items  | Status |    |   | Non-compliance with "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies" and Reasons |
|---|--------|----|---|---|
|   | Yes    | No | Description (Note 2)  |   |
| I. Implementation of corporate governance   |        |    |   |   |
| (1) Has the Company established a corporate social responsibility policy and evaluated its implementation?  | V      |    | (1) The company has reported the preliminary plan to the board of directors according to the corporate governance blueprint 3.0, which will be gradually improved in the future.                          | No major non-compliance   |
| (2) Does the Company hold training sessions for CSR?  | V      |    | (2) The Company holds training sessions and publicity regularly and irregularly to ensure compliance with CSR policies and regulations and motivates employees with the performance review system.        | No major non-compliance   |
| (3) Does the Company have an exclusively (or concurrently) dedicated CSR unit with senior management being authorized by the Board to handle relevant issues and report to the Board? | V      |    | (3) The Administration Division, Sales Division, and Supervisor of Labor Safety and Health work together to promote Corporate Social Responsibility.  | No major non-compliance   |
| (4) Does the Company have a reasonable compensation policy that incorporates employees' performance review with CSR policy and a specific and effective disciplinary system?          | V      |    | (4) The Company has established the remuneration policy of Directors and compensation policy of managers and an effective disciplinary system and reviews employees' performance based on the CSR policy. | No major non-compliance   |
| II. Sustainable environmental development   |        |    |   |   |
| (1) Is the Company committed to improving resource utilization and the use of renewable materials?  | V      |    | (1) The Company has been enhancing its utilization of resources and its recycling of raw materials.   | No major non-compliance   |
| (2) Has the Company established an environmental management system designed to industry   | V      |    | (2) The Company obtained several ISO certificates and established complete regulations of quality management, safety  | No major non-compliance   |



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

| Assessment Items   | Status |    |  | Non-compliance with “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies” and Reasons |
|--|--------|----|--|---|
|  | Yes    | No | Description (Note 2)   |   |
| IV. Enhancement on information disclosure<br>(1) Does the Company disclose relevant and reliable CSR information on its official website or MOPS?  | V      |    | (1) The Company discloses information related to CSR fulfillment on the MOPS or through other methods. | No major non-compliance   |
| V. If the Company has established its CSR principles according to the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies”, please describe the operational status and difference:None  |        |    |  |   |
| VI. Other important information to facilitate a better understanding of the Company’s CSR practices<br>(1). Environmental protection: The Company has established complete regulations for quality management, safety and health, and environmental protection in its production processes, which comply with the audit standard and environmental protection rules pursuant to laws and regulations.<br>(2). Community participation: In addition to focusing on business development, the Company also responds to charity activities for underprivileged groups from time to time and actively attends activities promoting good relations with relatives and neighbors; furthermore, the Company has a professional mobile optometric vehicle to provide visual examinations and various visual health lectures from place to place and endeavors regarding social responsibility like consumer rights and interests and social benefits.<br>(3). Social contribution: The Company frequently gives back and donates to local villages and charities.<br>(4). Consumer rights and interests: The Company has set up a customer service department in each branch office with designated personnel for after-sales service; customers can complain in written form, via e-mail, or by telephone, and such complaints will be tracked and managed to ensure their rights and benefits.<br>(5). Human rights and safety and health: The Company pays for five insurances and one pension for employees according to law and has also established safety and health working codes, provided safety and health training and related publicity every year, and conducted health check-ups for employees. |        |    |  |   |
| VII. Other information regarding the CSR report that is verified by certification bodies: None.  |        |    |  |   |

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

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

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

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

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

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

For more about the Company’s Corporate Governance, please refer to the Company’s

website: <http://www.tonggroup.com.tw> (Corporate Governance Section) or MOPS:  
<http://newmops.twse.com.tw>.

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

(X) Internal Control System Execution Status:

1. Statement of Internal Control System

Tong Ming Enterprise Co., Ltd.

Statement of Internal Control System

Date: March 16, 2022

Based on the findings of a self-assessment, Tong Ming Enterprise Co., Ltd. (Tong Ming) states the following with regard to its internal control system during the year 2021:

- I. Tong Ming's Board of Directors and management are responsible for establishing, implementing, and maintaining an internal control system. Our internal control system provides a process designed to provide reasonable assurance over the effectiveness and efficiency of the operations (including profitability, performance, and safeguarding of assets); reliability, timeliness, and transparency of financial statements; and compliance with applicable laws and regulations.
- II. Any internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the three aforementioned objectives. Furthermore, the effectiveness of an internal control system may be subject to environmental or circumstantial changes. Nevertheless, our internal control system contains self-monitoring mechanisms, and Tong Ming will take immediate corrective actions in response to any deficiencies identified.
- III. Tong Ming evaluates the design and operation effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereafter called the "Regulations"). The criteria adopted by the Regulations identify five key components of internal control based on the process of management: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component contains several sub-items. Please refer to the Regulations for details of the above criteria.
- IV. Tong Ming has evaluated the design and operation effectiveness of its internal control system according to the aforementioned criteria.
- V. Based on the findings of the evaluation mentioned in the preceding paragraph, Tong Ming believes that, as of December 31, 2020, its internal control system (including its supervision of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency; reliability, timeliness, and transparency of financial reports; and compliance with applicable laws and regulations, has been effective in design and operation and has reasonably assured the achievement of the previously mentioned objectives.
- VI. This Statement will be an essential part of the Company's Annual Report and Prospectus and shall be publicly disclosed. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement was passed by the Board of Directors in their meeting held on March 16, 2022, with 0 of the 7 attending Directors objecting and the remainder all affirming the content of this Statement.

Tong Ming Enterprise Co., Ltd.

Chairman: Tsai, Ching-Tung      Signature:

President: Tsai, Hung-Chuan      Signature:

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

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

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

1. Major resolutions of Board Meetings in 2021:

| Date       | Major resolutions  |
|------------|--|
| 2021/07/07 | <ol style="list-style-type: none"> <li>1. Approved the recognition of the 2020 Annual Business Report and Financial Statement.<br/>Status of the resolution: proposal was approved as proposed.</li> <li>2. Approved the recognition of the 2021 Surplus Distribution.<br/>Status of the resolution: proposal was approved as proposed.</li> <li>3. Amendments to the "Rules of Procedure for the Shareholders' Meeting"..<br/>Status of the resolution: proposal was approved as proposed.</li> <li>4. Amendments to the "Measures for Election of Directors" Status of the resolution: proposal was approved as proposed.</li> </ol> |

2. Resolutions of Board Meeting in 2021 and as of the publication of the annual report:

| Date     | Major resolutions   |
|----------|---|
| 11/03/16 | <ol style="list-style-type: none"> <li>1. 2020 Annual Report on Operations and Consolidated Financial Statements<br/>Execution: Resolution adopted. Report to the shareholders' meeting for resolution.</li> <li>2. 2020 Distribution of the earnings<br/>Execution: Resolution adopted. Report to the shareholders' meeting for resolution.</li> <li>3. Statement of the Company's Internal Control System<br/>Execution: Resolution adopted.</li> <li>4. Adjustment of KGI Bank's Credit Facility and Cayman Tong Ming Endorsement Guarantee<br/>Execution: Resolution adopted.<br/>Amendments to the "Rules of Procedure for Shareholders' Meetings" and "Rules for Election of Board of Directors"<br/>Execution: Resolution adopted. Report to the shareholders' meeting for resolution.</li> <li>5. Revision of the "Regulations Governing the Preparation of Financial Statements"<br/>Execution: Resolution adopted. Report to the shareholders' meeting for resolution.</li> <li>6. Designation of the Company's first Head of Corporate Governance<br/>Execution: Resolution adopted.</li> <li>7. Issuance of new shares by cash capital increase<br/>Execution: Resolution adopted.</li> <li>8. 2020 Employees' Compensation and Directors' Compensation Distribution</li> </ol> |

| Date      | Major resolutions   |
|-----------|---|
|           | <p>Execution: Resolution adopted.</p> <p>9. Share Subscription for the employee<br/>Execution: Resolution adopted.</p> <p>10. Convene the 2021 Annual General Meeting of Shareholders of the Company<br/>Execution: Resolution adopted.</p>   |
| 110/05/11 | None  |
| 110/06/17 | <p>1. The company intends to sign the "Securities Compliance Counseling Contract" with KGI Securities Co., Ltd.<br/>Resolution: passed as the case was.</p> <p>2. The company cooperated with the proposal to change the date and place of the 110th Annual General Meeting of Shareholders.<br/>Resolution: passed as the case was.</p>  |
| 110/07/27 | <p>1. To formulate the company's 2011 annual cash capital increase and issuance of new shares price plan.<br/>Resolution: passed as the case was.</p>   |
| 110/08/19 | <p>1. It is proposed to pass the consolidated financial statements for the second quarter of 2011.<br/>Resolution: passed as the case was.</p>  |
| 110/11/11 | <p>1. To formulate the company's 2022 operating plan (annual budget).<br/>Resolution: passed as the case was.</p> <p>2. Formulate the company's 2022 audit plan.<br/>Resolution: passed as the case was.</p> <p>3. The Company's Acting Spokesperson Case.<br/>Resolution: passed as the case was.</p> <p>4. The Company intends to lend funds to its subsidiary Zhejiang Dongming.<br/>Resolution: passed as the case was.</p> <p>5. Approval of the salary of the company's managers.<br/>Resolution: passed as the case was.</p>   |
| 110/12/13 | <p>1. In response to business development and expansion of production capacity, it is proposed to establish a new subsidiary in Samoa and transfer investment to a new company in mainland China.<br/>Resolution: passed as the case was.</p> <p>2. The salary and remuneration committee on March 18, 2020, the company's manager salary approval proposal.<br/>Resolution: passed as the case was.</p>  |
| 111/03/16 | <p>1. The company's 2021 annual business report and consolidated financial statements.<br/>Resolution: passed as proposed and submitted to the shareholders meeting.</p> <p>2. The Company's 2021 earnings distribution proposal.<br/>Resolution: passed as proposed and submitted to the shareholders meeting.</p> <p>3. Statement of the company's internal control system.<br/>Resolution: passed as the case was.</p> <p>4. Adjustment of KGI Bank's credit line and Cayman Dongming's endorsement guarantee line.<br/>Resolution: passed as the case was.</p> <p>5. Formulate the "Code of Practice on Corporate Governance".<br/>Resolution: passed as proposed and submitted to the shareholders</p> |



| Date | Major resolutions  |
|------|--|
|      | <p>meeting.</p> <p>6. Amendment to the Articles of Association.<br/>Resolution: passed as proposed and submitted to the shareholders meeting.</p> <p>7. Amendments to the "Procedures for the Acquisition or Disposal of Assets".<br/>Resolution: passed as the case was.</p> <p>8. Amendments to the "Code of Practice for Corporate Social Sustainability".<br/>Resolution: passed as the case was.</p> <p>9. 2021 Employee remuneration and director remuneration distribution plan.<br/>Resolution: passed as the case was.</p> <p>10. Proposal for comprehensive re-election of directors (including independent directors) of the company.<br/>Resolution: passed as the case was.</p> <p>11. The case of lifting the non-compete restriction on newly appointed directors (including independent directors) and their representatives.<br/>Resolution: passed as the case was.</p> <p>12. Proposal to convene the 111 Annual General Meeting of Shareholders of the Company.<br/>Resolution: passed as the case was.</p> <p>13. The Company intends to issue the second secured conversion of corporate bonds in the Republic of China.<br/>Resolution: passed as the case was.</p> |

3. Resolutions of the Audit Committee of the Company for 2021 to the date of publication of the Annual Report:

| Date      | Major resolutions  |
|-----------|--|
| 110/03/16 | <p>1. 2020 Annual Report on Operations and Consolidated Financial Statements<br/>Execution: Resolution adopted. Report to the shareholders' meeting for resolution.</p> <p>2. 2020 Distribution of the earnings<br/>Execution: Resolution adopted. Report to the shareholders' meeting for resolution.</p> <p>3. Statement of the Company's Internal Control System<br/>Execution: Resolution adopted.</p> <p>4. Adjustment of KGI Bank's Credit Facility and Cayman Tong Ming Endorsement Guarantee<br/>Execution: Resolution adopted.</p> <p>5. Amendments to the "Rules of Procedure for Shareholders' Meetings" and "Rules for Election of Board of Directors"<br/>Execution: Resolution adopted. Report to the shareholders' meeting for resolution.</p> <p>6. Revision of the "Regulations Governing the Preparation of Financial Statements"<br/>Execution: Resolution adopted.</p> <p>7. Designation of the Company's first Head of Corporate Governance<br/>Execution: Resolution adopted.</p> <p>8. Issuance of new shares by cash capital increase<br/>Execution: Resolution adopted.</p> |
| 110/05/11 | None   |

| Date      | Major resolutions   |
|-----------|---|
| 110/06/17 | <ol style="list-style-type: none"> <li>1. The company intends to sign the "Securities Compliance Counseling Contract" with KGI Securities Co., Ltd.<br/>Resolution: passed as the case was.</li> <li>2. The company cooperated with the proposal to change the date and place of the 110th Annual General Meeting of Shareholders.<br/>Resolution: passed as the case was.</li> </ol>   |
| 110/07/27 | <ol style="list-style-type: none"> <li>1. To formulate the company's 2011 annual cash capital increase and issuance of new shares price plan.<br/>Resolution: passed as the case was.</li> </ol>  |
| 110/08/19 | <ol style="list-style-type: none"> <li>1. It is proposed to pass the consolidated financial statements for the second quarter of 2011.<br/>Resolution: passed as the case was.</li> </ol>   |
| 110/11/11 | <ol style="list-style-type: none"> <li>1. To formulate the company's 2022 operating plan (annual budget). Resolution: passed as the case was.</li> <li>2. Formulate the company's 2022 audit plan.<br/>Resolution: passed as the case was.</li> <li>3. The Company's Acting Spokesperson Case.<br/>Resolution: passed as the case was.</li> <li>4. The Company intends to lend funds to its subsidiary Zhejiang Dongming.<br/>Resolution: passed as the case was.</li> </ol>  |
| 111/03/16 | <ol style="list-style-type: none"> <li>1. The company's 2021 annual business report and consolidated financial statements.<br/>Resolution: passed as proposed and submitted to the shareholders meeting.</li> <li>2. The Company's 2021 earnings distribution proposal.<br/>Resolution: passed as proposed and submitted to the shareholders meeting.</li> <li>3. Statement of the company's internal control system.<br/>Resolution: passed as the case was.</li> <li>4. Adjustment of KGI Bank's credit line and Cayman Dongming's endorsement guarantee line.<br/>Resolution: passed as the case was.</li> <li>5. Formulate the "Code of Practice on Corporate Governance".<br/>Resolution: passed as proposed and submitted to the shareholders meeting.</li> <li>6. Amendment to the Articles of Association.<br/>Resolution: passed as proposed and submitted to the shareholders meeting.</li> <li>7. Amendments to the "Procedures for the Acquisition or Disposal of Assets".<br/>Resolution: passed as the case was.</li> <li>8. Amendments to the "Code of Practice for Corporate Social Sustainability".<br/>Resolution: passed as the case was.</li> <li>9. 2021 Employee remuneration and director remuneration distribution plan.<br/>Resolution: passed as the case was.</li> </ol> |

4. Resolution of the Compensation Committee of the Company for 2021 to the date of publication of the annual report:

| Date      | Major resolutions   |
|-----------|---|
| 110/03/16 | <ol style="list-style-type: none"> <li>2020 Employees' Compensation and Directors' Compensation Distribution<br/>Execution: Resolution adopted. Report to the shareholders' meeting for resolution.</li> <li>Distribution of authorized shares for the employee<br/>Execution: Resolution adopted.</li> </ol> |
| 110/11/11 | <ol style="list-style-type: none"> <li>Manager Salary Approval<br/>Execution: Resolution adopted.</li> </ol>  |
| 111/03/16 | <ol style="list-style-type: none"> <li>2021 Employees' Compensation and Directors' Compensation Distribution<br/>Execution: Resolution adopted. Report to the shareholders' meeting for resolution.</li> </ol>  |

(XIII) Different opinions expressed by Directors or the Audit Committee regarding major resolutions, either by recorded statement or in writing, in 2022 and as of the publication of this annual report: None.

(XIV) Resignation or discharge of the Chairman, President, or Supervisors of Accounting, Finance, Internal Audit, or R&D in 2022 and as of the publication of this annual report: None

## V. Audit Fees for CPA

### (I) Audit fees for CPA

#### Range of Audit Fees for CPA

| Accounting Firm                  | Name of Accountant |            | Period of Audit | Comments |
|----------------------------------|--------------------|------------|-----------------|----------|
| Deloitte Touche Tohmatsu Limited | Hsieh,Ming-Chung   | Lu, I-Chen | 2021            | -        |

Unit: In Thousands

of NT\$

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

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

## VI. Change of CPA: None.

## VII. Chairman, President, or Managers in Charge of Finance or Accounting Holding a Position in the CPA's Firm or Its Affiliates in 2021 please disclose the name, position, and period in charge

None.

## VIII. Changes in Shareholding and Shares Pledged by Directors, Supervisors, Managers, and Shareholders with 10% Shareholdings or More in 2021 and as of the Publication of This Annual Report

In case of changes in shareholding and shares pledged by Directors, Supervisors, Managers, and Shareholders with 10% shareholdings or more in 2021 and as of the publication of this annual report and the counterpart of changes in shareholding and shares pledge is a related party, please disclose the name of the counterpart and its relations to the Company, Director, Supervisor, and Shareholders with 10% shareholdings or more and the number of shares transferred or pledged.

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

Unit: NT\$/1000 Shares

| Title  | Name   | 2021                       |                              | 2022, as of April 16       |                              | Comments |
|--|--|----------------------------|------------------------------|----------------------------|------------------------------|----------|
|  |  | Net Change in Shareholding | Net Change in Shares Pledged | Net Change in Shareholding | Net Change in Shares Pledged |          |
| Chairman   | Tsai, Ching-Tung   | —                          | —                            | —                          | —                            | —        |
|  |  | —                          | —                            | —                          | —                            | —        |
| Director   | Richard International Co., Ltd.<br>Representative: Tsai, Yi-Ting | —                          | —                            | —                          | —                            | —        |
| Director   | Tong One Holdings Limited<br>Representative: Tsai, Hung-Chuan    | —                          | —                            | —                          | —                            | —        |
| Director   | Ko, Wen-Ling   | 30,786                     | —                            | —                          | —                            | —        |
| Independent Director   | Ko, Yung-Hsiang  | —                          | —                            | —                          | —                            | —        |
| Independent Director   | Huang, Ming-Tze  | —                          | —                            | —                          | —                            | —        |
| Independent Director   | Hsu, Ching-Pang  | —                          | —                            | —                          | —                            | —        |
| President and shareholder with 10% shareholdings or more             | Tsai, Hung-Chuan   | —                          | —                            | —                          | —                            | —        |
| Operation Management Center Vice President and Supervisor of Finance | Tsai, Cheng-Hsiung   | 144,544                    | —                            | —                          | —                            | —        |
| Supervisor of Accounting   | Yen, Hsien-Ying  | 20,000                     | —                            | —                          | —                            | —        |
| Supervisor of Internal Audit   | Su, Chia-Yu  | 8,000                      | —                            | —                          | —                            | —        |
| Shareholder with 10% shareholdings or more                           | Tsai, Ming-Ti  | 2,702,681                  | —                            | —                          | —                            | —        |
| Shareholder with 10% shareholdings or more                           | Tsai, Yi-Ting  | 3,733,986                  | —                            | —                          | —                            | —        |
| Shareholder with 10% shareholdings or more                           | Tsai, Ching-Tung   | —                          | —                            | —                          | —                            | —        |

(II) Stock transferred to related parties: None

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

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

As of April 16, 2022; Unit: shares

| Name  | Shareholding   |            | Spouses, Minor Children |        | Nominee Arrangement |        | Names and Relationship of Top 10 Shareholders Who Are Related Parties, Spouses, or within Two Degrees of Kinship to Each Other   |  | Comments |
|---|----------------|------------|-------------------------|--------|---------------------|--------|--|--|----------|
|   | Shares         | %          | Shares                  | %      | Shares              | %      | Name   | Relation   |          |
| Capital and Limited Representative: Tsai, Hung-Chuan                    | 36,825,474     | 18.30%     | —                       | —      | —                   | —      | Tong One Holdings Limited<br>Representative: Tsai, Hung-Chuan<br>Oriental Union Chemical Corp., in custody of Chinatrust Commercial Bank<br>New Star Limited<br>Representative: Tsai, Chia-Yen<br>Mega Sun Limited<br>Representative: Tsai, Chen-Jung      | Director of the Company<br>Sibling relationship with a Director of the Company<br>Sibling relationship with a Director of the Company<br>Sibling relationship with a Director of the Company   | —        |
| Tong One Holdings Limited Representative: Tsai, Hung-Chuan              | 24,000,000     | 11.93%     | —                       | —      | —                   | —      | Oriental Union Chemical Corp., in custody of Chinatrust Commercial Bank<br>New Star Limited<br>Representative: Tsai, Chia-Yen<br>Capital and Limited<br>Representative: Tsai, Hung-Chuan<br>Mega Sun Limited<br>Representative: Tsai, Chen-Jung            | Sibling relationship with a Director of the Company<br>Sibling relationship with a Director of the Company<br>Director of the Company<br>Sibling relationship with a Director of the Company   | —        |
| Richard International Co., Ltd. Representative: Tsai, Yi-Ting           | 24,000,000     | 11.93%     | —                       | —      | —                   | —      | Tsai, Yi-Ting<br>Tsai, Ming-Ti<br>Aetek Co., Ltd. in custody of Chinatrust Commercial Bank   | Director of the Company<br>Father and son<br>Sibling relationship with a Director of the Company   | —        |
| Tsai, Yi-Ting   | 23,115,486     | 11.49%     | —                       | —      | —                   | —      | Tsai, Ming-Ti<br>Richard International Co., Ltd.<br>Representative: Tsai, Yi-Ting<br>Tsai, Ming-Ti<br>Aetek Co., Ltd. in custody of Chinatrust Commercial Bank   | Father and son<br>Father and son with a Director of the Company<br>Sibling relationship with a Director of the Company   | —        |
| Tsai, Ming-Ti   | 19,129,556     | 9.51%      | —                       | —      | —                   | —      | Tsai, Yi-Ting<br>Richard International Co., Ltd.<br>Representative: Tsai, Yi-Ting<br>Aetek Co., Ltd. in custody of Chinatrust Commercial Bank  | Father and son<br>Director of the Company<br>Father and daughter with a Director of the Company  | —        |
| Oriental Union Chemical Corp., in custody of Chinatrust Commercial Bank | 11,343,410     | 5.64%      | —                       | —      | —                   | —      | Tong One Holdings Limited<br>Representative: Tsai, Hung-Chuan<br>New Star Limited<br>Representative: Tsai, Chia-Yen<br>Capital and Limited<br>Representative: Tsai, Hung-Chuan<br>Mega Sun Limited<br>Representative: Tsai, Chen-Jung                      | sibling relationship with a Director of the Company<br>Sisters with a Director of the Company<br>Sibling relationship with a Director of the Company<br>Director of the Company                | —        |
| New Star Limited  | 10,400,000     | 5.17%      | —                       | —      | —                   | —      | Tong One Holdings Limited<br>Representative: Tsai, Hung-Chuan<br>Oriental Union Chemical Corp., in custody of Chinatrust Commercial Bank<br>Capital and Limited<br>Representative: Tsai, Hung-Chuan<br>Mega Sun Limited<br>Representative: Tsai, Chen-Jung | Sibling relationship with a Director of the Company<br>Sisters with a Director of the Company<br>Sibling relationship with a Director of the Company<br>Sisters with a Director of the Company | —        |
| Mega Sun Limited  | 10,400,000     | 5.17%      | —                       | —      | —                   | —      | Tong One Holdings Limited<br>Representative: Tsai, Hung-Chuan<br>Oriental Union Chemical Corp., in custody of Chinatrust Commercial Bank<br>New Star Limited<br>Representative: Tsai, Chia-Yen<br>Capital and Limited<br>Representative: Tsai, Hung-Chuan  | Sibling relationship with a Director of the Company<br>Director of the Company<br>Sisters with a Director of the Company<br>Sibling relationship with a Director of the Company                | —        |
| Aetek Co., Ltd. in custody of Chinatrust Commercial Bank                | 7,443,000      | 4.43%      | —                       | —      | —                   | —      | Tsai, Ming-Ti<br>Tsai, Yi-Ting<br>Richard International Co., Ltd.<br>Representative : Tsai, Yi-Ting  | Father and daughter<br>Siblings<br>Sibling relationship with a Director of the Company   | —        |
| Tong Hwei Enterprise Co., Ltd.<br>Person in Charge: Tsai, Tsung-Hsiang  | 6,160,000<br>0 | 3.06%<br>— | —<br>—                  | —<br>— | —<br>—              | —<br>— | —<br>—   | —<br>—   | —<br>—   |

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

Unit: Shares; %

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

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

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

# FourCapital Overview

## I. Capital and Shares

### (I) Source of Capital:

#### 1. History of Capital

As of April 16, 2022; Unit: NT\$/Share

| Month and Year | Issue Price | Authorized Capital |               | Paid-in Capital |               | Comments       |  |        |
|----------------|-------------|--------------------|---------------|-----------------|---------------|----------------|--|--------|
|                |             | Shares             | Amount        | Shares          | Amount        | Source         | Capital Increase by Assets Other than Cash | Others |
| November 2009  | NT\$ 10     | 250,000,000        | 2,500,000,000 | 1               | 10            | Set up Capital | NA   | Note 1 |
| December 2009  | NT\$ 10     | 250,000,000        | 2,500,000,000 | 148,500,000     | 1,485,000,000 | New issue      | NA   | Note 2 |
| January 2010   | NT\$ 10     | 250,000,000        | 2,500,000,000 | 150,000,000     | 1,500,000,000 | New issue      | NA   | Note 3 |
| December 2013  | NT\$ 22     | 250,000,000        | 2,500,000,000 | 168,000,000     | 1,680,000,000 | SPO            | NA   | NA     |
| June 2021      | NT\$ 10     | 250,000,000        | 2,500,000,000 | 168,473,212     | 1,684,732,120 | SPO            | NA   | NA     |
| July 2021      | NT\$ 10     | 250,000,000        | 2,500,000,000 | 170,138,372     | 1,701,383,720 | SPO            | NA   | NA     |
| August 2021    | NT\$ 10     | 250,000,000        | 2,500,000,000 | 171,203,333     | 1,712,033,330 | SPO            | NA   | NA     |
| August 2021    | NT\$ 10     | 250,000,000        | 2,500,000,000 | 201,203,333     | 2,012,033,330 | SPO            | NA   | NA     |

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

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

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

#### 2. Type of shares

As of April 16, 2022; Unit: Share

| Type          | Authorized Capital |                 |             | Comments             |
|---------------|--------------------|-----------------|-------------|----------------------|
|               | Outstanding        | Unissued Shares | Total       |                      |
| Common Shares | 201,203,333        | 48,796,667      | 250,000,000 | Listed Common Shares |



### 3. Shelf Registration: None.

#### (II) Shareholder Composition

As of April 16, 2022; Unit: Share

| Qty \ Type             | Government Agencies | Financial Institutions | Other Juridical Persons | Natural Persons | Foreign Institutions and Natural Persons | Total       |
|------------------------|---------------------|------------------------|-------------------------|-----------------|--|-------------|
| Number of Shareholders | 0                   | 0                      | 25                      | 1,664           | 29                                       | 1,718       |
| Shares                 | 0                   | 0                      | 9,452,626               | 62,427,819      | 129,322,888                              | 201,203,333 |
| %                      | 0                   | 0                      | 4.69                    | 31.04           | 64.27                                    | 100.00      |

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

#### (III) Shareholding Distribution

##### 1. Common Shares:

As of April 16, 2022

| Shareholding                                 | Number of Shareholders | Shares      | %      |
|--|------------------------|-------------|--------|
| 1~999  | 205                    | 32,016      | 0.02   |
| 1,000~5,000                                  | 1,094                  | 1,964,276   | 0.98   |
| 5,001~10,000                                 | 159                    | 1,266,159   | 0.63   |
| 10,001~15,000                                | 50                     | 647,343     | 0.32   |
| 15,001~20,000                                | 46                     | 831,671     | 0.41   |
| 20,001~30,000                                | 42                     | 1,093,685   | 0.54   |
| 30,001~40,000                                | 21                     | 749,087     | 0.37   |
| 40,001~50,000                                | 16                     | 744,361     | 0.37   |
| 50,001~100,000                               | 41                     | 3,154,282   | 1.57   |
| 100,001~200,000                              | 17                     | 2,252,706   | 1.12   |
| 200,001~400,000                              | 5                      | 1,424,600   | 0.71   |
| 400,001~600,000                              | 4                      | 2,303,563   | 1.14   |
| 600,001~800,000                              | 2                      | 1,362,000   | 0.68   |
| 800,001~1,000,000                            | 1                      | 1,000,000   | 0.50   |
| Over 1,000,001                               | 15                     | 182,377,584 | 90.64  |
| Holds less than one-thousandth of the shares | 1,691                  | 12,735,586  | 6.33   |
| Total  | 1,718                  | 201,203,333 | 100.00 |

##### 2. Preference share: None.

(IV) Major shareholders

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

As of April 16, 2022; Unit: Share

| Major Shareholders  | Shareholding | Shares     | %      |
|---|--------------|------------|--------|
| CAPITALAND LIMITED  |              | 36,825,474 | 18.30% |
| Richard International Co., Ltd.   |              | 24,000,000 | 11.93% |
| Tong One Holdings Limited   |              | 24,000,000 | 11.93% |
| Tsai, Yi-Ting   |              | 23,115,486 | 11.49% |
| Tsai, Ming-Ti   |              | 19,129,556 | 9.51%  |
| Oriental Union Chemical Corp., in custody of Chinatrust Commercial Bank |              | 11,343,410 | 5.64%  |
| NEW STAR LIMITED  |              | 10,400,000 | 5.17%  |
| MEGA SUN LIMITED  |              | 10,400,000 | 5.17%  |
| Aetek Co., Ltd. in custody of Chinatrust Commercial Bank                |              | 7,443,000  | 3.70%  |
| Tong Hwei Enterprise Co., Ltd.  |              | 6,160,000  | 3.06%  |

(V) Market Price, Net Worth, Earnings, and Dividends Per Share for 2020 and 2021

Unit: NT\$/1000 Shares

| Fiscal Year            |                           |                   | 2020    | 2021    | As of March 31, 2022 |
|------------------------|---------------------------|-------------------|---------|---------|----------------------|
| Items                  |                           |                   |         |         |                      |
| Market Price per Share | Highest                   |                   | 39.55   | 57.80   | 67.90                |
|                        | Lowest                    |                   | 24.80   | 34.05   | 50.30                |
|                        | Average                   |                   | 31.24   | 43.18   | 60.48                |
| Net Worth per Share    | Before Distribution       |                   | 24.86   | 32.51   | 35.19                |
|                        | After Distribution        |                   | 23.06   | 29.31   | —                    |
| Earnings per Share     | Weighted Average Shares   |                   | 168,000 | 201,203 | 201,203              |
|                        | Earnings per Share        | Before Adjustment | 2.94    | 8.00    | 1.47                 |
|                        |                           | After Adjustment  | —       | —       | —                    |
| Dividends per Share    | Cash Dividends            |                   | 1.80    | 3.20    | —                    |
|                        | Stock Dividends           | Earnings          | —       | —       | —                    |
|                        |                           | Capital Surplus   | —       | —       | —                    |
|                        | Accumulated Undistributed |                   | —       | —       | —                    |
| Return on Investment   | Price/Earnings Ratio      |                   | 10.63   | 5.40    | —                    |
|                        | Price/Dividend Ratio      |                   | 17.36   | 13.49   | —                    |
|                        | Cash Dividend Yield       |                   | 5.76    | 7.41    | —                    |

\* If there is a capital increase allotment from surplus or capital reserve, the market price and cash dividend information retrospectively adjusted according to the number of issued shares shall be disclosed.

