

Stock No : 5538

Tong Ming Enterprise Co., Ltd.  
***2019 Annual Report***  
*(Translation)*



***TONG***

Growing a powerful future



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

Published April 17, 2020

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

Name of Spokesman: Ko, Wen-Ling

Title: President of Winlink Fasteners Co., Ltd

Tel: 886-7-6226977

E-mail: wenling@winlink.com.tw

Name of Acting Spokesman: Chang, Chi-Mei

Title: Financial Manager of Winlink Fasteners Co., Ltd

Tel: 886-7-6226977

E-mail: may@winlink.com.tw

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

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

Name: Tong Ming Enterprise Co., Ltd.

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

Tel: 86-573-8220-3125

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

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

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

Tel: 86-573-8220-3125

### **3. Samoa Subsidiary**

Name: Tong Win International Co., Ltd

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

Tel: 886-7-622-6977

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

Name: Winlink Fasteners Co., Ltd

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

Tel: 886-7-622-6977

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

(1) Name: Tong Group Limited

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

Tel: 86-573-8220-3125

(2) Name: China Rich International Holding Limited

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

Tel: 86-573-8220-3125

## **6. Other Sub-subsidiaries**

- (1) Name: Tong Ming Trading Limited  
Address: Room 2702-03, CC Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong  
Tel: 86-573-8220-3125
- (2) Name: Tong Ming Holding Limited  
Address: Room 2702-03, CC Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong  
Tel: 86-573-8220-312
- (3) Name: EASY TRADE (SHANGHAI) CO., LTD  
Address: Building 12, No. 816 Ronghua Road, Chedun Town, Songjiang District, Shanghai  
Tel: 86-021-58111458
- (4) Name: SHENZHEN EASY FASTENERS CO., LTD  
Address: No. 126, Building M07, South China International Hardware, Chemical and Plastic Logistics Zone (Phase I), 1# Huanan Avenue, Pinghu Street, Longgang District, Shenzhen  
Tel: 86-0755-89630070
- (5) Name: Tong Win International (Jia Xing) Co., Ltd.  
Address: Room 502-2, Building 1, Fu'an Plaza, Economic and Technological Development Zone, Jiaxing City, Zhejiang Province  
TEL: 86-0573-82227088

## **7. 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: Suzhou Branch  
Address: No.813 Tongjiang Avenue, Wuxi City  
Tel: 86-0510-82361227
- (6) Name: Kunshan Branch  
Address: No. 813 Tongjiang Avenue, Wuxi  
Tel: 86- 0510-82360907

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

- (19) Name: Tianjin Branch  
Address: Factory No.5, Yard 1, Yucheng Road, Yangliuqing Industrial Park, Xiqing District, Tianjin  
Tel: 86-022-27610646/27699469
- (20) Name: Shijiazhuang Branch  
Address: No. 147, North Jianshe Street, Shijiazhuang City, Hebei  
Tel: 86-0311-85269920/85269951
- (21) 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
- (22) Name: Shenzhen Branch  
Address: Room 710, Building 5, No. 84, Zhongli Road, Nancheng Street, Dongguan City  
Tel: 86-0755-27441020
- (23) Name: Wuhan Branch  
Address: Room 415, Longtan Century Office Building, No. 780 Huian Avenue, Dongxihu District, Wuhan  
Tel: 86-027-85412436/85411882
- (24) Name: Changsha Branch  
Address: No. 339-341, Wanbao Avenue, Furong District, Changsha City  
Tel: 86-0731-84719645
- (25) 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
- (26) 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
- (27) Name: Shaoxing Branch  
Address: No. 29-30 North Huancheng Road, Moore Lighting City, Shaoxing  
Tel: 86-0575-85331901
- (28) Name: Shanghai Songjiang Branch  
Address: Building 12, No. 816 Ronghua Road, Chedun Town, Songjiang District, Shanghai  
Tel: 86-021-52265982/52265920/57770166/58111458
- (29) Name: Zhengzhou Branch  
Address: 50 meters north from the intersection of South Jinguang Road and Nanping Road, Erqi District, Zhengzhou  
Tel: 0371-63323998
- (30) Name: Wenzhou Branch  
Address: No. 29, Yucang West Road, Long Wan District, Wenzhou  
Tel: 0577-86650091
- (31) Name: Chengdu Branch  
Address: No. 1, 1F, Building 6, 669# Limin Road, Xiangfu Town, Qingbaijiang District, Chengdu City, Sichuan  
Tel: 028-83680661

### III. Stock Transfer Institute:

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

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

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

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

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

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

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

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

### VII. Board of Directors

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

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

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

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

# Tong Ming Enterprise Co., Ltd.

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# One. Letter to Shareholders

To all shareholders:

## 1. Operating performance in 2019

### (1). Results of Operating Plan Implementation

The Company's consolidated operating revenue for 2019 was NT\$8,807,059 thousand, which was basically the same as for 2018. Due to the fluctuation of raw material prices in 2019, the consolidated profit after tax decreased by approximately 13% to NT\$467,504 thousand and the basic earnings per share was NT\$2.77. The following is a description of the operating results of major operating units in the consolidated statements:

#### A. Tong Ming (Zhejiang) Enterprise Co., Ltd.:

- a. Overall shipments continue to grow: Although domestic demand in Mainland China grew steadily, the overall shipment volume grew by 9% due to the slowdown in economic growth and trade frictions between the United States and China; operating revenue was flat due to fluctuations in raw material prices and exchange rates.
- b. Shipments by segment: With competitive pricing and perfect channel services, the company shipped approximately 41,000 tons of fasteners for domestic sales, representing a 16% increase over the previous year and accounting for 52% of total shipments. Fastener exports continued to be affected by trade frictions between the US and China, with shipments down by around 14% to around 14,000 tons for the year. Shipments of wire products increased by 17% due to the increase in customer availability, with a full year shipment of approximately 23,000 tons.

B. Winlink Fasteners Co., Ltd. and Tong Win International Co., Ltd. are engaged in international trading business with good cooperation with local distributors and stable performance. The turnover accounted for 20% of the Group's consolidated revenue.

**(2). Analysis of profitability:**

Item	2019	2018
Return of assets (%)	7.67	8.81
Return of equity(%)	12.06	13.91
Profit margin(%)	5.38	6.05
Earnings per share (Yuan)	2.77	3.19

Each of the ratios and earnings per share were lower than the previous period due to the lower profitability.

**(3). Research and development:**

Our company is a professional manufacturer of stainless steel fasteners. We improve the production process and develop new products in a stable and progressive way. To increase production capacity, we continue to introduce new production equipment, optimize production processes and enhance production efficiency. The integration of the department of marketing channel established by various departments has achieved significant results. During the year, the Group continued to improve the efficiency of shipment between the head office and large and medium-sized warehouses in various regions, and expanded the scope of value-added services on the e-commerce platform to enhance customer service satisfaction.

**(4). Environmental and labour health and safety status.**

The Tong Ming (Zhejiang) factory, the main business unit of the Company, has obtained ISO14001 and OHSAS18001 certification, and the occupational safety of the factory staff is good throughout the year. In order to increase production capacity and reduce emissions, the Company constructed a new sewage treatment station, which was completed in FY 2019 and is operating well.

## **2. Summary of operating plan for 2020**

### **(1). Operating body - Tong Ming (Zhejiang) Enterprise Co., Ltd.:**

#### **A. Domestic sales of fasteners.**

China delays start of operation in early 2020 due to new Covid-19 pneumonia outbreak. With the epidemic slowing down, the Company resumed work in February and the domestic sales of fasteners have become normalized, with the following plans for 2020:

In sales strategy: In terms of customer retention, we will optimize the existing e-commerce value-added services and expand value-added services, expand cooperation with financial institutions, enhance quality customer supply chain financial services, and deepen cooperation with customers. The further increase in non-owned products, combined with the advantages of sourcing raw materials and the rapid response to market pricing, will continue to increase overall sales volume and market share.

In marketing development: The 3 regional warehouses and medium-sized warehouses have been operating well since their establishment. In view of the continuous growth of domestic shipments, we will further expand the service area of each warehouse and set up additional warehouses depending on the business situation to enhance customer service satisfaction; and the subsidiaries will focus on new customer development.

#### **B. Export sales for fasteners:**

In 2020, the export business will be more affected by the trade friction between China and the United States and the global Covid-19 epidemic, the Company will continue to develop the e-commerce platform to develop new demand and increase sales of imported products.

#### **C. Wire products:**

In 2019, we will provide customers with timely inventory inquiries in conjunction with the channel e-commerce platform, which has been well utilized and increased customer availability. In 2020, we will optimize e-commerce service content and add new products to enhance our competitiveness.

**(2). Subsidiary - Winlink Fasteners and Tong Win :**

The company is mainly engaged in the export of fastener products. In early 2020, the major overseas markets have adopted different levels of closure measures in response to the new Covid-19 pneumonia epidemic, and shipments throughout the year will be affected by the development of the epidemic in each country. However, the Company continues to strengthen its relationships with customers in specific industries.

The global economy is uncertain in 2020 due to the new Covid-19 pneumonia epidemic and trade frictions between China and the United States, and the export market will be clearer when the epidemic is under control. The Company will continue to optimize its unique e-commerce business model that combines production and channels within China to further differentiate its services and enhance customer satisfaction.

Best wishes,

Tong Ming Enterprise Co., Ltd.

Chairman Tsai, Ching-Tung

President Tsai, Hung-Chuan

## Two. Company Profile

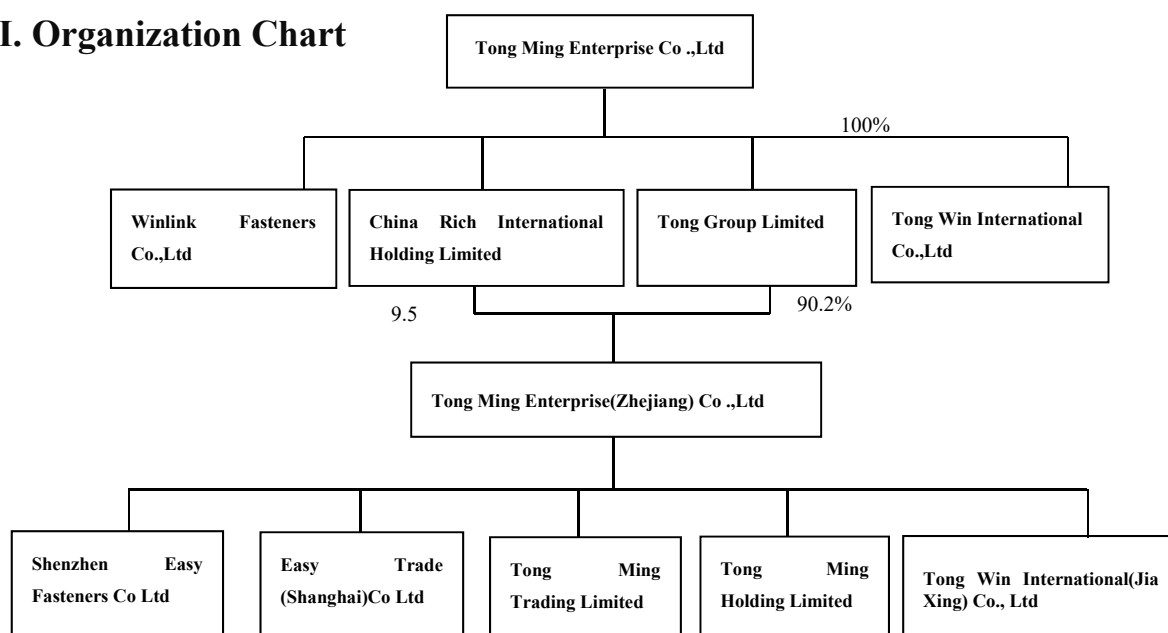
### I. Established Date & Company History

Established on November 30, 2009 in the Cayman Islands, Tong Ming Enterprise Co., Ltd. (hereafter called “the Company”) is the first listing application entity of the company. The Company reinvested in mainland China’s Rich International Holding Limited (hereafter called “Zhejiang Tong Ming”) through Tong Group Limited and Tong Ming Enterprise Co., Ltd. As the main business entity of the Company, Zhejiang Tong Ming was founded in December 1995 in the Economic Development Zone of Jiaxing City in the province of Zhejiang, covering an area of 152,000 square meters manufacturing more than 50,000 tons per year, and now expanded to 31 direct sales branch offices throughout China. The main products of the Company are stainless steel fasteners and wires; fasteners, commonly known as such standard industrial products as screws, nuts, and thread rods, have earned the reputation of the “Rice of Industry” since various industrial developments require them in a number of different shapes and sizes. Meanwhile, the stainless steel wire, as the connection between upstream steel mills and downstream hardware producers, is the customized raw material of manufacturing industries for small-sized screws, kitchen supplies, wire belts, redrawing wires, and springs.

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

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

### II. Organization Chart



### III. Company and Group History

Year	Milestones
1995	Dongming Industrial (Jiaxing) Co., Ltd, the predecessor of Tong Ming Enterprise (Zhejiang) Co., Ltd, was established in the Economic Development Zone of Zhejiang Province, covering an area of 150,000 square meters.
2004	Completed the construction of the automated warehousing system with 20,000 grids storage
2005	1. Introduced Oracle Enterprise Resource Management System (Oracle JDE ERP)
2008	1. Generally restructured from Sino-foreign joint ventures to a foreign-invested joint-stock company, approved by the Ministry of Commerce, and changed the name to Tong Ming Enterprise Co., Ltd, recognized as National High-tech Enterprises. 2. Invested US\$ 400,000 into Jiaxing Chunyou Precise Mould Co., Ltd.
2009	1. Zhejiang Tong Ming reinvested RMB 5,498 thousand to Easy Trade (Shanghai) Co., Ltd. 2. Tong Ming Enterprise Co., Ltd was founded, and the Company was restructured.
2010	1. Tong Ming Enterprise Co., Ltd restructured its Board of Directors and elected three Independent Directors. 2. For equity decentralization, Tong Hwei Co., Ltd, the director holding 89.5% equity of the Company's capital, transferred its share to four natural person shareholders who actually contributed the capital: Tsai, Ching-Tung, Tsai, Hung-Chuan, Tsai, Ming-Ti, and Tsai, Yi-Ting.
2012	1. Tong Ming invested NT\$ 5.5 million in Winlink Fasteners Co., Ltd 2. Invested US\$ 500,000 in Tong Win International Co., Ltd
2013	1. Natural person shareholders of Tong Ming Enterprise Co., Ltd, Tsai, Ching-Tung, Tsai, Hung-Chuan, Tsai, Ming-Ti, and Tsai, Yi-Ting, transferred their equity to Tong One International Co., Ltd and Richard International Co., Ltd without changing the actual control force. 2. The Shareholders' meeting approved the Directors (including three Independent Directors) and Supervisor, with three Independent Directors replacing the Supervisors as members of the Audit Committee. 3. The compensation committee was established. 4. Shenzhen Easy Fasteners Co., Ltd, subsidiary of Zhejiang Tong Ming, was established. 5. Listed on TWSE on December 16.
2015	1. The Zhengzhou domestic branch office was established. 2. The Wenzhou domestic branch office was established. 3. The South China warehouse was set up in Guangzhou Foshan.
2016	1. Channel division of Zhejiang Tong Ming was set up. 2. Oracle Enterprise Resource Management System (Oracle JDE ERP) was upgraded. 3. Chairman Tsai, Ching-Tung donated 16.26% equity of the Company's capital to New Star Limited., Capitaland Limited. and Mega Sun Limyted in custody of Chinatrust Commercial Bank on December 5.
2017	1. Zhejiang Tong Ming started using roof-mounted solar power generation equipment. 2. The North China warehouse was set up at Tianjin by Zhejiang Tong Ming. 3. Zhejiang Tong Ming was re-evaluated and awarded a "National High-Tech Enterprise" for three consecutive years.