Note 1: The highest and lowest market prices of ordinary shares in each year are listed, and the average market price in each year is calculated based on the transaction value and transaction volume in each year.

Note 2: Please refer to the number of issued shares at the end of the year and fill in the information according to the resolution of the board of directors or the shareholders' meeting of the following year.

Note 3: If retrospective adjustment is required due to free allotment, etc., the earnings per share before and after adjustment shall be listed.

Note 4: If the conditions for the issuance of equity securities stipulate that the undistributed dividends in the current year shall be accumulated and distributed in the year with surplus, the accumulated and unpaid dividends up to the current year shall be disclosed separately.

Note 5: P/E ratio = average closing price per share for the year/earnings per share.

Note 6: Cost-to-earnings ratio = average closing price per share for the year/cash dividend per share.

Note 7: Cash dividend yield = cash dividend per share/average closing price per share for the year.

Note 8: The net value per share and earnings per share should be filled with the information checked (reviewed) by the accountants in the latest quarter up to the printing date of the annual report; other fields should be filled in as of the annual report Information for the year ending on the date of publication.

## (VI) Dividend Policy and Its Execution Status

### 1. Dividend policy:

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

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

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

The 2021 earnings distribution plan approved by the Board of Directors' Meeting on March 16,

2022 shall distribute a cash dividend equal to NT\$ 3.2per share and NT\$ 643,850 thousands in total. The proposal is pending approval by the regular Shareholders' Meeting.

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

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

1. The percentage or range of compensation to employees and remuneration to directors in the Articles of Incorporation shall be as follows:
  - (1) When the Company makes a profit at the end of a fiscal year, the compensation to employees shall be zero thousandths to one thousandth of the balance and paid in the form of stock or cash based on the Board's resolution. Parties eligible to receive the said compensation shall include employees in affiliated companies who meet certain conditions set by the Board. In the same case, the remuneration to directors shall not be greater than five percent of the balance based on the Board's resolution. The distribution plan of compensation to employees and remuneration to directors and supervisors shall be submitted to the shareholders' meeting. However, if the Company has an accumulated deficit, the profit shall cover the deficit before it can be used for compensation to employees and remuneration to directors and supervisors based on the aforementioned ratios.
  - (2) As stipulated in Article 64 of the Articles of Incorporation, the remuneration of Directors shall vary and be evaluated by the Board of Directors with the Company's authorization every year, regardless of gain or loss, based on (a) the involvement of Directors in the business operations of the Company; (b) the contribution of Directors to the Company; (c) the remuneration standards of the industry; and (d) other relevant factors.
2. The estimation basis of compensation to employees and remuneration to Directors and Supervisors, calculation basis for number of shares distributed as stock dividends, and accounting treatments for differences between estimated and actual payment amounts shall be as follows:
  - (1) Please refer to (6)- 1. Dividend policy: for the estimation basis of compensation to employees and remuneration to Directors and Supervisors.
  - (2) The calculation basis for number of shares distributed as stock dividends: The Company did not distribute shares as stock dividends in 2021.
  - (3) Accounting treatments for differences between estimates and actual payment amounts: The big difference of the amount resolved to be distributed by the Board of Directors was recognized as operating expense of the original year; the difference as of the resolution date of the Shareholders' Meeting shall be recognized as changes in accounting estimation and adjusted to book in the following year.
3. Proposed compensation approved by the Board:
  - (1) Compensation to employees and remuneration of Directors: It is proposed not to

distribute compensation to employees but NT\$ 840 thousand to the Directors, which is pending approval by the regular Shareholders' Meeting.

(2) The amount of stock distributed as employee compensation and as a percentage to net income of the parent company only or individual financial statements and aggregate compensation to employees is zero.

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

(1) Compensation to employees: The actual cash dividend distributed to employees of zero was the same amount approved in the Board Meeting.

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

(IX) Buyback of Common Shares: None

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

(I) Inland corporate bonds: N/A

(II) Convertible Bonds: N/A

(III) Overseas Corporate Bonds: N/A.

(IV) Exchangeable Bonds: N/A.

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

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

## **III. Preferred Shares:**

None.

## **IV. Global Depositary Shares:**

None.

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

None.

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

None.

## **VII. Financing Plans and Implementation:**

None.

## Five.Operational Highlights

### I. Business

#### (I) Business Scope

##### 1. Major Products/Services

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

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

Unit: NT\$ 1,000

| Product \ Year           | 2020      |        | 2021       |        |
|--------------------------|-----------|--------|------------|--------|
|                          | Amount    | %      | Amount     | %      |
| Stainless steel fastener | 5,923,052 | 64.58  | 8,411,948  | 63.56  |
| Stainless steel wire     | 1,742,227 | 19.00  | 2,406,200  | 18.18  |
| Other(note)              | 1,506,059 | 16.42  | 2,417,368  | 18.26  |
| Total                    | 9,171,338 | 100.00 | 13,235,516 | 100.00 |

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

##### 3. Major Products/Services

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

##### A. Stainless steel fastener

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

##### B. Stainless steel wire

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

##### C. Others

Mainly trade products of the operating entity Zhejiang Tong Ming, and other types of products of the consolidated subsidiaries (including WINLINK FASTENERS CO., LTD, Tong Win, Shenzhen Yiqin, Tong Ming Trading (Jiaxing) and Fastklink ), all of which are of a trade nature.

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

##### A. New washing and polishing technology of stainless steel hexagon bolts

This project adopts water washing and polishing technology to clean the hexagon bolts, which greatly improves the cleaning efficiency, and makes the stainless steel hexagon bolts dissolve the dirt thoroughly and clean. And the cleaning agent itself is neutral, harmless and has a strong dissolving ability to dirt. This technology can quickly remove the dirt on the surface of the hexagon bolts and improve the cleanliness and aesthetics of the surface of the hexagon bolts.

##### B. High strength rivet nut

The new anti-skid rivet nut with bright surface developed in this project has higher strength than the general rivet nut, and has a bright and uniform appearance, so that the finished stainless steel rivet nut has higher tensile strength and anti-skid safety performance.

##### C. Six-station molding stainless steel nylon nut

The six-station molding stainless steel nylon nut developed in this project has a higher matching degree than general molding production or multi-station molding production below five stations. The nut fits the nylon ring better, and at the same time it retains the same or even higher mechanical properties as the basic nylon nut, meeting the needs of current production.

#### (II) Industry Overview

##### 1. Industry Status and Development

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

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

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

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

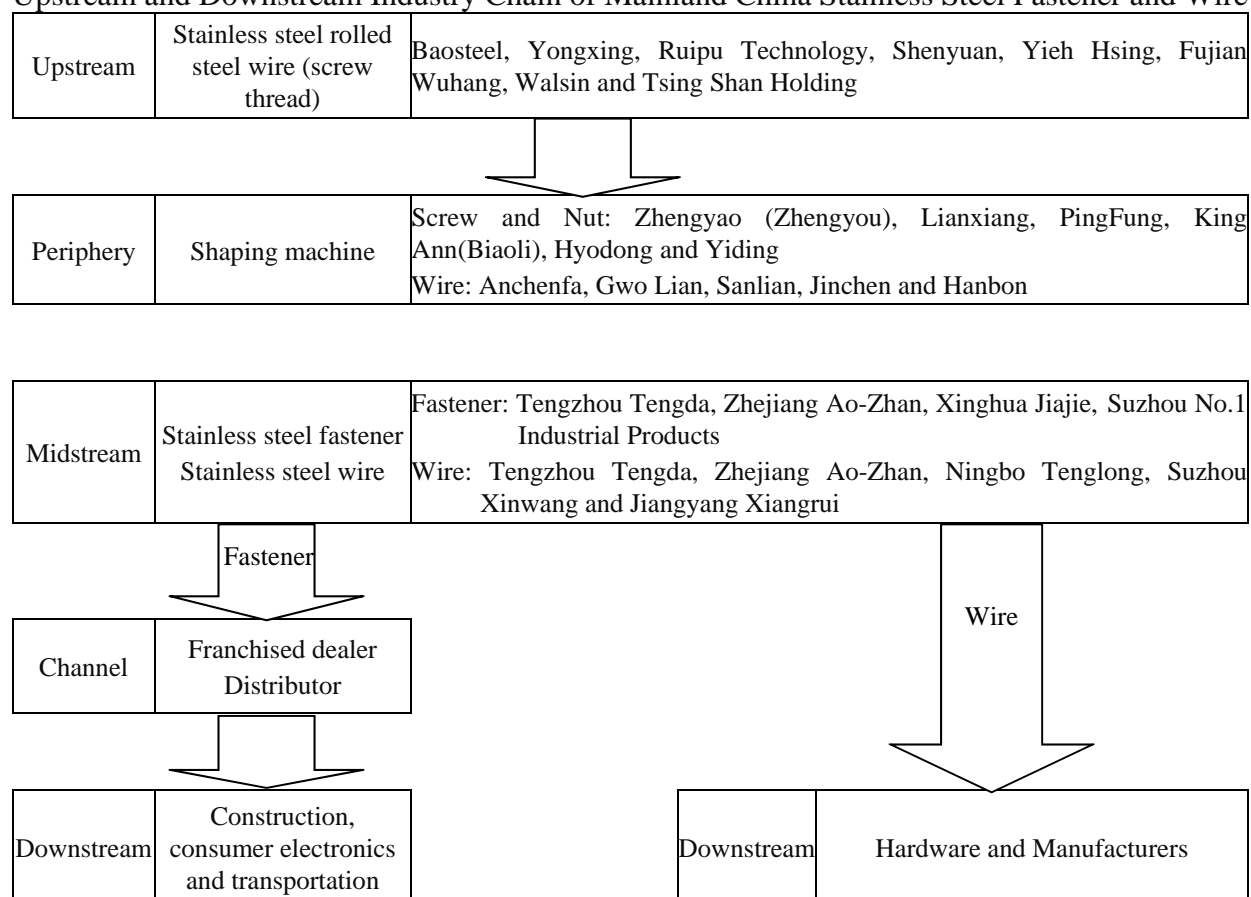
## 2. Supply Chain

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

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



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



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

### 3. Industry Development Trend

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

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

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

electronic technology and major infrastructure industries can be expected. We will develop a product structure with better quality and higher added value.

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

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

#### 4. Competition

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

The finish products of stainless steel fastener are easier to be transported than raw material, so the distribution network will be set up at where the customers are. Zhejiang Tong Ming insisted on the operation mode with branches and actively builds its own sales channel over the past years. It has established large shipment warehouses at East, South and North China and middle sized warehouses in different regions in recent years and built the e-commerce

platform as well, becoming an enterprise with brand advantage and both production and sales channels of its own. Being different from the sales mode of its peer, Zhenjiang Tong Ming mainly promotes for sales relying on franchised dealers.

### (III) Technology and R&D

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

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

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

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

##### (B) Scale Advantage of Productive Means

With production area of 152000 square meter and annual output over 120000 tons, Zhejiang Tong Ming has the production economy scale advantage with strong competitiveness. From the third quarter of 2022, new plants will be put into operation successively, and the annual output will be further increased.

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

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

## 2. Education Level of Research and Development Personnel

Unit: number of people; %

| Education \ Year   | 2020   |         | 2021   |         | 2022 as of April 16 |         |
|--------------------|--------|---------|--------|---------|---------------------|---------|
|                    | Number | Percent | Number | Percent | Number              | Percent |
| Ph.D.              | -      | -       | -      | -       | -                   | -       |
| Master             | -      | -       | -      | -       | -                   | -       |
| Bachelor           | 7      | 100     | 18     | 100     | 18                  | 100     |
| Senior High School | -      | -       | -      | -       |                     |         |
| Total              | 7      | 100     | 18     | 100     | 18                  | 100     |

## 3. R&D Expenses as a Percentage to Net Operating Revenue in Year 2020 and 2021 and As of Most Recent Date

Unit: NT\$ 1,000

| Items  | 2020      | 2021       | 2022<br>End of March |
|--|-----------|------------|----------------------|
| Consolidated R&D Expenses                      | 27,256    | 22,910     | 4,003                |
| Consolidated Net Operating Revenue             | 9,171,338 | 13,235,516 | 3,773,820            |
| Ratio of R&D Expenses to Net Operating Revenue | 0.30%     | 0.20%      | 0.11%                |

## 4. R&D Achievements in Year 2020 and 2021 and as of Most Recent Date

| Year | Achievements  |
|------|---|
| 2019 | Environmental-Protection Magnetic Polishing Process of Screw Surface        |
|      | Forming Process of New Type Mirror Surface Ultrathin Nut                    |
|      | Environmental Friendly Cleaning Technology of Stainless Steel Nut           |
|      | High Anticorrosion Slotted Combination Screw                                |
|      | New Type High Performance Stainless Steel Spring Wire                       |
|      | New Type Environment Friendly Stainless Steel Rivets Wire                   |
| 2020 | High Precision Stainless Steel Pozi Screw                                   |
|      | Eco-friendly New Stainless Steel Nuts                                       |
|      | New High-Strength Stainless Steel Bright Wire                               |
|      | High strength stainless steel double head screws                            |
|      | Stainless steel hexagonal fasteners with high efficiency production process |
|      | Seamless bright stainless steel calendering line                            |
|      | Automated production technology for stainless steel expanded assemblies     |
|      | High Strength Stainless Steel Toothed Ladder Shaft                          |
|      | Automated production technology for stainless steel expanded assemblies     |
|      | High strength stainless steel toothed ladder shaft                          |

| Year | Achievements  |
|------|---|
| 2021 | New washing and polishing technology of stainless steel hexagon bolts |
|      | High strength rivet nut   |
|      | Stainless steel column guide combination screw                        |
|      | Stainless steel weak magnetic hexagon screw                           |
|      | Cold forming stainless steel bolts with large diameter                |
|      | Six-station molding stainless steel nylon nut                         |

#### (IV) Business Development Plan

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

###### A. Marketing Strategy

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

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

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

The domestic market in mainland China will continuously grow under the situation of more fierce competition and the proportion of domestic sale will increase with it. Since the warehouses in East, South and North China are running well, the Company is planning to expedite the establishment of warehouses in Midwest China and other regions and upgrade the warehouse management system for higher shipping efficiency and quicker distribution to our customers throughout the mainland China.

###### (C) Strengthen Customer relations and E-commerce

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

###### B. Production Strategy

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

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

Although there are over 20000 kinds of products in Tong Ming, they can be adjusted based on the established production capacity and timely market information from

perfect network of self distribution. And the inventory level can be lowered with the production and marketing information integrated via ERP system and different customer requirements can be satisfied to make Tong Ming “a distribution company with factory background”. The existing products categories are rich enough to meet one-stop shopping requirement of customers, which will bring more convenience for customers and increase their dependency on us.

(B) Implement Quality Control for Better Quality

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

(C)Product Development Direction

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

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

(D)Operation and financial management

The Company will make budget based on overall operating target and pay close attention to preferential policies in mainland China and of financial institutions home and abroad so as to reduce the operating capital cost and achieve the development plans.

## 2. Long-term Business Development Plan

### A. Marketing Strategy

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

### B. Production Strategy

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

### C. Product Development Direction

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

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

#### D. Operation and Financial Management

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

## II. Market and Sales Overview

### (I) Market Analysis

#### 1. Sales Distribution by Region

Unit: NT\$ 1,000; %

| Region \ Year  | 2020      |           | 2021       |           |
|----------------|-----------|-----------|------------|-----------|
|                | Amount    | Ratio (%) | Amount     | Ratio (%) |
| Mainland China | 6,620,581 | 72.19     | 9,097,728  | 68.75     |
| America        | 1,142,943 | 12.46     | 1,987,667  | 15.02     |
| Asia           | 779,743   | 8.50      | 1,023,616  | 7.73      |
| Europe         | 473,301   | 5.16      | 901,469    | 6.81      |
| Oceania        | 83,069    | 0.91      | 120,065    | 0.78      |
| Africa         | 71,701    | 0.78      | 104,971    | 0.91      |
| Others         | —         | 27.81     | —          | -         |
| Total          | 9,171,338 | 100       | 13,235,516 | 100       |

#### 2. Market Share

The Company mainly produces and sells stainless steel fastener and wire with wide application, among which 300 series stainless steel fastener is the leading product in the market. The stainless steel fastener market of mainland China in 2021 were evenly split by standard and non-standard parts and the quantity demand of 300 series stainless steel fastener accounts for about 50% of standard ones. About 59000 tons 300 series standard fastener of Zhejiang Tong Ming was sold within mainland China, contributing to over 30 percent of the market share.

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

##### A. Supply and Demand

##### (A) Demand

The company is mainly oriented to China's domestic market, and about 70% of the stainless steel fasteners and wires produced are sold in Chinese mainland. With the continuous upgrading of China's consumption structure, the demand for high quality products is also gradually increasing. The application of stainless steel in the fields of construction, decoration, automobile and petrochemical has gradually been popularized, and the demand for stainless steel fasteners has greatly increased. In addition, the "National New Urbanization Planning" in mainland China clearly defines the trend of urbanization. The new urbanization construction will take population urbanization as the core, urban agglomerations as the main form, and comprehensive bearing capacity as the support, so as to fully improve the quality and level of urbanization. In terms of the urbanization of migrant workers, efforts will be made to promote the settlement of agricultural migrants who have transferred to urban employment, as well as the urbanization of permanent residents who are able to work and live in urban areas. With the increasing urbanization rate in mainland China, the future demand can still be expected for the stainless steel fastener manufacturers. °



## (B) Supply

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

## B. Future Market Growth

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

## 4. Competitive Advantage

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

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

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

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

### C. Price Setter in Mainland China Market

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

enterprise for operating modes and pricing strategy.

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

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

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

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

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

#### A. Favorable Factors:

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

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

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

Along with the boom in public construction and basic industries in mainland China, the domestic market is still growing. The equipment manufacturing industry has been

emphasized in the National Independent Innovation Ability Improvement Plan, which will promote the development of the fastener industry. Meanwhile, local governments are continuously working on urbanization inside mainland China and pushing the development of the Eurasian economy outside it, creating plenty of business opportunities.

(C) Value-raised and Collectivized Market Order

Going through a survival of fitness in 2012, the stainless steel fastener and wire market was then purified by the continuous drop in prices of raw materials in 2015, when the producers competing at a low price were weeded out. The whole market tends to be under fairer competition after the tax reform, and the companies are becoming better service providers. For example, they now provide services to end users directly. The key to competition in enterprise resources integration and distribution channel arrangement is to provide a one-stop service and reduce the stock-out rate. Under the influence of the COVID-19 in 2020, small manufacturers are greatly affected, and the group enterprises will develop towards improving services and providing customers with one-stop services. In the future, the competition in enterprise resource integration efficiency and distribution channel arrangement will increase the entry threshold, which is conducive to the sound development of the industry.

B. Unfavorable Factors and Solutions

(A) Intensifying Competition in Mainland China Market

Countermeasure

As a leading producer of fastener with own brand in mainland China, the Company has been developing its distribution platform over the past years. With online and offline integrated production and marketing services, it established large scale shipment warehouses in East, South and North China; and the Company will keep improving the logistics services quality in the future based on more than 27 branches and online sales platform; moreover it will also cooperate with financial institutions to enrich e-commerce platform services and diversify customer services, which will raise the industry entry threshold and difficulty of simulating by its competitors.

(B) Increasing Labor Cost

Countermeasure

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

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

(C) The Covid-19 and complex international situation

Countermeasure

In 2021, due to China's zero-COVID policy, the impact of COVID-19 on China was small. But due to the continuous opening of the global market, it will have a certain influence on China's epidemic-control. Trade frictions between China and the United States still existed in 2020, and the Ukrainian-Russian war in early 2022 has caused the international situation to become increasingly complicated. The company will continue to pay close attention to the trade and tariff measures in major sales markets, and make appropriate origin adjustments within the group to reduce the impact. Establish relevant responsible personnel and employ professional lawyers, so that the company can respond in time if anti-dumping events or trade disputes occur.

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

Countermeasure

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

A. Pricing Strategy of Sales

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

B. Acquisition Strategy of Raw Material

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

C. Management Rules of Inventory

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

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

and reviews and adjusts the inventory at a certain frequency.

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

### 1. Main Application for Key Products

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

### 2. Production Process

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

#### A. Screw (Fastener)

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

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

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

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

#### B. Nut (Fastener)

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

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

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

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

#### C. Threaded rod (Fastener)

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

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

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

Thread rolling: squeeze the threadless rod through the mould to desired specification

of external thread.

#### D. Wire

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

Annealing: heat different sized wires after drawing inside the furnace for certain time and then cool them gradually to adjust the crystal structure and reduce the wire hardness, which will improve the processability of wire.

#### (III) Supply of Key Raw Materials

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

#### (IV) Key Suppliers/Customers

- Suppliers account for 10% or more of the Company's total purchase in any one of year 2020 and 2021, purchasing amount and percentage, reason of increasing and decreasing:

Unit: NT\$ 1,000

| Rank | 2020      |           |        |                              | 2021      |            |        |                              | 2022 as of March 31 |           |        |                              |
|------|-----------|-----------|--------|------------------------------|-----------|------------|--------|------------------------------|---------------------|-----------|--------|------------------------------|
|      | Name      | Amount    | %      | Relation with the Company    | Name      | Amount     | %      | Relation with the Company    | Name                | Amount    | %      | Relation with the Company    |
| 1    | A         | 3,074,074 | 37.64  | None                         | A         | 5,647,994  | 44.75  | None                         | A                   | 1,595,283 | 51.22  | None                         |
| 2    | C         | 905,243   | 11.08  | None                         | C         | 1,336,561  | 10.59  | None                         | C                   | 194,242   | 6.24   | None                         |
| 3    | Tong heer | 522,331   | 6.40   | Other related persons (Note) | Tong heer | 871,212    | 6.90   | Other related persons (Note) | Tong heer           | 412,223   | 13.24  | Other related persons (Note) |
|      | other     | 3,785,880 | 51.09  | -                            | other     | 4,766,145  | 37.76  | -                            | other               | 912,858   | 29.30  | -                            |
|      | total     | 8,167,156 | 100.00 |                              | total     | 12,621,912 | 100.00 |                              | total               | 3,114,606 | 100.00 |                              |

(Note) Tsai, Ching-Tung and Tsai,Hung-Chuan as directors of Tong Heer

#### Variance Analysis:

The Company's main suppliers are large steel mills in PRC. In recent years, the supply of stainless steel coils has been stable with no significant changes. The products purchased from TONG HE industry are mainly fasteners exported to the United States by the company.

- Customers account for 10% or more of the Company's total revenue in any one of year 2020 and 2021, sales amount and percentage, reason of increasing and decreasing:

It is not analyzed since no any individual customer account for 10% of the Company's total revenue in year 2020 and 2021.

(V) Production in 2020 and 2021:

Unit: Ton; NT \$1,000

| Year<br>Key Products | 2020     |        |           | 2021     |         |           |
|----------------------|----------|--------|-----------|----------|---------|-----------|
|                      | Capacity | Output | Amount    | Capacity | Output  | Amount    |
| Fastener             | 61,000   | 53,781 | 4,035,173 | 84,300   | 79,254  | 6,461,565 |
| Wire                 | 29,000   | 25,833 | 1,616,703 | 37,000   | 35,690  | 2,462,840 |
| Total                | 90,000   | 79,613 | 5,651,876 | 121,300  | 114,944 | 8,924,405 |

(VI) Sales in 2020 and 2021

Unit: Ton; NT \$1,000

| Year<br>Key Products | 2020     |           |          |           | 2021     |           |          |           |
|----------------------|----------|-----------|----------|-----------|----------|-----------|----------|-----------|
|                      | Domestic |           | Overseas |           | Domestic |           | Overseas |           |
|                      | Quantity | Amount    | Quantity | Amount    | Quantity | Amount    | Quantity | Amount    |
| Fastener             | 51,736   | 4,739,376 | 13,978   | 1,183,676 | 58,659   | 6,343,514 | 21,729   | 2,068,434 |
| Wire                 | 24,682   | 1,719,434 | 325      | 22,793    | 30,661   | 2,404,455 | 15       | 1,745     |
| Others               | 605      | 72,403    | 12,426   | 1,433,656 | 307      | 33,989    | 17,733   | 2,383,379 |
| Total                | 77,023   | 6,531,213 | 26,729   | 2,640,125 | 89,627   | 8,781,958 | 39,477   | 4,453,558 |

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

Unit: No. of people

| Year                    |                          | 2020 | 2021  | 2022as of March 31 |
|-------------------------|--------------------------|------|-------|--------------------|
| No. of<br>Employees     | Manager                  | 14   | 19    | 19                 |
|                         | Direct                   | 504  | 578   | 652                |
|                         | Indirect                 | 480  | 578   | 594                |
|                         | Total                    | 998  | 1,175 | 1,265              |
| Average Age             |                          | 36   | 36    | 36                 |
| Average Year of Service |                          | 5.60 | 4.9   | 4.70               |
| Education               | Ph.D.                    | 0    | 0     | 0                  |
|                         | Master's Degree          | 3    | 2     | 2                  |
|                         | Bachelor's Degree        | 334  | 361   | 366                |
|                         | Senior High School       | 166  | 278   | 320                |
|                         | Below Senior High School | 495  | 534   | 577                |

**IV. Expenditure Related to Environmental Protection**

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

Main factory of the Company is located at Jiaxing of Zhejiang province, small amount of waste gas, water and oil will be generated during the production. Besides purchasing waste gas and water treatment equipment for purification and reduction, the Company assigns