Year	Milestones
2018	<ol 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> </ol>
2019	<ol 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> </ol>
2020	<ol style="list-style-type: none"> <li>1. Tong Ming Enterprise (Zhejiang) resumed work on 14 February due to the impact of Covid-19.</li> </ol>

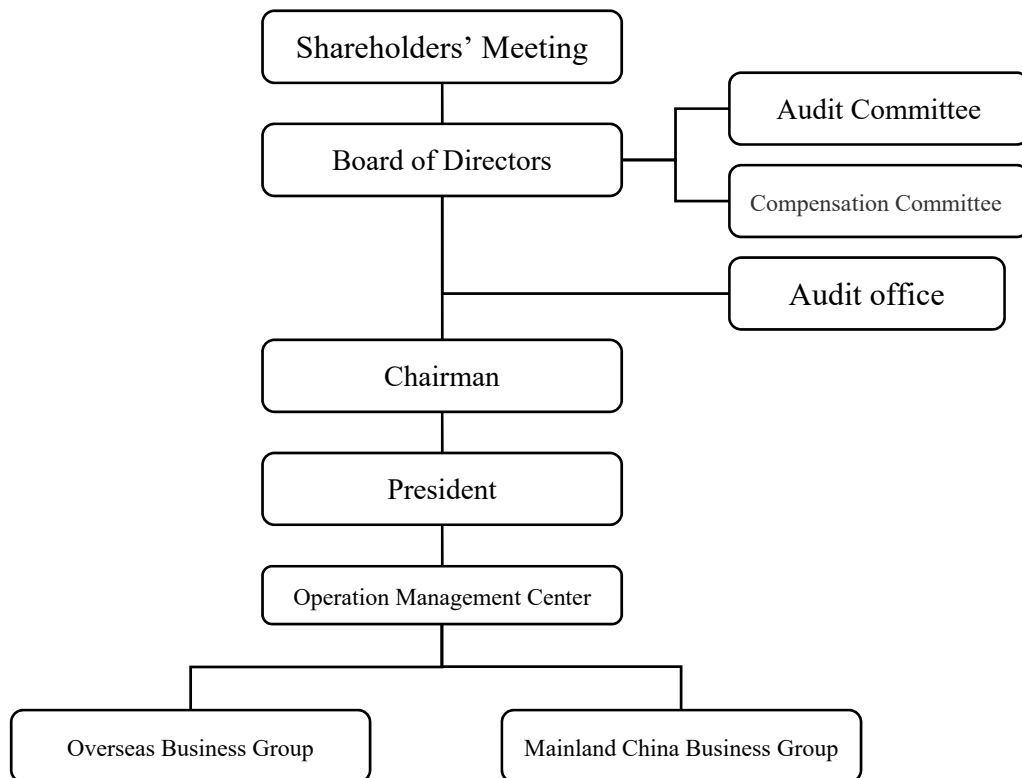
#### **IV. Risk Analysis**

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

# Three Company Governance

## I. Organization

### (I) Organization Structure



### (II) Functions

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

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

## 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 17, 2020

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
Chairman	R.O.C.	Tsai, Ching-Tung	Male	2019/06/14	3 years	2009/11/30	27,317,625	18.21%	3,317,625	1.97%	-	-	-	-	Chairman of Tong Ming Enterprise Co., Ltd. Chairman of Tong Ming Enterprise (Zhejiang) Co., Ltd. Director of Jiaxing Fuan Real Estate Development Co., Ltd. Director of Jiaxing Fudi Real Estate Development Co., Ltd. Director of Jiaxing Fumin Real Estate Development Co., Ltd. Director of Tong Hwei Co., Ltd. Director of Famous Star Co., Ltd. Director of Acon International Co., Ltd. Director of All Star International Holdings Limited Tong One Holdings Limited	Director Representative and President	Tsai, Hung-Chuan	Father and son
Director	BVI	Richard International Co., Ltd.	-	2019/06/14	3 years	2013/05/13	24,000,000	16%	24,000,000	14.29%	-	-	-	-	President of Tong Heer Resources Berhad Director of Tong Heer Fasteners (Thailand) Co., Ltd. Director of Tong Heer Aluminum Industries Sdn. Bhd. Director of Kosmo Indah Sdn Bhd Director of Richard Holdings Limited Director Representative of Richard International Co., Ltd.	Chairman	Tsai, Ching-Tung	Uncle and nephew
	R.O.C.	Representative Tsai, Yi-Ting	Male	2019/06/14	3 years	2017/06/09	19,381,500	11.54%	19,381,500	11.54%	-	-	-	-	President of Tong Ming Enterprise Co., Ltd. Legal representative, Director and President of Tong Ming Enterprise (Zhejiang) Co., Ltd. Legal representative, Director and President of Easy Trade(Shanghai)Co., Ltd Legal representative, Director and President of Jiaxing Fudi Real Estate Development Co., Ltd. Legal representative, Director and President of Jiaxing Fumin Real Estate Development Co., Ltd. Legal representative of Jiaxing Chunyou Precise Mould Co., Ltd. Director of Tong One Holdings Limited Director of Tong Win International Co., LTD. Chairman of Winlink Fasteners Co., Ltd.			
Director	Samoa	Tong One Holdings Limited.		2019/06/14	3 years	2013/05/13	24,000,000	16%	24,000,000	14.29%	-	-	-	-	MBA, University of Washington President of Tong Ming Enterprise (Zhejiang) Co., Ltd Director and President of Tong Ming Enterprise Co., Ltd.			
	R.O.C.	Representative Tsai, Hung-Chuan	Male	2019/06/14	3 years	2013/05/13	-	-	-	-	-	-	29,781,500	17.73%				
Director	R.O.C.	Chiu, Joun-Fu (Note 1)	Male	2016/06/27	3 years	2010/12/03	-	-	-	-	-	-	-	MBA, Chang Jung Christian University President of Dongsheng Construction Co., Ltd. Supervisor of Dali Securities Co., Ltd.	Chairman of Dongguan Construction Co., Ltd. Chairman of Juncheng Construction Co., Ltd.	-	-	-
Director	R.O.C.	Ko, Wen-Ling (Note 1)	Female	2019/06/14	3 years	2018/06/14	173,000	0.10%	173,000	0.10%	-	-	-	MBA, Chang Jung Christian University Spokesman of Tong Min Enterprise Co., Ltd. President of Winlink Fasteners Co., Ltd. President of Winlink Fasteners Co., Ltd.	Spokesman of Tong Min Enterprise Co., Ltd President of Winlink Fasteners Co., Ltd. President of Tong Win Trading (Jiaxing) Co., Ltd.	-	-	-

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	%			Shares	%	Title
Independent Director	R.O.C.	Ko, Yung-Hsiang	Male	2019/06/14	3 years	2013/05/13	—	—	—	—	—	—	—	—	Bachelor of Accounting, Tamkang University Accountant of Shunyi Joint Accounting Firm	Accountant of Shunyi Joint Accounting Firm Independent Director of JMC Electronic Co., Ltd.	—	—	—
Independent Director	R.O.C.	Huang, Ming-Tze	Male	2019/06/14	3 years	2013/05/13	—	—	—	—	—	—	—	—	Bachelor of Industrial Engineering, Feng Chia University President of Suzhou New Best Wire Tech Co., Ltd.	—	—	—	—
Independent Director	R.O.C.	Hsu, Ching-Pang	Male	2019/06/14	3 years	2013/05/13	—	—	—	—	—	—	—	—	Master of Public Affairs Management, Sun Yat-Sen University Section Chief of Kaohsiung East District Tax Collection Office (Retired)	—	—	—	—

Note (1): Chiu, Joun-Fu due for re-election on 2019/06/13, Ko, Wen-Ling was newly appointed on 2019/06/14

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

As of April 17, 2020

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

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

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

As of April 17, 2020

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

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

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

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

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

1. This Company

As of April 17, 2020

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	R.O.C.	2009/11/30	—	—	—	—	29,781,500	17.73%	MBA, University of Washington President of Tong Ming Enterprise (Zhejiang) Co., Ltd	Director of Tong Ming Enterprise Co., Ltd. Legal representative, Director and President of Tong Ming Enterprise (Zhejiang) Co., Ltd Legal representative, Director and President of Easy Trade (Shanghai) Co., Ltd. Legal representative, Director and President of Jiaxing Fudi Real Estate Development Co., Ltd. Legal representative, Director and President of Jiaxing Fumin Real Estate Development Co., Ltd. Legal representative of Jiaxing Chunyou Precise Mould Co., Ltd. Director of Tong One Holdings Limited Director of Tong Win International Co., LTD. Chairman of Winlink Fasteners Co., Ltd.	—	—	—	
Operation Management Center Vice President and Supervisor of Finance	Tsai, Cheng-Hsiung	Male	R.O.C.	2009/11/30	174,000	0.10%	—	—	—	—	MCS, Kaohsiung First University of Science and Technology Finance and Administration Manager of SAMPO CORP. Vice Finance President of Tong Ming Enterprise Co., Ltd	Director of Tong Ming Enterprise (Zhejiang) Co., Ltd Director of Tong Ming Trading Limited Director of Jiaxing Fuan Real Estate Development Co., Ltd. Director of Jiaxing Fudi Real Estate Development Co., Ltd. Director of Jiaxing Fumin Real Estate Development Co., Ltd. Legal representative and Director of Jiaxing Honghwa Consulting Co., Ltd. Legal representative, Director of Tong Win Trading (Jiaxing) Co., Ltd Director of Jiaxing Weihong Consulting Co., Ltd.	—	—	—	
Supervisor of Accounting	Yen, Hsien-Ying	Male	R.O.C.	2014/08/11	—	—	8,000	—	—	—	Bachelor of Accounting, Fu Jen Catholic University Internal Auditor of Carrefour Co., Ltd. Audit Department Manager of BDO Taiwan	None	—	—	—	
Supervisor of Internal Audit Office	Su, Chia-Yu	Female	R.O.C.	2014/08/11	—	—	—	—	—	—	Business Administration, Pingtung Institute of Commerce Sourcing Specialist of Tong Hwei Enterprise Co., Ltd. Section Manager of Winlink Fasteners Co., Ltd.	None	—	—	—	

## 2. Tong Ming Enterprise Co., Ltd

As of April 17, 2020

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

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

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

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

Unit: NT\$ 1,000

Title	Name	Remuneration to Directors						Compensation Earned by Being an Employee of Tong Ming or Tong Ming's Affiliated Entities						Total of A, B, C, D, E, F and G as a % of Net Income		Receive remuneration from a company other than a subsidiary for reinvestment business or from parent company				
		Base Compensation (A)		Severance Pay and Pensions (B)		Compensation to Directors (C)		Allowances (D)		Total of A, B, C and D as a % of Net Income		Base Compensation, Bonus, Allowances, etc. (E)		Severance Pay and Pensions (F)			Employee Compensation (G)			
		The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities		Cash	Stock	The Company	From All Consolidated Entities
Chairman	Tsai, Ching-Tung	240	240	0	0	120	120	36	36	0.08%	0.08%	0	0	0	0	0	0.08%	0.08%		
Director	Richard Representative: Tsai, Yi-Ting	240	240	0	0	120	200	36	36	0.08%	0.10%	0	0	0	0	0	0.08%	0.10%		
Director	Tong One Representative: Tsai, Hung-Chuan	240	240	0	0	120	200	36	36	0.08%	0.10%	1,200	4,475	0	0	0	0.34%	1.06%		
Director	Chiu, Joun-Fu (Note 1)	120	120	0	0	60	60	18	18	0.04%	0.04%	0	0	0	0	0	0.04%	0.04%		
Director	Ko, Wen-Ling (Note 1)	120	120	0	0	60	60	18	18	0.04%	0.04%	0	2,756	0	0	0	0.04%	0.65%		
Independent Director	Ko, Yung-Hsiang	240	240	0	0	120	120	36	36	0.08%	0.08%	0	0	0	0	0	0.08%	0.08%		
Independent Director	Huang, Ming-Tze	240	240	0	0	120	120	36	36	0.08%	0.08%	0	0	0	0	0	0.08%	0.08%		
Independent Director	Hsu, Ching-Pang	240	240	0	0	120	120	36	36	0.08%	0.08%	0	0	0	0	0	0.08%	0.08%		

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

2. Besides the above disclosure, the directors of the company have received remuneration for services by all companies in the financial report (such as serving as consultants for non-employees) in recent years: None. Note(1)Chiu, Joun-Fu due for re-election on 2019/06/13, Ko, Wen-Ling was newly appointed on 2019/06/14

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 Tsai, Hung-Chuan Tsai, Yi-Ting Chiu, Joun-Fu Ko, Wen-Ling Ko, Yung-Hsiang Huang, Ming-Tze Hsu, Ching-Pang	Tsai, Ching-Tung Tsai, Hung-Chuan Tsai, Yi-Ting Chiu, Joun-Fu Ko, Wen-Ling Ko, Yung-Hsiang Huang, Ming-Tze Hsu, Ching-Pang	Tsai, Ching-Tung Tsai, Yi-Ting Chiu, Joun-Fu Ko, Wen-Ling Ko, Yung-Hsiang Huang, Ming-Tze Hsu, Ching-Pang	Tsai, Ching-Tung Tsai, Yi-Ting Chiu, Joun-Fu Ko, Yung-Hsiang Huang, Ming-Tze Hsu, Ching-Pang
NT\$ 1,000,000 ~ NT\$ 1,999,999			Tsai, Hung-Chuan	
NT\$ 2,000,000 ~ NT\$ 3,499,999				Ko, Wen-Ling
NT\$ 3,500,000 ~ NT\$ 4,999,999				Tsai, Hung-Chuan
NT\$ 5,000,000 ~ NT\$ 9,999,999				
NT\$ 10,000,000 ~ NT\$ 14,999,999				
NT\$ 15,000,000 ~ NT\$ 29,999,999				
NT\$ 30,000,000 ~ NT\$ 49,999,999				
NT\$ 50,000,000 ~ NT\$ 99,999,999				
NT\$ 100,000,000 and above				
Total	8 persons	8 persons	8 persons	8 persons

(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	Cash	Stock	The Company	From All Consolidated Entities	
President	Tsai, Hung-Chuan	1,200	3,827	0	0	0	648	0	0	0	0	0.26%	0.96%	0
Vice President	Tsai, Cheng-Hsiung	1,200	1,200	0	0	0	300	0	0	0	0	0.26%	0.32%	0
Vice President	Tsai, Chia-Yen	0	2,102	0	0	0	642	0	0	0	0	0	0.59%	0
Vice President	Michael Patrick Dewar	0	2,057	0	0	0	644	0	0	0	0	0	0.58%	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	Cash	Stock	The Company	From All Consolidated Entities		
President	Tsai, Hung-Chuan														
Vice President	Tsai, Cheng-Hsiung	2,400	5,620	—	—	—	1,572	—	—	—	—	0.45%	1.34%	—	
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, Chia-Yen Michael Patrick Dewar	—
NT\$ 1,000,000 ~ NT\$ 1,999,999	Tsai, Cheng-Hsiung Tsai, Hung-Chuan	
NT\$ 2,000,000 ~ NT\$ 3,499,999		Tsai, Cheng-Hsiung Tsai, Chia-Yen Michael Patrick Dewar
NT\$ 3,500,000 ~ NT\$ 4,999,999		Tsai, Hung-Chuan
NT\$ 5,000,000 ~ NT\$ 9,999,999	—	—
NT\$ 10,000,000 ~ NT\$ 14,999,999	—	—
NT\$ 15,000,000 ~ NT\$ 29,999,999	—	—
NT\$ 30,000,000 ~ NT\$ 49,999,999	—	—
NT\$ 50,000,000 ~ NT\$ 99,999,999	—	—
NT\$ 100,000,000 and above	—	—
Total	4 persons	4 persons

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

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

1. Analysis of remuneration and compensation paid to Directors, Supervisors, President, and Vice Presidents in 2017 and 2018 as a percentage of consolidated net income:

Title	Amount of Remuneration and Compensation to Consolidated Net Income (%)			
	2018		2019	
	Amount	%	Amount	%
Director	2,780	0.52	2,932	0.63
Supervisor	-	-	-	-
Manager	7,192	1.34	11,421	2.45

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, seven (A) Board Meetings were convened in 2019 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	7	0	100.00	
Director	Richard International Co., Ltd. Representative: Tsai, Yi-Ting	5	2	71.43	

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Comments
Director	Tong One Holdings Limited Representative: Tsai, Hung-Chuan	6	1	85.71	
Director	Chiu, Joun-Fu	2	1	28.57	Note: Due on 2019/06/13
Director	Ko, Wen-Ling	4	0	57.14	Note: newly appointed on 2019/06/14
Independent Director	Hsu, Ching-Pang	7	0	100.00	
Independent Director	Huang, Ming-Tze	7	0	100.00	
Independent Director	Ko, Yung-Hsiang	7	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 in the 13<sup>th</sup> of 5th term Board Meeting on March 15, 2019:
- (a) Amend the Company's Articles of Incorporation.
- (b) Amend the "Procedures for Obtaining or Disposing of Assets", "Rules of Shareholders' Meeting", "Directors' Election Method", partially amend the "Procedures for Obtaining or Disposing of Assets", and add the "SOP Requirement of Directors" for subsidiary -Winlink/TONG WIN and the "Procedures for Obtaining or Disposing of Assets" for subsidiary-Zhejiang Tong Ming.
- Resolution result: The above proposal was approved by agreement of all members of the Board of Directors.
- (2) Approved in the 14th of 5th term Board Meeting on April 25, 2019
- (a) Amend the "Procedures for Obtaining or Disposing of Assets".
- (b) Amend the "Management of Loan and Endorsement Guarantee".
- Resolution result: The above proposal was approved by agreement of all members of the Board of Directors.
- (3) Adopted by the 6th Board of Directors at its 4th Boards' meeting on March 18, 2020:
- (a) Amendments to the "Articles of Incorporation", "Management of the Procedures for Preparation of Financial Statements", "Rules of Procedure for Boards' Meetings", "Rules of Procedure for Shareholders' Meetings" and "Corporate Social Responsibility Best Practice Principles".
- (b) Newly established "Corporation Operation Directions for Compliance with the Establishment of Board of Directors by the Board's Exercise of Powers", "Procedures for Ethical Management and Guidelines for Conduct", "Regulations Governing Appointment of Independent Directors and Compliance Matters", "Regulations Governing the Exercise of Powers by Audit Committees", "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee" and "Regulations Governing the Board Performance Evaluation". RESOLUTION RESULTS: All the above motions were passed by consensus of the Board of Directors.
- (II) except for the items specified above, other resolutions on which an Independent Director expressed an objection or reservation, either by recorded statement or in writing: None.
- (III) All Independent Directors' opinions and actions taken by the Company regarding such opinions: None.
- IV. For situations where Directors recuse themselves from any motion due to a conflict of interest, the Directors' names, contents of motions, causes for the recusal, and participation in voting shall be specified: None.
- V. Objectives of strengthening the functionality of the Board of Directors (i.e. To establish the Audit Committee and increase the information transparency) in the current year and the most recent year and evaluation of the execution thereof:
- The Company approved the establishment of the Audit Committee and Compensation Committee on June 10, 2013 and created the "Charter of the Audit Committee" and "Charter of the Compensation Committee" to strengthen the function of the Board of Directors, while the auditors of the Company shall periodically submit the audit report to Directors to increase the information transparency and disclose related information on the website pursuant to laws and regulations.

## 2. Evaluation of Board of Directors

Evaluation Frequency	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content
Once per year	2019/1/1~2019/12/31	Performance evaluation of the Board of Directors, individual Board members and functional committees.	Performance evaluation by internal board self-evaluation, self-evaluation by board members, self-evaluation by peers, appointment of external professional bodies, experts or other appropriate means.	<ol style="list-style-type: none"> <li>1. Level of participation in the company's operations</li> <li>2. Improve the quality of Board decisions</li> <li>3. Board composition and structure</li> <li>4. Board selection and continuing education</li> <li>5. Ensure the implementation of internal control systems</li> </ol>

## 3. Continuing Education of Directors and Supervisors

Title	Name	Date of Study	Organizer	Course	Hours
Director	Tsai, Ching-Tung	2019/08/08	Taiwan Corporate Governance Association	How the directors and supervisors supervise the Company's corporate risk management and crisis management	3.0
Corporate Director Representative	Tsai, Hung-Chuan	2019/08/08	Taiwan Corporate Governance Association	How the directors and supervisors supervise the Company's corporate risk management and crisis management	3.0
Corporate Director Representative	Tsai, Yi-Ting	2019/08/08	Taiwan Corporate Governance Association	How the directors and supervisors supervise the Company's corporate risk management and crisis management	3.0
Director	Ko, Wen-Ling	2019/08/08	Taiwan Corporate Governance Association	How the directors and supervisors supervise the Company's corporate risk management and crisis management	3.0
Independent Director	Hsu, Ching-Pang	2019/08/08	Taiwan Corporate Governance Association	How the directors and supervisors supervise the Company's corporate risk management and crisis management	3.0
Independent Director	Huang, Ming-Tze	2019/08/08	Taiwan Corporate Governance Association	How the directors and supervisors supervise the Company's corporate risk management and crisis management	3.0
Independent Director	Ko, Yung-Hsiang	2019/08/08	Taiwan Corporate Governance Association	How the directors and supervisors supervise the Company's corporate risk management and crisis management	3.0

## (II) Operation of Audit Committee

In total, seven (A) Audit Committee meetings were convened in 2019 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	7	0	100	
Independent Director	Huang, Ming-Tze	7	0	100	
Independent Director	Ko, Yung-Hsiang	7	0	100	

### Notes:

1. 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:
  - (1) Matters specified in Article 14-5 of the Securities Exchange Act:
    1. Approved in the 13th of 5th term Board Meeting on March 15, 2019:
      - (a) Amend the Company's Articles of Incorporation.
      - (b) Amend the "Procedures for Obtaining or Disposing of Assets", "Rules of Shareholders' Meeting", "Directors' Election Method", partially amend the "Procedures for Obtaining or Disposing of Assets", and add the "SOP Requirement of Directors" for subsidiary -Winlink/TONG WIN and the "Procedures for Obtaining or Disposing of Assets" for subsidiary-Zhejiang Tong Ming.  
Resolution result: The above proposal was approved by agreement of all members of the Audit Committee.
    2. Approved in the 14th of 5th term Board Meeting on April 25, 2019:
      - (a) Amend the "Procedures for Obtaining or Disposing of Assets".
      - (b) Amend the "Management of Loan and Endorsement Guarantee".  
Resolution result: the proposal above was approved by agreement of all members of the Board of Directors.
    3. Adopted by the 6th Board of Directors at its 4th Boards' meeting on March 18, 2020:
      - (a) Amendments to the "Articles of Incorporation", "Management of the Procedures for Preparation of Financial Statements", "Rules of Procedure for Boards' Meetings", "Rules of Procedure for Shareholders' Meetings" and "Corporate Social Responsibility Best Practice Principles".
      - (b) Newly established "Corporation Operation Directions for Compliance with the Establishment of Board of Directors by the Board's Exercise of Powers", "Procedures for Ethical Management and Guidelines for Conduct", "Regulations Governing Appointment of Independent Directors and Compliance Matters", "Regulations Governing the Exercise of Powers by Audit Committees", "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee" and "Regulations Governing the Board Performance Evaluation". RESOLUTION RESULTS: All the above motions were passed by consensus of the Board of Directors.
  - (2) 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.
  - (3) Actions taken by the Company regarding such opinions of the Audit Committee: None.
2. 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.
3. 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).
  - (1) 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 2019
  - (2) 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 2019.

(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 14, 2019, and the approved items and the implementation status of the resolutions were as follows.

(1) Recognition of the Company's 2018 operating report and financial statements

Implementation status: Recognition of 2018 financial statements, full year consolidated operating revenue of NT\$8,886,549 thousand, profit after tax of NT\$537,442 thousand and earnings per share of NT\$3.19.

(2) Acknowledgement of the Company's 2018 Annual Earnings Allocation.

Implementation status: Approved a cash dividend of NT\$2.0 per common share. An ex-dividend date of July 16, 2019 was set and a cash dividend was paid on August 7, 2019.

(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.

(5) Amendment of "Regulations Governing Appointment of Independent Directors and Compliance Matters"

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

2. Important resolutions of Board Meetings

(1) Board of Directors, March 15, 2019:

·The Company's 2018 annual report of operations and consolidated financial statements.

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

·The Company's 2018 annual earnings distribution.

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

·The Company's statement of internal control system.

Implementation status: The resolution was approved.

·Amendment of Articles of Incorporation.

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

·Amendments to "Procedures for the Acquisition or Disposal of Assets", "Rules of Procedure of the Shareholders' Meeting", "Law on Election of Directors", certain provisions of "Procedures for the Acquisition or Disposal of Assets" and new "Standard Operating Procedures Requested by Directors" of subsidiary Winlink Fasteners/TONG WIN, and "Procedures for the Acquisition or Disposal of Assets" of subsidiary Tong Ming Enterprise (Zhejiang).

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

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

Implementation status: The resolution was approved.

·2018 employee remuneration and director remuneration distribution.

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

·Sixth election of Directors, Independent Directors.

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

·Nomination of candidates for the sixth Independent Directorship.

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

·The lifting of the prohibition on competition of new Directors (including Independent Directors) and their representatives.

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

·Proposal to convene the Company's 2019 annual general meeting of shareholders.

Implementation status: The resolution was approved.

(2) Board of Directors, April 25, 2019.

·Amendment to the "Procedures for the Acquisition or Disposal of Assets"

Implementation status: The resolution was approved.

·Amendment to the "Management of Loaning of Funds and Making of Endorsements/Guarantees".

Implementation status: The resolution was approved.

·Review of the Company's independent director candidate.

Implementation status: The resolution was approved.

(3) Board of Directors, May 7, 2019: None

(4) Board of Directors, June 14, 2019:

· Election of the current Chairman

Implementation status: The resolution was approved.

· Qualifications for appointment to the third remuneration committee.

Implementation status: The resolution was approved.

(5) Board of Directors, August 8, 2019:

· In accordance with Deloitte & Touche's internal rotation for the replacement of certified public accountant.

Implementation status: The resolution was approved.

(6) Board of Directors, November 12, 2019

· Preparation of the Company's 2020 annual operating plan (annual budget).

Implementation status: The resolution was approved.

· Preparation of the Company's 2020 annual audit plan.

Implementation status: The resolution was approved.

· The Company intends to adjust the amount of its loaning of funds

Implementation status: The resolution was approved.

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

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

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

· The Company's 2019 annual earnings distribution.

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

· The Company's statement of internal control system.

Implementation status: The resolution was approved.

· 2019 employee remuneration and director remuneration distribution.

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

Amendments to the “Articles of Incorporation”, “Management of the Procedures for Preparation of Financial Statements”, “Rules of Procedure for Boards’ Meetings”, “Rules of Procedure for Shareholders’ Meetings” and “Corporate Social Responsibility Best Practice Principles”.

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

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

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

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

Implementation status: The resolution was approved.

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

Implementation status: The resolution was approved.

#### (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.	

Assessment Item	Status			Non-compliance and Reasons
	Yes	No	Description	
(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.	
(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.	No major non-compliance
(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.	
IV. Has the Company established an exclusively (or concurrently) dedicated corporate governance unit or personnel to handle matters pertaining to corporate governance (including but not limited to providing information required for business execution by directors and supervisors, handling matters relating to board meetings and shareholders' meetings according to laws and regulations, handling corporate registration and amendment registration, producing minutes of board meetings and shareholders' meeti	V		The President's office is responsible for affairs related to corporate governance and shall cooperate with other departments to do so. The stock affair office is responsible for matters relating to the Board Meetings and Shareholders' Meetings handling corporate registration and amendment registration, producing minutes of the Board Meetings and Shareholders' Meetings, etc.	No major non-compliance

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

Assessment Item	Status			Non-compliance and Reasons
	Yes	No	Description	
			<p>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) The Company has not disclosed the implementation status of the resolutions of the shareholders' meeting in its annual report. Improvement status: The full disclosure of the implementation status of the matters resolved at the Annual General Meeting of Shareholders has been made in the 2019 annual report.</p> <p>(2) The directors and independent directors of the Company have not completed their studies in accordance with the hours specified in "Directors for the Implementation of Continuing Education for Directors and Independent Directors of TWSE Listed and TPEX Listed Companies". Improvement status: In 2020, we will actively promote and strengthen the execution of study of directors and independent directors.</p>	

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

### 1. Members of the Compensation Committee

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

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

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

- (1) Not an employee of the Company or any of its associates.
- (2) Not a director or supervisor of the Company or any of its associates. (Not applicable in cases where the person is also an independent director of the Company, its parent company, or any subsidiary in which the Company holds following the Act or the laws and regulations of the local country.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not a manager in subparagraph (1), a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) A director, supervisor or employee of a corporate shareholder who does not directly hold 5% or more of the Company's total outstanding shares, who holds the top five shares, or who has appointed a representative as a director or supervisor in accordance with Article 27, paragraph 1 or 2, of the Company Act (Not applicable in cases where the person is also an independent director of the Company, its parent company, or any subsidiary in which the Company holds following the Act or the laws and regulations of the local country.)
- (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company. (Not applicable in cases where the person is also an independent director of the Company, its parent company, or any subsidiary in which the Company holds following the Act or the laws and regulations of the local country.)
- (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. (Not applicable in cases where the person is also an independent director of the Company, its parent company, or any subsidiary in which the Company holds following the Act or the laws and regulations of the local country.)
- (8) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company. (Not applicable in cases where the person is also an independent director of the Company, its parent company, or any subsidiary in which the Company holds following the Act or the laws and regulations of the local country.)
- (9) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, does not provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NTS500,000, 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 2019. The title and attendance status are as follows:

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

Notes:

I. The date and session of the Board Meeting, contents, resolution, and implemented measures concerning the recommendation of the Compensation Committees shall be stated if the recommendation of the Compensation Committee is not adopted or is revised by the Board of Directors (For example, if the compensation passed by the Board of Directors is higher than the recommendation of the Compensation Committee, the discrepancy and reason therefor shall be stated): N/A.

II. The date and session of the Compensation Committee meeting, contents, opinions of all members, and implemented measures shall be stated if any objections or opinion indicates reservations about the resolution of the meeting with records or stated in writing: N/A.

## (VI) Social Responsibility Implementation Status

Assessment Items	Status			Non-compliance with "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies" and Reasons
	Yes	No	Description (Note 2)	
I. Implementation of corporate governance				
(1) Has the Company established a corporate social responsibility policy and evaluated its implementation?	V		(1) The Company has established "Corporate Social Responsibility Best Practice Principles" to ensure stockholders' equity and strengthen the function of the Board of Directors.	No major non-compliance
(2) Does the Company hold training sessions for CSR?	V		(2) The Company holds training sessions and publicity regularly and irregularly to ensure compliance with CSR policies and regulations and motivates employees with the performance review system.	No major non-compliance
(3) Does the Company have an exclusively (or concurrently) dedicated CSR unit with senior management being authorized by the Board to handle relevant issues and report to the Board?	V		(3) The Administration Division, Sales Division, and Supervisor of Labor Safety and Health work together to promote Corporate Social Responsibility.	No major non-compliance

Assessment Items	Status			Non-compliance with “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies” and Reasons
	Yes	No	Description (Note 2)	
(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 characteristics?	V		(2) The Company obtained several ISO certificates and established complete regulations of quality management, safety and health, and environmental protection, in compliance with the audit standard pursuant to laws and regulations and fulfilling the public expectations for contribution to society.	No major non-compliance
(3) Does the Company track the impact of climate change on operations, carry out greenhouse gas inventories, and set energy conservation and greenhouse gas reduction strategy?	V		(3) The Company calls for turning off lights when leaving and encourages reducing waste and environmental load to be friendly to our globe.	No major non-compliance
III. Promotion of social welfare				
(1) Has the Company established policies and procedures according to relevant laws and regulations, as well as the International Covenants on Human Rights?	V		(1) The Personnel Rules and Regulations have been established in accordance with local legislation and reviewed by legal counsel, in compliance with the requirement of the local labor department.	No major non-compliance
(2) Has the Company established a complaint mechanism and channels for employees and appropriately managed relevant issues?	V		(2) The Company has established a complaint mechanism and report system and properly handles issues.	No major non-compliance
(3) Does the Company provide a safe and healthy work environment and periodic safety and health training?	V		(3) The Company has conducted a review of the safety and healthy work environment and employee training and health. All the workshops were installed with solar power generation equipment on the roof in 2017 for green energy promotion and carbon reduction and to provide a better work environment for employees.	No major non-compliance
(4) Has the Company established a mechanism for regular communication with employees and does it use reasonable measures to notify employees of operational changes that may cause significant impact to employees?	V		(4) The Company periodically holds inter-department meetings to announce important information.	No major non-compliance

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

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

Assessment Items	Status (Note 1)			Non-compliance with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies” and Reasons
	Yes	No	Description	
I. Establishment of ethical management policies and implementation measures				
(1) Does the Company have an ethical corporate management policy approved by the Board of Directors and express in its regulations and external documents the policy and practice of ethical corporate management and the commitment of the Board of Directors and management to actively implement the corporate management policy?	V		(1) The Company has explicitly expressed its ethical management policy in its regulations and contracts. Both the Board of Directors and management team are committed to its execution and implementation in internal operations and external business activities.	No major non-compliance
(2) Has the Company established an assessment mechanism for the risk of unethical conduct, regularly analyzed and evaluated the business activities in the scope of business with a higher risk of unethical conduct, and formulated a plan to prevent unethical conduct, covering at least the preventive measures in Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	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
(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	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	
(3) Has the Company established policies to prevent conflicts of interest, provide appropriate communication channels, and thoroughly implement the policies?	V		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. (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 ethics internally.	No major non-compliance
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

Assessment Items	Status (Note 1)			Non-compliance with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies” and Reasons
	Yes	No	Description	
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: 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.): 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 18, 2020

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 2019:

- 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, 2019, 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 18, 2020, 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 2019 and as of the publication of this annual report: None.