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

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

March 31, 2021; Unit: NT\$ 1,000

| Items   | Qty | Date of Acquisition | Cost of Investment | Unreduced Balance | Purpose and Prospected Benefit                      |
|---|-----|---------------------|--------------------|-------------------|---|
| Domestic waste water recycling equipment  | 1   | 2012-10-01          | 661                | 103               | Wastewater and sewage treatment equipment           |
| Improvement of film acid pickling waste gas at north phase I plant and smoke waste gas purifying of 3+4 production line at east phase I plant | 1   | 2013-11-01          | 2,337              | 226               | Air pollution prevention equipment                  |
| Improvement of domestic sewage disposal system  | 1   | 2016-01-01          | 565                | 257               | Disposed domestic sewage can be used for production |
| Dry ice cleaner   | 1   | 2016-09-02          | 582                | 300               | Clean equipment                                     |
| Install flow meter at purification tank for liquid waste  | 1   | 2016-12-01          | 443                | 234               | Measure waste water quantity                        |
| Automatic oil throwing machine  | 24  | 2017-01-01          | 3,013              | 1,777             | Throw away oil on products                          |
| Smoke purifier of stainless steel forming   | 2   | 2017-02-01          | 271                | 150               | Purify smoke at nut production                      |
| Automatic centrifuge  | 2   | 2017-03-01          | 829                | 466               | Separate impurities from oil                        |
| Photovoltaic power generation   | 1   | 2017-04-01          | 104,564            | 59,604            | Solar power generation                              |
| Oil throwing machine  | 26  | 2017-05-01          | 3,408              | 1,867             | Throw away oil on products                          |
| Smoke purifier of stainless steel forming   | 24  | 2017-05-01          | 2,459              | 1,347             | Waste gas treatment                                 |
| Ultrasonic cleaner  | 1   | 2017-06-01          | 203                | 112               | Clean plate electrode of smoke purifier             |
| Smoke purifier of stainless steel forming   | 13  | 2017-06-01          | 1,342              | 745               | Waste gas treatment                                 |
| Ultrasonic cleaner  | 1   | 2017-08-01          | 199                | 113               | Clean plate electrode of smoke purifier             |
| Automatic lid-lift dewaterer  | 2   | 2017-08-01          | 446                | 254               | Throw away water on products                        |
| Automatic oil throwing machine  | 25  | 2017-08-01          | 3,277              | 1,867             | Throw away oil on products                          |
| Automatic oil throwing machine (for single machine)   | 3   | 2017-08-01          | 1,444              | 848               | Throw away oil on products                          |
| Vibrating spray cleaning machine  | 1   | 2017-08-01          | 994                | 584               | Cleaning the electrode plate of the smoke purifier  |



| Items  | Qty | Date of Acquisition | Cost of Investment | Unreduced Balance | Purpose and Prospected Benefit             |
|--|-----|---------------------|--------------------|-------------------|--|
| Electrostatic machine  | 34  | 2017-08-01          | 2,664              | 1,577             | Waste gas treatment                        |
| Sludge filter press  | 1   | 2017-10-01          | 540                | 107               | Filter water inside sludge                 |
| Electrostatic machine  | 1   | 2017-08-01          | 328                | 198               | Waste gas treatment                        |
| Electrostatic machine  | 20  | 2017-12-01          | 2,580              | 1,574             | Waste gas treatment                        |
| Smoke purifier   | 20  | 2017-12-01          | 2,776              | 1,662             | Waste gas treatment                        |
| Electrostatic machine  | 16  | 2017-12-01          | 1,372              | 854               | Waste gas treatment                        |
| Automatic centrifuge   | 1   | 2018-01-01          | 308                | 193               | Separate impurities from oil               |
| Automatic oil throwing machine   | 15  | 2018-03-01          | 1,966              | 1,220             | Throw away oil on products                 |
| Automatic centrifuge   | 5   | 2018-03-01          | 1,644              | 1,060             | Separate impurities from oil               |
| Electrostatic machine EC35 (12 pole plate)   | 2   | 2018-05-01          | 203                | 134               | Waste gas treatment                        |
| Automatic centrifuge HT-SA-V   | 3   | 2018-05-01          | 1,272              | 840               | Separate impurities from oil               |
| Automatic oil throwing machine   | 4   | 2018-07-01          | 504                | 340               | Throw away oil on products                 |
| Electrostatic machine  | 53  | 2018-07-01          | 5,020              | 3,389             | Waste gas treatment                        |
| Electrostatic machine  | 2   | 2018-10-01          | 146                | 102               | Waste gas treatment                        |
| Electrostatic machine  | 2   | 2018-11-01          | 447                | 315               | Waste gas treatment                        |
| Cold forging oil fully automatic filter  | 6   | 2019-03-01          | 2,038              | 1,576             | Waste gas treatment                        |
| Automatic oil throwing machine LX-200  | 10  | 2019-04-01          | 1,210              | 945               | Throw off the oil in the products.         |
| Roof-mounted photovoltaics   | 1   | 2019-05-01          | 43,607             | 34,403            | Solar power                                |
| Electrostatic machine  | 11  | 2019-06-01          | 1,133              | 853               | Waste gas treatment                        |
| Electrostatic machine exhaust gas discharge pipe (at the third stage small screw)                  | 1   | 2019-06-01          | 1,321              | 994               | Waste gas treatment                        |
| Phase I electrostatic machine smoking pipe   | 1   | 2019-07-01          | 3,263              | 2,480             | Waste gas treatment                        |
| Smart high-speed automatic centrifuge  | 4   | 2019-09-01          | 1,260              | 977               | Separate impurities from oil               |
| Electrostatic machine 4poles   | 5   | 2019-11-01          | 557                | 456               | Waste gas treatment                        |
| Electrostatic machine 12 poles   | 4   | 2019-12-01          | 585                | 467               | Waste gas treatment                        |
| Electrostatic machine with 12 poles  | 2   | 2020-01-01          | 284                | 236               | Waste gas treatment                        |
| Automatic oil shaking machine  | 1   | 2020-01-01          | 352                | 292               | Throw off the oil in the products.         |
| Cleaning machine (oil throwing + vibrating steel plate) and modification                           | 2   | 2020-05-05          | 341                | 293               | Cleaning of smoke purifier electrode plate |
| Electrostatic machine 4 poles  | 2   | 2020-06-01          | 143                | 124               | Waste gas treatment                        |
| Electrostatic machine LEP-312-CFT  | 5   | 2020-08-01          | 759                | 670               | Waste gas treatment                        |
| Electrostatic machine with 12 poles  | 2   | 2020-08-01          | 284                | 251               | Waste gas treatment                        |
| Oil throwing machine (for 32B.36B cold photo)  | 4   | 2020-09-01          | 1,452              | 1,293             | Throw off the oil in the products.         |
| Vibratory spray cleaning machine   | 1   | 2020-09-01          | 965                | 859               | Cleaning of smoke purifier electrode plate |
| Electrostatic machine (LEP-208-CFT)  | 5   | 2020-09-01          | 664                | 591               | Waste gas treatment                        |
| Vertical exhaust gas washing tower   | 6   | 2020-10-02          | 5,500              | 4940              | Waste gas treatment                        |
| Electrostatic machine (LEP-312-ct) Grade II energy-efficient motor                                 | 2   | 2020-10-02          | 304                | 273               | Waste gas treatment                        |
| Electrostatic machine 6 poles  | 13  | 2020-10-02          | 1,167              | 1,048             | Waste gas treatment                        |
| New waste water tower  | 1   | 2020-10-01          | 30,707             | 28,750            | Wastewater treatment                       |
| Electrostatic machine 12 poles   | 15  | 2021-01-01          | 1,820              | 1,438             | Waste gas treatment                        |
| Electrostatic machine 8 poles  | 16  | 2021-01-01          | 1,561              | 1,397             | Waste gas treatment                        |
| Electrostatic machine 6 poles  | 7   | 2021-01-01          | 540                | 483               | Waste gas treatment                        |
| Electrostatic machine 4 poles  | 5   | 2021-01-01          | 359                | 322               | Waste gas treatment                        |
| Oil throwing machine LX-200  | 3   | 2021-02-01          | 395                | 356               | Throw off the oil in the products.         |
| Cold heading oil automatic filter  | 2   | 2021-04-01          | 718                | 659               | Waste gas treatment                        |
| Wastewater treatment operation monitoring system in the central control room of the sewage station | 1   | 2021-07-01          | 175                | 165               | Wastewater treatment                       |

| Items                             | Qty | Date of Acquisition | Cost of Investment | Unreduced Balance | Purpose and Prospected Benefit     |
|-----------------------------------|-----|---------------------|--------------------|-------------------|------------------------------------|
| Automatic oil thrower LX-200      | 2   | 2021-08-01          | 363                | 344               | Throw off the oil in the products. |
| Cold heading oil automatic filter | 2   | 2021-08-01          | 718                | 680               | Waste gas treatment                |
| Automatic oil thrower LX-200      | 3   | 2021-09-01          | 590                | 564               | Throw off the oil in the products. |
| Electrostatic machine             | 2   | 2021-11-01          | 307                | 298               | Waste gas treatment                |
| Electrostatic machine             | 6   | 2021-12-01          | 440                | 430               | Waste gas treatment                |
| Electrostatic machine             | 5   | 2022-02-01          | 384                | 381               | Waste gas treatment                |

(III) Process of improving environmental pollution in year 2020 and 2021 and as of the publishing date of the public statement, process of treatment if any pollution dispute: None.

(IV) Loss or penalty caused by environmental pollution in year 2020 and 2021 and as of the publishing date of the public statement, countermeasures and possible cost in the future: None

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

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

## V. Industrial Relations

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

### 1. Employee Welfare and Implementation

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

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

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

### 2. Employee Education and Training

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

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

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

### 3. Retirement System and Implementation:

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

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

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

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

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

### 6. Ethical Conduct Standards

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

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

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

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

## **VI. Security management of information and communication:**

1. Explain the security risk management structure, security policy, specific management scheme and resources invested in security management of information and communication.

### **(1) Information security risk management framework**

Though the company has not yet established an cross-department information security committee, the head of the information department is currently responsible for information security related affairs.

### **(2) Security policy of information and communication**

1. Regularly check the list of personal data of information assets, carry out risk management according to risk assessment of information security and personal data, and implement various control measures.
2. Irregularly hold the education, training and publicity of information security and personal data protection. New employees must sign the security and confidentiality agreement of information and communication.
3. The outsourcing manufacturer shall sign a confidentiality agreement to ensure that the people who use the information services provided by the company or perform relevant information business have the responsibility and obligation to protect the information assets obtained or used by them, so as to prevent unauthorized access, modification, destruction or improper disclosure.
4. Important information systems or equipment have established appropriate backup or monitoring mechanisms, which shall be practiced regularly to maintain their availability.
5. All personal computers are installed with anti-virus software, the update of virus code are regularly checked, and unauthorized software are prohibited.
6. Everyone is required to keep and use the account number, password and authority properly, and change the password regularly.
7. Establish a business continuous operation management mechanism, and regularly test and practice to maintain its applicability.

8. Conduct internal audit regularly every year to ensure the effectiveness of information security and personal data protection management system.

- (3) Specific management scheme and management resources invested in security of information and communication

List the inspection and control of information security and personal data protection as annual audit items, and the audit unit shall conduct audit at least once a year; In addition, the company shall conduct self-inspection according to the internal control system every year, submit the summary of the implementation effect of internal control to the board of directors for review and confirmation, and issue an internal control statement according to the evaluation results.

2. List the losses, possible impacts and countermeasures of major security incidents of information and communication in the most recent year and as of the date of publication of the annual report. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated: none.

## VII. Important Contracts

| Type        | Duration              | Counterparty                             | Description                               | Covenant |
|-------------|-----------------------|--|---|----------|
| Credit loan | 2021/11/30-2022/11/30 | Tong Ming Enterprise and TSIB            | Loan Contract of Working Capital          | Note     |
|             | 2021/05/05-2022/07/08 | Tong Ming Enterprise and KGI Bank        | Loan Contract of Working Capital          | Note     |
|             | 2021/08/30-2022/06/30 | Tong Ming Enterprise and CTCB            | Loan Contract of Working Capital          | Note     |
|             | 2020/09/08-2023/09/07 | Zhejiang Tong Ming and ABC               | Loan Contract of Working Capital Mid-term | Note     |
|             | 2021/08/03-2022/08/01 | Zhejiang Tong Ming and ABC               | Loan Contract of Working Capital Mid-term | Note     |
|             | 2021/10/11-2022/10/10 | Zhejiang Tong Ming and ABC               | Loan Contract of Working Capital          | Note     |
|             | 2021/06/21-2022/06/21 | Zhejiang Tong Ming and CITIC             | Loan Contract of Working Capital          | Note     |
|             | 2021/09/24-2022/03/24 | Zhejiang Tong Ming and CITIC             | Loan Contract of Working Capital          | Note     |
|             | 2021/10/12-2022/04/12 | Zhejiang Tong Ming and CITIC             | Loan Contract of Working Capital          | Note     |
|             | 2021/12/21-2022/06/20 | Zhejiang Tong Ming and CITIC             | Loan Contract of Working Capital          | Note     |
|             | 2021/10/21-2022/04/21 | Zhejiang Tong Ming and Wing Fung Bank    | Loan Contract of Working Capital          | Note     |
|             | 2021/08/16-2022/08/11 | Zhejiang Tong Ming and Bank of China     | Loan Contract of Working Capital          | Note     |
|             | 2021/08/24-2022/08/18 | Zhejiang Tong Ming and Bank of China     | Loan Contract of Working Capital          | Note     |
|             | 2021/07/30-2024/08/01 | Zhejiang Tong Ming and Bank of China     | Loan Contract of Working Capital          | Note     |
|             | 2021/07/13-2022/07/12 | Zhejiang Tong Ming and Construction Bank | Loan Contract of Working Capital          | Note     |
|             | 2021/07/21-2022/07/20 | Zhejiang Tong Ming and Construction Bank | Loan Contract of Working Capital          | Note     |
|             | 2021/09/22-2022/05/10 | Zhejiang Tong Ming and Everbright        | Loan Contract of Working Capital          | Note     |

| Type                  | Duration              | Counterparty  | Description                               | Covenant |
|-----------------------|-----------------------|---|---|----------|
|                       |                       | Bank  | Capital                                   |          |
|                       | 2021/09/23-2022/07/26 | Zhejiang Tong Ming and Everbright Bank                          | Loan Contract of Working Capital Mid-term | Note     |
|                       | 2021/05/11-2022/05/10 | Zhejiang Tong Ming and ICBC                                     | Loan Contract of Working Capital Mid-term | Note     |
|                       | 2021/12/07-2022/12/06 | Zhejiang Tong Ming and ICBC                                     | Loan Contract of Working Capital Mid-term | Note     |
|                       | 2021/03/26-2022/03/21 | Zhejiang Tong Ming and mega                                     | Loan Contract of Working Capital Mid-term | Note     |
|                       | 2021/06/16-2022/06/10 | Zhejiang Tong Ming and mega                                     | Loan Contract of Working Capital          | Note     |
|                       | 2021/09/14-2022/10/21 | Zhejiang Tong Ming and mega                                     | Loan Contract of Working Capital          | Note     |
|                       | 2021/12/01-2022/11/25 | Zhejiang Tong Ming and mega                                     | Loan Contract of Working Capital          | Note     |
|                       | 2021/06/22-2022/03/06 | Zhejiang Tong Ming and One China Bank                           | Loan Contract of Technical Improvement    | Note     |
|                       | 2021/07/20-2022/03/16 | Zhejiang Tong Ming and ICBC                                     | Loan Contract of Technical Improvement    | Note     |
|                       | 2021/05/13-2022/05/11 | Zhejiang Tong Ming and ICBC                                     | Loan Contract of Technical Improvement    | Note     |
| construction contract | 2021/09/01-2022/09/03 | Zhejiang Tong Ming and Zhejiang Dinglong Construction Co., Ltd. | Equipment asset construction contract     | Note     |

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

## Six.Financial Highlights

### I. Condensed Financial Statement from 2017to 2021

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

#### 1. Condensed Balance Sheet

Unit: NT\$ 1000

| Fiscal Year                                       |                     | 2017      | 2018      | 2019      | 2020      | 2021       | First Quarter of 2022 |
|---|---------------------|-----------|-----------|-----------|-----------|------------|-----------------------|
| Items   |                     |           |           |           |           |            |                       |
| Current Assets                                    |                     | 5,558,276 | 6,414,414 | 6,088,003 | 7,578,647 | 9,906,384  | 10,561,659            |
| Property, Plant and Equipment                     |                     | 927,282   | 908,149   | 1,004,208 | 1,052,947 | 1,484,481  | 1,619,382             |
| Intangible Assets                                 |                     | 23,050    | 22,541    | 35,360    | 38,295    | 46,550     | 47,152                |
| Other Assets                                      |                     | 183,213   | 316,199   | 201,827   | 185,539   | 449,173    | 449,765               |
| Total Assets                                      |                     | 6,691,821 | 7,661,302 | 7,329,398 | 8,855,428 | 11,886,588 | 12,677,958            |
| Current Liabilities                               | Before Distribution | 2,691,809 | 3,174,567 | 2,580,675 | 3,378,859 | 3,983,909  | 4,155,596             |
|   | After Distribution  | 3,111,809 | 3,510,567 | 2,832,675 | 3,681,259 | 4,627,759  | 4,799,446             |
| Non-Current Liabilities                           |                     | 159,551   | 595,357   | 862,747   | 1,299,458 | 1,362,291  | 1,442,187             |
| Total Liabilities                                 | Before Distribution | 2,851,360 | 3,769,924 | 3,443,422 | 4,678,317 | 5,346,200  | 5,597,783             |
|   | After Distribution  | 3,271,360 | 4,105,924 | 3,695,422 | 4,980,717 | 5,990,050  | 6,241,633             |
| Equity Attributable to Shareholders of the Parent |                     | 3,828,261 | 3,877,882 | 3,872,908 | 4,162,010 | 6,520,817  | 7,058,967             |
| Capital   |                     | 1,680,000 | 1,680,000 | 1,680,000 | 1,680,000 | 2,012,033  | 2,012,033             |
| Capital Surplus                                   |                     | 916,905   | 916,905   | 916,905   | 916,905   | 1,827,423  | 1,827,423             |
| Retained Earnings                                 | Before Distribution | 1,312,225 | 1,428,095 | 1,558,193 | 1,799,751 | 2,940,505  | 3,235,676             |
|   | After Distribution  | 892,225   | 1,092,095 | 1,306,193 | 1,497,351 | 2,296,655  | 2,591,826             |
| Other Components of Equity                        |                     | (80,869)  | (147,118) | (282,190) | (234,646) | (259,144)  | (16,165)              |
| Treasury Shares                                   |                     | 0         | 0         | 0         | 0         | —          | 0                     |
| Non-controlling Interests                         |                     | 12,200    | 13,496    | 13,068    | 15,101    | 19,571     | 21,208                |
| Total Equity                                      | Before Distribution | 3,840,461 | 3,891,378 | 3,885,976 | 4,177,111 | 6,540,388  | 7,080,175             |
|   | After Distribution  | 3,420,461 | 3,555,378 | 3,633,976 | 3,874,711 | 5,896,538  | 6,436,325             |

Note: The consolidated financial statements of year 2017~2021 have been audited by CPAs.

## 2. Condensed Statement of Comprehensive Income.7

Unit: NT\$ 1,000

| Item \ Year   | 2017      | 2018      | 2019      | 2020      | 2021       | First Quarter of 2022 |
|---|-----------|-----------|-----------|-----------|------------|-----------------------|
| Operating revenues  | 7,593,150 | 8,886,549 | 8,807,059 | 9,171,338 | 13,235,516 | 3,773,820             |
| Gross profit  | 1,428,517 | 1,327,998 | 1,221,920 | 1,273,041 | 2,700,990  | 579,595               |
| Operating income  | 920,219   | 728,384   | 654,299   | 693,083   | 1,964,277  | 393,376               |
| Non-operating income  | (51,904)  | (56,185)  | (65,824)  | (102,484) | (171,631)  | (22,416)              |
| Income Before Tax   | 868,315   | 672,199   | 588,475   | 590,599   | 1,792,646  | 370,960               |
| Income before income tax in continued department              | 685,825   | 537,442   | 467,504   | 494,824   | 1,447,912  | 296,160               |
| Income in Unconfined Unit                                     | —         | —         | —         | —         | —          | —                     |
| Net benefits(loss)  | 685,825   | 537,442   | 467,504   | 494,824   | 1,447,912  | 296,160               |
| Other Comprehensive Income(Post-tax)                          | (48,477)  | (66,525)  | (135,614) | 47,747    | (24,786)   | 243,627               |
| Total Comprehensive Income                                    | 637,348   | 470,917   | 331,890   | 542,571   | 1,423,126  | 539,787               |
| Profit attributable to owners of the parent                   | 683,687   | 535,870   | 466,098   | 493,558   | 1,443,154  | 295,171               |
| Profit attributable to non-controlling interest               | 2,138     | 1,572     | 1,406     | 1,266     | 4,758      | 989                   |
| Comprehensive income attributable to owners of the parent     | 635,347   | 469,621   | 331,026   | 541,102   | 1,418,656  | 538,150               |
| Comprehensive income attributable to Non-controlling interest | 2,001     | 1,296     | 864       | 1,469     | 4,470      | 1,637                 |
| Earnings per share(NT\$)                                      | 4.07      | 3.19      | 2.77      | 2.94      | 8.00       | 1.47                  |

Note: The consolidated financial statements of year 2017~2021 have been audited by CPAs.



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

| Year | CPA Firm                         | CPA                               | Audit Opinion          |
|------|----------------------------------|-----------------------------------|------------------------|
| 2017 | Deloitte Touche Tohmatsu Limited | Chen, Huei-Ming<br>Weng, Po-Jen   | Unqualified<br>opinion |
| 2018 | Deloitte Touche Tohmatsu Limited | Chen, Huei-Ming<br>Weng, Po-Jen   | Unqualified<br>opinion |
| 2019 | Deloitte Touche Tohmatsu Limited | Hsieh, Ming-Chung 、<br>Lu, I-Chen | Unqualified<br>opinion |
| 2020 | Deloitte Touche Tohmatsu Limited | Hsieh, Ming-Chung 、<br>Lu, I-Chen | Unqualified<br>opinion |
| 2021 | Deloitte Touche Tohmatsu Limited | Hsieh, Ming-Chung 、<br>Lu, I-Chen | Unqualified<br>opinion |

## II. Financial Analysis from 2017to 2021

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

| Fiscal Year (Note 1)    |   | 2017    | 2018   | 2019   | 2020   | 2021   | First Quarter of 2022 |
|-------------------------|---|---------|--------|--------|--------|--------|-----------------------|
| Items for Analysis      |   |         |        |        |        |        |                       |
| Financial Structure (%) | Debt-asset ratio  | 42.61   | 49.21  | 46.98  | 52.83  | 44.98  | 44.15                 |
|                         | Ratio of long-term capital to property, plant and equipment | 430.05  | 492.57 | 471.58 | 518.68 | 532.35 | 524.96                |
| Solvency (%)            | Current ratio   | 206.49  | 202.06 | 235.91 | 224.30 | 248.66 | 254.16                |
|                         | Quick ratio   | 108.22  | 108.23 | 128.70 | 129.78 | 127.71 | 125.34                |
|                         | Interest coverage ratio                                     | 16.60   | 7.03   | 5.97   | 6.91   | 13.70  | 11.11                 |
| Operating Ability       | Receivables turnover rate (times)                           | 5.94    | 5.60   | 5.13   | 4.84   | 5.52   | 5.64                  |
|                         | Average collection days for receivables                     | 61.40   | 65.20  | 71.15  | 75.46  | 66.14  | 64.72                 |
|                         | Inventory turnover rate (times)                             | 3.02    | 2.80   | 2.73   | 2.77   | 2.75   | 2.70                  |
|                         | Payables turnover rate (times)                              | 40.91   | 27.46  | 19.95  | 23.39  | 26.76  | 24.55                 |
|                         | Average days for sale                                       | 120.81  | 130.22 | 133.91 | 131.60 | 132.82 | 135.00                |
|                         | Property, plant and equipment turnover rate (times)         | 8.57    | 9.68   | 9.21   | 8.92   | 10.43  | 9.73                  |
|                         | Total asset turnover rate (times)                           | 1.30    | 1.24   | 1.18   | 1.13   | 1.28   | 1.23                  |
| Profitability           | Return on assets (%)  | 12.53   | 8.81   | 7.67   | 7.16   | 15.05  | 10.60                 |
|                         | Return on equity (%)  | 18.59   | 13.91  | 12.06  | 12.29  | 27.02  | 17.36                 |
|                         | Ratio of income before tax to paid-in capital (%)           | 51.69   | 40.01  | 35.03  | 35.15  | 89.10  | 73.75                 |
|                         | Profit margin before tax (%)                                | 9.03    | 6.05   | 5.38   | 5.40   | 10.94  | 7.85                  |
|                         | Earnings per share(NT\$)                                    | 4.07    | 3.19   | 2.77   | 2.94   | 8.00   | 1.47                  |
| Cash Flow               | Cash flow ratio (%)   | (17.27) | 16.34  | 27.17  | 0.15   | (3.29) | 2.63                  |
|                         | Cash flow adequacy ratio (%)                                | 62.35   | 55.88  | 60.72  | 41.52  | 38.25  | 38.31                 |
|                         | Cash flow reinvestment ratio (%)                            | -6.11   | 1.63   | 5.78   | (4.02) | (4.04) | 1.04                  |
| Leverage                | Operating leverage  | 1.59    | 1.91   | 1.97   | 1.96   | 1.42   | 1.53                  |
|                         | Financial leverage  | 1.06    | 1.18   | 1.22   | 1.17   | 1.08   | 1.10                  |

Note 1: The consolidated financial statements of year 2017~2021have been audited by CPAs.

Note 2: The calculation formulas are as below:

#### 1. Financial Structure

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

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

#### 2. Solvency

(1) Current ratio = current assets / current liabilities

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

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

### 3. Operating ability

- (1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = net sales / average receivables (including accounts receivable and notes receivable arising from business operations) for each period
- (2) Average collection days for receivables = 365 / receivables turnover rate
- (3) Inventory turnover rate = cost of sales / average inventory
- (4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = cost of sale / average payables (including accounts payable and notes payable arising from business operations) for each period
- (5) Average days of sale = 365 / inventory turnover rate
- (6) Property, plant and equipment turnover rate = net sales / average net worth of property, plant and equipment
- (7) Total asset turnover rate = net sales / average total assets

### 4. Profitability

- (1) Return on assets = (Net benefits + Interest Expenses (1- Tax Rate)) / Average Total Assets
- (2) Return on equity = net benefits / average total equity
- (3) Profit margin before tax = net benefits / net sales
- (4) Earnings per share = (profit and loss attributable to owners of the parent – dividends on preferred shares) / weighted average number of issued shares

### 5. Cash flow

- (1) Cash flow ratio = Net cash flow from operating activities / current liabilities
- (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend)
- (3) Cash flow reinvestment ratio = (Net cash flow from operating activities – cash dividend) / gross property, plant and equipment value + long-term investment + other non-current assets + working capital)

### 6. Leveraging

- (1) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income
- (2) Financial leverage = operating income / (operating income / interest expenses)

#### Difference explanation:

1. Decrease in cash flow ratio: Mainly due to the growth of revenue in 2021, some receivables have not been recovered, resulting in net cash outflow from accounts receivable; In addition, due to the growth of shipments, the future order demand and the price trend of raw materials are expected to increase the purchase of raw materials, materials and outsourced products, and the cash from operating activities is a net outflow. So the cash flow ratio is 0.
2. Decrease in cash flow allowance ratio: This is mainly due to the increase of inventory procurement in response to the future order demand and raw material price trend, there is a decrease in net cash inflow and a net outflow for operating activities in the last five years, so the ratio shows a downward trend.
3. Decrease in cash reinvestment ratio: It is due to the fact that the operating activities in 2021 are net cash outflows, which are negative after deducting cash dividends.

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

## **Tong Ming Enterprise Co., Ltd.**

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

Hereby

The Board of Directors has prepared the Company's 2021 operations report and consolidated financial statement. The consolidated financial statement was audited by independent auditors, Hsieh, Ming-Chung and Lu, I-Chen, of Deloitte and Touche Tohmatsu Limited, with independent auditors' reports issued. The above-mentioned operations report and consolidated financial statement prepared by the Board of Directors has been reviewed and determined to be accurate by the Audit Committee. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

2022 Regular Shareholders' Meeting of the Company

Convener of the Audit Committee: Ko, Yung-Hsiang

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

Please refer to page 85 to 152

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

N/A.

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

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying consolidated financial statements of Tong Ming Enterprise Co., Ltd. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 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.

The key audit matters identified in the Group's consolidated financial statements for the year ended December 31, 2021 are stated as follows:

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

The Group's sales revenue for the year ended December 31, 2021 was \$13,235,516 thousand. Due to the materiality and significant risks in revenue recognition, we identified the occurrence of sales revenue from major customers that meet specific standards to be a key audit matter. Refer to Note 4 to the consolidated financial statements for details on revenue recognition.

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

1. We obtained an understanding of the internal controls and tested the design and operating effectiveness of the key controls over the occurrence of revenue recognition.
2. We selected samples from the list of sales details, verified the related traded documents such as shipments and confirmed the occurrence of revenue.