(XII) Major resolutions of Shareholders' Meetings and Board Meetings in 2019 and as of the publication of this annual report:

1. Major resolutions of Board Meetings in 2019:

Date	Major resolutions
2019/06/14	<ol style="list-style-type: none"> <li>1. Approved the recognition of the 2018 Annual Business Report and Financial Statement. Status of the resolution: proposal was approved as proposed.</li> <li>2. Approved the recognition of the 2018 Surplus Distribution. Status of the resolution: proposal was approved as proposed.</li> <li>3. Amendment to Articles of Incorporation. Status of the resolution: proposal was approved as proposed.</li> <li>4. Amendment to "Procedures for the Acquisition or Disposal of Assets" Status of the resolution: proposal was approved as proposed.</li> <li>5. Amendment to "Management Rules of Loaning of Funds and Making of Endorsements/Guarantees" Status of the resolution: proposal was approved as proposed.</li> <li>6. Amendment to "Rules of Procedure for Shareholders Meetings" Status of the resolution: proposal was approved as proposed.</li> <li>7. Amendment to "Rules of Procedure for Board of Directors Meetings" Status of the resolution: proposal was approved as proposed.</li> <li>8. Amendment to "Rules of Election of Directors" Status of the resolution: proposal was approved as proposed.</li> <li>9. Re-election of Directors. Status of the resolution: proposal was approved as proposed.</li> <li>10. Lifting the prohibition on new directors and their representatives from competing. Status of the resolution: proposal was approved as proposed.</li> </ol>

2. Resolutions of Board Meeting in 2019 and as of the publication of the annual report:

Date	Major resolutions
2019/03/15	<ol style="list-style-type: none"> <li>1. 2018 Business Report and Consolidated Financial Statement of the Company Resolution status: approved, submitted to the Shareholders' Meeting</li> <li>2. 2018 earnings distribution Resolution status: approved, submitted to the Shareholders' Meeting</li> <li>3. Statement of the Internal Control System Resolution status: approved</li> <li>4. Amend the Company's Articles of Incorporation Resolution status: approved, submitted to the Shareholders' Meeting</li> </ol>

Date	Major resolutions
	<ol style="list-style-type: none"> <li>5. Amend the “Procedures for Obtaining or Disposing of Assets”, “Rules of Shareholder’s Meeting”, “Directors’ Election Method”, partially amend the “Procedures for Obtaining or Disposing of Assets”, and add the “SOP Requirement of Directors” for subsidiary -Winlink/TONG WIN and the “Procedures for Obtaining or Disposing of Assets” for subsidiary-Zhejiang Tong Ming. Resolution status: approved, submitted to the Shareholders’ Meeting</li> <li>6. Adjust the credit limit of KGI Bank and endorsement guarantee amount of Tong Ming Enterprise Resolution status: approved</li> <li>7. 2017 compensation to employees and remuneration to Directors Resolution status: approved, submitted to the Shareholders’ Meeting</li> <li>8. The 6th election of Directors and Independent Directors Resolution status: approved, submitted to the Shareholders’ Meeting</li> <li>9. Nominate candidates for the 6th Independent Directors</li> <li>10. Relieve the limit of NON-COMPETITION RESTRICTIONS on newly appointed Directors (including Independent Directors) and their representatives Resolution status: approved, submitted to the Shareholders’ Meeting</li> <li>11. Hold 2018 regular Shareholder’s Meeting Resolution status: approved</li> </ol>
2019/04/25	<ol style="list-style-type: none"> <li>1. Amendment to ”Procedures for the Acquisition or Disposal of Assets” Status of the resolution: proposal was approved as proposed and presented to the shareholders’ meeting.</li> <li>2. Amendment to ”Management Rules of Loaning of Funds and Making of Endorsements/Guarantees” Status of the resolution: proposal was approved as proposed and presented to the shareholders’ meeting.</li> <li>3. Review of the Company's Independent Director Candidacy. Status of the resolution: proposal was approved as proposed.</li> </ol>
2019/05/07	None
2019/06/14	<ol style="list-style-type: none"> <li>1. Election of the current Chairman. Status of the resolution: proposal was approved as proposed.</li> <li>2. Qualifications for the appointment of the third Remuneration Committee. Status of the resolution: proposal was approved as proposed.</li> </ol>
2019/08/08	<ol style="list-style-type: none"> <li>1. In accordance with Deloitte &amp; Touche's internal rotation for the replacement of certified public accountant. Status of the resolution: proposal was approved as proposed.</li> </ol>
2019/11/12	<ol style="list-style-type: none"> <li>1. Preparation of the Company's 2020 annual operating plan (annual budget). Status of the resolution: proposal was approved as proposed.</li> <li>2. Preparation of the Company's 2020 annual audit plan. Status of the resolution: proposal was approved as proposed.</li> <li>3. The Company intends to adjust the amount of its loaning of funds Status of the resolution: proposal was approved as proposed.</li> </ol>
2020/03/18	<ol style="list-style-type: none"> <li>1. The Company's 2019 annual report of operations and consolidated financial statements. Status of the resolution: proposal was approved as proposed and presented to the shareholders’ meeting.</li> <li>2. The Company's 2019 annual earnings distribution. Status of the resolution: proposal was approved as proposed and presented to the shareholders’ meeting.</li> </ol>

Date	Major resolutions
	<p>3. The Company's statement of internal control system. Status of the resolution: proposal was approved as proposed.</p> <p>4. 2019 employee remuneration and director remuneration distribution. Status of the resolution: proposal was approved as proposed and presented to the shareholders' meeting.</p> <p>5. Amendments to the "Articles of Incorporation", "Management of the Procedures for Preparation of Financial Statements", "Rules of Procedure for Boards' Meetings", "Rules of Procedure for Shareholders' Meetings" and "Corporate Social Responsibility Best Practice Principles". Status of the resolution: proposal was approved as proposed and presented to the shareholders' meeting.</p> <p>6. Newly established "Corporation Operation Directions for Compliance with the Establishment of Board of Directors by the Board's Exercise of Powers", "Procedures for Ethical Management and Guidelines for Conduct", "Regulations Governing Appointment of Independent Directors and Compliance Matters", "Regulations Governing the Exercise of Powers by Audit Committees", "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a company whose stock is listed on the Taiwan Stock Exchange or the Taipei Exchange" and "Regulations Governing the Board Performance Evaluation". Status of the resolution: proposal was approved as proposed and presented to the shareholders' meeting.</p> <p>7. Line of credit of KGI Bank and Justment amount of endorsement/guarantee of Tong Ming Enterprise Co., Ltd. Status of the resolution: proposal was approved as proposed.</p> <p>8. Proposal to convene the Company's 2020 annual general meeting of shareholders. Status of the resolution: proposal was approved as proposed.</p>

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

(XIV) Resignation or discharge of the Chairman, President, or Supervisors of Accounting, Finance, Internal Audit, or R&D in 2018 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	2019	

Unit: In Thousands of NT\$

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

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

## VI. Change of CPA

Due to internal rotation in Deloitte Touche Tohmatsu Limited, Chen, Huei-Ming and Kuo, Nai-Hua were replaced by Hsieh,Ming-Chung and Lu, I-Chen as CPAs of the Company in the second quarter of 2019.

## VII. Chairman, President, or Managers in Charge of Finance or Accounting Holding a Position in the CPA's Firm or Its Affiliates in 2018 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 2018 and as of the Publication of This Annual Report

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

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

Unit: NTS/1000 Shares

Title	Name	2019		2020, as of April 17		Comments
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged	
Chairman	Tsai, Ching-Tung	—	—	—	—	—
		—	—	—	—	—
Director	Richard International Co., Ltd. Representative: Tsai, Yi-Ting	—	—	—	—	—
Director	Tong One Holdings Limited Representative: Tsai, Hung-Chuan	—	—	—	—	—
Director	Ko, Wen-Ling	—	—	—	—	—
Independent Director	Ko, Yung-Hsiang	—	—	—	—	—
Independent Director	Huang, Ming-Tze	—	—	—	—	—
Independent Director	Hsu, Ching-Pang	—	—	—	—	—
President and shareholder with 10% shareholdings or more	Tsai, Hung-Chuan	—	—	—	—	—
Operation Management Center Vice President and Supervisor of Finance	Tsai, Cheng-Hsiung	2	—	—	—	—
Supervisor of Accounting	Yen, Hsien-Ying	1	—	—	—	—
Supervisor of Internal Audit	Su, Chia-Yu	—	—	—	—	—
Shareholder with 10% shareholdings or more	Tsai, Ming-Ti	—	—	—	—	—
Shareholder with 10% shareholdings or more	Tsai, Yi-Ting	—	—	—	—	—
Shareholder with 10% shareholdings or more	Tsai, Ching-Tung	—	—	—	—	—

(II) Stock transferred to related parties: None

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

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

As of April 17, 2020; Unit: shares

Name	Shareholding		Spouses, Minor Children		Nominee Arrangement		Names and Relationship of Top 10 Shareholders Who Are Related Parties, Spouses, or within Two Degrees of Kinship to Each Other		Comments
	Shares	%	Shares	%	Shares	%	Name	Relation	
Capital and Limited Representative: Tsai, Hung-Chuan	29,781,500	17.73%	—	—	—	—	Tong One Holdings Limited Representative: Tsai, Hung-Chuan Oriental Union Chemical Corp., in custody of Chinatrust Commercial Bank New Star Limited Representative: Tsai, Chia-Yen Mega Sun Limited Representative: Tsai, Chen-Jung	Director of the Company Sibling relationship with a Director of the Company Sibling relationship with a Director of the Company Sibling relationship with a Director of the Company	—
Tong One Holdings Limited Representative: Tsai, Hung-Chuan	24,000,000	14.29%	—	—	—	—	Oriental Union Chemical Corp., in custody of Chinatrust Commercial Bank New Star Limited Representative: Tsai, Chia-Yen Capital and Limited Representative: Tsai, Hung-Chuan Mega Sun Limited Representative: Tsai, Chen-Jung	Sibling relationship with a Director of the Company Sibling relationship with a Director of the Company Director of the Company Sibling relationship with a Director of the Company	—
Richard International Co., Ltd. Representative: Tsai, Yi-Ting Note (1)	24,000,000	14.29%	—	—	—	—	Tsai, Yi-Ting Tsai, Ming-Ti Aetek Co., Ltd. in custody of Chinatrust Commercial Bank	Director of the Company Father and son Sibling relationship with a Director of the Company	—
Tsai, Yi-Ting	19,381,500	11.54%	—	—	—	—	Tsai, Ming-Ti Richard International Co., Ltd. Representative: Tsai, Yi-Ting Tsai, Ming-Ti Aetek Co., Ltd. in custody of Chinatrust Commercial Bank	Father and son Father and son with a Director of the Company Sibling relationship with a Director of the Company	—
Tsai, Ming-Ti	16,426,875	9.78%	—	—	—	—	Tsai, Yi-Ting Richard International Co., Ltd. Representative: Tsai, Yi-Ting Aetek Co., Ltd. in custody of Chinatrust Commercial Bank	Father and son Director of the Company Father and daughter with a Director of the Company	—
Oriental Union Chemical Corp., in custody of Chinatrust Commercial Bank	10,532,000	6.27%	—	—	—	—	Tong One Holdings Limited Representative: Tsai, Hung-Chuan New Star Limited Representative: Tsai, Chia-Yen Capital and Limited Representative: Tsai, Hung-Chuan Mega Sun Limited Representative: Tsai, Chen-Jung	sibling relationship with a Director of the Company Sisters with a Director of the Company Sibling relationship with a Director of the Company Director of the Company	—
New Star Limited	8,000,000	4.76%	—	—	—	—	Tong One Holdings Limited Representative: Tsai, Hung-Chuan Oriental Union Chemical Corp., in custody of Chinatrust Commercial Bank Capital and Limited Representative: Tsai, Hung-Chuan Mega Sun Limited Representative: Tsai, Chen-Jung	Sibling relationship with a Director of the Company Sisters with a Director of the Company Sibling relationship with a Director of the Company Sisters with a Director of the Company	—
Mega Sun Limited	8,000,000	4.76%	—	—	—	—	Tong One Holdings Limited Representative: Tsai, Hung-Chuan Oriental Union Chemical Corp., in custody of Chinatrust Commercial Bank New Star Limited Representative: Tsai, Chia-Yen Capital and Limited Representative: Tsai, Hung-Chuan	Sibling relationship with a Director of the Company Director of the Company Sisters with a Director of the Company Sibling relationship with a Director of the Company	—

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	
Aetek Co., Ltd. in custody of Chinatrust Commercial Bank	7,443,000	4.43%	—	—	—	—	Tsai, Ming-Ti Tsai, Yi-Ting Richard International Co., Ltd. Representative : Tsai, Yi-Ting	Father and daughter Siblings Sibling relationship with a Director of the Company	—
Tong Hwei Enterprise Co., Ltd.	7,399,000	4.40%	—	—	—	—			—
Person in Charge: Tsai, Tsung-Hsiang	0	—	—	—	—	—			—

Note (1) Richard International Co., Ltd. Representative: Tsai, Ming-Ti was discharged on June 8, 2017 and replaced by Tsai, Yi-Ting as representative.

## 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
Tong Ming Enterprise Co., Ltd (Note 1)	466,596,000	99.70	—	—	466,596,000	99.70
Tong Ming Trading Limited	50,000	100.00	—	—	50,000	100.00
Tong Ming Holding Ltd.	50,000	100.00	—	—	50,000	100.00
Easy Trade (Shanghai) Co., Ltd.	N/A (Note 2)	100.00	—	—	N/A(Note 2)	100.00
Shenzhen Easy Fasteners Co., Ltd.	N/A (Note 2)	100.00	—	—	N/A(Note 2)	100.00
Tong Win Trading (Jiaxing) Co., Ltd	N/A (Note2)	100.00	—	—	N/A(Note 2)	100.00

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

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

## Four Capital Overview

### I. Capital and Shares

#### (I) Source of Capital:

##### 1. History of Capital

As of April 17, 2020; Unit: NT\$/Share

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

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

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

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

##### 2. Type of shares

As of April 17, 2020; Unit: Share

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

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

#### (II) Shareholder Composition

As of April 17, 2020; Unit: Share

Type \ Qty	Government Agencies	Financial Institutions	Other Juridical Persons	Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	0	0	6	573	17	596
Shares	0	0	7,733,000	45,051,875	115,215,125	168,000,000
%	0	0	4.60	26.82	68.58	100.00

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

### (III) Shareholding Distribution

#### 1. Common Shares:

As of April 17, 2020

Shareholding	Number of Shareholders	Shares	%
1~999	59	2,047	0
1,000~5,000	354	725,453	0.43
5,001~10,000	59	465,000	0.28
10,001~15,000	26	334,000	0.20
15,001~20,000	15	277,000	0.16
20,001~30,000	20	505,000	0.30
30,001~40,000	10	345,000	0.21
40,001~50,000	3	135,000	0.08
50,001~100,000	24	1,864,000	1.11
100,001~200,000	11	1,546,000	0.92
200,001~400,000	2	515,000	0.31
400,001~600,000	1	422,000	0.25
600,001~800,000	—	—	—
800,001~1,000,000	—	—	—
Over 1,000,001	12	160,864,500	95.75
Total	613	168,000,000	100.00

2. Preference share: None.

## (IV) Major shareholders

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

As of April 17, 2020; Unit: Share

Major Shareholders	Shareholding	Shares	%
CAPITALAND LIMITED		29,781,500	17.73%
Richard International Co., Ltd.		24,000,000	14.29%
Tong One Holdings Limited		24,000,000	14.29%
Tsai, Yi-Ting		19,381,500	11.54%
Tsai, Ming-Ti		16,426,875	9.78%
Oriental Union Chemical Corp., in custody of Chinatrust Commercial Bank		10,532,000	6.27%
NEW STAR LIMITED		8,000,000	4.76%
MEGA SUN LIMITED		8,000,000	4.76%
Aetek Co., Ltd. in custody of Chinatrust Commercial Bank		7,443,000	4.43%
Tong Hwei Enterprise Co., Ltd.		7,399,000	4.40%

## (V) Market Price, Net Worth, Earnings, and Dividends Per Share for 2018 and 2019

Unit: NTS/1000 Shares

Items	Fiscal Year		2018	2019	As of March 31, 2020
	Market Price per Share	Highest		46.45	37.95
	Lowest		35.00	31.10	24.80
	Average		40.83	34.50	30.28
Net Worth per Share	Before Distribution		23.16	23.13	22.97
	After Distribution		21.16	21.63	—
Earnings per Share	Weighted Average Shares		168,000	168,000	168,000
	Earnings per Share	Before Adjustment	3.19	2.77	0.09
		After Adjustment	—	—	—
Dividends per Share	Cash Dividends		2.00	1.50	—
	Stock Dividends	Earnings	—	—	—
		Capital Surplus	—	—	—
	Accumulated Undistributed		—	—	—
Return on Investment	Price/Earnings Ratio		12.80	12.45	—
	Price/Dividend Ratio		20.42	23.00	—
	Cash Dividend Yield		4.90	4.35	—

## (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 2019 earnings distribution plan approved by the Board of Directors' Meeting on March 18, 2020 shall distribute a cash dividend equal to NT\$ 1.5 per share and NT\$ 252,000 thousands in total. The proposal is pending approval by the regular Shareholders' Meeting.

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

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

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

- (1) When the Company makes a profit at the end of a fiscal year, the compensation to employees shall be zero thousandths to one thousandth of the balance and paid in the form of stock or cash based on the Board's resolution. Parties eligible to receive the said compensation shall include employees in affiliated companies who meet certain conditions set by the Board. In the same case, the remuneration to directors shall not be greater than five percent of the balance based on the Board's resolution. The distribution plan of compensation to employees and remuneration to directors and supervisors shall be submitted to the shareholders' meeting. However, if the Company has an accumulated deficit, the profit shall cover the deficit before it can be used for compensation to employees and remuneration to directors and supervisors based on the aforementioned ratios.
  - (2) As stipulated in Article 64 of the Articles of Incorporation, the remuneration of Directors shall vary and be evaluated by the Board of Directors with the Company's authorization every year, regardless of gain or loss, based on (a) the involvement of Directors in the business operations of the Company; (b) the contribution of Directors to the Company; (c) the remuneration standards of the industry; and (d) other relevant factors.
2. The estimation basis of compensation to employees and remuneration to Directors and Supervisors, calculation basis for number of shares distributed as stock dividends, and accounting treatments for differences between estimated and actual payment amounts shall be as follows:
  - (1) Please refer to (6)- 1. Dividend policy: for the estimation basis of compensation to employees and remuneration to Directors and Supervisors.
  - (2) The calculation basis for number of shares distributed as stock dividends: The Company did not distribute shares as stock dividends in 2018.
  - (3) Accounting treatments for differences between estimates and actual payment amounts: The big difference of the amount resolved to be distributed by the Board of Directors was recognized as operating expense of the original year; the difference as of the resolution date of the Shareholders' Meeting shall be recognized as changes in accounting estimation and adjusted to book in the following year.
3. Proposed compensation approved by the Board:
  - (1) Compensation to employees and remuneration of Directors: It is proposed not to distribute compensation to employees but NT\$ 840 thousand to the Directors, which is pending approval by the regular Shareholders' Meeting.

- (2) The amount of stock distributed as employee compensation and as a percentage to net income of the parent company only or individual financial statements and aggregate compensation to employees is zero.
4. Payment of compensation to employees and remuneration to directors and supervisors with earnings in the previous fiscal year:
- (1) Compensation to employees: The actual cash dividend distributed to employees of zero was the same amount approved in the Board Meeting.
- (2) Remuneration to Directors and Supervisors: The actual cash dividend distributed to Directors of NT\$ 840 thousands was the same amount approved in the Board Meeting.

(IX) Buyback of Common Shares: None

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

### (I) Inland corporate bonds

Corporate Bonds	First unsecured convertible corporate bonds in the R.O.C.
Issuing date	August 23, 2018
Denomination	NT\$ 100,000, issued at par value
Issuing and transaction location	R.O.C.
Issue price	\$100.30
Total price	\$400,000,000
Coupon rate	0%
Tenor	3 years Maturity: August 23, 2021
Guarantee agency	None
Consignee	KGI Bank
Underwriting institution	KGI Securities Co., Ltd.
Certified Lawyer	Chien Yeh Law Offices
Certified Public Accountant (CPA)	Deloitte Touche Tohmatsu Limited
Repayment method	Repayment of 102.27% of bond denomination in lump sum cash upon maturity
Outstanding principal	\$ 400,000,000
Terms of redemption or advance repayment	Pursuant to Article 22 of the Company's "Issuance and Conversion Method of Unsecured Convertible Corporate Bonds"
Restrictive clause	None
Name of credit rating agency, rating date, and rating of corporate bonds	N/A

Corporate Bonds		First unsecured convertible corporate bonds in the R.O.C.
Other rights attached	As of the publication of this annual report, the converted amount of (exchanged or subscribed) common shares, GDRs, or other securities	The amount of converted common shares is NT\$ 0 as of April 16, 2019.
	Issuance and conversion (exchange or subscription) method	Please refer to the Company's "Statement of Unsecured Convertible Corporate Bonds".
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		Please refer to the Company's "Statement of Unsecured Convertible Corporate Bonds".
Transfer agent		None

## (II) Convertible Bonds

Corporate bond type		First Unsecured Convertible Corporate Bond	
Fiscal Year		2019	2020, as of April 17
Market price of the convertible bond	Highest	99.90	99.70
	Lowest	95	98.35
	Average	97.48	98.77
Convertible price		N/A	N/A
Issue date and conversion price at issuance		2018/08/23 \$100.30	
Conversion methods		Please refer to the Company's "Statement of Unsecured Convertible Corporate Bonds".	

(III) Overseas Corporate Bonds: N/A.

(IV) Exchangeable Bonds: N/A.

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

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

## III. Preferred Shares:

None.

## IV. Global Depositary Shares:

None.

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

None.

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

None.

## VII. Financing Plans and Implementation:

### (I) Finance Plans

#### 1. Content

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

#### (a) Repayment of bank loan

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

#### 2. Change of Plans: None.

#### 3. Source of funds and purpose :

#### (a) Source of funds

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

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

Unit: NT\$ 1000

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

4. Reason for change, benefits before and after change, and date submitting changes to the Shareholders' Meeting: N/A.

5. Date of input into the declaration website designated by FCS: July 16, 2018.

(II) Implementation:

1. Planning of repayment for bank loan:

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

(III) Financial analysis

Unit: NT\$ 1000

Items	2018	2019	First Quarter of 2020	
Current Assets	6,414,414	6,088,003	5,941,577	
Current Liabilities	3,174,567	2,580,675	2,435,108	
Total Liabilities	3,769,924	3,443,422	3,307,645	
Interest Expenditure	111,445	118,367	26,147	
Operating Revenue	8,886,549	8,807,059	1,598,438	
Earnings per Share (NT\$)	3.19	2.77	0.09	
Financial Structure (%)	Debt-asset ratio	49.21	46.98	46.15
	Ratio of long-term capital to property, plant, and equipment	492.57	471.58	477.97

Difference explanation:

1. Current liabilities: The decrease of 19% from the previous period was due to a decrease in short-term borrowings in current liabilities.

## Five. Operational Highlights

### I. Business

#### (I) Business Scope

##### 1. Major Products/Services

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

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

Unit: NT\$ 1,000

Product	Year	2018		2019	
		Amount	%	Amount	%
Stainless steel fastener		5,459,818	61.44	5,381,368	61.10
Stainless steel wire		1,543,192	17.36	1,657,524	18.82
Other(note)		1,883,539	21.20	1,768,167	20.08
Total		8,886,549	100.00	8,807,059	100.00

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

##### 3. Major Products/Services

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

###### A. Stainless steel fastener

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

###### B. Stainless steel wire

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

###### C. Others

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

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

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

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

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

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

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

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

## (II) Industry Overview

### 1. Industry Status and Development

As a special kind of steel, stainless steel can be categorized to five groups in term of its alloy composition: Chromium-Nickel-Manganese Series (200 Series), Chromium-Nickel Series (300 Series), Chromium Series (400 Series), Low Chromium Series (500 Series) and Precipitation-hardening Series (600 Series). The common steel is widely used due to lower price but it is easy to be rusty and corroded by chemicals, which can be added with alloy like Nickel and Chromium in the process of refining to increase its corrosion resistance. Because of an array of advantages like anticorrosion, antibiosis, high temperature resistance, non-flammable, good hygienic properties, perfect appearance and long service life, stainless steel will be given priority for where there is special requirement of intensity, anticorrosion and machinability so that it almost covers all the industries from daily supplies to aerospace science and technology and nuclear power engineering, consequently the stainless steel fastener and wire are both widely needed.

Although the economy growth of mainland China in 2019 was slower but still on the rise, the infrastructure was still continuously increased in the field of transportation, telecommunication and environmental protection in where the stainless steel fastener and wire were widely required. Meanwhile, driven by the terminal industry, supply and demand of stainless steel fastener and wire in mainland China has been increasing year and year, where has become the production and marketing center of these products in the world.

The regional distribution of fastener and wire industry in mainland China is influenced by two factors, one is acquisition of raw material, factories established at remote area is less competitive due to higher transportation cost of main raw material like carbon steel wire and stainless steel rod. And another is the highly concentration, besides aforesaid raw material, there are also other materials needed and consumables like mould, for which the industrial clustering brings more convenience for purchasing of raw material and transportation of products. The stainless steel fastener and wire industries in mainland China currently are centralized at three regions, Jiangsu-Zhejiang-Shanghai, Guangdong and Hebei, among which the enterprises in Jiangsu-Zhejiang-Shanghai belong to Yangtze River Delta, where the industry and business are highly concentrated, with consequently more competitiveness when comparing with those in other regions.

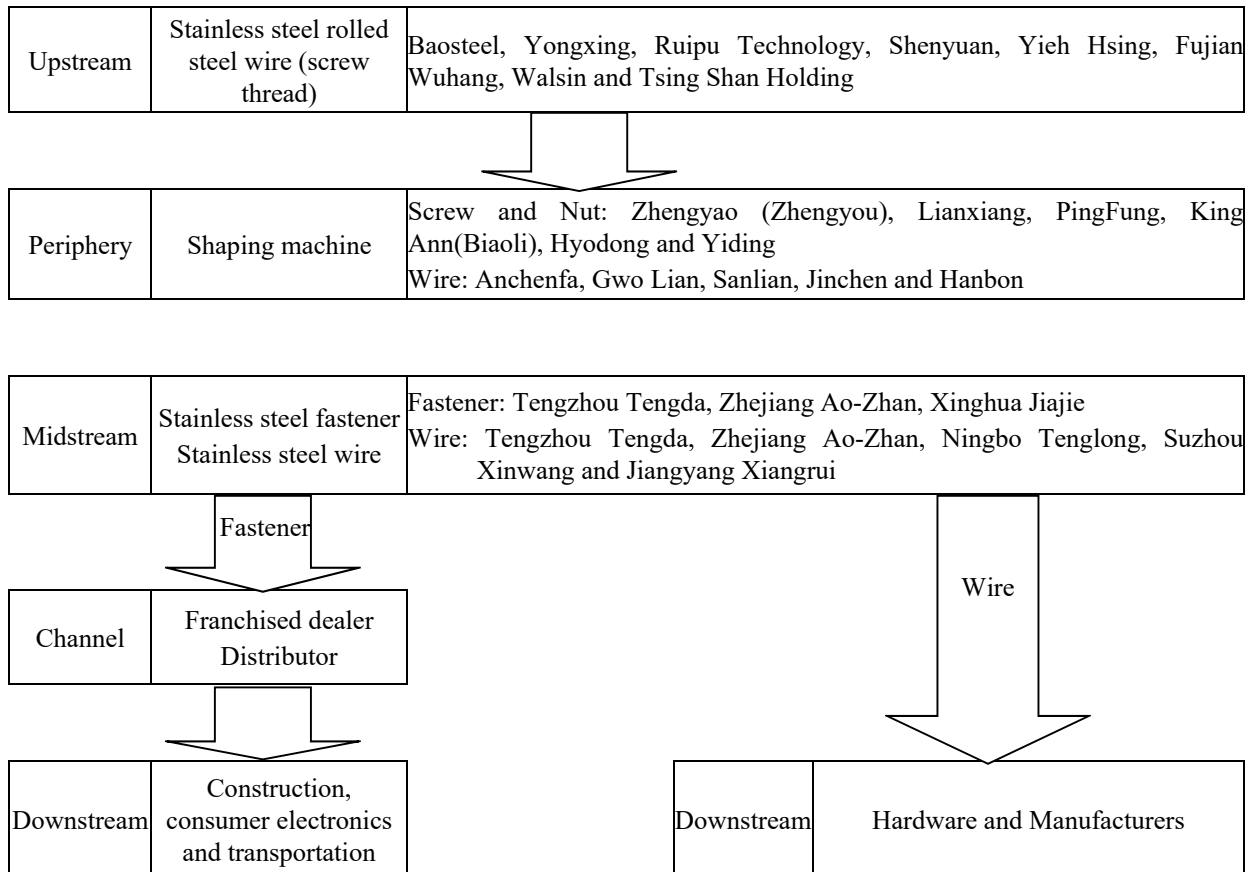
## 2. Supply Chain

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

Since stainless steel fastener has wide applications in different industries, their prosperity degree are related to both stainless steel and fastener industry, below are some development trends in the future.

- (A) The market competition of fastener in mainland China is fierce, online sale of hardware products is booming and the price becomes more transparent, under this circumstance, Zhejiang Tong Ming improves the distribution capability and customer services by making good use of its own brand and acquisition advantage of raw material and responding quickly to market for pricing mode, thus striving for a competitive edge for itself.
- (B) The fastener industry focuses on exploit specified niche market, except for self-made standard parts, the Company actively develops an array of outsourced products, upgrades the stainless steel fastener and wire and extends to specified market such as automobile, high-speed train, aerospace and nuclear plant.
- (C) The mainland China is still actively developing economic and trade relations with Eurasia and the infrastructure will be increased continuously, which will drive the demand of fastener in related industries, for example, the construction of high-speed railway will bring opportunities to fastener producers on this industrial chain, and the setup of harbors will increase the demand of anticorrosion fastener. In addition, the fastener market of home appliance and consumer electronics are both growing along with the increasing of per capital income in mainland China, it is estimated that the demand growth rate of fastener here will still be higher than global ones.
- (D) Continuous urbanization brings higher requirement of living standard by people in mainland China, along with which the requirement of fastener safety and durability by constructors and facilities producers is increasing. Stainless steel fastener of Zhejiang Tong Ming is a kind of high-end product, which will be needed more and more under the above mentioned situation.

### 4. Competition

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

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

### (III) Technology and R&D

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

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

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

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

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

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

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

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

## 2. Education Level of Research and Development Personnel

Unit: number of people; %

Education \ Year	2018		2019		2020 as of April 17	
	Number	Percent	Number	Percent	Number	Percent
Ph.D.	-	-	-	-	-	-
Master	-	-	-	-	-	-
Bachelor	7	100	7	100	7	100
Senior High School	-	-	-	-	-	-
Total	7	100	7	100	7	100

## 3. R&D Expenses as a Percentage to Net Operating Revenue in Year 2017 and 2018 and As of Most Recent Date

Unit: NTS 1,000

Items	2018	2019	2020 End of March
Consolidated R&D Expenses	36,942	31,589	7,075
Consolidated Net Operating Revenue	8,886,549	8,807,059	1,598,438
Ratio of R&D Expenses to Net Operating Revenue	0.42%	0.36%	0.44%

## 4. R&D Achievements in Year 2017 and 2018 and as of Most Recent Date

Year	Achievements
2017	New technology of Stainless Steel Screws with Square Neck and Pan Head
	Anti-corrosion Stainless Steel Tapping Screw for Wooden Buildings
	New Technology for Antilock of Stainless Steel Lock Nut
	High Precision Stainless Steel Nut of Pipeline Joint
	Bright Surface and Dual Heads Stainless Steel Control Rod
	New Technology for Manufacturing Surface Coating of Stainless Steel Wire
2018	Forming Technology of Smokeless Environment Friendly Stainless Steel Screw
	Energy-saving Forming Technology of Stainless Steel Screw
	High Anticorrosion Welding Nut
	New Technology for Rolling of Stainless Steel Special Combination Screw
	High Precision Mirror Surface Rivet Shell Wire
	Energy-saving Annealing Technology of Stainless Steel Wire
2019	Environmental-Protection Magnetic Polishing Process of Screw Surface
	Forming Process of New Type Mirror Surface Ultrathin Nut
	Environmental Friendly Cleaning Technology of Stainless Steel Nut
	High Anticorrosion Slotted Combination Screw
	New Type High Performance Stainless Steel Spring Wire
	New Type Environment Friendly Stainless Steel Rivets Wire

Year	Achievements
2020	High Precision Stainless Steel Pozi Screw
	Eco-friendly New Stainless Steel Nuts
	New High-Strength Stainless Steel Bright Wire

#### (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: NTS 1,000; %

Region \ Year	2018		2019	
	Amount	Ratio (%)	Amount	Ratio (%)
Mainland China	5,314,942	59.81	5,972,893	67.82
America	1,735,393	19.53	1,219,090	13.84
Asia	1,263,181	14.21	800,108	9.08
Europe	412,995	4.65	624,894	7.10
Oceania	102,177	1.15	104,071	1.18
Africa	57,861	0.65	86,003	0.98
Others	—	—	—	—
Total	8,886,549	100.00	8,807,059	100.00

#### 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 2019 were evenly split by standard and non-standard parts and the quantity demand of 300 series stainless steel fastener accounts for about 60% of standard ones. About 40000 tons 300 series standard fastener of Zhejiang Tong Ming was sold within mainland China, contributing to over 30 percent of the market share.

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

##### A. Supply and Demand

##### (A) Demand

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

## (B) Supply

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

## B. Future Market Growth

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

## 4. Competitive Advantage

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

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

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

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

### C. Price Setter in Mainland China Market

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

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

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

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

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

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

### A. Favorable Factors:

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

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

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

Along with the boom in public construction and basic industries in mainland China, the domestic market is still growing. The equipment manufacturing industry has been emphasized in the National Independent Innovation Ability Improvement Plan, which will promote the development of the fastener industry. Meanwhile, local governments are continuously working on urbanization inside mainland China and pushing the development of the Eurasian economy outside it, creating plenty of business opportunities.

## (C) Value-raised and Collectivized Market Order

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

## B. Unfavorable Factors and Solutions

### (A) Intensifying Competition in Mainland China Market

#### Countermeasure

As a leading producer of fastener with own brand in mainland China, the Company has been developing its distribution platform over the past years. With online and offline integrated production and marketing services, it established large scale shipment warehouses in East, South and North China; and the Company will keep improving the logistics services quality in the future based on more than 30 branches and online sales platform; moreover it will also cooperate with financial institutions to enrich e-commerce platform services and diversify customer services, which will raise the industry entry threshold and difficulty of simulating by its competitors.

### (B) Increasing Labor Cost

#### Countermeasure

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

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

(C) The Covid-19 and International Trade Friction

Countermeasure

The international situation will become increasingly complex in 2020 due to the impact of Covid-19 and US-China trade friction. Since the US imposed tariff on steel and other commodities from various countries in the world, the international trading is becoming harsh with mainland China to be the first to be affected, the Company will keep closely watching on trading and tariff related actions in major markets and adjust the production place properly to reduce the subsequent impact. Meanwhile the Company assigns responsible person and recruits professional lawyer so as to respond timely if any anti-dumping event or trading dispute.

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

Countermeasure

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

A. Pricing Strategy of Sales

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

B. Acquisition Strategy of Raw Material

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

C. Management Rules of Inventory

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

- a. The market division sets up reports and meeting in category of “Immediately”, “Weekly”, “Monthly”, “Quarterly” and “Yearly” based on the rank and responsibility of business staffs to monitor the changes of raw material and market information.

- b. Considering product profile, sales mode, shortage and sales forecast, the Company determines the monthly safety stock with the calculation formula of ERP system, and reviews and adjusts the inventory at a certain frequency.