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 29, 2022

Notice to Readers

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

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



# TONG MING ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

| ASSETS   | 2021                 |            | 2020                |            |
|--|----------------------|------------|---------------------|------------|
|  | Amount               | %          | Amount              | %          |
| <b>CURRENT ASSETS</b>  |                      |            |                     |            |
| Cash and cash equivalents (Note 6)   | \$ 1,695,818         | 14         | \$ 1,945,704        | 22         |
| Financial assets at fair value through profit or loss - current (Notes 7 and 28)                 | 309,855              | 3          | 262,798             | 3          |
| Financial assets at amortized cost - current (Note 9)  | 172,183              | 1          | 154,142             | 2          |
| Notes receivable, net (Notes 10 and 29)  | 557,620              | 5          | 348,340             | 4          |
| Accounts receivable, net (Notes 10, 23 and 29)   | 2,236,455            | 19         | 1,648,974           | 19         |
| Other receivables (Note 29)  | 81,594               | 1          | 25,044              | -          |
| Inventories (Note 11)  | 4,628,149            | 39         | 2,991,969           | 34         |
| Prepayments to suppliers (Note 16)   | 190,198              | 1          | 161,961             | 2          |
| Prepayments (Notes 16 and 29)  | 34,447               | -          | 39,715              | -          |
| Other current assets   | 65                   | -          | -                   | -          |
| Total current assets   | 9,906,384            | 83         | 7,578,647           | 86         |
| <b>NON-CURRENT ASSETS</b>  |                      |            |                     |            |
| Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 28) | 42,000               | -          | -                   | -          |
| Investments accounted for using the equity method (Note 13)                                      | 33,541               | -          | 27,554              | -          |
| Property, plant and equipment (Note 14)  | 1,484,481            | 13         | 1,052,947           | 12         |
| Right-of-use assets (Note 15)  | 175,200              | 2          | 71,062              | 1          |
| Other intangible assets  | 46,550               | -          | 38,295              | -          |
| Deferred tax assets (Note 24)  | 26,474               | -          | 27,337              | -          |
| Prepayments for equipment (Note 16)  | 167,107              | 2          | 51,693              | 1          |
| Refundable deposits  | 2,602                | -          | 6,139               | -          |
| Other non-current assets   | 2,249                | -          | 1,754               | -          |
| Total non-current assets   | 1,980,204            | 17         | 1,276,781           | 14         |
| <b>TOTAL</b>   | <u>\$ 11,886,588</u> | <u>100</u> | <u>\$ 8,855,428</u> | <u>100</u> |
| <b>LIABILITIES AND EQUITY</b>  |                      |            |                     |            |
| <b>CURRENT LIABILITIES</b>   |                      |            |                     |            |
| Short-term borrowings (Notes 17 and 29)  | \$ 2,764,530         | 23         | \$ 2,199,443        | 25         |
| Financial liabilities at fair value through profit or loss - current (Notes 7 and 28)            | -                    | -          | 8,240               | -          |
| Contract liabilities - current (Notes 20 and 22)   | 163,728              | 2          | 71,122              | 1          |
| Notes payable  | 11,077               | -          | 19,155              | -          |
| Accounts payable (Notes 19 and 29)   | 499,745              | 4          | 257,337             | 3          |
| Other payables (Note 20)   | 350,482              | 3          | 254,971             | 3          |
| Current tax liabilities (Note 24)  | 124,404              | 1          | 38,230              | -          |
| Lease liabilities - current (Notes 15 and 29)  | 12,758               | -          | 12,983              | -          |
| Current portion of bonds payable (Note 18)   | -                    | -          | 398,061             | 5          |
| Current portion of long-term borrowings (Note 17)  | 56,472               | 1          | 119,055             | 1          |
| Other current liabilities  | 713                  | -          | 262                 | -          |
| Total current liabilities  | 3,983,909            | 34         | 3,378,859           | 38         |
| <b>NON-CURRENT LIABILITIES</b>   |                      |            |                     |            |
| Long-term borrowings (Note 16)   | 1,005,671            | 8          | 1,062,736           | 12         |
| Deferred tax liabilities (Note 24)   | 343,589              | 3          | 211,075             | 3          |
| Lease liabilities - non-current (Notes 15 and 29)  | 13,031               | -          | 25,647              | -          |
| Total non-current liabilities  | 1,362,291            | 11         | 1,299,458           | 15         |
| Total liabilities  | 5,346,200            | 45         | 4,678,317           | 53         |
| <b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)</b>                                    |                      |            |                     |            |
| Share capital  | 2,012,033            | 17         | 1,680,000           | 19         |
| Capital surplus  | 1,827,423            | 15         | 916,905             | 11         |
| Retained earnings  |                      |            |                     |            |
| Legal reserve  | 434,135              | 4          | 384,779             | 4          |
| Special reserve  | 234,646              | 2          | 282,190             | 3          |
| Unappropriated earnings  | 2,271,724            | 19         | 1,132,782           | 13         |
| Total retained earnings  | 2,940,505            | 25         | 1,799,751           | 20         |
| Exchange differences on translation of the financial statements of foreign operations            | (259,144)            | (2)        | (234,646)           | (3)        |
| Total equity attributable to owners of the Company   | 6,520,817            | 55         | 4,162,010           | 47         |
| <b>NON-CONTROLLING INTERESTS</b>   | 19,571               | -          | 15,101              | -          |
| Total equity   | 6,540,388            | 55         | 4,177,111           | 47         |
| <b>TOTAL</b>   | <u>\$ 11,886,588</u> | <u>100</u> | <u>\$ 8,855,428</u> | <u>100</u> |

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

# TONG MING ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|  | 2021                |             | 2020               |             |
|--|---------------------|-------------|--------------------|-------------|
|  | Amount              | %           | Amount             | %           |
| OPERATING REVENUE                                      |                     |             |                    |             |
| Sales (Notes 22, 29 and 35)                            | \$ 13,235,516       | 100         | \$ 9,171,338       | 100         |
| OPERATING COSTS  |                     |             |                    |             |
| Cost of goods sold (Notes 11, 23 and 29)               | <u>(10,534,526)</u> | <u>(80)</u> | <u>(7,898,297)</u> | <u>(86)</u> |
| GROSS PROFIT   | <u>2,700,990</u>    | <u>20</u>   | <u>1,273,041</u>   | <u>14</u>   |
| OPERATING EXPENSES (Notes 23 and 29)                   |                     |             |                    |             |
| Selling and marketing expenses                         | (504,303)           | (4)         | (384,379)          | (4)         |
| General and administrative expenses                    | (207,626)           | (1)         | (167,022)          | (2)         |
| Research and development expenses                      | (22,910)            | -           | (27,256)           | (1)         |
| Expected credit loss                                   | <u>(1,874)</u>      | <u>-</u>    | <u>(1,301)</u>     | <u>-</u>    |
| Total operating expenses                               | <u>(736,713)</u>    | <u>(5)</u>  | <u>(579,958)</u>   | <u>(7)</u>  |
| PROFIT FROM OPERATIONS                                 | <u>1,964,277</u>    | <u>15</u>   | <u>693,083</u>     | <u>7</u>    |
| NON-OPERATING INCOME AND EXPENSES<br>(Notes 23 and 29) |                     |             |                    |             |
| Interest income  | 11,143              | -           | 6,239              | -           |
| Other income   | 5,427               | -           | 23,771             | -           |
| Other gains and losses                                 | (60,446)            | -           | (29,814)           | -           |
| Finance costs  | (141,174)           | (1)         | (99,982)           | (1)         |
| Share of profit of associates and joint ventures       | <u>13,419</u>       | <u>-</u>    | <u>(2,698)</u>     | <u>-</u>    |
| Total non-operating income and expenses                | <u>(171,631)</u>    | <u>(1)</u>  | <u>(102,484)</u>   | <u>(1)</u>  |
| PROFIT BEFORE INCOME TAX                               | 1,792,646           | 14          | 590,599            | 6           |
| INCOME TAX EXPENSE (Note 24)                           | <u>(344,734)</u>    | <u>(3)</u>  | <u>(95,775)</u>    | <u>(1)</u>  |
| NET PROFIT FOR THE YEAR                                | <u>1,447,912</u>    | <u>11</u>   | <u>494,824</u>     | <u>5</u>    |

(Continued)

# TONG MING ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|   | 2021                |           | 2020              |          |
|---|---------------------|-----------|-------------------|----------|
|   | Amount              | %         | Amount            | %        |
| OTHER COMPREHENSIVE LOSS  |                     |           |                   |          |
| Items that will not be reclassified subsequently to profit or loss:                   |                     |           |                   |          |
| Exchange differences arising on translation to the presentation currency              | \$ (20,500)         | -         | \$ 31,426         | 1        |
| Items that may be reclassified subsequently to profit or loss:                        |                     |           |                   |          |
| Exchange differences on translation of the financial statements of foreign operations | <u>(4,286)</u>      | <u>-</u>  | <u>16,321</u>     | <u>-</u> |
| Other comprehensive income (loss) for the year, net of income tax                     | <u>(24,786)</u>     | <u>-</u>  | <u>47,747</u>     | <u>1</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR   | <u>\$ 1,423,126</u> | <u>11</u> | <u>\$ 542,571</u> | <u>6</u> |
| NET PROFIT ATTRIBUTABLE TO:   |                     |           |                   |          |
| Owners of the Company   | \$ 1,443,154        | 11        | \$ 493,558        | 5        |
| Non-controlling interests   | <u>4,758</u>        | <u>-</u>  | <u>1,266</u>      | <u>-</u> |
|   | <u>\$ 1,447,912</u> | <u>11</u> | <u>\$ 494,824</u> | <u>5</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:   |                     |           |                   |          |
| Owners of the Company   | \$ 1,418,656        | 11        | \$ 541,102        | 6        |
| Non-controlling interests   | <u>4,470</u>        | <u>-</u>  | <u>1,469</u>      | <u>-</u> |
|   | <u>\$ 1,423,126</u> | <u>11</u> | <u>\$ 542,571</u> | <u>6</u> |
| EARNINGS PER SHARE (Note 25)  |                     |           |                   |          |
| Basic   | <u>\$ 8.00</u>      |           | <u>\$ 2.94</u>    |          |
| Diluted   | <u>\$ 7.77</u>      |           | <u>\$ 2.81</u>    |          |

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

(Concluded)

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)**

|  | Equity Attributable to Owners of the Company |              |                 |                   |                 |                 |                         |                         |                           |  |
|--|--|--------------|-----------------|-------------------|-----------------|-----------------|-------------------------|-------------------------|---------------------------|--|
|  | Share Capital                                |              |                 | Retained Earnings |                 |                 |                         | Unappropriated Earnings |                           | Other Equity Exchange Differences on Translation of the Financial Statements of Foreign Operations |
|  | Shares (In Thousands)                        | Amount       | Capital Surplus | Legal Reserve     | Special Reserve | Special Reserve | Unappropriated Earnings | Total                   | Non-controlling Interests | Total Equity   |
| BALANCE AT JANUARY 1, 2020   | 168,000                                      | \$ 1,680,000 | \$ 916,905      | \$ 338,169        | \$ 147,118      | \$ 1,072,906    | \$ (282,190)            | \$ 3,872,908            | \$ 13,068                 | \$ 3,885,976   |
| Appropriation of 2019 earnings   | -  | -            | -               | -                 | -               | (46,610)        | -                       | -                       | -                         | -  |
| Legal reserve  | -  | -            | -               | 46,610            | -               | (135,072)       | -                       | -                       | -                         | -  |
| Special reserve  | -  | -            | -               | -                 | 135,072         | (252,000)       | -                       | (252,000)               | -                         | (252,000)  |
| Cash dividends distributed by the Company  | -  | -            | -               | -                 | -               | -               | -                       | -                       | -                         | -  |
| Increase in non-controlling interests  | -  | -            | -               | -                 | -               | -               | -                       | -                       | 564                       | 564  |
| Net profit for the year ended December 31, 2020                                    | -  | -            | -               | -                 | -               | 493,558         | -                       | 493,558                 | 1,266                     | 494,824  |
| Other comprehensive income for the year ended December 31, 2020, net of income tax | -  | -            | -               | -                 | -               | -               | 47,544                  | 47,544                  | 203                       | 47,747   |
| Total comprehensive income for the year ended December 31, 2020                    | -  | -            | -               | -                 | -               | -               | 493,558                 | 541,102                 | 1,469                     | 542,571  |
| BALANCE AT DECEMBER 31, 2020   | 168,000                                      | 1,680,000    | 916,905         | 384,779           | 282,190         | 1,132,782       | (234,646)               | 4,162,010               | 15,101                    | 4,177,111  |
| Appropriation of 2020 earnings   | -  | -            | -               | -                 | -               | (49,356)        | -                       | -                       | -                         | -  |
| Legal reserve  | -  | -            | -               | 49,356            | -               | (302,400)       | -                       | (302,400)               | -                         | (302,400)  |
| Cash dividends distributed by the Company  | -  | -            | -               | -                 | -               | 47,544          | -                       | -                       | -                         | -  |
| Special reserve  | -  | -            | -               | -                 | (47,544)        | -               | -                       | -                       | -                         | -  |
| Issuance of ordinary shares for cash   | 30,000                                       | 300,000      | 780,000         | -                 | -               | -               | -                       | 1,080,000               | -                         | 1,080,000  |
| Recognition of employee share options by the Company                               | -  | -            | 3,435           | -                 | -               | -               | -                       | 3,435                   | -                         | 3,435  |
| Transaction costs attributable to issue of new ordinary shares                     | -  | -            | (2,820)         | -                 | -               | -               | -                       | (2,820)                 | -                         | (2,820)  |
| Net profit for the year ended December 31, 2021                                    | -  | -            | -               | -                 | -               | 1,443,154       | -                       | 1,443,154               | 4,758                     | 1,447,912  |
| Other comprehensive loss for the year ended December 31, 2021, net of income tax   | -  | -            | -               | -                 | -               | -               | (24,498)                | (24,498)                | (288)                     | (24,786)   |
| Total comprehensive income (loss) for the year ended December 31, 2021             | -  | -            | -               | -                 | -               | 1,443,154       | (24,498)                | 1,418,656               | 4,470                     | 1,423,126  |
| Convertible bonds converted to ordinary shares                                     | 3,203  | 32,033       | 129,903         | -                 | -               | -               | -                       | 161,936                 | -                         | 161,936  |
| BALANCE AT DECEMBER 31, 2021   | 201,203                                      | \$ 2,012,033 | \$ 1,827,423    | \$ 434,135        | \$ 234,646      | \$ 2,271,724    | \$ (259,144)            | \$ 6,520,817            | \$ 19,571                 | \$ 6,540,388   |

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

# TONG MING ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

|   | 2021         | 2020        |
|---|--------------|-------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |              |             |
| Income before income tax  | \$ 1,792,646 | \$ 590,599  |
| Adjustments for:  |              |             |
| Depreciation expense  | 169,109      | 161,118     |
| Amortization expense  | 5,770        | 4,628       |
| Expected credit loss recognized on accounts receivable  | 1,874        | 1,301       |
| Net gain on fair value changes of financial assets designated as at fair value through profit or loss | (4,385)      | (21,897)    |
| Interest expense  | 141,174      | 99,982      |
| Interest income   | (11,143)     | (6,239)     |
| Dividend income   | -            | (743)       |
| Share-based compensation  | 3,435        | -           |
| Share of (profit) loss of associates and joint ventures   | (13,419)     | 2,698       |
| Loss on disposal of property, plant and equipment   | 1,081        | 3,557       |
| Gain on lease modification  | -            | (103)       |
| Write-downs of inventories  | (26,080)     | 7,457       |
| Changes in operating assets and liabilities   |              |             |
| Notes receivable  | (209,271)    | (37,321)    |
| Accounts receivable   | (589,343)    | (177,962)   |
| Other receivables   | (56,688)     | (21,119)    |
| Inventories   | (1,610,020)  | (360,835)   |
| Prepayments   | (22,969)     | (73,719)    |
| Other current assets  | (65)         | -           |
| Contract liabilities  | 92,606       | 26,304      |
| Notes payable   | (8,078)      | 525         |
| Accounts payable  | 242,408      | (123,000)   |
| Other payables  | 95,130       | 21,586      |
| Other current liabilities   | 451          | 30          |
| Cash generated from operations  | (5,777)      | 96,847      |
| Income tax paid   | (125,183)    | (91,683)    |
| Net cash (used in) generated from operating activities  | (130,960)    | 5,164       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |              |             |
| Purchase of financial assets at fair value through other comprehensive income                         | (42,000)     | -           |
| Purchase of financial assets at amortized cost  | (18,041)     | (54,537)    |
| Purchase of financial assets at fair value through profit or loss                                     | (1,257,733)  | (2,269,710) |
| Proceeds from sale of financial assets at fair value through profit or loss                           | 1,223,818    | 2,291,008   |
| Payments for property, plant and equipment  | (595,812)    | (117,192)   |
| Proceeds from disposal of property, plant and equipment   | 2,425        | 788         |
| Increase in refundable deposits   | 3,537        | (2,801)     |
| Payments for intangible assets  | (14,254)     | (6,846)     |
| Payment for right-of-use assets   | (118,065)    | -           |

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# TONG MING ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

|   | 2021                | 2020                |
|---|---------------------|---------------------|
| Increase in other non-current assets  | \$ (495)            | \$ -                |
| Decrease in other non-current assets  | -                   | 38                  |
| Increase in prepayments for equipment   | (115,414)           | (20,815)            |
| Interest received   | 11,281              | 6,801               |
| Dividends received from associates  | <u>-</u>            | <u>743</u>          |
| Net cash used in investing activities   | <u>(920,753)</u>    | <u>(172,523)</u>    |
| CASH FLOWS FROM FINANCING ACTIVITIES  |                     |                     |
| Proceeds from short-term borrowings   | 565,087             | 319,405             |
| Repayments of bonds   | (258,300)           | -                   |
| Proceeds from long-term borrowings  | -                   | 915,742             |
| Repayments of long-term borrowings  | (119,648)           | -                   |
| Repayment of the principal portion of lease liabilities                               | (17,855)            | (18,827)            |
| Dividends paid to owners of the Company   | (302,400)           | (252,000)           |
| Issuance of ordinary shares for cash  | 1,077,180           | -                   |
| Interest paid   | (135,526)           | (95,578)            |
| Dividends paid to non-controlling interests   | <u>-</u>            | <u>564</u>          |
| Net cash generated from financing activities  | <u>808,538</u>      | <u>869,306</u>      |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE<br>OF CASH HELD IN FOREIGN CURRENCIES | <u>(6,711)</u>      | <u>64,133</u>       |
| NET INCREASE IN (DECREASE) CASH AND CASH<br>EQUIVALENTS                               | (249,886)           | 766,080             |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE<br>YEAR                             | <u>1,945,704</u>    | <u>1,179,624</u>    |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR                                      | <u>\$ 1,695,818</u> | <u>\$ 1,945,704</u> |

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

(Concluded)

# TONG MING ENTERPRISE CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

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

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 16, 2022.

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2022

| New IFRSs   | Effective Date<br>Announced by IASB |
|---|-------------------------------------|
| “Annual Improvements to IFRS Standards 2018-2020”                                   | January 1, 2022 (Note 1)            |
| Amendments to IFRS 3 “Reference to the Conceptual Framework”                        | January 1, 2022 (Note 2)            |
| Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use” | January 1, 2022 (Note 3)            |
| Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”            | January 1, 2022 (Note 4)            |

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

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

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

| <b>New IFRSs</b>   | <b>Effective Date<br/>Announced by IASB (Note 1)</b> |
|--|--|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture" | To be determined by IASB                             |
| IFRS 17 "Insurance Contracts"  | January 1, 2023                                      |
| Amendments to IFRS 17  | January 1, 2023                                      |
| Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"                              | January 1, 2023                                      |
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"  | January 1, 2023                                      |
| Amendments to IAS 1 "Disclosure of Accounting Policies"  | January 1, 2023 (Note 2)                             |
| Amendments to IAS 8 "Definition of Accounting Estimates"   | January 1, 2023 (Note 3)                             |
| Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"                  | January 1, 2023 (Note 4)                             |

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.



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

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

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

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

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

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

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Statement of compliance

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

##### b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

##### d. Basis of consolidation

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

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

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

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

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

See Note 12, Tables 8 and 9 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

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

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

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

f. Inventories

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

g. Investments in associates

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

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

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

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

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

h. Property, plant and equipment

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

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

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

i. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

j. Impairment of property, plant and equipment, right-of-use asset and intangible assets other than goodwill

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

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

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

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

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

iii. Investments in debt instruments at FVTOCI

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

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

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

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

#### iv. Investments in equity instruments at FVTOCI

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

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

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

#### b) Impairment of financial assets and contract assets

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at FVTPL

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

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

b) Derecognition of financial liabilities

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



#### 4) Convertible bonds

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

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

#### 5) Derivative financial instruments

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

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

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

### 1. Revenue recognition

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

#### Revenue from the sale of goods

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

#### m. Leases

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

##### 1) The Group as lessor

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

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

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

##### 2) The Group as lessee

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

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

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

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

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

n. Borrowing costs

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

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

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

o. Government grants

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

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

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

q. Share-based payment arrangements (employee share options)

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. The expense is recognized in full at the grant date if the grants are vested immediately. The grant date of issued ordinary shares for cash which are reserved for employees is the date on which the number of shares that the employees purchase is confirmed.

r. Taxation

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

1) Current tax

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

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

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

## 2) Deferred tax

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

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

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

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

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

## 3) Current and deferred taxes for the year

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

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

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

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

## 6. CASH AND CASH EQUIVALENTS

|                                       | December 31         |                     |
|---------------------------------------|---------------------|---------------------|
|                                       | 2021                | 2020                |
| Cash on hand                          | \$ 592              | \$ 862              |
| Checking accounts and demand deposits | <u>1,695,226</u>    | <u>1,944,842</u>    |
|                                       | <u>\$ 1,695,818</u> | <u>\$ 1,945,704</u> |

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

|  | December 31       |                   |
|--|-------------------|-------------------|
|  | 2021              | 2020              |
| <u>Financial assets at FVTPL - current</u>               |                   |                   |
| Financial assets mandatorily classified as at FVTPL      |                   |                   |
| Derivative financial assets (not under hedge accounting) |                   |                   |
| Foreign exchange forward contracts (c)                   | \$ 5,775          | \$ 178            |
| Hybrid financial assets                                  |                   |                   |
| Structured deposits (a-b)                                | <u>304,080</u>    | <u>262,620</u>    |
|  | <u>\$ 309,855</u> | <u>\$ 262,798</u> |

### Financial liabilities at FVTPL - current

|   |      |          |
|---|------|----------|
| Financial liabilities held for trading                        |      |          |
| Derivative financial liabilities (not under hedge accounting) |      |          |
| Convertible options (Note 18 - bonds payable)                 | \$ - | \$ 8,240 |

- The Group entered into a wealth management product contract with Lujiazui Trust Co., Ltd. on December 31, 2021. The contract amount is RMB70,000 thousand.
- The Group entered into a wealth management product contract with Lujiazui Trust Co., Ltd. on December 31, 2020. The contract amount is RMB60,000 thousand.
- At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

|                          | Currency | Maturity Date         | Notional Amount<br>(In Thousands) |
|--------------------------|----------|-----------------------|-----------------------------------|
| <u>December 31, 2021</u> |          |                       |                                   |
| Sell                     | NTD/USD  | 2022.01.05-2022.06.22 | NTD35,583/USD1,280                |
| Sell                     | NTD/EUR  | 2022.04.11            | NTD1,253/EUR40                    |
| Sell                     | RMB/USD  | 2022.01.04-2022.07.05 | RMB171,631/USD26,500              |
| <u>December 31, 2020</u> |          |                       |                                   |
| Sell                     | NTD/USD  | 2021.01.25-2021.06.21 | NTD26,197/USD933                  |

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

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

|                   | December 31 |      |
|-------------------|-------------|------|
|                   | 2021        | 2020 |
| <u>Noncurrent</u> |             |      |
| Unlisted shares   | \$ 42,000   | \$ - |

The Group acquired ordinary shares of TUNG MUNG DEVELOPMENT CO., LTD. for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

|  | December 31 |            |
|--|-------------|------------|
|  | 2021        | 2020       |
| <u>Current</u>   |             |            |
| Time deposits with original maturity of more than 3 months | \$ 172,183  | \$ 154,142 |

- a. The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 0.25%-2.25% and 0.3%-0.815% per annum as of December 31, 2021 and 2020, respectively.
- b. Time deposits with original maturity of more than 3 months as stated above were not pledged as security at the end of the reporting period.

## 10. NOTES AND ACCOUNTS RECEIVABLE

|   | December 31       |                   |
|---|-------------------|-------------------|
|   | 2021              | 2020              |
| <u>Notes receivable</u>                   |                   |                   |
| At amortized cost                         |                   |                   |
| Gross carrying amount                     | \$ 558,793        | \$ 349,522        |
| Less: Allowance for impairment loss       | (1,173)           | (1,182)           |
|   | <u>\$ 557,620</u> | <u>\$ 348,340</u> |
| <u>Aging analysis of notes receivable</u> |                   |                   |
| Not past due                              | \$ 557,620        | \$ 348,340        |
| Over 180 days                             | 1,173             | 1,182             |
| Less: Allowance for impairment loss       | (1,173)           | (1,182)           |
|   | <u>\$ 557,620</u> | <u>\$ 348,340</u> |

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

|  | <b><u>For the Year Ended December 31</u></b> |                     |
|--|--|---------------------|
|  | <b>2021</b>                                  | <b>2020</b>         |
| Balance at January 1                             | \$ 1,182                                     | \$ -                |
| Add: Net remeasurement of loss allowance         |  | 1,131               |
| Foreign exchange gains and losses                | <u>(9)</u>                                   | <u>51</u>           |
| Balance at December 31                           | <u>\$ 1,173</u>                              | <u>\$ 1,182</u>     |
|  | <b><u>December 31</u></b>                    |                     |
|  | <b>2021</b>                                  | <b>2020</b>         |
| <b><u>Accounts receivable</u></b>                |  |                     |
| At amortized cost                                |  |                     |
| Gross carrying amount                            | \$ 2,233,643                                 | \$ 1,648,910        |
| Less: Allowance for impairment loss              | <u>(5,449)</u>                               | <u>(5,273)</u>      |
|  | 2,228,194                                    | 1,643,637           |
| At fair value through other comprehensive income | <u>8,261</u>                                 | <u>5,337</u>        |
|  | <u>\$ 2,236,455</u>                          | <u>\$ 1,648,974</u> |

## **Trade Receivables**

### **a. At amortized cost**

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

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

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

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

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

December 31, 2021

|                               | Not Past Due        | Less than 60 Days | 61 to 120 Days  | 120 to 180 Days | Over 180 Days   | Total               |
|-------------------------------|---------------------|-------------------|-----------------|-----------------|-----------------|---------------------|
| Expected credit loss rate     | 0%-0.01%            | 0%-0.85%          | 0.06%-3.63%     | 1.88%-31.99%    | 100%            |                     |
| Gross carrying amount         | \$ 2,068,882        | \$ 144,229        | \$ 7,947        | \$ 4,869        | \$ 7,716        | \$ 2,233,643        |
| Loss allowance (lifetime ECL) | (594)               | (15)              | (20)            | (95)            | (4,725)         | (5,449)             |
| Amortized cost                | <u>\$ 2,068,288</u> | <u>\$ 144,214</u> | <u>\$ 7,927</u> | <u>\$ 4,774</u> | <u>\$ 2,991</u> | <u>\$ 2,228,194</u> |

December 31, 2020

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

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

|  | <b>For the Year Ended December 31</b> |                 |
|--|---------------------------------------|-----------------|
|  | <b>2021</b>                           | <b>2020</b>     |
| Balance at January 1                     | \$ 5,273                              | \$ 5,867        |
| Add: Net remeasurement of loss allowance | 1,874                                 | 170             |
| Less: Amounts written off                | (1,686)                               | (881)           |
| Foreign exchange gains and losses        | <u>(12)</u>                           | <u>117</u>      |
| Balance at December 31                   | <u>\$ 5,449</u>                       | <u>\$ 5,273</u> |

b. At FVTOCI

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

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

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



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

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

December 31, 2021

|                               | Not Past Due    | Less than 60 Days | 61 to 120 Days | 120 to 180 Days | Over 180 Days | Total           |
|-------------------------------|-----------------|-------------------|----------------|-----------------|---------------|-----------------|
| Expected credit loss rate     | 0%              | 0%                | 0%             | 0%              | 100%          |                 |
| Gross carrying amount         | \$ 8,261        | \$ -              | \$ -           | \$ -            | \$ -          | \$ 8,261        |
| Loss allowance (lifetime ECL) | -               | -                 | -              | -               | -             | -               |
| Amortized cost                | <u>\$ 8,261</u> | <u>\$ -</u>       | <u>\$ -</u>    | <u>\$ -</u>     | <u>\$ -</u>   | <u>\$ 8,261</u> |

December 31, 2020

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

## 11. INVENTORIES

|                            | <u>December 31</u>  |                     |
|----------------------------|---------------------|---------------------|
|                            | <u>2021</u>         | <u>2020</u>         |
| Finished goods             | \$ 2,492,585        | \$ 1,458,585        |
| Raw materials and supplies | <u>2,135,564</u>    | <u>1,533,384</u>    |
|                            | <u>\$ 4,628,149</u> | <u>\$ 2,991,969</u> |

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was \$10,534,526 thousand and \$7,898,297 thousand, respectively.

The cost of goods sold included inventory reversal write-downs of \$26,080 thousand and write-downs of \$7,457 thousand, respectively.

## 12. SUBSIDIARIES

### Subsidiaries Included in Consolidated Financial Statements

| Investor                                  | Investee                                     | Nature of Activities  | Proportion of Ownership (%) |         | Remark |
|---|--|---|-----------------------------|---------|--------|
|   |  |   | December 31                 |         |        |
|   |  |   | 2021                        | 2020    |        |
| Tong Ming Enterprise Co., Ltd. (Cayman)   | Tong Group Limited                           | Investment  | 100.00                      | 100.00  |        |
|   | China Rich International Holding Limited     | Investment  | 100.00                      | 100.00  |        |
|   | Winlink Fasteners Co., Ltd.                  | Selling and marketing of fasteners and wires                | 100.00                      | 100.0   |        |
|   | Tong Win International Co., Ltd.             | Selling and marketing of fasteners and wires                | 100.00                      | 100.000 |        |
|   | Fast Link                                    | Selling and marketing of fasteners and wires                | 83.33                       | 83.33   | a      |
| Tong Group Limited                        | Tong Ming Enterprise (Zhejiang) Co., Ltd.    | Manufacturing, selling and marketing of fasteners and wires | 90.20                       | 90.20   |        |
| China Rich International Holding Limited  | Tong Ming Enterprise (Zhejiang) Co., Ltd.    | Manufacturing, selling and marketing of fasteners and wires | 9.50                        | 9.50    |        |
| Tong Ming Enterprise (Zhejiang) Co., Ltd. | Eastar Trade (Shanghai) Co., Ltd.            | Selling and marketing of fasteners and wires                | -                           | 100.00  | a, b   |
|   | Tong Ming Trading Limited                    | Buying and selling raw materials                            | 100.00                      | 100.00  | a      |
|   | Tong Ming Holding Limited                    | Investment  | 100.00                      | 100.00  | a      |
|   | Shenzhen Yiqin Industrial Fastener Co., Ltd. | Selling and marketing of fasteners and wires                | 100.00                      | 100.00  | a      |
|   | Tong Win Trading (Jiaxing) Co., Ltd.         | Selling and marketing of fasteners and wires                | 100.00                      | 100.00  | a      |

- a. The entity is not a major subsidiary; its financial statements have not been audited. Management believes that there will not be a significant impact on the Group's consolidated financial statements had the financial statements of the above-mentioned non-essential subsidiaries been audited.
- b. Eastar Trade (Shanghai) Co., Ltd. has completed the dissolution and liquidation procedures in January 2021.