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

### 1. Main Application for Key Products

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

### 2. Production Process

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

#### A. Screw (Fastener)

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

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

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

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

#### B. Nut (Fastener)

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

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

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

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

#### C. Threaded rod (Fastener)

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

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

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

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

#### D. Wire

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

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

### (III) Supply of Key Raw Materials

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

### (IV) Key Suppliers/Customers

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

Unit: NTS 1,000

Rank	2018				2019				2020 as of March 31			
	Name	Amount	%	Relation with the Company	Name	Amount	%	Relation with the Company	Name	Amount	%	Relation with the Company
1	A	1,907,162	24.50	無	A	2,362,562	31.53	無	A	509,018	37.77	無
2	C	919,206	11.81	無	C	823,099	10.98	無	Tong Heer	179,671	13.33	Substantive related party (Note)
3	B	839,721	10.79	無	Tong Heer	677,493	9.04	Substantive related party (Note) None	B	136,479	10.13	無
4	Tong Heer	559,392	7.19	Substantive related party (Note)	B	631,473	8.43	無	D	67,141	4.98	無
5	D	548,404	7.04	無	D	482,191	6.43	無	C	45,684	3.39	無
	其他	3,010,577	38.67	-	其他	2,517,054	33.59	-	其他	409,602	30.40	-
	合計	7,784,462	100.00		合計	7,493,872	100.00		合計	1,347,595	100.00	

#### Variance Analysis:

Since the quality requirement is high and the production and market scale is large, the Company has been purchasing raw material from leading steel makers home and abroad so that on the one hand the quality and quantity can be ensured and on the other hand the

purchasing flexibility and price are favorable with long-term cooperation. The Company increased the volume from supplier A in 2019 for the reason of risk diversification and price elements due to supply quantity and quality factors.

2. Customers account for 10% or more of the Company's total revenue in any one of year 2018 and 2019, 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 2018 and 2019.

(V) Production in 2018 and 2019:

Unit: Ton; NT \$1,000

Year Key Products	2018			2019		
	Capacity	Output	Amount	Capacity	Output	Amount
Fastener	54,4000	47,907	4,002,101	55,450	49,983	3,889,315
Wire	30,000	22,229	1,561,781	30,000	25,630	1,661,602
Total	84,400	70,136	5,563,882	85,450	75,613	5,550,917

(VI) Sales in 2018 and 2019

Unit: Ton; NT \$1,000

Year Key Products	2018				2019			
	Domestic		Overseas		Domestic		Overseas	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Fastener	35,179	3,719,225	16,663	1,740,593	40,666	4,076,438	14,598	1304,930
Wire	18,054	1,441,019	1,265	102,173	22,152	1,615,596	545	41,928
Others	258	33,952	13,835	1,849,587	789	84,962	13,875	1,683,205
Total	53,491	5,194,196	31,763	3,692,353	63,607	5,776,996	29,018	3,030,063

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

Unit: No. of people

Year		2018	2019	2020 as of April 17
No. of Employees	Manager	15	11	11
	Direct	462	431	69
	Indirect	431	450	439
	Total	908	892	919
Average Age		35	36	36
Average Year of Service		5.40	5.70	5.70
Education	Ph.D.	2	2	2
	Master's Degree	3	2	2
	Bachelor's Degree	326	301	303
	Senior High School	153	213	218
	Below Senior High School	424	370	394

#### **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, 2019; Unit: NTS 1,000

Items	Qty	Date of Acquisition	Cost of Investment	Unreduced Balance	Purpose and Prospected Benefit
Industrial water purification equipment	2	2005-06-01	320	30	Wastewater and sewage treatment equipment
Waste water treatment equipment	1	2007-11-01	6,794	656	Wastewater and sewage treatment equipment
Waste gas treatment equipment	1	2009-05-02	900	87	Air pollution prevention equipment
Sewage works of phase III plant	1	2010-10-01	921	505	Wastewater treatment
Wastewater improvement project	1	2011-11-01	1,092	596	Wastewater and sewage treatment equipment
Domestic waste water recycling equipment	1	2012-10-01	661	212	Wastewater and sewage treatment equipment
Improvement of film acid pickling waste gas at north phase I plant and smoke waste gas purifying of 3+4 production line at east phase I plant	1	2013-11-01	2,337	226	Air pollution prevention equipment
Film coating waste gas improvement project	1	2015-02-01	131	69	Air pollution prevention equipment
Installation of waste water online monitoring system	2	2015-04-05	14	1,080	Monitor waste water index and prevent excessive discharge of waste water
Replacement of waste water treatment sludge filter presser	4	2015-05-21	1,981	1080	Reduce sludge weight
Film coating waste gas improvement project	1	2015-05-21	652	82	Air pollution prevention equipment
Ground antiseptic treatment of phase III sludge dump	1	2015-08-22	81	14	Reduce sludge weight
Improvement of domestic sewage disposal system	2	2016-01-01	1,130	682	Disposed domestic sewage can be used for production
Oil scraper	1	2016-02-29	36	22	Scrap oil on waste gas treatment spray unit
Dry ice cleaner	1	2016-09-02	582	385	Clean equipment
Install flow meter at purification tank for liquid waste	1	2016-11-01	57	22	Measure waste water quantity
Automatic oil throwing machine	24	2017-01-01	3,013	2,088	Throw away oil on products
Smoke purifier of stainless steel forming	2	2017-02-01	271	190	Purify smoke at nut production
Automatic centrifuge	2	2017-03-01	829	584	Separate impurities from oil
Waste water emergency tank	1	2017-03-01	176	78	Storage for waste water at emergency
Photovoltaic power generation	1	2017-04-01	104,564	74,456	Solar power generation
Oil throwing machine	26	2017-05-01	3,408	2,314	Throw away oil on products
Automatic oil throwing machine	1	2017-05-01	496	339	Throw away oil on products
Smoke purifier of stainless steel forming	24	2017-05-01	2,459	1,680	Waste gas treatment
Ultrasonic cleaner	1	2017-06-01	203	140	Clean plate electrode of smoke purifier
Smoke purifier of stainless steel forming	13	2017-06-01	1,342	923	Waste gas treatment
Ultrasonic cleaner	1	2017-08-01	199	140	Clean plate electrode of smoke purifier
Automatic lid-lift dewaterer	2	2017-08-01	446	314	Throw away water on products
Automatic oil throwing machine	25	2017-08-01	3,277	2,300	Throw away oil on products

Items	Qty	Date of Acquisition	Cost of Investment	Unreduced Balance	Purpose and Prospected Benefit
Automatic oil throwing machine ( for single machine )	4	2017-08-01	1,986	1,396	Throw away oil on products
Electrostatic machine	34	2017-08-01	2,664	1,954	Waste gas treatment
Oil fume eliminator	2	2017-09-01	171	121	Waste gas treatment
Sludge filter press	1	2017-10-01	540	279	Filter water inside sludge
Oil throwing machine	1	2017-11-01	131	95	Throw away oil on products
Ultrasonic grinder	1	2017-11-01	46	33	Clean smudge on product
Smoke purifier	20	2017-12-01	2,776	2,020	Waste gas treatment
Electrostatic machine	16	2017-12-01	1,372	1,045	Waste gas treatment
Automatic oil throwing machine	15	2018-03-01	1,966	1,470	Throw away oil on products
Automatic centrifuge	5	2018-03-01	1,644	1,284	Separate impurities from oil
Electrostatic machine EC35 (12 pole plate)	2	2018-05-01	203	160	Waste gas treatment
Automatic centrifuge HT-SA-V	3	2018-05-01	1,272	1,011	Separate impurities from oil
Automatic oil throwing machine	4	2018-07-01	504	408	Throw away oil on products
Electrostatic machine	53	2018-07-01	5,020	4,035	Waste gas treatment
Electrostatic machine	2	2018-10-01	146	122	Waste gas treatment
Electrostatic machine	2	2018-11-01	447	374	Waste gas treatment
Cold forging oil fully automatic filter	6	108-03-01	2,038	1,854	Waste gas treatment
Automatic oil throwing machine LX-200	10	108-04-01	1,210	1,110	Throw off the oil in the products.
Roof-mounted photovoltaics	1	108-05-01	43,607	40,337	Solar power

(III) Process of improving environmental pollution in year 2018 and 2019 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 2018 and 2019 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.

(II) Loss incurred due to industrial disputes, estimated amount at present or in the future and actions taken in 2018 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 2018and 2019. The Company has been positively striving to implement the welfare policy of employees, it is estimated there will have no loss caused by industrial dispute in the future.

## VI. Important Contracts

Type	Duration	Counterparty	Description	Covenant
Raw material purchasing	2020/1/1—2020/12/31	Zhejiang Tong Ming and Yong Xing Special Stainless Steel	Purchase Contract of Stainless Steel Wire Rod	None
	2020/1/1—2020/12/31	Zhejiang Tong Ming and Baosteel Special Metal	Purchase Contract of Stainless Steel Wire Rod	None
	2020/1/1—2020/12/31	Zhejiang Tong Ming and Rui Pu Technology	Purchase Contract of Stainless Steel Wire Rod	None
	2020/1/1—2020/12/31	Zhejiang Tong Ming and Jiangsu Shenyuan Group	Purchase Contract of Stainless Steel Wire Rod	None
	2020/1/1—2020/12/31	Zhejiang Tong Ming and Tsing Shan	Purchase Contract of Stainless Steel Wire Rod	None
	2020/1/1—2020/12/31	Zhejiang Tong Ming and Walsin	Purchase Contract of Stainless Steel Wire Rod	None
	2020/1/1—2020/12/31	Zhejiang Tong Ming and Fujian Wuhang	Purchase Contract of Stainless Steel Wire Rod	None
Load in Credit	2019/06/01-2020/05/31	Tong Ming Enterprise and HSBC (TW)	Loan Contract of Working Capital	None
	2019/01/~2019/11/30	Tong Ming Enterprise and TSIB	Loan Contract of Working Capital	None
	2019/05/21~2020/05/12	Tong Ming Enterprise and BOC	Loan Contract of Working Capital	None
	2019/04/21-2020/04/21	Tong Ming Enterprise and KGI Bank	Loan Contract of Working Capital	None
	2018/06/30-2019/06/30	Tong Ming Enterprise and CTCB	Loan Contract of Working Capital	None
	2020/01/01-2020/12/31	Zhejiang Tong Ming and ABC	Loan Contract of Working Capital t	None
	2020/02/26-2021/2/25	Zhejiang Tong Ming and ABC	Loan Contract of Working Capital	None
	2019/09/20-2020/05/07	Zhejiang Tong Ming and CITIC	Loan Contract of Working Capital	None
	2019/12/11-2020/12/10	Zhejiang Tong Ming and CITIC	Loan Contract of Working Capital	None
	2019/12/11-2020/12/10	Zhejiang Tong Ming and Bank SinoPac (CN)	Loan Contract of Working Capital	None
	2019/03/27-2020/03/26	Zhejiang Tong Ming and Bank SinoPac (CN)	Loan Contract of Working Capital	None
	2019/03/27-2020/03/26	Zhejiang Tong Ming and CCB	Loan Contract of Working Capital	None
	2018/12/12-2019/12/11	Zhejiang Tong Ming and China CCB	Loan Contract of Working Capital	None
	2018/09/27-2019/09/14	Zhejiang Tong Ming and HSBC (CN)	Loan Contract of Working Capital	None
	2019/01/02-2019/07/01	Zhejiang Tong Ming and HSBC (CN)	Loan Contract of Working Capital	None
	2019/07/02-2020/06/30	Zhejiang Tong Ming and ICBC	Loan Contract of Working Capital	None
	2019/07/16-2020/07/08	Zhejiang Tong Ming and ICBC	Loan Contract of Working Capital	None
	2019/08/08-2020/08/04	Zhejiang Tong Ming and ICBC	Loan Contract of Working Capital	None
	2019/08/20-2020/08/18	Zhejiang Tong Ming and ICBC	Loan Contract of Working Capital	None
	2019/10/15-2020/10/13	Zhejiang Tong Ming and ICBC	Loan Contract of Working Capital	None
2019/03/29-2021/12/31	Zhejiang Tong Ming and ICBC	Loan Contract of Technical Improvement	None	

Type	Duration	Counterparty	Description	Covenant
Product Sales	2019/12/26-2020/12/25	Zhejiang Tong Ming and WuXi Dongming Standard Parts Co., Ltd.	Sales Contract of Fastener	None
		Zhejiang Tong Ming and Dongguan Haosheng Hardware Co., Ltd.	Sales Contract of Fastener	None
		Zhejiang Tong Ming and Foshan Nanhai Hongde Precision Metal Co., Ltd.	Sales Contract of Fastener	None
		Zhejiang Tong Ming and SHANGHAI DONGQIN TRADING CO., LTD.	Sales Contract of Fastener	None
		Zhejiang Tong Ming and Xinghua Tenglong Steel	Sales Contract of Fastener	None

## Six. Financial Highlights

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

(I) Condensed Balance Sheet and Statement of Comprehensive Income - International

Financial Reporting Standards:

1. Condensed Balance Sheet

Unit: NT\$ 1000

Fiscal Year		2015	2016	2017	2018	2019	First Quarter of 2020
Items							
Current Assets		3,957,051	4,017,360	5,558,276	6,414,414	6,088,003	5,941,577
Property, Plant and Equipment		1,022,252	844,626	927,282	908,149	1,004,208	987,357
Intangible Assets		3,189	4,541	23,050	22,541	35,360	33,899
Other Assets		96,530	144,100	183,213	316,199	201,827	204,504
Total Assets		5,079,022	5,010,627	6,691,821	7,661,302	7,329,398	7,167,337
Current Liabilities	Before Distribution	1,436,562	1,338,799	2,691,809	3,174,567	2,580,675	2,435,108
	After Distribution	1,604,562	1,674,799	3,111,809	3,510,567	2,832,675	2,687,108
Non-Current Liabilities		113,790	131,638	159,551	595,357	862,747	872,537
Total Liabilities	Before Distribution	1,550,352	1,470,437	2,851,360	3,769,924	3,443,422	3,307,645
	After Distribution	1,718,352	1,806,437	3,271,360	4,105,924	3,695,422	3,559,645
Equity Attributable to Shareholders of the Parent		3,491,960	3,528,914	3,828,261	3,877,882	3,872,908	3,872,908
Capital		1,680,000	1,680,000	1,680,000	1,680,000	1,680,000	1,680,000
Capital Surplus		917,152	916,905	916,905	916,905	916,905	916,905
Retained Earnings	Before Distribution	666,021	964,538	1,312,225	1,428,095	1,558,193	1,572,685
	After Distribution	498,021	628,538	892,225	1,092,095	1,306,193	1,320,685
Other Components of Equity		228,787	(32,529)	(80,869)	(147,118)	(282,190)	(322,820)
Treasury Shares		0	0	0	0	0	0
Non-controlling Interests		36,710	11,276	12,200	13,496	13,068	12,922
Total Equity	Before Distribution	3,528,670	3,540,190	3,840,461	3,891,378	3,885,976	3,859,692
	After Distribution	3,360,670	3,204,190	3,420,461	3,555,378	3,633,976	3,607,692

Note: The consolidated financial statements of year 2015~2019 have been audited by CPAs.

## 2. Condensed Statement of Comprehensive Income.7

Unit: NT\$ 1,000

Item	Year	2015	2016	2017	2018	2019	First Quarter of 2020
	Operating revenues		6,018,542	5,998,907	7,593,150	8,886,549	8,807,059
Gross profit		814,159	1,094,823	1,428,517	1,327,998	1,221,920	164,401
Operating income		321,117	603,005	920,219	728,384	654,299	37,247
Non-operating income		1,993	(5,214)	(51,904)	(56,185)	(65,824)	(18,167)
Income Before Tax		323,110	597,791	868,315	672,199	588,475	19,080
Income before income tax in continued department		237,283	467,632	685,825	537,442	467,504	14,495
Income in Unconfined Unit		-	-	-	-	-	-
Net benefits(loss)		237,283	467,632	685,825	537,442	467,504	14,495
Other Comprehensive Income(Post-tax)		(68,065)	(264,096)	(48,477)	(66,525)	(135,614)	(40,779)
Total Comprehensive Income		169,218	203,536	637,348	470,917	331,890	(26,284)
Profit attributable to owners of the parent		238,387	466,517	683,687	535,870	466,098	14,492
Profit attributable to non-controlling interest		(1,104)	1,115	2,138	1,572	1,406	3
Comprehensive income attributable to owners of the parent		171,676	205,201	635,347	469,621	331,026	(26,138)
Comprehensive income attributable to Non-controlling interest		(2,458)	(1,665)	2,001	1,296	864	(146)
Earnings per share(NT\$)		1.42	2.78	4.07	3.19	2.77	0.09

Note: The consolidated financial statements of year 2015~2020 have been audited by CPAs.

(III)Independent Auditor's Report from 2105 to 2019

Year	CPA Firm	CPA	Audit Opinion
2015	Deloitte Touche Tohmatsu Limited	Hsieh, Ming-Chung Weng, Po-Jen	Unqualified opinion
2016	Deloitte Touche Tohmatsu Limited	Hsieh, Ming-Chung Weng, Po-Jen	Unqualified opinion
2017	Deloitte Touche Tohmatsu Limited	Hsieh, Ming-Chung、 Weng, Po-Jen	Unqualified opinion
2018	Deloitte Touche Tohmatsu Limited	Chen, Huei-Ming Weng, Po-Jen	Unqualified opinion
2019	Deloitte Touche Tohmatsu Limited	Hsieh, Ming-Chung、 Lu, I-Chen	Unqualified opinion

## II. Financial Analysis from 2015 to 2019

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

Items for Analysis		Fiscal Year (Note 1)						First Quarter of 2020
		2015	2016	2017	2018	2019		
Financial Structure (%)	Debt-asset ratio	30.52	29.35	42.61	49.21	46.98	46.15	
	Ratio of long-term capital to property, plant and equipment	352.73	433.39	430.05	492.57	471.58	477.97	
Solvency (%)	Current ratio	275.45	300.07	206.49	202.06	235.91	244.00	
	Quick ratio	152.32	172.32	108.22	108.23	128.70	136.33	
	Interest coverage ratio	17.69	29.53	16.60	7.03	5.97	1.73	
Operating Ability	Receivables turnover rate (times)	6.14	5.96	5.94	5.60	5.13	4.00	
	Average collection days for receivables	59.45	61.22	61.40	65.20	71.15	91.21	
	Inventory turnover rate (times)	2.82	2.92	3.02	2.80	2.73	2.20	
	Payables turnover rate (times)	38.25	40.83	40.91	27.46	19.95	17.00	
	Average days for sale	129.65	125.00	120.86	130.22	133.81	165.54	
	Property, plant and equipment turnover rate (times)	5.56	6.43	8.57	9.68	9.21	6.42	
	Total asset turnover rate (times)	1.17	1.19	1.30	1.24	1.18	0.88	
Profitability	Return on assets (%)	4.93	9.62	12.53	8.81	7.67	1.88	
	Return on equity (%)	6.64	13.29	18.59	13.91	12.06	1.50	
	Ratio of income before tax to paid-in capital (%)	19.23	35.58	51.69	40.01	35.03	4.54	
	Profit margin before tax (%)	3.94	7.80	9.03	6.05	5.38	0.91	
	Earnings per share(NT\$)	1.42	2.78	4.07	3.19	2.77	0.09	
Cash Flow	Cash flow ratio (%)	35.98	57.13	0	16.34	27.17	67.04	
	Cash flow adequacy ratio (%)	113.32	137.48	62.35	55.88	60.72	65.11	
	Cash flow reinvestment ratio (%)	2.86	11.63	-6.11	1.63	5.78	25.86	
Leverage	Operating leverage	2.71	1.90	1.59	1.91	1.97	4.96	
	Financial leverage	1.06	1.04	1.06	1.18	1.22	3.36	

Note 1: The consolidated financial statements of year 2015~2019 have been audited by CPAs.

Note 2: The calculation formulas are as below:

#### 1. Financial Structure

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

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

#### 2. Solvency

(1) Current ratio = current assets / current liabilities

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

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

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

Difference explanation:

1. The turnover rate of accounts payable decreased 27% from the previous period due to the increase in operating costs during the period.
2. The cash flow ratio increased from the previous period due to a decrease in short-term borrowings and a decrease in inventories during the period.
3. The cash reinvestment ratio increased from the previous period due to a decrease in cash inflows from operating activities and short-term borrowings from the previous period.

### **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 2019 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.

2020 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.**

Audit Report and Consolidated Financial Statement for 2019

## **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, 2019 and 2018, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audit of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. We conducted our audit of the consolidated financial statements for the year ended December 31, 2018 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, 2019. 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, 2019 are stated as follows:

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

The Group's sales revenue for the year ended December 31, 2019 was \$8,807,059 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 understood and tested the design and operating effectiveness of the key controls over the occurrence of revenue recognition.
2. We sampled the list of major customers, confirmed the related traded documents such as shipments to confirm the occurrence of revenue recognition.
3. We confirmed the accounts receivable as of December 31, 2019 and the total sales revenue for the year ended December 31, 2019 sent to major customers that meet specific standards.

#### **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, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 23, 2020

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 1,179,624	16	\$ 1,489,376	19
Financial assets at fair value through profit or loss - current (Notes 7 and 28)	254,239	4	298,618	4
Financial assets at amortized cost - current (Note 8)	99,605	1	20,095	-
Notes receivable, net (Notes 9 and 29)	312,201	4	267,998	4
Account receivables, net (Notes 9, 22 and 29)	1,471,299	20	1,353,550	18
Other receivables (Note 29)	4,487	-	6,135	-
Inventories (Notes 5 and 10)	2,638,591	36	2,844,974	37
Prepayments (Notes 15, 16 and 29)	127,957	2	133,668	2
Total current assets	<u>6,088,003</u>	<u>83</u>	<u>6,414,414</u>	<u>84</u>
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using the equity method (Note 12)	29,682	-	25,476	-
Property, plant and equipment (Note 13)	1,004,208	14	908,148	12
Right-of-use assets (Note 14)	43,304	1	-	-
Other intangible assets	35,360	1	22,541	-
Deferred tax assets (Note 24)	26,915	-	36,045	1
Prepayments for equipment (Note 16)	96,796	1	218,976	3
Refundable deposits (Note 16)	3,338	-	604	-
Long-term prepayments for leases (Note 15)	-	-	33,020	-
Other non-current assets (Note 16)	1,792	-	2,078	-
Total non-current assets	<u>1,241,395</u>	<u>17</u>	<u>1,246,888</u>	<u>16</u>
<b>TOTAL</b>	<u>\$ 7,329,398</u>	<u>100</u>	<u>\$ 7,661,302</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 17 and 29)	\$ 1,880,038	26	\$ 2,457,588	32
Financial liabilities at fair value through profit or loss - current (Notes 7 and 28)	40	-	-	-
Contract liabilities - current (Notes 20 and 22)	44,818	1	80,231	1
Notes payable	18,630	-	30,206	1
Account payables (Notes 19 and 29)	380,337	5	331,266	4
Other payables (Note 20)	236,463	3	245,334	3
Current tax liabilities (Note 24)	10,243	-	29,619	-
Lease liabilities - current (Note 14)	9,874	-	-	-
Other current liabilities (Note 20)	232	-	323	-
Total current liabilities	<u>2,580,675</u>	<u>35</u>	<u>3,174,567</u>	<u>41</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Note 18)	394,858	5	391,664	5
Long-term borrowings (Note 17)	266,049	4	-	-
Deferred tax liabilities (Note 24)	199,694	3	203,693	3
Lease liabilities - non-current (Note 14)	2,146	-	-	-
Total non-current liabilities	<u>862,747</u>	<u>12</u>	<u>595,357</u>	<u>8</u>
Total liabilities	<u>3,443,422</u>	<u>47</u>	<u>3,769,924</u>	<u>49</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)</b>				
Share capital	1,680,000	23	1,680,000	22
Capital surplus	916,905	13	916,905	12
Retained earnings				
Legal reserve	338,169	4	284,582	4
Special reserve	147,118	2	80,869	1
Unappropriated earnings	1,072,906	15	1,062,644	14
Total retained earnings	1,558,193	21	1,428,095	19
Exchange differences on translating the financial statements of foreign operations	(282,190)	(4)	(147,118)	(2)
Total equity attributable to owners of the Company	3,872,908	53	3,877,882	51
<b>NON-CONTROLLING INTERESTS</b>	13,068	-	13,496	-
Total equity	<u>3,885,976</u>	<u>53</u>	<u>3,891,378</u>	<u>51</u>
<b>TOTAL</b>	<u>\$ 7,329,398</u>	<u>100</u>	<u>\$ 7,661,302</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, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Notes 22, 29 and 35)	\$ 8,807,059	100	\$ 8,886,549	100
OPERATING COSTS				
Cost of goods sold (Notes 10, 23 and 29)	<u>(7,585,139)</u>	<u>(86)</u>	<u>(7,558,551)</u>	<u>(85)</u>
GROSS PROFIT	<u>1,221,920</u>	<u>14</u>	<u>1,327,998</u>	<u>15</u>
OPERATING EXPENSES (Notes 23 and 29)				
Selling and marketing expenses	(369,158)	(4)	(358,290)	(4)
General and administrative expenses	(180,359)	(2)	(197,481)	(2)
Research and development expenses	(31,589)	-	(36,942)	(1)
Expected credit loss	<u>13,485</u>	<u>-</u>	<u>(6,901)</u>	<u>-</u>
Total operating expenses	<u>(567,621)</u>	<u>(6)</u>	<u>(599,614)</u>	<u>(7)</u>
PROFIT FROM OPERATIONS	<u>654,299</u>	<u>8</u>	<u>728,384</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES (Note 23)				
Other income	23,249	-	25,412	-
Other gains and losses	24,031	-	25,466	1
Finance costs	(118,367)	(1)	(111,445)	(1)
Share of profit of associates and joint ventures	<u>5,263</u>	<u>-</u>	<u>4,382</u>	<u>-</u>
Total non-operating income and expenses	<u>(65,824)</u>	<u>(1)</u>	<u>(56,185)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	588,475	7	672,199	8
INCOME TAX EXPENSE (Note 24)	<u>(120,971)</u>	<u>(2)</u>	<u>(134,757)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>467,504</u>	<u>5</u>	<u>537,442</u>	<u>6</u>

(Continued)

# TONG MING ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE LOSS</b>				
Items that will not be reclassified subsequently to profit or loss:				
Exchange differences arising on translation to the presentation currency	\$ (142,459)	(1)	\$ (75,037)	(1)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>6,845</u>	<u>-</u>	<u>8,512</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(135,614)</u>	<u>(1)</u>	<u>(66,525)</u>	<u>(1)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 331,890</u>	<u>4</u>	<u>\$ 470,917</u>	<u>5</u>
<b>NET PROFIT ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 466,098	5	\$ 535,870	6
Non-controlling interests	<u>1,406</u>	<u>-</u>	<u>1,572</u>	<u>-</u>
	<u>\$ 467,504</u>	<u>5</u>	<u>\$ 537,442</u>	<u>6</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 331,026	4	\$ 469,621	5
Non-controlling interests	<u>864</u>	<u>-</u>	<u>1,296</u>	<u>-</u>
	<u>\$ 331,890</u>	<u>4</u>	<u>\$ 470,917</u>	<u>5</u>
<b>EARNINGS PER SHARE (Note 25)</b>				
Basic	<u>\$ 2.77</u>		<u>\$ 3.19</u>	
Diluted	<u>\$ 2.67</u>		<u>\$ 3.14</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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company										
	Share Capital			Retained Earnings			Unappropriated Earnings		Other Equity		Total Equity
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Statements of Financial Operations	Exchange Differences on Translating the Financial Statements of Foreign Operations	Non-controlling Interests		
BALANCE AT JANUARY 1, 2018	168,000	\$ 1,680,000	\$ 916,905	\$ 216,214	\$ 32,529	\$ 1,063,482	\$ (80,869)	\$ 3,828,261	\$ 12,200	\$ 3,840,461	
Appropriation of 2017 earnings											
Legal reserve		-	-	68,368	-	(68,368)	-	-	-	-	
Special reserve		-	-	-	48,340	(48,340)	-	-	-	-	
Cash dividends distributed by the Company		-	-	-	-	(420,000)	-	(420,000)	-	(420,000)	
Net profit for the year ended December 31, 2018		-	-	-	-	535,870	-	535,870	1,572	537,442	
Other comprehensive loss for the year ended December 31, 2018, net of income tax		-	-	-	-	-	(66,249)	(66,249)	(276)	(66,525)	
Total comprehensive income (loss) for the year ended December 31, 2018		-	-	-	-	535,870	(66,249)	469,621	1,296	470,917	
BALANCE AT DECEMBER 31, 2018	168,000	1,680,000	916,905	284,582	80,869	1,062,644	(147,118)	3,877,882	13,496	3,891,378	
Appropriation of 2018 earnings											
Legal reserve		-	-	53,587	-	(53,587)	-	-	-	-	
Special reserve		-	-	-	66,249	(66,249)	-	-	-	-	
Cash dividends distributed by the Company		-	-	-	-	(336,000)	-	(336,000)	-	(336,000)	
Cash dividends distributed by subsidiaries		-	-	-	-	-	-	-	(1,292)	(1,292)	
Net profit for the year ended December 31, 2019		-	-	-	-	466,098	-	466,098	1,406	467,504	
Other comprehensive loss for the year ended December 31, 2019, net of income tax		-	-	-	-	-	(135,072)	(135,072)	(542)	(135,614)	
Total comprehensive income (loss) for the year ended December 31, 2019		-	-	-	-	466,098	(135,072)	331,026	864	331,890	
BALANCE AT DECEMBER 31, 2019	168,000	\$ 1,680,000	\$ 916,905	\$ 338,169	\$ 147,118	\$ 1,072,906	\$ (282,190)	\$ 3,872,908	\$ 13,068	\$ 3,885,976	

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 588,475	\$ 672,199
Adjustments for:		
Depreciation expenses	143,458	133,078
Amortization expenses	3,548	2,631
Expected credit loss recognized on account receivables	(13,485)	6,901
Net gain on fair value changes of financial assets designated as at fair value through profit or loss	(49,759)	(10,706)
Interest expense	118,367	111,445
Interest income	(7,390)	(14,036)
Dividend income	(3,224)	(458)
Share of profit of associates and joint ventures	(5,263)	(4,382)
Loss on disposal of property, plant and equipment	10,826	3,725
Loss on disposal of associates	-	387
Write-downs of inventories	-	37,345
Amortization of prepayments for leases	-	1,262
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	-	54
Notes receivable	(44,203)	(91,480)
Account receivables	(103,592)	(22,227)
Other receivables	2,219	3,434
Inventories	212,491	(405,059)
Prepayments	3,918	35,446
Other current assets	-	75
Financial liability held for trading	-	(106)
Contract liabilities	(35,413)	21,565
Notes payable	(11,576)	3,100
Account payables	49,071	169,393
Other payables	(14,511)	(10,848)
Other current liabilities	(91)	(776)
Cash generated from operations	843,866	641,962
Income tax paid	(142,600)	(123,336)
Net cash generated from operating activities	<u>701,266</u>	<u>518,626</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	(79,510)	-
Proceeds from sale of financial assets at amortized cost	-	81,580
Purchase of financial assets at fair value through profit or loss	(1,873,159)	(1,852,156)
Proceeds from sale of financial assets at fair value through profit or loss	1,947,847	2,170,293
Net cash inflow on disposal of associates	-	1,680
Payments for property, plant and equipment	(125,892)	(128,150)
Proceeds from disposal of property, plant and equipment	4,592	6,515

(Continued)

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

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Increase in refundable deposits	\$ (2,734)	\$ (28)
Payments for intangible assets	(17,174)	(2,591)
Decrease in other non-current assets	286	143
Increase in prepayments for equipment	(28,998)	(137,733)
Interest received	6,819	14,055
Dividends received from associates	<u>3,224</u>	<u>458</u>
Net cash (used in) generated from investing activities	<u>(164,699)</u>	<u>154,066</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	-	325,272
Repayments of short-term borrowings	(577,550)	-
Proceeds from issuance of convertible bonds	-	395,170
Proceeds from long-term borrowings	266,049	-
Repayment of the principal portion of lease liabilities	(13,072)	-
Dividends paid to owners of the Company	(336,000)	(420,000)
Interest paid	(112,340)	(109,732)
Dividends paid to non-controlling interests	<u>(1,292)</u>	<u>-</u>
Net cash (used in) generated from financing activities	<u>(774,205)</u>	<u>190,710</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(72,114)</u>	<u>(45,184)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(309,752)	818,218
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,489,376</u>	<u>671,158</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,179,624</u>	<u>\$ 1,489,376</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, 2019 AND 2018 (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. It 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 18, 2020.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies:

- IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

#### Definition of a lease

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

### The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within financing activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights in China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities. Except for the following practical expedient (b) which is applied, the Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

- 1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Group adjusts the right-of-use assets on January 1, 2019 by the amount of any provisions for onerous leases recognized on December 31, 2018, instead of assessing the impairment under IAS 36.
- 3) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 4) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 5) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 4.76%. The difference between the lease liabilities recognized and operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 30,226
Less: Recognition exemption for short-term leases	<u>(5,098)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 25,128</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 23,933</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 23,933</u>

The Group as lessor

The Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	<b>As Originally Stated on January 1, 2019</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated on January 1, 2019</b>
Prepayments - current	\$ 133,668	\$ (1,793)	\$ 131,875
Prepayments for leases - non-current	33,020	(33,020)	-
Right-of-use assets	<u>-</u>	<u>58,746</u>	<u>58,746</u>
Total effect on assets	<u>\$ 166,688</u>	<u>\$ 23,933</u>	<u>\$ 190,621</u>
Lease liabilities - current	\$ -	\$ 14,156	\$ 14,156
Lease liabilities - non-current	<u>-</u>	<u>9,777</u>	<u>9,777</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 23,933</u>	<u>\$ 23,933</u>
Retained earnings	<u>\$ 1,062,644</u>	<u>\$ -</u>	<u>\$ 1,062,644</u>
Total effect on equity	<u>\$ 1,062,644</u>	<u>\$ -</u>	<u>\$ 1,062,644</u>

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note)</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, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- a. Statement of compliance

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

- b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Basis of consolidation

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

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

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

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

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

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

e. Foreign currencies

In preparing the financial statements of each individual group entity, 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' consolidated financial statements only to the extent that interests in the associate are not related to the Group.

h. Property, plant and equipment

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

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

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

i. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

j. Impairment of tangible and intangible assets other than goodwill

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

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

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

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

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

iii. Investments in debt instruments at FVTOCI

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

- i) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- ii) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

b) Impairment of financial assets and contract assets

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

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

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

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

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at FVTPL

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

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

b) Derecognition of financial liabilities

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

3) Convertible bonds

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

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

#### 4) Derivative financial instruments

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

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

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

#### l. Revenue recognition

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

##### Revenue from the sale of goods

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

#### m. Leases

##### 2019

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.