## 13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

- a. Investments in associates

|   | December 31      |                  |
|---|------------------|------------------|
|   | 2021             | 2020             |
| Associates that are not individually material | \$ <u>33,541</u> | \$ <u>27,554</u> |

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

|  | For the Year Ended December 31 |                   |
|--|--------------------------------|-------------------|
|  | 2021                           | 2020              |
| The Group's share of:                          |                                |                   |
| Profit (loss) from continuing operations       | \$ <u>13,419</u>               | \$ <u>(2,698)</u> |
| Total comprehensive income (loss) for the year | \$ <u>13,419</u>               | \$ <u>(2,698)</u> |

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

#### 14. PROPERTY, PLANT AND EQUIPMENT

|  | Land            | Buildings         | Machinery and Equipment | Transportation Equipment | Office Equipment and Other Equipment | Property under Construction | Total               |
|--|-----------------|-------------------|-------------------------|--------------------------|--------------------------------------|-----------------------------|---------------------|
| <u>Cost</u>                                      |                 |                   |                         |                          |                                      |                             |                     |
| Balance at January 1, 2021                       | \$ 1,745        | \$ 689,714        | \$ 1,791,180            | \$ 54,765                | \$ 235,006                           | \$ -                        | \$ 2,772,410        |
| Additions  | -               | 5,215             | 138,423                 | 661                      | 34,814                               | 414,551                     | 593,664             |
| Disposals  | -               | -                 | (22,674)                | (3,195)                  | (2,877)                              | -                           | (28,746)            |
| Effects of foreign currency exchange differences | -               | (5,133)           | (13,301)                | (308)                    | (1,757)                              | 294                         | (20,205)            |
| Balance at December 31, 2021                     | <u>\$ 1,745</u> | <u>\$ 689,796</u> | <u>\$ 1,893,628</u>     | <u>\$ 51,923</u>         | <u>\$ 265,186</u>                    | <u>\$ 414,845</u>           | <u>\$ 3,317,123</u> |
| <u>Accumulated depreciation and impairment</u>   |                 |                   |                         |                          |                                      |                             |                     |
| Balance at January 1, 2021                       | \$ -            | \$ 371,119        | \$ 1,198,625            | \$ 33,268                | \$ 116,451                           | \$ -                        | \$ 1,719,463        |
| Depreciation expense                             | -               | 31,685            | 83,772                  | 5,764                    | 30,034                               | -                           | 151,255             |
| Disposals  | -               | -                 | (20,251)                | (2,464)                  | (2,525)                              | -                           | (25,240)            |
| Effects of foreign currency exchange differences | -               | (2,815)           | (9,034)                 | (182)                    | (805)                                | -                           | (12,836)            |
| Balance at December 31, 2021                     | <u>\$ -</u>     | <u>\$ 399,989</u> | <u>\$ 1,253,112</u>     | <u>\$ 36,386</u>         | <u>\$ 143,155</u>                    | <u>\$ -</u>                 | <u>\$ 1,832,642</u> |
| Carrying amounts at December 31, 2021            | <u>\$ 1,745</u> | <u>\$ 289,807</u> | <u>\$ 640,516</u>       | <u>\$ 15,537</u>         | <u>\$ 122,031</u>                    | <u>\$ 414,845</u>           | <u>\$ 1,484,481</u> |
| <u>Cost</u>                                      |                 |                   |                         |                          |                                      |                             |                     |
| Balance at January 1, 2020                       | \$ 1,745        | \$ 624,666        | \$ 1,668,207            | \$ 54,624                | \$ 167,142                           | \$ 54,163                   | \$ 2,570,547        |
| Additions  | -               | 18,294            | 37,948                  | 8,088                    | 49,545                               | (144)                       | 113,731             |
| Disposals  | -               | -                 | (10,307)                | 8,649                    | (4,680)                              | -                           | (23,636)            |
| Reclassification                                 | -               | 35,411            | 65,767                  | -                        | 18,505                               | (53,765)                    | 65,918              |
| Effects of foreign currency exchange differences | -               | 11,343            | 29,565                  | 702                      | 4,494                                | (254)                       | 45,850              |
| Balance at December 31, 2020                     | <u>\$ 1,745</u> | <u>\$ 689,714</u> | <u>\$ 1,791,180</u>     | <u>\$ 54,765</u>         | <u>\$ 235,006</u>                    | <u>\$ -</u>                 | <u>\$ 2,772,410</u> |
| <u>Accumulated depreciation and impairment</u>   |                 |                   |                         |                          |                                      |                             |                     |
| Balance at January 1, 2020                       | \$ -            | \$ 346,786        | \$ 1,095,935            | \$ 34,330                | \$ 89,288                            | \$ -                        | \$ 1,566,339        |
| Depreciation expense                             | -               | 18,281            | 90,388                  | 5,768                    | 29,168                               | -                           | 143,605             |
| Disposals  | -               | -                 | (8,577)                 | (7,415)                  | (3,299)                              | -                           | (19,291)            |
| Reclassification                                 | -               | (156)             | 666                     | 130                      | (640)                                | -                           | -                   |
| Effects of foreign currency exchange differences | -               | 6,208             | 20,213                  | 455                      | 1,934                                | -                           | 28,810              |
| Balance at December 31, 2020                     | <u>\$ -</u>     | <u>\$ 371,119</u> | <u>\$ 1,198,625</u>     | <u>\$ 33,268</u>         | <u>\$ 116,451</u>                    | <u>\$ -</u>                 | <u>\$ 1,719,463</u> |
| Carrying amounts at December 31, 2020            | <u>\$ 1,745</u> | <u>\$ 318,595</u> | <u>\$ 592,555</u>       | <u>\$ 21,497</u>         | <u>\$ 118,555</u>                    | <u>\$ -</u>                 | <u>\$ 1,052,947</u> |

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

|                                      |             |
|--------------------------------------|-------------|
| Buildings                            |             |
| Main buildings                       | 20-35 years |
| Renovation                           | 5-20 years  |
| Machinery and equipment              | 10 years    |
| Transportation equipment             | 5-10 years  |
| Office equipment and other equipment | 5-10 years  |

The Group did not recognize any impairment loss for the year ended December 31, 2021 and 2020.

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

|   | <b>December 31</b>                    |                  |
|---|---------------------------------------|------------------|
|   | <b>2021</b>                           | <b>2020</b>      |
| <u>Carrying amount</u>                      |                                       |                  |
| Land  | \$ 148,109                            | \$ 31,112        |
| Buildings                                   | <u>27,091</u>                         | <u>39,950</u>    |
|   | <u>\$ 175,200</u>                     | <u>\$ 71,062</u> |
|   | <b>For the Year Ended December 31</b> |                  |
|   | <b>2021</b>                           | <b>2020</b>      |
| Additions to right-of-use assets            | <u>\$ 122,150</u>                     | <u>\$ 46,273</u> |
| Depreciation charge for right-of-use assets |                                       |                  |
| Land  | \$ 1,200                              | \$ 1,199         |
| Buildings                                   | <u>16,654</u>                         | <u>16,314</u>    |
|   | <u>\$ 17,854</u>                      | <u>\$ 17,513</u> |

### b. Lease liabilities

|                        | <b>December 31</b> |                  |
|------------------------|--------------------|------------------|
|                        | <b>2021</b>        | <b>2020</b>      |
| <u>Carrying amount</u> |                    |                  |
| Current                | <u>\$ 12,758</u>   | <u>\$ 12,983</u> |
| Non-current            | <u>\$ 13,031</u>   | <u>\$ 25,647</u> |

Range of discount rates for lease liabilities was as follows:

|           | <b>December 31</b> |              |
|-----------|--------------------|--------------|
|           | <b>2021</b>        | <b>2020</b>  |
| Buildings | 1.945%-4.608%      | 1.945%-4.76% |

### c. Material lease-in activities and terms

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

d. Other lease information

|  | <b>For the Year Ended December 31</b> |                    |
|--|---------------------------------------|--------------------|
|  | <b>2021</b>                           | <b>2020</b>        |
| Expenses relating to short-term leases | <u>\$ 7,982</u>                       | <u>\$ 8,177</u>    |
| Total cash outflow for leases          | <u>\$ (25,837)</u>                    | <u>\$ (27,004)</u> |

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

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

|                   | <b>December 31</b> |                 |
|-------------------|--------------------|-----------------|
|                   | <b>2021</b>        | <b>2020</b>     |
| Lease commitments | <u>\$ 2,865</u>    | <u>\$ 1,858</u> |

## 16. OTHER ASSETS

|                          | <b>December 31</b> |                   |
|--------------------------|--------------------|-------------------|
|                          | <b>2021</b>        | <b>2020</b>       |
| <u>Current</u>           |                    |                   |
| Prepayments              |                    |                   |
| Prepayments to suppliers | \$ 190,198         | \$ 161,961        |
| Prepaid expense          | 21,191             | 15,773            |
| Other prepayments        | 8,898              | 16,252            |
| Tax allowance            | <u>4,358</u>       | <u>7,690</u>      |
|                          | <u>\$ 224,645</u>  | <u>\$ 201,676</u> |
| <u>Non-current</u>       |                    |                   |
| Prepayment for equipment | <u>\$ 167,107</u>  | <u>\$ 51,693</u>  |

## 17. BORROWINGS

a. Short-term borrowings

|                             | <b>December 31</b>  |                     |
|-----------------------------|---------------------|---------------------|
|                             | <b>2021</b>         | <b>2020</b>         |
| <u>Secured borrowings</u>   |                     |                     |
| Bank loans                  | \$ -                | \$ 131,310          |
| <u>Unsecured borrowings</u> |                     |                     |
| Line of credit borrowings   | <u>2,764,530</u>    | <u>2,068,133</u>    |
|                             | <u>\$ 2,764,530</u> | <u>\$ 2,199,443</u> |

The range of weighted average effective interest rates on bank loans was 3.8%-4.00% and 3%-4.75% per annum as of December 31, 2021 and 2020, respectively.

b. Long-term borrowings

|                             | <b>December 31</b>  |                     |
|-----------------------------|---------------------|---------------------|
|                             | <b>2021</b>         | <b>2020</b>         |
| <u>Unsecured borrowings</u> |                     |                     |
| Line of credit borrowings   | \$ 1,062,143        | \$ 1,181,791        |
| Less: Current portion       | <u>(56,472)</u>     | <u>(119,055)</u>    |
|                             | <u>\$ 1,005,671</u> | <u>\$ 1,062,736</u> |

The bank's maturity date is from September 7, 2023 to June 20, 2026, and as of December 31, 2021 and 2020, the effective annual interest rate is 4%-4.65% and 4%-4.75%. During the year ended December 31, 2021, the Group acquired new bank borrowings in the amount of \$165,072 thousand, with a fixed interest rate of 4%-4.65% which is adjusted every 12 months and will be repayable by stages from June 2022.

## 18. BONDS PAYABLE

|                                      | <b>December 31</b> |                  |
|--------------------------------------|--------------------|------------------|
|                                      | <b>2021</b>        | <b>2020</b>      |
| Unsecured domestic convertible bonds | \$ -               | \$ 400,000       |
| Less: Discounts of bonds payable     | -                  | (1,939)          |
| Less: Current portion                | <u>-</u>           | <u>(398,061)</u> |
|                                      | <u>\$ -</u>        | <u>\$ -</u>      |

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

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

- From 3 months after the date of issuance to 40 days before the maturity date, the Group will have the right, at such bondholder's option, to require The Group to redeem, in whole or in part, the principal amount of such bondholder's bonds at the redemption amount.
- From 3 months after the date of issuance to the next day of the maturity date, each bondholder will have the right to request the issuer to convert the bonds into ordinary shares at the conversion price of NT\$43.1 per share. The issuer will redeem the bondholder's bonds without conversion at the redemption amount after the maturity date.
- Unless the bonds have been previously redeemed, repurchased and cancelled, or converted by holders of the bonds (the "bondholders"), the bonds will be repaid by the issuer on the maturity date at 102.27% of the principal amount of the bonds, and the yield to maturity of the bonds is 0.75% per annum.

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

|   |                   |
|---|-------------------|
| Proceeds from issuance (less transaction costs of \$6,030 thousand)   | \$ 395,170        |
| Value of conversion   | (4,728)           |
| Value of redemption   | <u>80</u>         |
| Liability component at the date of issuance (less transaction costs allocated to the liability component of \$5,958 thousand) | <u>\$ 390,522</u> |
| Liability component at January 1, 2020  | \$ 394,858        |
| Interest charged at an effective interest rate of 0.8026%   | <u>3,203</u>      |
| Liability component at December 31, 2020  | <u>\$ 398,061</u> |
| Liability component at January 1, 2021  | \$ 398,061        |
| Interest charged at an effective interest rate of 0.8026%   | 1,912             |
| Convertible bonds converted into ordinary shares  | (141,673)         |
| Redeemed convertible bonds  | <u>(258,300)</u>  |
| Liability component at December 31, 2021  | <u>\$ -</u>       |

## 19. TRADE PAYABLE

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

## 20. OTHER LIABILITIES

|  | <u>December 31</u> |                   |
|--|--------------------|-------------------|
|  | <b>2021</b>        | <b>2020</b>       |
| <u>Current</u>   |                    |                   |
| Other payables   |                    |                   |
| Payables for salaries or bonuses                           | \$ 128,355         | \$ 64,822         |
| Payables for insurance                                     | 129,925            | 120,706           |
| Payables for business tax                                  | 1,911              | 12,045            |
| Payables for remuneration of directors                     | 840                | 840               |
| Payables for interest                                      | 7,233              | 4,704             |
| Others (commissions, professional service fees and others) | <u>82,218</u>      | <u>51,854</u>     |
|  | <u>\$ 350,482</u>  | <u>\$ 254,971</u> |

## 21. EQUITY

### a. Share capital

#### Ordinary shares

|   | <b>December 31</b>  |                     |
|---|---------------------|---------------------|
|   | <b>2021</b>         | <b>2020</b>         |
| Number of shares authorized (in thousands)            | <u>250,000</u>      | <u>250,000</u>      |
| Shares authorized                                     | <u>\$ 2,500,000</u> | <u>\$ 2,500,000</u> |
| Number of shares issued and fully paid (in thousands) | <u>201,203</u>      | <u>168,000</u>      |
| Shares issued   | <u>\$ 2,012,033</u> | <u>\$ 1,680,000</u> |

A holder of issued ordinary shares with par value of NT\$10 per share is entitled to vote and to receive dividends.

The change in the Company's equity was mainly due to the conversion of convertible corporate bonds to ordinary shares. From January 2021 to December 2021, the denomination of convertible corporate bonds was NT141,700 thousand. Such convertible corporate bonds were converted to 3,203 thousand ordinary shares at the conversion price of NT\$43.11-NT\$44.8.

On March 16, 2021, the Company's board of directors resolved to issue 30,000 thousand ordinary shares with a par value of \$10, for a consideration of \$36 per share. On May 6, 2021, the above transaction was approved by the FSC, and the subscription base date was determined by the board of directors to be August 20, 2021.

### b. Capital surplus

|  | <b>December 31</b>  |                   |
|--|---------------------|-------------------|
|  | <b>2021</b>         | <b>2020</b>       |
| May be used to offset a deficit, distributed as cash dividends, or transferred to share capital* |                     |                   |
| Issuance of ordinary shares  | \$ 993,530          | \$ 212,915        |
| Conversion of bonds  | 129,903             | -                 |
| Organization restructured  | 703,860             | 703,860           |
| <u>May not be used for any purpose</u>   |                     |                   |
| From share of changes in equities of subsidiaries  | <u>130</u>          | <u>130</u>        |
|  | <u>\$ 1,827,423</u> | <u>\$ 916,905</u> |

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

\* Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.



c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors in Note 23-(g).

The appropriations of earnings for 2020 and 2019 were approved in the shareholders' meetings on July 7, 2021 and June 15, 2020, respectively, were as follows:

|                                 | <b>Appropriation of Earnings</b>      |             |
|---------------------------------|---------------------------------------|-------------|
|                                 | <b>For the Year Ended December 31</b> |             |
|                                 | <b>2020</b>                           | <b>2019</b> |
| Legal reserve                   | \$ 49,356                             | \$ 46,610   |
| Special reserve                 | \$ (47,544)                           | \$ 135,072  |
| Cash dividends                  | \$ 302,400                            | \$ 252,000  |
| Cash dividends per share (NT\$) | \$ 1.78                               | \$ 1.5      |

The appropriation of earnings for 2021 which were proposed by the Company's board of directors on March 16, 2022 were as follows:

|                                | <b>For the Year<br/>Ended<br/>December 31,<br/>2021</b> |
|--------------------------------|---|
| Legal reserve                  | \$ 144,315  |
| Special reserve                | \$ 24,498   |
| Cash dividends                 | \$ 643,851  |
| Cash dividend per share (NT\$) | \$ 3.2  |

The appropriation of earnings for 2021 are subject to the resolution of the shareholders' meeting to be held on June 14, 2022.

## 22. REVENUE

|                                       | <b>For the Year Ended December 31</b> |              |
|---------------------------------------|---------------------------------------|--------------|
|                                       | <b>2021</b>                           | <b>2020</b>  |
| <u>Revenue</u>                        |                                       |              |
| Revenue from contracts with customers |                                       |              |
| Revenue from sale of goods            | \$ 13,235,516                         | \$ 9,171,338 |

## Contract Balance

|                             | <b>December 31</b>  |                     |
|-----------------------------|---------------------|---------------------|
|                             | <b>2021</b>         | <b>2020</b>         |
| Trade receivables (Note 10) | <u>\$ 2,794,075</u> | <u>\$ 1,997,314</u> |
| Contract liabilities        |                     |                     |
| Sales of goods              | <u>\$ 163,728</u>   | <u>\$ 71,122</u>    |

Refer to Note 34 for information on disaggregation of revenue.

## 23. PROFIT FOR THE YEAR

### a. Interest income

|                                    | <b>For the Year Ended December 31</b> |                 |
|------------------------------------|---------------------------------------|-----------------|
|                                    | <b>2021</b>                           | <b>2020</b>     |
| Bank deposits                      | \$ 6,993                              | \$ 4,277        |
| Financial assets at amortized cost | 452                                   | 1,553           |
| Others                             | <u>3,698</u>                          | <u>409</u>      |
|                                    | <u>\$ 11,143</u>                      | <u>\$ 6,239</u> |

### b. Other income

|                               | <b>For the Year Ended December 31</b> |                  |
|-------------------------------|---------------------------------------|------------------|
|                               | <b>2021</b>                           | <b>2020</b>      |
| Income from government grants | \$ 1,515                              | \$ 12,007        |
| Rental income                 | 427                                   | 2,316            |
| Dividend income               | -                                     | 743              |
| Others                        | <u>3,485</u>                          | <u>8,705</u>     |
|                               | <u>\$ 5,427</u>                       | <u>\$ 23,771</u> |

### c. Other gains and losses

|   | <b>For the Year Ended December 31</b> |                    |
|---|---------------------------------------|--------------------|
|   | <b>2021</b>                           | <b>2020</b>        |
| Net foreign exchange losses   | \$ (59,956)                           | \$ (40,366)        |
| Loss on disposal of property, plant and equipment                     | (1,081)                               | (3,557)            |
| Gain on fair value changes of financial assets designated as at FVTPL | 4,385                                 | 21,897             |
| Others  | <u>(3,794)</u>                        | <u>(7,788)</u>     |
|   | <u>\$ (60,446)</u>                    | <u>\$ (29,814)</u> |

d. Finance costs

|                               | <b>For the Year Ended December 31</b> |                           |
|-------------------------------|---------------------------------------|---------------------------|
|                               | <b>2021</b>                           | <b>2020</b>               |
| Interest on bank loans        | \$ (138,055)                          | \$ (95,961)               |
| Interest on lease liabilities | (1,207)                               | (818)                     |
| Interest on convertible bonds | <u>(1,912)</u>                        | <u>(3,203)</u>            |
|                               | <u><b>\$ (141,174)</b></u>            | <u><b>\$ (99,982)</b></u> |

e. Depreciation and amortization

|   | <b>For the Year Ended December 31</b> |                          |
|---|---------------------------------------|--------------------------|
|   | <b>2021</b>                           | <b>2020</b>              |
| An analysis of depreciation by function |                                       |                          |
| Operating cost                          | \$ 90,126                             | \$ 83,507                |
| Operating expense                       | <u>78,983</u>                         | <u>77,611</u>            |
|   | <u><b>\$ 169,109</b></u>              | <u><b>\$ 161,118</b></u> |
| An analysis of amortization by function |                                       |                          |
| Operating cost                          | \$ -                                  | \$ -                     |
| Operating expense                       | <u>5,770</u>                          | <u>4,628</u>             |
|   | <u><b>\$ 5,770</b></u>                | <u><b>\$ 4,628</b></u>   |

f. Employee benefits expense

|  | <b>For the Year Ended December 31</b> |                          |
|--|---------------------------------------|--------------------------|
|  | <b>2021</b>                           | <b>2020</b>              |
| Post-employment benefits                             |                                       |                          |
| Defined contribution plans                           | \$ 731                                | \$ 770                   |
| Other employee benefits                              | <u>643,102</u>                        | <u>413,665</u>           |
|  | <u><b>\$ 643,833</b></u>              | <u><b>\$ 414,435</b></u> |
| An analysis of employee benefits expense by function |                                       |                          |
| Operating cost                                       | \$ 409,048                            | \$ 238,524               |
| Operating expense                                    | <u>234,785</u>                        | <u>175,911</u>           |
|  | <u><b>\$ 643,833</b></u>              | <u><b>\$ 414,435</b></u> |

g. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued compensation of employees and remuneration of directors at rates of no less than 0% and no higher than 5%, respectively, of net profit before income tax, compensation of employees and remuneration of directors. The compensation of employees and the remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on March 16, 2022 and March 16, 2021, respectively, are as follows:

Accrual rate

|                           | <b>For the Year Ended December 31</b> |             |
|---------------------------|---------------------------------------|-------------|
|                           | <b>2021</b>                           | <b>2020</b> |
| Compensation of employees | 0.04%                                 | -           |
| Remuneration of directors | 0.06%                                 | 0.17%       |

Amount

|                           | <b>For the Year Ended December 31</b> |               |             |               |
|---------------------------|---------------------------------------|---------------|-------------|---------------|
|                           | <b>2021</b>                           |               | <b>2020</b> |               |
|                           | <b>Cash</b>                           | <b>Shares</b> | <b>Cash</b> | <b>Shares</b> |
| Compensation of employees | \$ -                                  | \$ -          | \$ -        | \$ -          |
| Remuneration of directors | 840                                   | -             | 840         | -             |

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

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

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

h. Gains or losses on foreign currency exchange

|                         | <b>For the Year Ended December 31</b> |                    |
|-------------------------|---------------------------------------|--------------------|
|                         | <b>2021</b>                           | <b>2020</b>        |
| Foreign exchange gains  | \$ 5,133                              | \$ 2,276           |
| Foreign exchange losses | <u>(65,089)</u>                       | <u>(42,642)</u>    |
|                         | <u>\$ (59,956)</u>                    | <u>\$ (40,366)</u> |

## 24. INCOME TAXES

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

Major components of income tax expense are as follows:

|   | <b>For the Year Ended December 31</b> |                  |
|---|---------------------------------------|------------------|
|   | <b>2021</b>                           | <b>2020</b>      |
| Current tax                                     |                                       |                  |
| In respect of the current period                | \$ 214,552                            | \$ 65,498        |
| Income tax on unappropriated earnings           | 280                                   | 562              |
| Adjustments for prior periods                   | <u>(4,585)</u>                        | <u>(5,811)</u>   |
|   | <u>210,247</u>                        | <u>60,249</u>    |
| Deferred tax                                    |                                       |                  |
| In respect of the current period                | <u>134,487</u>                        | <u>35,526</u>    |
| Income tax expense recognized in profit or loss | <u>\$ 344,734</u>                     | <u>\$ 95,775</u> |

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

|  | <b>For the Year Ended December 31</b> |                   |
|--|---------------------------------------|-------------------|
|  | <b>2021</b>                           | <b>2020</b>       |
| Profit before tax  | <u>\$ 1,792,646</u>                   | <u>\$ 590,599</u> |
| Income tax expense calculated at the statutory rate (15%)                                | \$ 268,897                            | \$ 88,590         |
| Deductible gains in determining taxable income   | (37,691)                              | (21,023)          |
| Income tax on unappropriated earnings  | 280                                   | 562               |
| Deferred tax effect of earnings of subsidiaries  | 130,627                               | 41,792            |
| Unrecognized deductible temporary differences  | 565                                   | 1,458             |
| Effects of different tax rates of entities in the Group operating in other jurisdictions | (13,359)                              | (9,793)           |
| Adjustments for prior years' tax   | <u>(4,585)</u>                        | <u>(5,811)</u>    |
| Income tax expense recognized in profit or loss  | <u>\$ 344,734</u>                     | <u>\$ 95,775</u>  |

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

### b. Current tax assets and liabilities

|                         | <b>For the Year Ended December 31</b> |                  |
|-------------------------|---------------------------------------|------------------|
|                         | <b>2021</b>                           | <b>2020</b>      |
| Current tax liabilities |                                       |                  |
| Income tax payable      | <u>\$ 124,404</u>                     | <u>\$ 38,230</u> |

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2021

| <b>Deferred Tax Assets</b>              | <b>Opening<br/>Balance</b> | <b>Recognized in<br/>Profit or Loss</b> | <b>Exchange<br/>Differences</b> | <b>Closing<br/>Balance</b> |
|---|----------------------------|---|---------------------------------|----------------------------|
| Temporary differences                   |                            |   |                                 |                            |
| Accrued insurance                       | \$ 17,545                  | \$ 2,174                                | \$ (247)                        | \$ 19,472                  |
| Unrealized loss on Inventory            | 5,472                      | (4,099)                                 | 175                             | 1,548                      |
| Expected credit loss                    | 895                        | (441)                                   | 17                              | 471                        |
| Temporary differences on sales          | 473                        | 711                                     | (40)                            | 1,144                      |
| Other                                   | <u>2,952</u>               | <u>959</u>                              | <u>(72)</u>                     | <u>3,839</u>               |
|   | <u>\$ 27,337</u>           | <u>\$ (696)</u>                         | <u>\$ (167)</u>                 | <u>\$ 26,474</u>           |
| <b>Deferred Tax Liabilities</b>         | <b>Opening<br/>Balance</b> | <b>Recognized in<br/>Profit or Loss</b> | <b>Exchange<br/>Differences</b> | <b>Closing<br/>Balance</b> |
| Temporary differences                   |                            |   |                                 |                            |
| Unappropriated earnings of subsidiaries | \$ (195,673)               | \$ (130,627)                            | \$ 1,010                        | \$ (325,290)               |
| Associates                              | (11,315)                   | (2,771)                                 | 232                             | (13,854)                   |
| Interest capitalized                    | (2,861)                    | 246                                     | 9                               | (2,606)                    |
| Unrealized expense                      | (1,142)                    | 139                                     | 1                               | (1,002)                    |
| Others                                  | <u>(84)</u>                | <u>(778)</u>                            | <u>25</u>                       | <u>(837)</u>               |
|   | <u>\$ (211,075)</u>        | <u>\$ (133,791)</u>                     | <u>\$ 1,277</u>                 | <u>\$ (343,589)</u>        |

For the year ended December 31, 2020

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

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

d. Income tax examination

- 1) The income tax returns through 2020 of Winlink Fasteners Co., Ltd. have been assessed by the tax authorities in the ROC. The companies in other jurisdictions have been examined according to their local laws.
- 2) Tong Group Limited and China Rich International Holding Limited used 10% of China's statutory tax rate of earnings remittance to estimate the subsidiaries' remittance tax of earning in China.

## 25. EARNINGS PER SHARE

Unit: NT\$ Per Share

|                            | <b>For the Year Ended December 31</b> |                |
|----------------------------|---------------------------------------|----------------|
|                            | <b>2021</b>                           | <b>2020</b>    |
| Basic earnings per share   |                                       |                |
| From continuing operations | <u>\$ 8.00</u>                        | <u>\$ 2.94</u> |
| Diluted earnings per share |                                       |                |
| From continuing operations | <u>\$ 7.77</u>                        | <u>\$ 2.81</u> |

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

### Net Profit for the Year

|  | <b>For the Year Ended December 31</b> |                   |
|--|---------------------------------------|-------------------|
|  | <b>2021</b>                           | <b>2020</b>       |
| Earnings used in the computation of basic earnings per share   | \$ 1,443,154                          | \$ 493,558        |
| Effects of potentially dilutive ordinary shares                |                                       |                   |
| Interest on convertible bonds (after tax)                      | <u>1,912</u>                          | <u>3,203</u>      |
| Earnings used in the computation of diluted earnings per share | <u>\$ 1,445,066</u>                   | <u>\$ 496,761</u> |

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

|  | <b>For the Year Ended December 31</b> |                |
|--|---------------------------------------|----------------|
|  | <b>2021</b>                           | <b>2020</b>    |
| Weighted average number of ordinary shares used in the computation of basic earnings per share   | 180,399                               | 168,000        |
| Effects of potentially dilutive ordinary shares  |                                       |                |
| Convertible bonds  | <u>5,595</u>                          | <u>8,929</u>   |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | <u>185,994</u>                        | <u>176,929</u> |

## 26. NON-CASH TRANSACTION

For the years ended December 31, 2021 and 2020, the Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statements of cash flows:

- a. The Group acquired property, plant and equipment with an aggregate fair value of \$593,664 thousand, with a cash payment of \$595,812 thousand and an offset of \$2,148 thousand was reduced from other payables (refer to Note 14).
- b. The Group reclassified prepayment for equipment with an aggregated value of \$65,918 thousand as property, plant and equipment in 2020 (refer to Note 14).
- c. The Group acquired property, plant and equipment with an aggregate fair value of \$113,731 thousand, with a cash payment of \$117,192 thousand and an offset of \$3,461 thousand was reduced from other payables (refer to Note 14).

## 27. CAPITAL MANAGEMENT

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

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

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

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



## 28. FINANCIAL INSTRUMENTS

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

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

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

#### 1) Fair value hierarchy

December 31, 2021

|                                   | Level 1 | Level 2  | Level 3    | Total      |
|-----------------------------------|---------|----------|------------|------------|
| Financial assets at FVTOCI        |         |          |            |            |
| Investments in equity instruments |         |          |            |            |
| Unlisted shares                   | \$ -    | \$ -     | \$ 42,000  | \$ 42,000  |
| Financial assets at FVTPL         |         |          |            |            |
| Non-principal structured deposits | \$ -    | \$ -     | \$ 304,080 | \$ 304,080 |
| Derivative                        |         |          |            |            |
| Forward exchange contracts        | -       | 5,775    | -          | 5,775      |
|                                   | \$ -    | \$ 5,775 | \$ 304,080 | \$ 309,855 |

December 31, 2020

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

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

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

For the year ended December 31, 2021

|   | <b>Financial Assets<br/>at FVTOCI</b> | <b>Financial Assets<br/>at FVTPL</b> |
|---|---------------------------------------|--------------------------------------|
|   | <b>Equity<br/>Instruments</b>         | <b>Financial<br/>Product</b>         |
| Balance at January 1, 2021  | \$ -                                  | \$ 262,620                           |
| Purchases   | 42,000                                | 1,257,733                            |
| Sales/settlements   | -                                     | (1,217,737)                          |
| Recognized in profit or loss (included in other gains and losses) | -                                     | 4,832                                |
| Effects of exchange rates   | -                                     | (3,368)                              |
| Balance at December 31, 2021                                      | <u>\$ 42,000</u>                      | <u>\$ 304,080</u>                    |

For the year ended December 31, 2020

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

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

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

c. Categories of financial instruments

|   | <b>December 31</b> |             |
|---|--------------------|-------------|
|   | <b>2021</b>        | <b>2020</b> |
| <u>Financial assets</u>                     |                    |             |
| Financial assets at FVTPL                   |                    |             |
| Mandatorily classified as at FVTPL          | \$ 309,855         | \$ 262,798  |
| Financial assets at amortized cost (1)      | 4,735,409          | 4,116,867   |
| Financial assets at FVTOCI                  |                    |             |
| Debt instruments                            | 8,261              | 5,337       |
| Equity instruments                          | 42,000             | -           |
| <u>Financial liabilities</u>                |                    |             |
| Financial liabilities at FVTPL              |                    |             |
| Held for trading                            | -                  | 8,240       |
| Financial liabilities at amortized cost (2) | 4,558,645          | 4,244,959   |

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

d. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

Several subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 19% of the Group's sales is denominated in currencies other than the functional currency of the Group making the sale, whilst almost 16% of costs is denominated in the Group's functional currency. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 32.

Sensitivity analysis

The Group is mainly exposed to the U.S. dollar.

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

|     | <b>Impact on Profit</b>               |             |
|-----|---------------------------------------|-------------|
|     | <b>For the Year Ended December 31</b> |             |
|     | <b>2021</b>                           | <b>2020</b> |
| USD | \$ 6,453                              | \$ 2,112    |

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

b) Interest rate risk

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

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

|                               | <b>December 31</b> |             |
|-------------------------------|--------------------|-------------|
|                               | <b>2021</b>        | <b>2020</b> |
| Fair value interest rate risk |                    |             |
| Financial liabilities         | \$ 25,789          | \$ 436,691  |
| Cash flow interest rate risk  |                    |             |
| Financial assets              | 1,867,409          | 2,098,984   |
| Financial liabilities         | 3,826,673          | 3,381,234   |

Sensitivity analysis

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

If interest rates had been 1% higher and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2021 and 2020 would have decreased by \$19,593 thousand and \$12,823 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

## 2) Credit risk

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

The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during 2021 and 2020.

The Group's concentration of credit risk by geographical locations was mainly in mainland China, which accounted for 97% and 97% of total trade receivables as of December 31, 2021 and 2020, respectively.

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

## 3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the Group had available unutilized short-term bank loan facilities set out in (b) below.

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

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

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

#### December 31, 2021

|   | Weighted<br>Average<br>Effective<br>Interest Rate | On Demand<br>or Less than<br>1 Month | 1-3 Months          | 3 Months to<br>1 Year | 1-5 Years           | 5+ Years    |
|---|---|--------------------------------------|---------------------|-----------------------|---------------------|-------------|
| Non-interest bearing<br>Lease liabilities | 1.94503%-<br>4.608%                               | \$ 5,667<br>1,439                    | \$ 596,380<br>2,842 | \$ 129,925<br>10,788  | \$ -<br>13,324      | \$ -<br>-   |
| Variable interest rate<br>liabilities     | 3.8%-4.65%  | -                                    | 320,401             | 2,601,853             | 1,051,834           | -           |
|   |   | <u>\$ 7,106</u>                      | <u>\$ 919,623</u>   | <u>\$ 2,742,566</u>   | <u>\$ 1,065,158</u> | <u>\$ -</u> |

Additional information on the maturity analysis for lease liabilities

|                   | Less than 1<br>Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years | 20+ Years |
|-------------------|---------------------|-----------|------------|-------------|-------------|-----------|
| Lease liabilities | \$ 15,069           | \$ 13,324 | \$ -       | \$ -        | \$ -        | \$ -      |

December 31, 2020

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

Additional information on the maturity analysis for lease liabilities

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

b) Financing facilities

|  | <u>December 31</u>  |                     |
|--|---------------------|---------------------|
|  | 2021                | 2020                |
| Unsecured bank overdraft facilities, reviewed annually<br>and payable on demand: |                     |                     |
| Amount used  | \$ 3,826,673        | \$ 3,249,924        |
| Amount unused  | <u>3,312,151</u>    | <u>2,062,764</u>    |
|  | <u>\$ 7,138,824</u> | <u>\$ 5,312,688</u> |
| Secured bank overdraft facilities, received annually                             |                     |                     |
| Amount used  | \$ -                | \$ 131,310          |
| Amount unused  | <u>916,739</u>      | <u>1,159,604</u>    |
|  | <u>\$ 916,739</u>   | <u>\$ 1,290,914</u> |

c. Transfers of financial assets

Factored trade receivables for the years ended December 31, 2021 and 2020 were as follows:

| Counterparties         | Receivables<br>Sold         | Amounts<br>Collected        | Amounts<br>Uncollected<br>Year End | Advances<br>Received Year<br>End | Interest Rates<br>on Advances<br>Received (%) | Credit Line    |
|------------------------|-----------------------------|-----------------------------|------------------------------------|----------------------------------|---|----------------|
| <u>2021</u>            |                             |                             |                                    |                                  |   |                |
| CTBC Bank Co.,<br>Ltd. | \$ 27,401<br>(US\$ 989,928) | \$ 19,140<br>(US\$ 691,484) | \$ 8,261<br>(US\$ 298,444)         | \$ -                             | -   | US\$ 1,000,000 |
| <u>2020</u>            |                             |                             |                                    |                                  |   |                |
| CTBC Bank Co.,<br>Ltd. | \$ 26,502<br>(US\$ 880,326) | \$ 21,165<br>(US\$ 692,926) | \$ 5,337<br>(US\$ 187,398)         | \$ -                             | -   | US\$ 1,000,000 |

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

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

As of December 31, 2021 and 2020, the carrying amount of these trade receivables that have been transferred but not derecognized was \$8,261 thousand and \$5,337 thousand, respectively.

For the years ended December 31, 2021 and 2020, the Group transferred a portion of its banker's acceptance bills in mainland China to some of its suppliers in order to settle the trade payables to these suppliers. As the Group has transferred substantially all risks and rewards relating to these bills receivable, it derecognized the full carrying amount of the bills receivable and the associated trade payables. However, if the derecognized bills receivable are not paid at maturity, the suppliers have the right to request that the Group pay the unsettled balance; therefore, the Group still has continuing involvement in these bills receivable.

As of December 31, 2021 and 2020, the carrying amount of these banker's acceptance bills that have been transferred but not derecognized was \$143,826 thousand and \$57,969 thousand, respectively.

## 29. TRANSACTIONS WITH RELATED PARTIES

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

### a. Related party name and category

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

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

b. Sales of goods

| Line Item | Related Party Category/Name | For the Year Ended December 31 |                   |
|-----------|-----------------------------|--------------------------------|-------------------|
|           |                             | 2021                           | 2020              |
| Sales     | Associate                   | \$ 94,019                      | \$ 119,580        |
|           | Other related parties       | 74,736                         | 76,847            |
|           | Related party in substance  |                                |                   |
|           | Brighton-Best International | <u>1,300,698</u>               | <u>291,780</u>    |
|           | (Taiwan) Inc.               | <u>\$ 1,469,453</u>            | <u>\$ 488,207</u> |

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

c. Purchases of goods

| Related Party Category/Name | For the Year Ended December 31 |                   |
|-----------------------------|--------------------------------|-------------------|
|                             | 2021                           | 2020              |
| Associate                   | \$ 16,351                      | \$ 15,992         |
| Other related parties       | <u>870,512</u>                 | <u>521,965</u>    |
|                             | <u>\$ 886,863</u>              | <u>\$ 537,957</u> |

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

d. Manufacturing overhead - material consumption

| Line Item                                     | Related Party Category/Name | For the Year Ended December 31 |                  |
|---|-----------------------------|--------------------------------|------------------|
|   |                             | 2021                           | 2020             |
| Manufacturing overhead - material consumption | Associate                   | <u>\$ 31,577</u>               | <u>\$ 17,870</u> |

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

| Line Item           | Related Party Category/Name | December 31      |                  |
|---------------------|-----------------------------|------------------|------------------|
|                     |                             | 2021             | 2020             |
| Notes receivable    | Associate                   | <u>\$ 14,032</u> | <u>\$ 14,219</u> |
| Accounts receivable | Associate                   | \$ 35,628        | \$ 50,367        |
|                     | Other related parties       | 9,431            | 10,047           |
|                     | Related party in substance  | <u>36,438</u>    | <u>11,977</u>    |
|                     |                             | <u>\$ 81,497</u> | <u>\$ 72,391</u> |

f. Other receivables

| Line Item         | Related Party Category/Name | December 31  |               |
|-------------------|-----------------------------|--------------|---------------|
|                   |                             | 2021         | 2020          |
| Other receivables | Other related parties       | <u>\$ 92</u> | <u>\$ 103</u> |



g. Prepayments

| Line Item   | Related Party Category/Name | December 31     |                 |
|-------------|-----------------------------|-----------------|-----------------|
|             |                             | 2021            | 2020            |
| Prepayments | Associate                   | \$ -            | \$ 650          |
|             | Other related parties       | <u>6,091</u>    | <u>448</u>      |
|             |                             | <u>\$ 6,091</u> | <u>\$ 1,098</u> |

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

| Line Item        | Related Party Category/Name | December 31      |                 |
|------------------|-----------------------------|------------------|-----------------|
|                  |                             | 2021             | 2020            |
| Accounts payable | Associate                   | \$ 6,054         | \$ 3,427        |
|                  | Other related parties       | <u>25,500</u>    | <u>1,503</u>    |
|                  |                             | <u>\$ 31,554</u> | <u>\$ 4,930</u> |

i. Lease arrangements

| Line Item         | Related Party Category/Name | December 31 |               |
|-------------------|-----------------------------|-------------|---------------|
|                   |                             | 2021        | 2020          |
| Lease liabilities | Key management personnel    | <u>\$ -</u> | <u>\$ 426</u> |

| Line Item        | Related Party Category/Name | For the Year Ended December 31 |              |
|------------------|-----------------------------|--------------------------------|--------------|
|                  |                             | 2021                           | 2020         |
| Interest expense | Key management personnel    | <u>\$ 5</u>                    | <u>\$ 15</u> |

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

j. Others

| Line Item                            | Related Party Category/Name | For the Year Ended December 31 |                 |
|--------------------------------------|-----------------------------|--------------------------------|-----------------|
|                                      |                             | 2021                           | 2020            |
| Non-operating income - rental income | Associate                   | <u>\$ 428</u>                  | <u>\$ 2,322</u> |
| Other income                         | Other related parties       | <u>\$ 14</u>                   | <u>\$ -</u>     |
| Other expense                        | Other related parties       | <u>\$ 3,797</u>                | <u>\$ -</u>     |

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

k. Endorsements and guarantees

Endorsements given by related parties

| Related Party Category/Name                      | December 31 |              |
|--|-------------|--------------|
|  | 2021        | 2020         |
| Key management personnel                         |             |              |
| Amount endorsed                                  | \$ 916,739  | \$ 1,290,914 |
| Amount utilized (reported as secured bank loans) | -           | 131,310      |

l. Compensation of key management personnel

|                              | For the Year Ended December 31 |                  |
|------------------------------|--------------------------------|------------------|
|                              | 2021                           | 2020             |
| Short-term employee benefits | <u>\$ 20,383</u>               | <u>\$ 20,697</u> |

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

### 30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

None of assets was provided as collateral for bank borrowings, issuing the letters of credit and other contracts as of December 31, 2021 and 2020.

### 31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments were as follows:

|  | December 31       |                 |
|--|-------------------|-----------------|
|  | 2021              | 2020            |
| Acquisition of property, plant and equipment | <u>\$ 438,406</u> | <u>\$ 4,080</u> |

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

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

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

December 31, 2021

|                              | Foreign<br>Currency | Exchange Rate    | Carrying<br>Amount |
|------------------------------|---------------------|------------------|--------------------|
| <u>Financial assets</u>      |                     |                  |                    |
| Monetary items               |                     |                  |                    |
| USD                          | \$ 23,408           | 6.3757 (USD:RMB) | \$ 648,304         |
| EUR                          | 2,271               | 7.2099 (EUR:RMB) | 71,142             |
| <u>Financial liabilities</u> |                     |                  |                    |
| Monetary items               |                     |                  |                    |
| USD                          | 109                 | 6.3757 (USD:RMB) | 3,030              |
| NTD                          | 5,774               | 0.2302 (NTD:RMB) | 5,774              |

December 31, 2020

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

For the years ended December 31, 2021 and 2020, realized and unrealized net foreign exchange losses were \$59,956 thousand and net foreign exchange gains were \$40,366 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group.

### 33. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and investees:

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

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

### 34. SEGMENT INFORMATION

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

a. Revenue from major products and services

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

|           | <b>For the Year Ended December 31</b> |                     |
|-----------|---------------------------------------|---------------------|
|           | <b>2021</b>                           | <b>2020</b>         |
| Fasteners | \$ 8,411,948                          | \$ 5,923,052        |
| Wire      | 2,406,200                             | 1,742,227           |
| Others    | <u>2,417,368</u>                      | <u>1,506,059</u>    |
|           | <u>\$ 13,235,516</u>                  | <u>\$ 9,171,338</u> |

b. Geographical information

|         | <b>For the Year Ended December 31</b> |                     |
|---------|---------------------------------------|---------------------|
|         | <b>2021</b>                           | <b>2020</b>         |
| China   | \$ 8,937,756                          | \$ 6,620,581        |
| America | 1,992,287                             | 1,142,943           |
| Asia    | 1,174,199                             | 779,743             |
| Others  | <u>1,131,274</u>                      | <u>628,071</u>      |
|         | <u>\$ 13,235,516</u>                  | <u>\$ 9,171,338</u> |

c. Information on major customers

The Group has no client who contributes over 10% to the Group's total revenue for the years ended December 31, 2021 and 2020.

TABLE 1

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

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No.<br>(Note 1) | Lender                                       | Borrower  | Financial<br>Statement<br>Account    | Related<br>Party | Highest Balance<br>for the Period | Ending Balance | Actual<br>Borrowing<br>Amount | Interest Rate<br>(%) | Nature of<br>Financing<br>(Note 2) | Business<br>Transaction<br>Amount | Reasons for<br>Short-term<br>Financing | Allowance for<br>Impairment<br>Loss | Collateral |       | Financing Limit<br>for Each<br>Borrower | Aggregate<br>Financing Limit | Note |
|-----------------|--|---|--------------------------------------|------------------|-----------------------------------|----------------|-------------------------------|----------------------|------------------------------------|-----------------------------------|--|-------------------------------------|------------|-------|---|------------------------------|------|
|                 |  |   |                                      |                  |                                   |                |                               |                      |                                    |                                   |  |                                     | Item       | Value |   |                              |      |
| 0               | Tong Ming Enterprise<br>Co., Ltd. (Cayman)   | Tong Ming Enterprise (Zhejiang)<br>Co., Ltd.              | Other receivables -<br>related party | Yes              | \$ 436,000                        | \$ 436,000     | \$ 434,400                    | -                    | 2                                  | \$ -                              | Operational turnover                   | \$ -                                | None       | \$ -  | \$ 2,608,327                            | \$ 2,608,327                 |      |
| 1               | Tong Ming Enterprise<br>(Zhejiang) Co., Ltd. | Fan Yi Enterprise Co., Ltd.<br>(Guangzhou)                | Other receivables                    | No               | 2,180                             | 2,172          | -                             | 4.35                 | 1                                  | 20,097                            |  | -                                   | None       | -     | 2,172                                   | 2,608,327                    |      |
|                 |  | He Xu Enterprise Co., Ltd.<br>(Huizhou)                   | Other receivables                    | No               | 2,442                             | 2,433          | 1,444                         | 4.35                 | 1                                  | 22,253                            |  | -                                   | None       | -     | 2,433                                   | 2,608,327                    |      |
|                 |  | Jian Yue Enterprise Co., Ltd.<br>(Shenzhen)               | Other receivables                    | No               | 2,180                             | 2,172          | 1,565                         | 4.35                 | 1                                  | 22,220                            |  | -                                   | None       | -     | 2,172                                   | 2,608,327                    |      |
|                 |  | Fan Yi Enterprise Co., Ltd.<br>(Shenzhen)                 | Other receivables                    | No               | 2,180                             | 2,172          | -                             | 4.35                 | 1                                  | 18,877                            |  | -                                   | None       | -     | 2,172                                   | 2,608,327                    |      |
|                 |  | Dong Xin Enterprise Co., Ltd.<br>(Shenzhen)               | Other receivables                    | No               | 4,344                             | 4,344          | 2,476                         | 4.35                 | 1                                  | 47,054                            |  | -                                   | None       | -     | 4,344                                   | 2,608,327                    |      |
|                 |  | Dong Qu Enterprise Co., Ltd.<br>(Dongguan)                | Other receivables                    | No               | 1,520                             | 1,520          | -                             | 4.35                 | 1                                  | 12,667                            |  | -                                   | None       | -     | 1,520                                   | 2,608,327                    |      |
|                 |  | Dao Qin Enterprise Co., Ltd.<br>(Jinan)                   | Other receivables                    | No               | 2,180                             | 2,172          | -                             | 4.35                 | 1                                  | 20,672                            |  | -                                   | None       | -     | 2,172                                   | 2,608,327                    |      |
|                 |  | Fan Xing Enterprise Co., Ltd.<br>(Jinan)                  | Other receivables                    | No               | 1,395                             | 1,390          | -                             | 4.35                 | 1                                  | 13,893                            |  | -                                   | None       | -     | 1,390                                   | 2,608,327                    |      |
|                 |  | Nan Hai Tai Feng Enterprise Co.,<br>Ltd. (Foshan)         | Other receivables                    | No               | 869                               | 869            | -                             | 4.35                 | 1                                  | 7,701                             |  | -                                   | None       | -     | 869                                     | 2,608,327                    |      |
|                 |  | Wan Jie Tong Enterprise Co., Ltd.<br>(Qingdao)            | Other receivables                    | No               | 2,172                             | 2,172          | -                             | 4.35                 | 1                                  | 17,786                            |  | -                                   | None       | -     | 2,172                                   | 2,608,327                    |      |
|                 |  | Shang Tuo Enterprise Co., Ltd.<br>(Yantai)                | Other receivables                    | No               | 392                               | 391            | -                             | 4.35                 | 1                                  | 4,591                             |  | -                                   | None       | -     | 391                                     | 2,608,327                    |      |
|                 |  | Hua Yuan Guang Mao Enterprise<br>Co., Ltd. (Shijiazhuang) | Other receivables                    | No               | 218                               | 217            | -                             | 4.35                 | 1                                  | 2,042                             |  | -                                   | None       | -     | 217                                     | 2,608,327                    |      |
|                 |  | Bai Si Te Enterprise Co., Ltd.<br>(Shenyang)              | Other receivables                    | No               | 349                               | 348            | -                             | 4.35                 | 1                                  | 3,626                             |  | -                                   | None       | -     | 348                                     | 2,608,327                    |      |
|                 |  | Te Er Si Enterprise Co., Ltd.<br>(Guangzhou)              | Other receivables                    | No               | 654                               | 652            | -                             | 4.35                 | 1                                  | 4,678                             |  | -                                   | None       | -     | 652                                     | 2,608,327                    |      |
|                 |  | Gang Hao Enterprise Co., Ltd.<br>(Zhongshan)              | Other receivables                    | No               | 916                               | 912            | 900                           | 4.35                 | 1                                  | 10,539                            |  | -                                   | None       | -     | 912                                     | 2,608,327                    |      |
|                 |  | Dong Yu Enterprise Co., Ltd.<br>(Guangdong)               | Other receivables                    | No               | 4,360                             | 4,344          | 4,344                         | 4.35                 | 1                                  | 34,902                            |  | -                                   | None       | -     | 4,344                                   | 2,608,327                    |      |
|                 |  | Ya Zhi Neng Enterprise Co., Ltd.<br>(Suzhou)              | Other receivables                    | No               | 652                               | 652            | 413                           | 4.35                 | 1                                  | 6,541                             |  | -                                   | None       | -     | 652                                     | 2,608,327                    |      |
|                 |  | Quililai Hardware Co., Ltd.<br>(Foshan)                   | Other receivables                    | No               | 436                               | 434            | 434                           | 4.35                 | 1                                  | 2,780                             |  | -                                   | None       | -     | 434                                     | 2,608,327                    |      |
|                 |  | Mei Zhi Enterprise Co., Ltd.<br>(Guangdong)               | Other receivables                    | No               | 391                               | 391            | 304                           | 4.35                 | 1                                  | 2,736                             |  | -                                   | None       | -     | 391                                     | 2,608,327                    |      |
|                 |  | Tao Yue Enterprise Co., Ltd.<br>(Shanghai)                | Other receivables                    | No               | 3,128                             | 3,128          | -                             | 4.35                 | 1                                  | 32,972                            |  | -                                   | None       | -     | 3,128                                   | 2,608,327                    |      |
|                 |  | Dong Wei Enterprise Co., Ltd.<br>(Changzhou)              | Other receivables                    | No               | 480                               | 478            | 478                           | 4.35                 | 1                                  | 4,617                             |  | -                                   | None       | -     | 478                                     | 2,608,327                    |      |
|                 |  | Lei En Enterprise Co., Ltd.<br>(Kunshan)                  | Other receivables                    | No               | 869                               | 869            | 608                           | 4.35                 | 1                                  | 4,104                             |  | -                                   | None       | -     | 869                                     | 2,608,327                    |      |
|                 |  | Jian Chi Enterprise Co., Ltd.<br>(Guangdong)              | Other receivables                    | No               | 218                               | 217            | 217                           | 4.35                 | 1                                  | 2,184                             |  | -                                   | None       | -     | 217                                     | 2,608,327                    |      |
|                 |  | Yongxing Technology Co., Ltd.<br>(Guangdong)              | Other receivables                    | No               | 521                               | 521            | 166                           | 4.35                 | 1                                  | 2,778                             |  | -                                   | None       | -     | 521                                     | 2,608,327                    |      |
|                 |  | Borlan Industry Enterprise Co.,<br>Ltd. (Shanghai)        | Other receivables                    | No               | 2,485                             | 2,476          | -                             | 4.35                 | 1                                  | 25,838                            |  | -                                   | None       | -     | 2,476                                   | 2,608,327                    |      |
|                 |  | Escape Enterprise Co., Ltd.<br>(Guangdong)                | Other receivables                    | No               | 1,526                             | 1,520          | 1,056                         | 4.35                 | 1                                  | 13,960                            |  | -                                   | None       | -     | 1,520                                   | 2,608,327                    |      |
|                 |  | Jiasheng Technology Enterprise<br>Co., Ltd. (Zhu Zhou)    | Other receivables                    | No               | 2,485                             | 2,476          | -                             | 4.35                 | 1                                  | 24,935                            |  | -                                   | None       | -     | 2,476                                   | 2,608,327                    |      |

(Continued)

| No.<br>(Note 1) | Lender                    | Borrower  | Financial Statement Account     | Related Party | Highest Balance for the Period | Ending Balance | Actual Borrowing Amount | Interest Rate (%) | Nature of Financing (Note 2) | Business Transaction Amount | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral |       | Financing Limit for Each Borrower | Aggregate Financing Limit | Note |
|-----------------|---------------------------|---|---------------------------------|---------------|--------------------------------|----------------|-------------------------|-------------------|------------------------------|-----------------------------|----------------------------------|-------------------------------|------------|-------|-----------------------------------|---------------------------|------|
|                 |                           |   |                                 |               |                                |                |                         |                   |                              |                             |                                  |                               | Item       | Value |                                   |                           |      |
|                 |                           | Long Solid Materials Co., Ltd. (Nanyang)                        | Other receivables               | No            | \$ 4,360                       | \$ 4,344       | \$ 232                  | 4.35              | 1                            | \$ 13,106                   | -                                | \$ -                          | None       | \$ -  | 4,344                             | \$ 2,608,327              |      |
|                 |                           | Kuai Kuo Enterprise Co., Ltd. (Changsha)                        | Other receivables               | No            | 785                            | 782            | -                       | 4.35              | 1                            | 8,187                       | -                                | -                             | None       | -     | 782                               | 2,608,327                 |      |
|                 |                           | Minwei Hardware Products Co., Ltd. (Guangzhou)                  | Other receivables               | No            | 695                            | 695            | -                       | 4.35              | 1                            | 6,269                       | -                                | -                             | None       | -     | 695                               | 2,608,327                 |      |
|                 |                           | Gao Zhiqiang Hardware Enterprise Co., Ltd. (Jiangmen)           | Other receivables               | No            | 959                            | 956            | 791                     | 4.35              | 1                            | 9,955                       | -                                | -                             | None       | -     | 956                               | 2,608,327                 |      |
|                 |                           | Mannes Technology Co., Ltd. (Tianjin)                           | Other receivables               | No            | 392                            | 391            | -                       | 4.35              | 1                            | 3,921                       | -                                | -                             | None       | -     | 391                               | 2,608,327                 |      |
|                 |                           | Tight Wins Enterprise Co., Ltd. (Dongguan)                      | Other receivables               | No            | 654                            | 652            | 543                     | 4.35              | 1                            | 4,226                       | -                                | -                             | None       | -     | 652                               | 2,608,327                 |      |
|                 |                           | Ding Shuang Enterprise Co., Ltd. (Chongqing)                    | Other receivables               | No            | 480                            | 478            | -                       | 4.35              | 1                            | 4,895                       | -                                | -                             | None       | -     | 478                               | 2,608,327                 |      |
|                 |                           | GN Hardware Co., Ltd. (Foshan)                                  | Other receivables               | No            | 654                            | 652            | -                       | 4.35              | 1                            | 6,555                       | -                                | -                             | None       | -     | 652                               | 2,608,327                 |      |
|                 |                           | Pear Orchard Fastening Co., Ltd. (Haimen)                       | Other receivables               | No            | 1,090                          | 1,086          | -                       | 4.35              | 1                            | 11,207                      | -                                | -                             | None       | -     | 1,086                             | 2,608,327                 |      |
|                 |                           | Longsheng Hardware Products Co., Ltd. (Jiangmen)                | Other receivables               | No            | 654                            | 652            | -                       | 4.35              | 1                            | 1,700                       | -                                | -                             | None       | -     | 652                               | 2,608,327                 |      |
|                 |                           | Ao Ke Enterprise Co., Ltd. (Shenyang)                           | Other receivables               | No            | 654                            | 652            | -                       | 4.35              | 1                            | 3,723                       | -                                | -                             | None       | -     | 652                               | 2,608,327                 |      |
|                 |                           | Ring Buckle Hardware Co., Ltd. (Foshan)                         | Other receivables               | No            | 1,308                          | 1,303          | -                       | 4.35              | 1                            | 10,841                      | -                                | -                             | None       | -     | 1,303                             | 2,608,327                 |      |
|                 |                           | Zhangchen Trading Co., Ltd. (Zhongshan)                         | Other receivables               | No            | 218                            | 217            | 217                     | 4.35              | 1                            | 1,979                       | -                                | -                             | None       | -     | 217                               | 2,608,327                 |      |
|                 |                           | City Huayuan Guangzhou Trade Materials Co., Ltd. (Shijiazhuang) | Other receivables               | No            | 131                            | 130            | -                       | 4.35              | 1                            | 1,239                       | -                                | -                             | None       | -     | 130                               | 2,608,327                 |      |
|                 |                           | Zhongheng Fasteners Co., Ltd. (Guangzhou)                       | Other receivables               | No            | 261                            | 261            | -                       | 4.35              | 1                            | 1,504                       | -                                | -                             | None       | -     | 261                               | 2,608,327                 |      |
| 2               | Tong Ming Trading Limited | Fast Link   | Other receivables related party | Yes           | 19,873                         | 19,873         | -                       | 2.00              | 2                            | -                           | Operational turnover             | -                             | None       | -     | 21,016                            | 2,608,327                 |      |

Note 1: Financing provided to others are numbered as follows:

- "0" for the Company.
- Subsidiaries are numbered from "1".

Note 2: The nature for the financing is as follows:

- No. 1 represents the business contact.
- No. 2 represents the need for short-term financing.

Note 3: The limit amount is calculated as follows:

- The total amount for lending to a company for funding for a short-term period shall not exceed  $\$6,520,817 \times 40\% = \$2,608,327$  (in thousands) of the net worth of Tong Ming Enterprise Co., Ltd.
- There were business transactions: The total loan to borrower shall not exceed  $\$6,520,817 \times 40\% = \$2,608,327$  (in thousands) of the net worth of Tong Ming Enterprise Co., Ltd.
- There need for short term financing: The total loan to borrower shall not exceed  $\$6,520,817 \times 40\% = \$2,608,327$  (in thousands) of the net worth of Tong Ming Enterprise Co., Ltd.
- There need for short term financing: The total loan to borrower shall not exceed  $\$52,539 \times 40\% = \$21,016$  (in thousands) of the net worth of Tong Ming Trading Limited.

(Concluded)

TABLE 2

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

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Endorser/Guarantor             | Endorsee/Guaranteee   |              | Limit on<br>Endorsement/<br>Guarantee Given<br>on Behalf of<br>Each Party | Maximum<br>Amount<br>Endorsed/<br>Guaranteed<br>During the<br>Period | Outstanding<br>Endorsement/<br>Guarantee at the<br>End of the Period | Actual<br>Borrowing<br>Amount | Amount<br>Endorsed/<br>Guaranteed by<br>Collateral | Ratio of<br>Accumulated<br>Endorsement/<br>Guarantee to Net<br>Equity in Latest<br>Financial<br>Statements<br>(%) | Aggregate<br>Endorsement/<br>Guarantee Limit | Endorsement/<br>Guarantee Given<br>by Parent on<br>Behalf of<br>Subsidiaries | Endorsement/<br>Guarantee Given<br>by Subsidiaries<br>on Behalf of<br>Parent | Endorsement/<br>Guarantee Given<br>on Behalf of<br>Companies in<br>Mainland China | Note |
|-----|--------------------------------|---|--------------|---|--|--|-------------------------------|--|---|--|--|--|---|------|
|     |                                | Name  | Relationship |   |  |  |                               |  |   |  |  |  |   |      |
| 0   | Tong Ming Enterprise Co., Ltd. | Winlink Fasteners Co., Ltd.<br>TongWin International Co., Ltd.<br>Fast Link | b<br>b<br>b  | \$ 1,304,163<br>1,304,163<br>1,304,163                                    | \$ 90,600<br>84,424<br>(US\$ 3,050)<br>55,360<br>(US\$ 2,000)        | \$ 90,600<br>84,424<br>(US\$ 3,050)<br>55,360<br>(US\$ 2,000)        | \$ -<br>-<br>-                | \$ -<br>-<br>-                                     | 1.50<br>1.40<br>0.92  | \$ 3,260,409<br>3,260,409<br>3,260,409       | Y<br>Y<br>Y  | N<br>N<br>N  | N<br>N<br>N   |      |

Note 1: Number should be noted in number column.

- a. "0" for the Company.  
b. Subsidiaries are numbered from "1".

Note 2: Relationship information of endorser and endorsee should be noted.

- a. Trading partner.  
b. Majority owned subsidiary.  
c. The Company and subsidiary own over fifty percent (50%) ownership of the investee company.  
d. Directly or through subsidiaries owned over fifty percent (50%) of the Company's ordinary shares.  
e. Guaranteed by the Company according to the construction contract.  
f. An investee company of which the guarantees were provided based on the Company's proportionate share in the investee company.

Note 3: The limit amount is calculated as follows:

- a. The total amount of guarantee shall not exceed 50% of the net worth of Tong Ming Enterprise Co., Ltd. which is \$6,520,817 × 50% = \$3,260,409 (in thousands).  
b. The total amount of guarantee provided by Tong Ming Enterprise Co., Ltd. to any individual entity shall not exceed 20% of the net worth of Tong Ming Enterprise Co., Ltd. which is \$6,520,817 × 20% = \$1,304,163 (in thousands).



TABLE 3

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

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Holding Company Name                      | Type and Name of Marketable Securities   | Relationship with the Holding Company | Financial Statement Account         | December 31, 2021 |                            |                             | Note                       |
|---|--|---------------------------------------|-------------------------------------|-------------------|----------------------------|-----------------------------|----------------------------|
|   |  |                                       |                                     | Number of Shares  | Carrying Amount            | Percentage of Ownership (%) | Fair Value                 |
| Tong Ming Enterprise (Zhejiang) Co., Ltd. | Structured deposits<br>Lujiazui Trust Co., Ltd. - Hongyu Financial City No. 1<br>wealth investment product | None                                  | Financial assets at FVTPL - current | -                 | \$ 304,080<br>(RMB 70,000) | -                           | \$ 304,080<br>(RMB 70,000) |
| Winlink Fasteners Co., Ltd.               | Unlisted stock<br>Tung Mung Development Co., Ltd.  | None                                  | Financial assets at FVTOCI          | 4,000             | 42,000                     | 1.1                         | 42,000                     |

Note 1: Marketable securities are shares, bonds and beneficiary certificates within the scope of IFRS 9.

Note 2: Refer to information of subsidiary, associate and joint venture in Tables 7 and 8.

TABLE 4

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

## MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company Name                              | Type and Name of Marketable Securities (Note 1) | Financial Statement Account         | Counterparty (Note 2) | Relationship (Note 2) | Beginning Balance |        | Acquisition (Note 3) |                            | Disposal (Note 3) |                            | Gain (Loss) on Disposal    |                    | Ending Balance |                 |
|---|---|-------------------------------------|-----------------------|-----------------------|-------------------|--------|----------------------|----------------------------|-------------------|----------------------------|----------------------------|--------------------|----------------|-----------------|
|   |   |                                     |                       |                       | Number of Shares  | Amount | Number of Shares     | Amount                     | Number of Shares  | Amount                     | Carrying Amount            |                    | Shares         | Amount (Note 4) |
| Tong Ming Enterprise (Zhejiang) Co., Ltd. | ICBC - Tam Li Bao wealth investment product     | Financial assets at FVTPL - current | -                     | -                     | -                 | \$ -   | -                    | \$ 1,038,937 (RMB 240,000) | -                 | \$ 1,042,414 (RMB 240,803) | \$ 1,038,937 (RMB 240,000) | \$ 3,477 (RMB 803) | -              | \$ -            |

Note 1: Marketable Securities in this table include shares, bonds, beneficiary certificates and derivative products.

Note 2: Fill in the two columns if marketable securities are accounted for using equity method.

Note 3: The accumulated amount of acquisition/disposal were calculated separately.

Note 4: Paid-in capital is the paid-in capital of the parent company. Shares of issuers without par value or not NT\$10 per share are calculated according to 10% of total equity attributable to owners of the Company regarding the regulation on transaction amount of 20% of paid-in capital.

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

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Buyer                                     | Related Party   | Relationship               | Transaction Details |            |               |                                 | Abnormal Transaction |               | Notes/Accounts Receivable (Payable) |               | Note |
|---|---|----------------------------|---------------------|------------|---------------|---------------------------------|----------------------|---------------|-------------------------------------|---------------|------|
|   |   |                            | Purchase/<br>Sale   | Amount     | % of<br>Total | Payment Terms                   | Unit Price           | Payment Terms | Ending<br>Balance                   | % of<br>Total |      |
| Tong Win International Co., Ltd.          | Tong Heer Fasteners (Thailand) Co., Ltd.<br>Brighton-Best International (Taiwan) Inc. | Other related parties      | Purchase            | \$ 808,004 | 6             | T/T after shipment              | \$ -                 | -             | \$ 25,500                           | 1             |      |
|   |   | Related party in substance | Sale                | 1,090,302  | 8             | T/T at sight 5 days of B/L copy | -                    | -             | 17,089                              | 1             |      |
| Winlink Fasteners Co., Ltd.               | Brighton-Best International (Taiwan) Inc.   | Related party in substance | Sale                | 210,396    | 2             | T/T days after B/L date         | -                    | -             | 19,349                              | 1             |      |
| Tong Ming Enterprise (Zhejiang) Co., Ltd. | Tong Win International Co., Ltd.  | Affiliated company         | Sale                | 237,131    | 2             | T/T at sight                    | -                    | -             | 5,533                               | 1             |      |

Note: The prices and payments to related parties were not significantly different from those of purchases/sales from third parties.

TABLE 6

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

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company Name | Related Party                             | Relationship | Ending Balance              | Turnover Rate | Overdue |               | Amount Received in Subsequent Period | Allowance for Impairment Loss |
|--------------|---|--------------|-----------------------------|---------------|---------|---------------|--------------------------------------|-------------------------------|
|              |   |              |                             |               | Amount  | Actions Taken |                                      |                               |
| The Company  | Tong Ming Enterprise (Zhejiang) Co., Ltd. | Subsidiary   | \$ 434,400<br>(RMB 100,000) | Note          | \$ -    | -             | \$ -                                 | -                             |

Note: The ending balance is primarily consisted of other receivable, which is not applicable for the calculation of turnover days.

TABLE 7

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

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

| No.<br>(Note 1) | Investee Company                          | Counterparty                              | Relationship<br>(Note 2) | Transaction Details                    |            |  |
|-----------------|---|---|--------------------------|--|------------|--|
|                 |   |   |                          | Financial Statement Accounts           | Amount     | Payment Terms<br>% of Total<br>Sales or Assets |
| 0               | The Company                               | Tong Ming Enterprise (Zhejiang) Co., Ltd. | a                        | Other receivables from related parties | \$ 434,400 | -  |
| 1               | Tong Ming Enterprise (Zhejiang) Co., Ltd. | Tong Win International Co., Ltd.          | c                        | Sales revenue                          | 237,131    | T/T at sight                                   |
|                 |   |   |                          |  |            | 4  |
|                 |   |   |                          |  |            | 2  |

Note 1: Intercompany relationships and significant intercompany transactions information are noted within the number column as follows:

Number 0 represents the parent company.  
Number 1 represents subsidiaries.

Note 2: Parties involved in the transaction have a direct relationship noted by the following:

Note "a" represents transactions from parent company to subsidiary.  
Note "b" represents transactions from subsidiary to parent company.  
Note "c" represents transactions between subsidiaries.

Note 3: The amounts of asset and liability are calculated as a percentage of the combined total assets. The amounts of income are calculated as a percentage of the combined total sales.

Note 4: Balance and transactions between the Company and subsidiaries, which are related parties of the Company, have been eliminated on consolidation.

TABLE 8

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

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company                          | Investee Company                         | Location  | Main Businesses and Products                 | Original Investment Amount    |                               | As of December 31, 2021 |        | Net Income<br>(Loss) of the<br>Investee | Share of Profit<br>(Loss) | Note   |
|---|--|-----------|--|-------------------------------|-------------------------------|-------------------------|--------|---|---------------------------|--------|
|   |  |           |  | December 31,<br>2021          | December 31,<br>2020          | Number of<br>Shares     | %      |   |                           |        |
| Tong Ming Enterprise Co., Ltd. (Cayman)   | Tong Group Limited                       | Hong Kong | Investment                                   | \$ 1,865,716<br>(RMB 429,493) | \$ 1,865,716<br>(RMB 429,493) | 1,000,000               | 100.00 | \$ 1,196,672                            | \$ 1,196,672              | Note 1 |
|   | China Rich International Holding Limited | Hong Kong | Investment                                   | 196,443<br>(RMB 45,222)       | 196,443<br>(RMB 45,222)       | 10,000                  | 100.00 | 126,035                                 | 126,035                   | Note 1 |
|   | Winlink Fasteners Co., Ltd.              | Taiwan    | Selling and marketing of fasteners and wires | 15,989                        | 15,989                        | 1,500,000               | 100.00 | 116,872                                 | 19,201                    | Note 1 |
|   | Tong Win International Co., Ltd.         | Sri Lanka | Selling and marketing of fasteners and wires | -                             | -                             | 500,000                 | 100.00 | 233,637                                 | 144,159                   | Note 1 |
|   | Fast Link                                | Japan     | Selling and marketing of fasteners and wires | 6,018<br>(JPY 25,000)         | 6,018<br>(JPY 25,000)         | 500                     | 83.33  | 7,340                                   | 2,340                     | Note 1 |
| Tong Ming Enterprise (Zhejiang) Co., Ltd. | Tong Ming Trading Limited                | Hong Kong | Buying and selling raw materials             | 1,385<br>(US\$ 50)            | 1,385<br>(US\$ 50)            | 50,000                  | 100.00 | 52,539                                  | (2,266)                   |        |
|   | Tong Ming Holding Ltd.                   | Hong Kong | Investment                                   | -                             | -                             | 50,000                  | 100.00 | (48)                                    | -                         |        |

Note 1: The carrying amount was based on the net assets of the investee whose financial statements were not audited as of December 31, 2021.

Note 2: For information of investments in mainland China, refer to Table 9.

Note 3: The exchange rate was US\$1=NT\$27.7; RMB1=NT\$4.344; JPY1=NT\$0.2407 as of December 31, 2021.

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

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investee Company  | Main Businesses and Products                                | Paid-in Capital               | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021 | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) | Carrying Amount as of December 31, 2021 | Accumulated Repatriation of Investment Income as of December 31, 2021 | Note   |
|---|---|-------------------------------|----------------------|---|---------------------|--------|---|-----------------------------------|--|------------------------|---|---|--------|
|   |   |                               |                      |   | Outward             | Inward |   |                                   |  |                        |   |   |        |
| Tong Group Limited<br>Tong Ming Enterprise (Zhejiang) Co., Ltd.                       | Manufacturing, selling and marketing of fasteners and wires | \$ 3,066,864<br>(RMB 706,000) | Direct investment    | \$ -  | \$ -                | -      | \$ -  | \$ 1,457,899                      | 90.20  | \$ 1,315,025           | \$ 5,442,733                            | \$ -  | Note 1 |
| China Rich International Holding Limited<br>Tong Ming Enterprise (Zhejiang) Co., Ltd. | Manufacturing, selling and marketing of fasteners and wires | 3,066,864<br>(RMB 706,000)    | Direct investment    | -   | -                   | -      | -   | 1,457,899                         | 9.50   | 138,500                | 573,237                                 | -   | Note 1 |
| Tong Ming Enterprise Co., Ltd. (Zhejiang)<br>Eastar trade (Shanghai) Co., Ltd.        | Selling of marketing of fasteners and wires                 | -                             | Direct investment    | -   | -                   | -      | -   | -                                 | -  | -                      | -                                       | -   | Note 6 |
| Shanghai Dongyiqin Industrial Fastener Co., Ltd.                                      | Selling of marketing of fasteners and wires                 | 2,172<br>500<br>(RMB)         | Direct investment    | -   | -                   | -      | -   | 1,934                             | 40.00  | 773                    | 8,405                                   | -   | -      |
| Jiaxing Spring You Precise Mold Co., Ltd.   | Manufacturing and selling of molds                          | 24,711<br>5,689<br>(RMB)      | Direct investment    | -   | -                   | -      | -   | 5,418                             | 47.50  | 2,574                  | 17,817                                  | -   | -      |
| Jiaxing Toyon Hardware Co., Ltd.  | Selling of marketing of fasteners and wires                 | 4,344<br>1,060<br>(RMB)       | Direct investment    | -   | -                   | -      | -   | 3,609                             | 40.00  | 1,444                  | 7,319                                   | -   | -      |
| Shenzhen Yiqin Industrial Fastener Co., Ltd.  | Selling of marketing of fasteners and wires                 | 13,032<br>3,000<br>(RMB)      | Direct investment    | -   | -                   | -      | -   | 4,215                             | 100.00                                       | 4,215                  | 47,180                                  | -   | -      |
| Tong Win Trading (Jiaxing) Co., Ltd.  | Selling of marketing of fasteners and wires                 | 6,516<br>1,500<br>(RMB)       | Direct investment    | -   | -                   | -      | -   | 2,105                             | 100.00                                       | 2,105                  | 8,228                                   | -   | -      |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021 | Investment Amount Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |     |
|---|---|---|-----|
|   |   | N/A   | N/A |

Note 1: The carrying amount was based on the net assets of the investee whose financial statements were audited as of December 31, 2021.

Note 2: The significant transactions with investee companies in mainland, either directly or indirectly through a third party: None.

Note 3: The condition of negotiable instrument endorsements or guarantees or pledges of collateral with investee companies in mainland, either directly or indirectly through a third party: None.

Note 4: The condition of financing of funds with investee companies in mainland, either directly or indirectly through a third party: None.

Note 5: Other transactions that have a material effect on the profit or loss for the year or on the financial position with investee companies in mainland, either directly or indirectly through a third party: None.

Note 6: Eastar trade (Shanghai) Co., Ltd. has completed the dissolution and liquidation procedures in January 2021

**TABLE 9****TONG MING ENTERPRISE CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS****DECEMBER 31, 2021**

| Name of Major Shareholder   | Shares           |                             |
|---|------------------|-----------------------------|
|   | Number of Shares | Percentage of Ownership (%) |
| Capitaland Limited  | 36,827,474       | 18.30                       |
| Tong One Holdings Limited   | 24,000,000       | 11.92                       |
| Richard Internation   | 24,000,000       | 11.92                       |
| Tsai, Yi-Ting   | 23,115,486       | 11.48                       |
| Tsai, Ming-Ti   | 19,129,536       | 9.50                        |
| Oriental Union Chemical Corp., in custody of Chinatrust Commercial Bank | 11,343,410       | 5.63                        |
| New Star Limited  | 10,400,000       | 5.16                        |
| Nega Sun Limited  | 10,400,000       | 5.16                        |

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.



## Seven. Review and Analysis of Financial Position and Performance and Associated Risks

### I. Financial Position

Unit: NT\$ 1,000

| Items \ Fiscal Year  | 2020      | 2021       | Difference |         |
|--|-----------|------------|------------|---------|
|  |           |            | Amount     | %       |
| Current Assets   | 7,578,647 | 9,906,384  | 2,327,737  | 30.71   |
| Fixed Assets   | 1,052,947 | 1,484,481  | 431,534    | 40.98   |
| Other Assets   | 223,834   | 495,723    | 271,889    | 121.47  |
| Total Assets   | 8,855,428 | 11,886,588 | 3,031,160  | 34.23   |
| Current Liabilities  | 3,378,859 | 3,983,909  | 605,050    | 17.91   |
| Long-Term Liabilities  | 1,062,736 | 1,005,671  | (57,065)   | (5.37)  |
| Other Liabilities  | 236,722   | 356,620    | 119,898    | 50.65   |
| Total Liabilities  | 4,678,317 | 5,346,200  | 667,883    | 14.28   |
| Capital  | 1,680,000 | 2,012,033  | 332,033    | 19.76   |
| Capital Surplus  | 916,905   | 1,827,423  | 910,518    | 99.30   |
| Retained earnings  | 1,799,751 | 2,940,505  | 1,140,754  | 63.38   |
| Exchange differences on translation of foreign financial statements  | (234,646) | (259,144)  | (24,498)   | (10.44) |
| Total Stockholders' Equity   | 4,177,111 | 6,540,388  | 2,363,277  | 56.58   |
| Reason and impact for varying over 20% and amount changed up to NT\$ 10,000 thousand from 2020 to 2021 are as follows:   |           |            |            |         |
| (1) Increase in current assets: Mainly due to the increase in turnover in 2021, the increase in accounts receivable and the expected future shipment volume and the original price trend, the increase in inventory preparation. |           |            |            |         |
| (2) Increase in fixed assets: Mainly due to the expansion of production capacity and the purchase of molding machines and other machinery and equipment.   |           |            |            |         |
| (3) Increase in other assets: Mainly due to the prepayment of equipment and machinery for the new plants.  |           |            |            |         |
| (4) Increase in total assets: As described in (1) ~ (3) above.   |           |            |            |         |
| (5) Increase in other liabilities: Mainly due to the increase of income tax expenses.  |           |            |            |         |
| (6) Increase in capital reserve: Mainly due to the issuance of shares and the company's conversion premium.  |           |            |            |         |
| (7) Increase in retained earnings: Mainly due to the increase of net profit after tax in 2021.   |           |            |            |         |
| (8) Increase in shareholders' equity: Mainly due to the increase of net profit after tax in 2021.  |           |            |            |         |

### III. Cash Flow

#### (I) Variance Analysis of Cash Flows in 2021:

Unit: NT\$ 1,000

| Item \ Year  | 2020      | 2021      | Increase (Decrease)<br>Amount | Increase (Decrease)<br>Ratio (%) |
|--|-----------|-----------|-------------------------------|----------------------------------|
| Net cash generated by operating activities:  | 5,163     | (130,960) | (136,123)                     | (2636.51)                        |
| Net cash used in investing activities:   | (172,523) | (920,753) | (748,230)                     | (43.70)                          |
| Net cash generated by financing activities:  | 869,306   | 808,538   | (60,768)                      | (6.99)                           |
| Reason and impact for varying over 20% and amount changed up to NT\$ 10,000 thousand from 2020 to 2021 are as follows:   |           |           |                               |                                  |
| 1. The cash outflow from operating activities increased compared with the previous period. Though the revenue grew in 2021, some receivables had not been recovered due to the fact that most shipments were at the end of the year. By predicting the future order demand and raw material price trend, the Company increased the inventory stock, resulting in a significant increase in net cash outflow. |           |           |                               |                                  |
| 2. The increase in cash outflow from investment activities compared with the previous period is mainly due to the increase in payment of various fixed assets for operational needs..  |           |           |                               |                                  |

#### (2) Liquidity Analysis for 2021 and action plan for insufficient liquidity

| Cash balance at beginning of period  | Net cash flow from operating activities for the year | Annual cash outflow | Cash shortage amount | Remedies for cash shortage |  |
|--|--|---------------------|----------------------|----------------------------|--|
|  |  |                     |                      | Investment Plan            | Financing Plan                           |
| 1,695,818  | 777,482  | (972,920)           | (390,910)            | —                          | Cash capital increase and bank financing |
| 1. Analysis of changes in cash flows in the coming year:<br>(1) The net cash inflow from operating activities mainly comes from operating income and operating expenses.<br>(2) Cash outflows are mainly from investing activities and financing activities.<br>2. Remedial measures and liquidity analysis of expected insufficient cash: The estimated cash outflows of the Company in the coming year are mainly due to future operating needs. In addition to cash inflows from operating activities, bank loans will be used when the cash balance is insufficient. |  |                     |                      |                            |  |

### III. Cash Flow

#### (I) Variance Analysis of Cash Flows in 2021:

Unit: NT\$ 1,000

| Item \ Year  | 2020      | 2021      | Increase (Decrease)<br>Amount | Increase (Decrease)<br>Ratio (%) |
|--|-----------|-----------|-------------------------------|----------------------------------|
| Net cash generated by operating activities:  | 5,163     | (130,960) | (136,123)                     | (2636.51)                        |
| Net cash used in investing activities:   | (172,523) | (920,753) | (748,230)                     | (43.70)                          |
| Net cash generated by financing activities:  | 869,306   | 808,538   | (60,768)                      | (6.99)                           |
| Reason and impact for varying over 20% and amount changed up to NT\$ 10,000 thousand from 2020 to 2021 are as follows:   |           |           |                               |                                  |
| 1. The cash outflow from operating activities increased compared with the previous period. Though the revenue grew in 2021, some receivables had not been recovered due to the fact that most shipments were at the end of the year. By predicting the future order demand and raw material price trend, the Company increased the inventory stock, resulting in a significant increase in net cash outflow. |           |           |                               |                                  |
| 2. The increase in cash outflow from investment activities compared with the previous period is mainly due to the increase in payment of various fixed assets for operational needs..  |           |           |                               |                                  |

#### (2) Liquidity Analysis for 2021 and action plan for insufficient liquidity

| Cash balance at beginning of period  | Net cash flow from operating activities for the year | Annual cash outflow | Cash shortage amount | Remedies for cash shortage |  |
|--|--|---------------------|----------------------|----------------------------|--|
|  |  |                     |                      | Investment Plan            | Financing Plan                           |
| 1,695,818  | 777,482  | (972,920)           | (390,910)            | —                          | Cash capital increase and bank financing |
| 1. Analysis of changes in cash flows in the coming year:<br>(1) The net cash inflow from operating activities mainly comes from operating income and operating expenses.<br>(2) Cash outflows are mainly from investing activities and financing activities.<br>2. Remedial measures and liquidity analysis of expected insufficient cash: The estimated cash outflows of the Company in the coming year are mainly due to future operating needs. In addition to cash inflows from operating activities, bank loans will be used when the cash balance is insufficient. |  |                     |                      |                            |  |

#### IV. Major Capital Expenditures in 2020 and Their Impacts on the Company's Finance and Operation

The Company spent total \$595,812 thousand for fixed assets in 2020, that was, the production equipment for increasing output and hardware of warehouse management system for accelerating shipment and improving efficiency. The amount was not so big and will not impact the normal running of the Company's finance and operation.

#### V. Reinvestment Policies of 2020, Main Reasons for Investment Gains or Losses, Improvement Plans, and Investment Plans of 2021

##### (1). Reinvestment Policies

The Company's reinvestment policies focuses on this industry and will not involve into non-related ones; except the regulation of investment cycle in internal control system, the Company has established the "Rules for Business Group, Specific Companies and Affiliates", "Procedures for Acquisition and Disposal of Assets" and "Rules for Supervision and Management of Subsidiaries", which has been approved by the Board of Directors or Shareholders' Meeting. And it will also assist the reinvested companies to set up proper internal control system in consideration of the local laws and regulations and their actual operating status.

##### (2). Main Reasons for Reinvestment Gains or Losses in 2018

Unit: NT\$ 1,000

| Reinvestment                              | Net profit in 2018 | Status                       |
|---|--------------------|------------------------------|
| Tong Group Limited                        | 1,196,672          | Good operating condition     |
| Tong Ming Enterprise Co., Ltd             | 126,035            | Good operating condition     |
| Winlink Fasteners Co., Ltd.               | 19,201             | Good operating condition     |
| Tong Win International Co., Ltd.          | 144,159            | Good operating condition     |
| FastLink Inc                              | 1,950              | Early stage of establishment |
| Tong Ming Enterprise Co., Ltd             | 1,453,525          | Good operating condition     |
| Jiaxing Chunyou Precision Mould Co., Ltd. | 2,574              | Good operating condition     |
| Tong Ming Trading Limited                 | (2,266)            | due to less sales            |
| Shanghai Dongqin Trading Co., Ltd.        | 773                | Good operating condition     |
| Tong Ming Holding Limited                 | -                  | No business activities       |
| Jiaxing Dongyou Hardware Co., Ltd.        | 1,444              | Good operating condition     |
| Shenzhen Easy Fasterner Co., Ltd.         | 4,215              | Good operating condition     |
| Tong Win International(Jia Xing) Co., Ltd | 2,105              | Good operating condition     |

- (3) Investment plan in following year: TONG HE ENTERPRISE CO.,LTD. will be established in the first quarter of 2022, with a capital of RMB 65,000,000. It is expected that stainless steel wires will be put into production in the third quarter of 2022.

## **VI. Risk Analysis and Assessment in 2020 and as of the Publishing Date of this Annual Report**

- (1) The impact of the Fluctuation in Interest Rates, Foreign Exchange Rates and Inflation on the Company's Profitability, and Associated Action Plans

### **A. Interest Rate Fluctuation**

- (a) The Impact on the Company's Revenue and Profit

The interest income of the Company in 2020 and 2021 was NT\$ 6,239,000 and NT\$ 11,143,000 respectively, accounting for 0.07% and 0.08% of the consolidated net operating income of the same year respectively. In addition, the interest expense was NT\$ 99,982,000 and NT\$ 141,174,000 respectively, accounting for 1.09% and 1.07% of the consolidated net operating income of the same year respectively. On the whole, since the ratio of interest income and interest expense to the consolidated net operating income in 2020 and 2021 is not high, the risk of affecting the Company's profit and loss is still controllable.

- (b) Action Plans

The Company has always had good relationships with the corresponding banks, and the financing policy is mainly used for short-term working capital and loans for material acquisitions. Going forward, it will actively maintain these good relationships with the banks, not only to secure more favorable interest rates, but to also closely watch the changes to the financial regulations inside and outside of mainland China, and the fluctuation in the interest rates so as to best make use of these regulations and reduce the risk of interest rate fluctuation.

### **B. Foreign Exchange Rates Fluctuation**

- (a) The Impact on the Company's Revenue and Profit

The Company's sales and procurement outside China are mainly quoted in US dollars, and sales and procurement in China are quoted in RMB. Since the overseas sales and purchases amount is about the same, the natural hedging method is mainly used to avoid exchange rate fluctuations. The Company's exchange loss in 2020 was NT\$ 40,366,000 and that in 2021 was NT\$ 59,956,000, accounting for - 0.44% and - 0.45% of the net consolidated operating income of the current period, and - 6.83% and - 3.34% of the net consolidated profit before tax of the current period. The proportion of exchange gains and losses in operating income and net profit before tax is not high, so the change of exchange rate has a

little impact on the company's revenue and profit.

The main functional currency of the Company is RMB and there has been no significant risk of foreign exchange rates until now.

(b) Action Plans

The Company will continue to strengthen awareness in their financial staff for exchange hedging, analyzing trends in the exchange rate using a real-time, online system and by keeping in close contact with financial institutions to provide a reference for exchange settlement. Moreover, natural hedging will still be used as a major strategy for risk control, with assets and liabilities in foreign currencies adjusted properly to reduce the risk of exchange rate fluctuations.

C. Inflation

Inflation did not have a significant impact on the Company's profitability in 2020 and 2021. According to the announcement made by National Bureau of Statistics of China, the Consumer Price Index decreased at an annual rate of 1.5% in January 2022, indicating that there is no significant inflationary trend in China.–

Although the price of roller steel wire, the primary raw material the Company uses, is easily impacted by the fluctuation of international Nickel prices (which is a special pricing property of the stainless steel industry) there is no direct causality with inflation. Moreover, due to floating adjustment of raw material purchasing and product sales, the Company not only closely watches the fluctuation of the regional economy and market prices of raw material and terminal products but it also maintains good relationships with its suppliers and customers. Therefore, any estimated inflation or deflation has no significant impact on the Company's profitability.

- (2) The policies, main reasons for gains or losses, and action plans with respect to high-risk, highly-leveraged investment, lending funds to other parties, endorsements and guarantee and derivative trading in 2018:

In maintaining the principle of being steady and practical, the Company did not engage in any high-risk or highly-leveraged investments, and it did not endorse or offer guarantees for other companies. Meanwhile, the Company has established the "Management of Lending and Endorsement Guarantee" as the basis of such operations and deals, with a forward contract for the sole purpose of avoiding the risk of exchange rate fluctuation. , For efficient use of funds, the Company purchase open-end non-principal-protected floating-income instruments from local correspondent banks to obtain a better return than normal deposits. The Company has also set up the "Procedures for Acquisition and Disposal of Assets (including the "Procedure for Derivative Trading")" for itself and its

affiliates. Capital loans to others follow the “Procedures for Lending Funds to Other Parties”, and there has been no significant impact on the Company’s finances and business.

(3) Future Research and Development Plans and Estimated Expenses:

The Company has been committed to the development of new products and the improvement of the production process over the years. For the development of new products, besides continuing to develop new model standard parts to meet the market requirement, the Company also works hard on special non-standard products and materials to extend the application of products. For the improvement of the production process, the Company pays more attention to improving the processes and upgrading the facilities. The R&D center staff not only collaborate with upstream facility suppliers on new production technology and technology transformation applications but also apply for patents for their own R&D achievements.

The ratio of R&D expenses to net operating revenue in 2020 and 2021 was 0.30% and 0.17%, respectively. Although the figures were not high, the Company has over 15 years production experience in the field of stainless steel fasteners and is a leader in the speed of product R&D and the improvement of the production process, with a National High-Tech Enterprise certification. It will continuously invest in research and development to enhance the Company’s technical strength and industrial competitiveness.

(4) The Impact of Changes in Major Domestic and Overseas Policies and Regulations on the Company’s Finances and Business, and Associated Action Plans:

The company is registered in the Cayman Islands and operates primarily in mainland China. The Cayman Island’s major economic activities are financial services, and mainland China has become the major economy in the world. The Company’s business of stainless steel fasteners and wire does not belong to the franchising industry, which is heavily regulated both home and abroad. The Company keeps a close watch on policy trends and any changes to the regulations, along with any variations in the market so as to take proper action. Therefore, changes to major domestic and overseas policies and regulations have no significant impact on the Company’s finances and business.

(5) The Impact of Changes in Technology and Industry on the Company’s Finances and Business, and Associated Action Plans:

Our products are widely used in various industries. Apart from grasping market and technology trends, the Company is also dedicated to the research of material, intensity and corrosion resistance, continues to make an improvement to the mould and production process to provide more competitive products and services for expanding the market share, and introduces new technology into existing products to cope with a

dynamic industrial variation. Furthermore, online shopping is increasingly popular and the platform is perfect in mainland China where the major business is located. The Company has set up a complete sales mechanism for this distribution channel, so there is no impact of changes in technology and industry on the Company's finances and business.

(6) The Impact of Changes to the Corporate Image on Corporate Risk Management, and the Associated Action Plans:

As a professional producer of stainless steel fasteners and wire, Zhejiang Tong Ming has been focusing on its operation since it was established, achieving remarkably and establishing a good reputation with more than ten year's hard work. There is no impact to our business on changes to our corporate image.

(7) Expected Benefits and Risks Relating to Mergers and Acquisitions, and the Associated Action Plans:

The Company has established a procedure for the internal restructure and integration of resources for the purpose of listing on the TWSE. It has not undertaken any other mergers and acquisitions. In the event of a merger in the future, the Company shall carefully evaluate and consider the combined effect of the merger to ensure the shareholders' rights and interests.

(8) The Expected Benefits and Risks Relating to Plant Expansion, and the Associated Action Plans:

The Company has no plans for plant expansion in the near future.

(9) The Risks of Concentrated Sources of Sales or Purchases, and the Associated Action Plans:

A. Risk of purchases:

Considering the quality and the lead time of receiving raw materials, the Company will give priority to Tier-one steel manufacturers for the purchase of rolled steel wire and will build long-term relationships with them. Although the purchasing of raw materials has been consolidated to the first three suppliers, they are all Tier-one steel manufacturers with a monthly opening price base. Since other suppliers keep growing in both technology and their scale of operations, the Company can transfer orders to them if there is any supply disruption. There is no significant risk of centralized purchasing of raw materials since the Company has the right to decide the supplier based on our purchasing scale advantage.

B. Risk of sales:



The Company primarily sells stainless steel fasteners and wire to distributors of all sizes to key direct customers in various industries due to the wide application of our products. Therefore, there is no significant risk of sales concentration since our customers are scattered and order large quantities, and the ratio of the sales volume of individual customers to overall revenue is less than 20%.

(10) The Impact and Risk of the Sale or Transfer of a Significant Number of Shares by the Directors, Supervisors or Shareholders with Over 10% Shareholding, and the Associated Action Plans: None.

(11) The Impact and Risk of a Change in Management, and the Associated Action Plans: None.

(12) The Significant Impact of Litigations or Non-litigations on the Interests of Shareholders or Share Prices:

(a) Major convictions or ongoing Litigations, Non-litigations, or Administrative Disputes in 2020 and 2021 with a Significant Impact on the Interests of Shareholders or Share Prices: None.

(b) Major convictions or ongoing Litigations, Non-litigations, or Administrative Disputes in 2020 and 2021 which Involve the Directors, Supervisors, President, De Facto Responsible Person, Major Shareholders with Over 10% Shareholding and Affiliates having a Significant Impact on the Interests of Shareholders or Share Prices: None.

(c) Any Events in 2020 and 2021 as stated in Article 157 of the Securities and Exchange Act by the Directors, Supervisors, Managers and Shareholders with Over 10% Shareholding: None

(13) Other Significant Risks and Associated Action Plans:

(a) The Risk of Overall Economic, Political and Economic Environment, Foreign Exchange and Laws and Regulations.

The Company is registered in the Cayman Islands and the primary business is in mainland China, so the overall economy, changes to the political environment and any fluctuation to the foreign exchange will all have an impact on the Company's operations.

(b) The Risk of Shareholders' Rights and Protection of Interests

There are many differences between the laws and regulations of the Cayman

Islands and Taiwan, and the Company amends the Articles of Incorporation as per the “Checklist on the Protection of Shareholders' Rights and Interests at the Registered Place of Foreign Issuers” of the Taiwan Stock Exchange without contradiction to Cayman’s laws and regulations.

**VII. Other Significant Matters: None.**

## Eight. Special Notes

### I. Consolidated Business Report of the Affiliates:

**It is same as the financial statement, please refer to page 85~152.**

(1) Chart of Affiliates: Refer to page 3.

(2) Basic Information on Affiliates:

| Company Name                             | Date of Incorporation | Address  | Paid-in Capital  | Main Business / Products  |
|--|-----------------------|--|--|---|
| Tong Ming Enterprise Co., Ltd            | Nov. 1995             | No. 88 East Changsheng Road, Economic Development Zone, Jiaxing City, Zhejiang Province  | RMB<br>468,000 thousand  | Production and sales of SUS fastener and wire, including hardware like SUS screw, threaded rod, wire and nut. |
| Tong Group Limited                       | Feb. 2008             | Room 2702-03, CC Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong  | RMB<br>429,493 thousand  | Investment  |
| China Rich International Holding Limited | Feb. 2008             | Room 2702-03, CC Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong  | RMB<br>45,222 thousand   | Investment  |
| Tong Ming Trading Limited                | May 2011              | Room 2702-03, CC Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong  | US\$<br>50 thousand  | Transaction and sales of SUS products   |
| Tong Ming Holding Limited                | Jul. 2012             | Room 2702-03, CC Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong  | Registered capital of US\$ 50 thousand<br>(Not available yet)  | Investment  |
| Shenzhen Easy Fasteners Co., Ltd.        | Dec. 2013             | No. 126, Building M07, South China International Hardware, Chemical and Plastic Logistics Zone (Phase I), 1# Huanan Avenue, Pinghu Street, Longgang District, Shenzhen | RMB<br>3,000 thousand  | R&D and sales of SUS fastener and standard parts  |
| Winlink Fasteners Co., Ltd.              | Jun. 1996             | 15 F, No. 140, Zhongshan N. Rd., Gangshan Dist., Kaohsiung City  | NT\$<br>15,000 thousand  | Domestic and overseas transaction of screw, nut and mechanical parts  |
| Tong Win International Co., Ltd.         | Aug. 2012             | Novasage Chambers, PO Box 3018, Level 2, CCCS Building, Beach Road, Apia, Samoa  | Registered capital of US\$ 500 thousand<br>(Not available yet) | Import and export of standard fastener  |

| Company Name                        | Date of Incorporation | Address   | Paid-in Capital        | Main Business / Products   |
|-------------------------------------|-----------------------|---|------------------------|--|
| FastLink Inc                        | Dec. 2020             | 7F Honhachiminami Gardencity, 3-6-1 Kitakyuhouji-Machi, Chuou-Ku Osaka, Jspan                                     | JPY<br>25,000 thousand | Import and export of standard fastener                               |
| Tong Win Trading (Jiaxing) Co., Ltd | May. 2019             | Room 502-2, Building 1, Fu'an Plaza, Economic and Technological Development Zone, Jiaxing City, Zhejiang Province | RMB<br>1,500 thousand  | Domestic and overseas transaction of screw, nut and mechanical parts |
| Meta Global Co., Ltd.               | Jan.2022              | Vistra Corporate Services Center,Grond Floor NPF Building, Beach Road, Apia. Samoa                                | RMB<br>6,500 thousand  | invest   |
| TONG HE ENTERPRISE CO.,LTD.         | Feb.2022              | Chengnan Industrial Park, Heping Town, Changxing County, Huzhou City, Zhejiang Province                           | RMB<br>6,500 thousand  | Production and sales of stainless steel wire                         |

- (3) The Company and its affiliates are principally engaged in the manufacture, processing and sale of stainless steel fasteners and wires. Zhejiang Tong Ming manufactures and sells stainless steel fasteners and wire products in Zhejiang Province; the Shanghai Yiqin and Shenzhen Yiqin Industrial Fasteners Co., Ltd. are engaged in the trading of fasteners in Shanghai and Guangdong, respectively, and some of the products are supplied by the operating entity. Ganshan Tong Ying , Tong Win International Co., Ltd., and Tong Ming Trading (Jiaxing) Co., Ltd. are mainly engaged in the trading of fasteners for the European and American markets, and Tong Ming Trading Limited purchases some of the production materials on behalf of the operating entity is mainly engaged in the trading of fasteners for the Japanese market. Zhejiang TONG HE ENTERPRISE CO.,LTD.. will produce and sell stainless steel wire products.
- (4) Shareholders in Common of Tong Ming and Its Affiliates with Deemed Control and Subordination: None

(5) Operational Highlights of Affiliates:

Unit: NT\$ 1000

| Company Name                             | Capital Stock               | Total Assets | Total Liabilities | Net Value | Operating revenues | Operating Profit | Net benefits | Earnings per share(NT\$) |
|--|-----------------------------|--------------|-------------------|-----------|--------------------|------------------|--------------|--------------------------|
| Tong Ming Enterprise Co., Ltd            | RMB<br>706,000<br>thousand  | 11,229,388   | 5,195,316         | 6,034,072 | 11,102,701         | 1,802,483        | 1,457,899    | 2.07                     |
| Tong Group Limited                       | RMB<br>429,493<br>thousand  | 5,442,733    | 294,291           | 5,148,442 | -                  | -                | 1,196,672    | -                        |
| China Rich International Holding Limited | RMB<br>45,222<br>thousand   | 573,237      | 30,995            | 542,242   | -                  | -                | 126,035      | -                        |
| Tong Ming Trading Limited                | US\$<br>50 thousand         | 63,619       | 11,080            | 52,539    | -0                 | (86)             | (2,266)      | -                        |
| Tong Ming Holding Limited                | -                           | -            | 48                | (48)      | -                  | -                | -            | -                        |
| Shenzhen Easy Fasteners Co., Ltd.        | RMB<br>3,000<br>thousand    | 88,519       | 41,341            | 47,178    | 81,490             | 5,318            | 4,215        | -                        |
| Winlink Fasteners Co., Ltd.              | NT\$<br>15,000<br>thousand  | 196,051      | 79,179            | 1161,872  | 724,595            | 24,965           | 19,201       | 12.80                    |
| Tong Win International Co., Ltd.         | -                           | 283,392      | 49,755            | 233,637   | 1,499,219          | 143,836          | 144,159      | -                        |
| FastLink Inc                             | JPY\$<br>30,000<br>thousand | 22,057       | 13,250            | 8,807     | 96,159             | 2,318            | 2,340        | 3.90                     |
| Tong Win Trading (Jiaxing) Co., Ltd      | RMB<br>1,500<br>thousand    | 9,649        | 1,421             | 8,228     | 33,952             | 2,302            | 2,105        | -                        |

(6) Information of the Directors, Supervisors and Presidents of the Affiliates:

| Company Name                             | Title      | Name or Representative | Shares held | Shareholding |
|--|------------|------------------------|-------------|--------------|
| Tong Ming Enterprise Co., Ltd            | Director   | Tsai, Ching-Tung       | -           | -            |
|  | Director   | Tsai, Ming-Ti          | -           | -            |
|  | Director   | Tsai, Chia-Yen         | -           | -            |
|  | Director   | Tsai, Hung-Chuan       | -           | -            |
|  | Director   | Tsai, Cheng-Hsiung     |             |              |
|  | Supervisor | Tsai, Chen-Jung        | -           | -            |
|  | Supervisor | Tsai Chen, Su-Kan      | -           | -            |
|  | Supervisor | Chang, Sheng-Chieh     | -           | -            |
|  | President  | Tsai, Hung-Chuan       | -           | -            |
| Tong Group Limited                       | Director   | Tsai, Ching-Tung       | -           | -            |
| China Rich International Holding Limited | Director   | Tsai Chen, Su-Kan      | -           | -            |
| Tong Ming Trading Limited                | Director   | Tsai, Cheng-Hsiung     | -           | -            |
| Tong Ming Holding Limited                | Director   | Tsai, Ching-Tung       | -           | -            |
| EASY TRADE(SHANGHAI)CO., LTD             | Director   | Tsai, Hung-Chuan       | -           | -            |
|  | Supervisor | Tsai, Cheng-Hsiung     | -           | -            |
| Shenzhen Easy Fasteners Co., Ltd.        | Director   | Ko, Hsin               | -           | -            |
|  | President  | Chen, Peng             | -           | -            |
| Winlink Fasteners Co., Ltd.              | Director   | Tsai, Hung-Chuan       |             |              |
|  | Director   | Tsai, Yi-Ting          |             |              |
|  | President  | Ko, Wen-Ling           |             |              |
| Tong Win International Co., Ltd          | Director   | Tsai, Hung-Chuan       |             |              |
| Tong Win Trading (Jiaxing) Co., Ltd      | Director   | Tsai, Cheng-Hsiung     |             |              |
|  | President  | Ko, Wen-Ling           |             |              |
| Fastlink Inc.                            | Director   | Tsai, Cheng-Hsiung     | -           | -            |
|  | President  | Kenji Tsukada          | -           | -            |
| Meta Global Co., Ltd.                    | Director   | Tsai, Hung-Chuan       |             |              |
| Tong He Enterprise Co.,Ltd.              | Director   | Tsai, Cheng-Hsiung     |             |              |
|  | Supervisor | Lo, Shu-Nan            |             |              |

(7) Consolidated Financial Statements of Affiliates: it is same as consolidate Financial Statements, refer to page 70~144

(8) Statement of Consolidated Financial Statements of Affiliates: N/A

**II. Private Placement of Securities in 2019 and as of the Publishing Date of this Annual Report: None**

**III. The Company's Shares Held or Disposed of by Subsidiaries in 2018 and as of the Publishing Date of this Annual Report: None.**

**IV. Other Necessary Supplement: None.**

**V. Any Events in 2018 and as of the Publishing Date of this Annual Report that had Significant Impacts on Shareholders' Right or Security Prices as Stated in Subparagraph 2 of Paragraph 3 of Article 36 of the Securities and Exchange Act: None.**

**VI. Major difference with Shareholder Rights Protection Provisions of our Country**

| Difference   | The Company's Law of the Cayman Island and Interpretation   | Articles of Incorporation and Interpretation   |
|--|---|--|
| “Special Resolution” means: a resolution passed by a majority of the Members, as being entitled to do so, voting in Person or, where proxies are allowed at a general meeting, with such members holding two-thirds or more of the total number of outstanding Shares of the Company attending that meeting; or if the total number of Shares represented by the Members of Public Companies present at a general meeting is not sufficient to meet the criteria specified in the preceding paragraph, the resolution made thereby may be passed by two-thirds or more of the Members, as being entitled to do so, voting in Person or, where proxies are allowed at a general meeting, such Members holding a majority of the total number of outstanding shares of the Company attending that meeting. | Subject to the Company's Laws of the Cayman Islands, a Special Resolution means in theory that the resolution is passed by two-thirds or more of the Members, as being entitled to do so, voting in Person or, where proxies are allowed at a general meeting, and the quorum of the meeting of Members shall be the Members holding a majority of the total number of outstanding shares of the Company attending that meeting | Subject to Letter Tai-Zheng-Shang-Zi No. 0991701319 of TWSE on April 13, 2010, Article 31 and Article 2(1) in the Articles of Incorporation, a special resolution means a resolution passed by two-thirds or more of the Members, as being entitled to do so, voting in Person or, in the case such Members are corporations, by their respective duly authorized representative, or where proxies are allowed, by proxy at a general meeting, which shall also comply with the stipulation in the Company's Law of the Cayman Islands and Company Act of Taiwan for the number of members of a Public Company entitled to vote. |

| Difference  | The Company's Law of the Cayman Island and Interpretation  | Articles of Incorporation and Interpretation   |
|---|--|--|
| <p>1. When the Company decreases the share capital, without a resolution passed by the meeting of Members, its share shall not be cancelled; the share capital shall be decreased in proportion to the capital paid on the Shares held by the Members.</p> <p>2. The decreased Share capital shall be returned with properties other than cash and the returned property and the amount compensated shall be approved by a resolution of the meeting of the Members and agreed by the shareholder receiving the properties.</p> <p>3. The value of the property and the aforementioned compensated amount shall be submitted to the CPA of the ROC for review and certification before the convening of the meeting of the Members.</p> | <p>Articles 14 to 18 of the Company Law of the Cayman Islands provide strict procedural and physical regulations for the reduction of a company's capital, and such regulations are mandatory and may not be changed by the Articles.</p>  | <p>Articles 14 to 18 of the Cayman Islands Company Law provide for strict procedures and physical regulations for capital reduction, and the relevant regulations are mandatory and cannot be changed by the Articles of Association. For the avoidance of doubt, with the advice of Cayman Islands counsel, The Company hereby enact Article 12 of the Company's Articles of Incorporation, which stipulates that the Company's capital reduction shall be carried out in accordance with the procedures and conditions set forth in the Cayman Islands Law and the Listing (OTC) Regulations. As for the requirements for capital reduction in accordance with the Checklist for the Protection of Shareholders' Rights and Interests, Article 19-1(1) of the Company's Articles of Incorporation stipulates that the shares shall be bought back in proportion to the shareholders' shareholding.</p> |
| <p>A company that adopts shares without par value shall not be converted into shares with par value.</p>  | <p>In accordance with the provisions of the last paragraph of Section 8(1) of the Cayman Islands Companies Law: Provided further that no exempted company shall divide its capital into both shares of a fixed amount and shares without nominal or par value. In the opinion of Cayman Islands counsel, in accordance with the above provisions and taking into account the practical share issuance process, Cayman Islands exempted companies are not allowed to convert par value shares into non-par value shares and vice versa.</p> | <p>Since the Company's issued shares are all par value shares, the requirements of the leftmost column are not applicable to the Company. For the avoidance of doubt, I would like to refer to the purpose of the regulation, and in accordance with the current status of the Company, in Article 7(5) of the Company's Articles of Association: "The Company shall not issue or convert par value shares into par value shares."</p>   |



| Difference   | The Company's Law of the Cayman Island and Interpretation   | Articles of Incorporation and Interpretation   |
|--|---|--|
| <p>1.If a shareholders' meeting is held outside of the ROC, it should be reported to the stock exchange for approval within two days after the board of directors has resolved or the shareholders have obtained permission from the competent authority to convene the meeting.</p> <p>2.When a shareholders' meeting is held outside of the ROC, the Company shall appoint a professional stock proxy in the ROC to handle the shareholders' voting.。</p>  | <p>There is no requirement that the meeting of the Members shall be convened with the territory of the Cayman Islands.</p>  | <p>The first paragraph of Article 27 of the Company's Articles of Incorporation provides that "During the listing period, all meetings of shareholders of the Company shall be held in the ROC. Therefore, there is no need to separately regulate the procedures for permitting or reporting shareholders' meetings to be held outside of the ROC.</p> <p>In addition, all shareholders' meetings will be held in the ROC during the listing period, but the Company will still appoint a professional stock agent in the ROC to handle the shareholders' voting and other related matters.</p>   |
| <p>Any one or more Members continuously holding in the aggregate of three percent (3%) or more of the paid-up share capital of the Company for a period of one (1) year or longer may, by issuing a written notice setting forth therein the subjects for discussion and the reasons, request the Board to convene an extraordinary general meeting of the Members. If the Board fails to give notice to the Members for convening such meeting within 15 days after the filing of such requisition notice, the requisitionists themselves may, after obtaining approval from the competent authority, convene a special meeting of the Members on his/their own in the same manner.</p> | <p>There is no local competent authority in the Cayman Islands responsible for reviewing whether shareholders can convene shareholders' meetings by themselves.</p> | <p>Since the Company is incorporated under the Companies Law of the Cayman Islands and there is no local authority in the Cayman Islands responsible for examining whether shareholders may convene a shareholders' meeting on their own, the Company refers to letter no.0091701319 issued by TWSE on Apr.13, 2010, establishing Article 28 of Articles of Incorporation, stipulating that "A shareholder who has held more than 3% of the total number of issued shares for more than one year may request the Board of Directors to convene an extraordinary shareholders' meeting by stating in writing the reasons for the request and the reasons for the request. A shareholder who has held more than 3% of the total number of issued shares for more than one year may request the Board of Directors to convene an interim meeting of</p> |

| Difference  | The Company's Law of the Cayman Island and Interpretation  | Articles of Incorporation and Interpretation   |
|---|--|--|
|   |  | shareholders by stating in writing the reasons for the request and the reasons for the request. If the Board of Directors does not give notice of the shareholders' meeting within 15 days after receiving such request, the requesting shareholder may convene a shareholders' meeting on his or her own. No permission from the competent authority is required.   |
| A member who exercises his voting power at a general meeting in writing or by way of electronic transmission shall be deemed to have attended and voted in person at the general meeting. | According to the legal opinions of the Cayman Islands lawyers, shareholders who exercise their voting rights in writing or electronically shall not be deemed to be present in person, but shall be interpreted as appointing the chairman of the shareholders meeting as a proxy. | Article 51(3) of the Company's Articles of Incorporation provides that "A shareholder who exercises his or her voting rights in writing or electronically shall be deemed to have appointed the chairman of the general meeting as his or her proxy to exercise his or her voting rights in accordance with these Articles of Incorporation and the Cayman Law in respect of the contents contained in the written or electronic documents. The chairman of the shareholders' meeting shall not vote as a proxy on matters not mentioned or indicated in the written or electronic documents or on amendments to the original motion. A shareholder who exercises his or her voting rights in writing or electronically shall be deemed to have abstained from voting on the provisional motion and the amendment to the original motion for that meeting of shareholders. This Article does not differ significantly from the provisions of the R.O.C. Law in actual operation, except that the Chairman of the shareholders' meeting is interpreted as a proxy for those |

| Difference  | The Company's Law of the Cayman Island and Interpretation | Articles of Incorporation and Interpretation  |
|---|---|---|
|   |   | shareholders who vote in writing or electronically, in order to comply with the requirement of the Cayman Islands Law that a resolution of a shareholders' meeting must be voted by the participating shareholders in person or by proxy at the same time.  |
| <p>1.The Company's Articles of Incorporation may specify that the appropriation of earnings or loss shall be made quarterly or semi-annually after the end of the fiscal year.</p> <p>2. A proposal for the distribution of earnings or appropriation of losses for the first three quarters or the first half of the fiscal year shall be submitted to the supervisor or the audit committee for examination and approval by the board of directors, together with the business report and financial statements.</p> <p>3.When the Company distributes earnings in accordance with the preceding paragraph, the Company shall first estimate and retain taxable contributions, make up for losses in accordance with the law, and set aside legal reserve. However, the legal reserve shall not be used when the legal reserve has reached the amount of paid-in capital.</p> <p>4.If the Company distributes earnings in accordance with the second paragraph by issuing new shares, the attendance of shareholders representing at least two-thirds of the total</p> | The Cayman Islands law has no relevant regulations.       | In accordance with Article 91(2) of the Company's Articles of Incorporation, the Company adopts an annual earnings distribution system and does not adopt an interim earnings distribution system; therefore, the regulation requirements in the leftmost column are not applicable to the Company. |

| Difference  | The Company's Law of the Cayman Island and Interpretation  | Articles of Incorporation and Interpretation  |
|---|--|---|
| <p>number of outstanding shares shall be required, and the approval of a majority of the shareholders present shall be required. If the total number of shares present is less than the aforementioned quotas, the Company may do so by the presence of shareholders representing more than half of the total number of outstanding shares and the approval of more than two-thirds of the voting power of the shareholders present.</p> <p>5. The Company shall distribute earnings or make up losses in accordance with the provisions of the preceding four paragraphs in accordance with the financial statements audited or reviewed by an accountant.</p>                   |  |   |
| <p>1.If the company has a supervisor, the shareholders' meeting shall elect the supervisor, and at least one of the supervisors must have a residence in the country.</p> <p>2.The term of office of the supervisor shall not exceed three years. However, they may be re-elected for a second term.</p> <p>3.If all the supervisors are dismissed, the board of directors shall convene an interim meeting of shareholders to elect them within 60 days.</p> <p>4.The Supervisor shall supervise the execution of the Company's business, and may at any time investigate the Company's business and financial condition, examine, copy or transcribe bookkeeping documents,</p> | <p>The Cayman Islands law has no relevant regulations.</p> | <p>Since the Company adopts the audit committee system and does not have a supervisor, the requirements of the leftmost column are not applicable to the Company.</p> |

| Difference  | The Company's Law of the Cayman Island and Interpretation  | Articles of Incorporation and Interpretation  |
|---|--|---|
| <p>and request the Board of Directors or the Manager to make a report.</p> <p>5. The Supervisor shall examine the various forms prepared by the Board of Directors for the shareholders' meeting and report the opinion to the shareholders' meeting.</p> <p>6. The Supervisor may appoint an accountant or attorney to review the audit on behalf of the Company.</p> <p>7. The supervisor may attend the board of directors' meeting to present opinions. If the Board of Directors or a director performs business in violation of the law, the Articles of Incorporation or a resolution of the shareholders' meeting, the Supervisor shall immediately notify the Board of Directors or the director to cease such action.</p> <p>8. Each of the supervisors may exercise the supervisory power alone.</p> <p>9. The supervisor shall not be a director, manager or other employee of the Company.</p> |  |   |
| <p>1. A shareholder who continues to hold more than one percent of the Company's outstanding shares for more than six months may request in writing that the Supervisor initiate a lawsuit for the Company against a director, and the Taipei District Court shall be the court of first instance.</p> <p>2. If the supervisor does not file a lawsuit within 30 days after the shareholder's request, the shareholder may file a lawsuit on behalf of the Company and the Taipei</p>   | <p>The Cayman Islands law has no relevant regulations.</p> | <p>Since the Company adopts the audit committee system and does not have a supervisor, in accordance with Article 14-4, Paragraph 3 of the Securities and Exchange Act and the Ministry of Economic Affairs' Letter No. 10000533380 dated March 1, 2011, the independent directors shall replace the supervisory function in the left-hand column. Article 77 of the Company's Articles of Incorporation stipulates that shareholders who continue to hold more than one percent of</p> |

| Difference   | The Company's Law of the Cayman Island and Interpretation | Articles of Incorporation and Interpretation  |
|--|---|---|
| District Court shall be the court of first instance. |   | the total number of outstanding shares for more than six months may request in writing the independent directors of the audit committee to act for the Company before a court of competent jurisdiction (including the Taipei District Court). A shareholder who holds more than one percent of the total number of outstanding shares as provided in Article 77 of the Company's Articles of Incorporation may request in writing that a member of the Audit Committee, who is an independent director, bring an action for the Company in a court of competent jurisdiction (including the Taipei District Court) against a director who has performed his or her duties to the detriment of the Company or who has violated the Cayman Act, the Listing Rules or these Articles of Incorporation. If the independent director does not file a lawsuit within 30 days from the date of receipt of the aforementioned request, the requesting shareholder may file a lawsuit in accordance with the applicable laws and regulations, as permitted by the Cayman Act. |



Tong Ming Enterprise Co. Ltd.

蔡清東



Tsai, Ching-Tung