## 2018

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.

### 1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

## 2) The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets; in which case, they are capitalized.

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

### n. Borrowing costs

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

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

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

### o. Government grants

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

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

### p. Employee benefits

#### 1) Short-term employee benefits

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

#### 2) Retirement benefits

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

### q. Taxation

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

#### 1) Current tax

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

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

## 2) Deferred tax

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

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

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

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

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

## 3) Current and deferred taxes for the year

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

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

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

The 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.

## Critical Accounting Judgments

### Lease Terms - 2019

In determining a lease term, the Group considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within control of the Group occur.

### **Key Sources of Estimation Uncertainty**

#### Write-down of Inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Cash on hand	\$ 38,003	\$ 4,734
Checking accounts and demand deposits	1,141,621	1,426,018
Cash equivalent (investment with original maturities of less than 3 months)		
Time deposits	<u>-</u>	<u>58,624</u>
	<u>\$ 1,179,624</u>	<u>\$ 1,489,376</u>

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

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Value of redemption of bonds	\$ -	\$ 40
Foreign exchange forward contracts (g)	2	-
Non-derivative financial assets - foreign quoted shares	38,987	50,987
Hybrid financial assets		
Structured deposits (a-f)	<u>215,250</u>	<u>247,591</u>
	<u>\$ 254,239</u>	<u>\$ 298,618</u>

(Continued)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Convertible options (Note 18 - bonds payable)	\$ <u>40</u>	\$ <u>-</u> (Concluded)

- a. The Group entered into a non-guaranteed, floating profit contract with China Minsheng Trust Co., Ltd. on December 31, 2019. The contract amount is RMB10,000 thousand, and the contract can be redeemed after 7 days. The anticipated annual yield rate is 5.8% and the anticipated profit is linked to the domestically liquid financial assets.
- b. The Group entered into a non-guaranteed, floating profit contract with China Minsheng Trust Co., Ltd. on December 31, 2019. The contract amount is RMB10,000 thousand, and the contract can be redeemed after 49 days. The anticipated annual yield rate is 6.3% and the anticipated profit is linked to the domestically liquid financial assets.
- c. The Group entered into a non-guaranteed, floating profit contract with China Minsheng Trust Co., Ltd. on December 31, 2019. The contract amount is RMB20,000 thousand, and the contract can be redeemed after 16 days. The anticipated annual yield rate is 6.1% and the anticipated profit is linked to the domestically liquid financial assets.
- d. The Group entered into a non-guaranteed, floating profit contract with China Minsheng Trust Co., Ltd. on December 31, 2019. The contract amount is RMB10,000 thousand, and the contract can be redeemed after 16 days. The anticipated annual yield rate is 5.8% and the anticipated profit is linked to the domestically liquid financial assets.
- e. The Group entered into a non-guaranteed, floating profit contract with China Minsheng Trust Co., Ltd. on December 31, 2018. The contract amount is RMB50,000 thousand, and the contract can be redeemed after 80 days. The anticipated annual yield rate is 6% and the anticipated profit is linked to the domestically liquid financial assets.
- f. The Group entered into a non-guaranteed, floating profit contract with China Everbright Bank Co., Ltd. on December 31, 2018. The contract amount is RMB5,000 thousand. The contract can be redeemed at any time, and the bank can terminate the contract before the date of expiration. The anticipated annual yield rate is 3.4% and the anticipated profit is linked to the domestically liquid financial assets.
- g. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>December 31, 2019</u>			
Sell	NTD/USD	2020.01.30	NTD1,498/USD50
Sell	NTD/USD	2020.03.02	NTD598/USD20
Sell	NTD/USD	2020.03.02	NTD2,095/USD70
Sell	NTD/USD	2020.01.30	NTD1,497/USD50
Sell	NTD/USD	2020.01.30	NTD1,495/USD50
<u>December 31, 2018</u>			
Sell	NTD/USD	2019.01.02	NTD84/USD3

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

## 8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Current</u>		
Time deposits with original maturity of more than 3 months	<u>\$ 99,605</u>	<u>\$ 20,095</u>

- a. The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 2.28%-2.45% and 2.10%-2.30% per annum as of December 31, 2019 and 2018, respectively.
- b. Time deposits with original maturity of more than 3 months as stated above were not pledged as security at the end of the reporting period.

## 9. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 312,201	\$ 267,998
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 312,201</u>	<u>\$ 267,998</u>
Notes receivable - operating	<u>\$ 312,201</u>	<u>\$ 267,998</u>
<u>Aging analysis of notes receivable</u>		
Not past due	\$ 312,201	\$ 267,998
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 312,201</u>	<u>\$ 267,998</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 1,472,938	\$ 1,370,416
Less: Allowance for impairment loss	<u>(5,867)</u>	<u>(22,471)</u>
	1,467,071	1,347,945
At fair value through other comprehensive income	<u>4,228</u>	<u>5,605</u>
	<u>\$ 1,471,299</u>	<u>\$ 1,353,550</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 by reference to 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 120 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, 2019

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

#### December 31, 2018

	<b>Not Past Due</b>	<b>Less than 60 Days</b>	<b>61 to 120 Days</b>	<b>120 to 180 Days</b>	<b>Over 180 Days</b>	<b>Total</b>
Expected credit loss rate	0%-0.97%	0.01%-16.71%	0.23%-18.98%	15.86%-68.18%	100%	
Gross carrying amount	\$ 1,187,615	\$ 132,125	\$ 25,790	\$ 11,997	\$ 12,889	\$ 1,370,416
Loss allowance (lifetime ECL)	<u>(669)</u>	<u>(1,095)</u>	<u>(2,411)</u>	<u>(5,407)</u>	<u>(12,889)</u>	<u>(22,471)</u>
Amortized cost	<u>\$ 1,186,946</u>	<u>\$ 131,030</u>	<u>\$ 23,379</u>	<u>\$ 6,590</u>	<u>\$ -</u>	<u>\$ 1,347,945</u>

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

	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 22,471	\$ 16,482
Add: Net remeasurement of loss allowance	-	6,901
Less: Amounts written off	(2,447)	(428)
Less: Net remeasurement of loss allowance	(13,485)	-
Foreign exchange gains and losses	<u>(672)</u>	<u>(484)</u>
Balance at December 31	<u>\$ 5,867</u>	<u>\$ 22,471</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 by reference to 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 75 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, 2019

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

December 31, 2018

	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	\$ 5,605	\$ -	\$ -	\$ -	\$ -	\$ 5,605
Loss allowance (lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 5,605</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,605</u>

**10. INVENTORIES**

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Finished goods	\$ 1,324,149	\$ 1,319,240
Raw materials and supplies	<u>1,314,442</u>	<u>1,525,734</u>
	<u>\$ 2,638,591</u>	<u>\$ 2,844,974</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was \$7,585,139 thousand and \$7,558,551 thousand, respectively.

The cost of goods sold included inventory write-downs of \$0 thousand and \$37,345 thousand, respectively.

**11. SUBSIDIARIES**

**Subsidiaries Included in Consolidated Financial Statements**

Investor	Investee	Nature of Activities	<u>Proportion of Ownership (%)</u>		Remark
			<u>2019</u>	<u>2018</u>	
Tong Ming Enterprise Co., Ltd. (Cayman)	Tong Group Limited	Investment	100.0	100.0	
	China Rich International Holding Limited	Investment	100.0	100.0	
	Winlink Fasteners Co., Ltd.	Selling and marketing of fasteners and wires	100.0	100.0	
	Tong Win International Co., Ltd.	Selling and marketing of fasteners and wires	100.0	100.0	
Tong Group Limited	Tong Ming Enterprise (Zhejiang) Co., Ltd.	Manufacturing, selling and marketing of fasteners and wires	90.2	90.2	
China Rich International Holding Limited	Tong Ming Enterprise (Zhejiang) Co., Ltd.	Manufacturing, selling and marketing of fasteners and wires	9.5	9.5	
Tong Ming Enterprise (Zhejiang) Co., Ltd.	Eastar Trade (Shanghai) Co., Ltd.	Selling and marketing of fasteners and wires	100.0	100.0	*
	Tong Ming Trading Limited	Buying and selling raw materials	100.0	100.0	*
	Tong Ming Holding Limited	Investment	100.0	100.0	*
	Shenzhen Yiqin Industrial Fastener Co., Ltd	Selling and marketing of fasteners and wires	100.0	100.0	*
	Tong Win Trading (Jiaxing) Co., Ltd	Selling and marketing of fasteners and wires	100.0	-	*

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

## 12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

### a. Investments in associates

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Associates that are not individually material	<u>\$ 29,682</u>	<u>\$ 25,476</u>

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
The Group's share of:		
Profit from continuing operations	\$ 12,442	\$ 4,382
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>\$ 12,442</u>	<u>\$ 4,382</u>

In September 2018, the Group sold 40% of its interest in Suzhou Tong Qin Fasteners Co., Ltd. to a third party for proceeds of \$1,680 thousand, and loss on disposal of the associate is \$387 thousand.

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

## 13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment and other Equipment	Property under Construction	Total
<u>Cost</u>							
Balance at January 1, 2018	\$ 1,745	\$ 653,363	\$ 1,595,861	\$ 53,601	\$ 101,915	\$ 21,296	\$ 2,427,781
Additions	-	-	89,436	6,416	29,053	4,995	129,900
Disposals	-	-	(33,457)	(5,749)	(3,929)	-	(43,135)
Reclassification	-	-	11,677	-	1,147	-	12,824
Effect of foreign currency exchange differences	<u>-</u>	<u>(13,101)</u>	<u>(34,064)</u>	<u>(779)</u>	<u>(2,592)</u>	<u>(548)</u>	<u>(51,084)</u>
Balance at December 31, 2018	<u>\$ 1,745</u>	<u>\$ 640,262</u>	<u>\$ 1,629,453</u>	<u>\$ 53,489</u>	<u>\$ 125,594</u>	<u>\$ 25,743</u>	<u>\$ 2,476,286</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2018	\$ -	\$ 318,305	\$ 1,079,909	\$ 31,663	\$ 70,622	\$ -	\$ 1,500,499
Depreciation expenses	-	26,128	81,633	6,939	18,378	-	133,078
Disposals	-	-	(25,057)	(4,844)	(2,994)	-	(32,895)
Effect of foreign currency exchange differences	<u>-</u>	<u>(6,996)</u>	<u>(23,299)</u>	<u>(533)</u>	<u>(1,716)</u>	<u>-</u>	<u>(32,544)</u>
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 337,437</u>	<u>\$ 1,113,186</u>	<u>\$ 33,225</u>	<u>\$ 84,290</u>	<u>\$ -</u>	<u>\$ 1,568,138</u>
Carrying amounts at December 31, 2018	<u>\$ 1,745</u>	<u>\$ 302,825</u>	<u>\$ 516,267</u>	<u>\$ 20,264</u>	<u>\$ 41,304</u>	<u>\$ 25,743</u>	<u>\$ 908,148</u>

(Continued)

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment and other Equipment	Property under Construction	Total
<b>Cost</b>							
Balance at January 1, 2019	\$ 1,745	\$ 640,262	\$ 1,629,453	\$ 53,489	\$ 125,594	\$ 25,743	\$ 2,476,286
Additions	-	3,163	28,850	6,956	54,145	36,400	129,514
Disposals	-	(421)	(71,903)	(4,353)	(9,905)	-	(86,582)
Reclassification	-	5,489	147,768	-	3,410	(5,489)	151,178
Effect of foreign currency exchange differences	-	(23,827)	(65,961)	(1,468)	(6,102)	(2,491)	(99,849)
Balance at December 31, 2019	<u>\$ 1,745</u>	<u>\$ 624,666</u>	<u>\$ 1,668,207</u>	<u>\$ 54,624</u>	<u>\$ 167,142</u>	<u>\$ 54,163</u>	<u>\$ 2,570,547</u>
<b>Accumulated depreciation and impairment</b>							
Balance at January 1, 2019	\$ -	\$ 337,437	\$ 1,113,186	\$ 33,225	\$ 84,290	\$ -	\$ 1,568,138
Depreciation expenses	-	22,964	84,935	5,692	15,158	-	128,749
Disposals	-	(372)	(60,197)	(3,616)	(6,979)	-	(71,164)
Effect of foreign currency exchange differences	-	(13,243)	(41,989)	(971)	(3,181)	-	(59,384)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 346,786</u>	<u>\$ 1,095,935</u>	<u>\$ 34,330</u>	<u>\$ 89,288</u>	<u>\$ -</u>	<u>\$ 1,566,339</u>
Carrying amounts at December 31, 2019	<u>\$ 1,745</u>	<u>\$ 277,880</u>	<u>\$ 572,272</u>	<u>\$ 20,294</u>	<u>\$ 77,854</u>	<u>\$ 54,163</u>	<u>\$ 1,004,208</u>

(Concluded)

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

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

As of December 31, 2019 and 2018, the property and equipment were not pledged as collateral.

#### 14. LEASE ARRANGEMENTS

##### a. Right-of-use assets - 2019

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Land	\$ 31,787
Buildings	<u>11,517</u>
	<u>\$ 43,304</u>
	<b>For the Year Ended December 31, 2019</b>
Additions to right-of-use assets	<u>\$ 6,160</u>
Depreciation charge for right-of-use assets	
Land	\$ 1,233
Buildings	<u>13,476</u>
	<u>\$ 14,709</u>

b. Lease liabilities - 2019

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Current	<u>\$ 9,874</u>
Non-current	<u>\$ 2,146</u>

Range of discount rate for lease liabilities was as follows:

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

c. Material lease-in activities and terms

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

d. Other lease information

2019

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

The Group leases certain office assets which qualifies 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.

The amount of lease commitments for short-term leases for which the recognition exemption is applied was \$4,921 thousand as of December 31, 2019.

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	<b>December 31, 2018</b>
Not later than 1 year	\$ 20,437
Later than 1 year and not later than 5 years	<u>9,789</u>
	<u><u>\$ 30,226</u></u>

**15. REPAYMENTS FOR LEASES**

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current assets (included in prepayments line item)	\$ -	\$ 1,233
Non-current assets	<u>-</u>	<u>33,020</u>
	<u><u>\$ -</u></u>	<u><u>\$ 34,253</u></u>

Prepaid lease payments include land use rights, which are located in mainland China. As of December 31, 2018, land use rights were not pledged as collateral.

**16. OTHER ASSETS**

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Current</u>		
Prepayments		
Prepayments to suppliers	\$ 98,350	\$ 106,540
Prepaid expenses	14,083	17,379
Other prepayments	12,807	6,806
Tax allowance	2,717	1,710
Prepayments for leases	<u>-</u>	<u>1,233</u>
	<u><u>\$ 127,957</u></u>	<u><u>\$ 133,668</u></u>
<u>Non-current</u>		
Prepayment for equipment	\$ 96,796	\$ 218,976
Refundable deposit	3,338	604
Long-term prepaid expense	<u>1,792</u>	<u>2,078</u>
	<u><u>\$ 101,926</u></u>	<u><u>\$ 221,658</u></u>

- a. Prepayments to suppliers is mainly prepaid to buy raw materials.
- b. Prepayment for equipment is mainly about purchasing machinery.

## 17. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Secured borrowings</u>		
Bank loans	\$ 142,065	\$ 490,802
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>1,737,973</u>	<u>1,966,786</u>
	<u>\$ 1,880,038</u>	<u>\$ 2,457,588</u>

The range of weighted average effective interest rates on bank loans was 3.4%-4.57% and 3.72%-5.0% per annum as of December 31, 2019 and 2018, respectively.

### b. Long-term borrowings

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 266,049</u>	<u>\$ -</u>

During the year ended December 31, 2019, the Group acquired new bank borrowings in the amounts of \$266,049 thousand, with a fixed interest rate of 4.7%-4.75% which is adjusted every 12 months and will be repayable by stages from December 2021. According to the provisions of the loan contracts, the Group should correspond with some financial rates and standards.

## 18. BONDS PAYABLE

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Unsecured domestic convertible bonds	\$ 400,000	\$ 400,000
Less: Discounts of bonds payable	<u>(5,142)</u>	<u>(8,336)</u>
	<u>\$ 394,858</u>	<u>\$ 391,664</u>

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

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

- a. From 3 months after the date of issuance to 40 days before the maturity date, the Group will have the right, at such bondholder's option, to require The Group to redeem, in whole or in part, the principal amount of such bondholder's bonds at the redemption amount.

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

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

Proceeds from issuance (less transaction costs of \$6,030 thousand)	\$ 395,170
Value of conversion	(4,728)
Value of redemption	<u>80</u>
Liability component at the date of issuance (less transaction costs allocated to the liability component of \$5,958 thousand)	390,522
Interest charged at an effective interest rate of 0.8026%	1,143
Effect of foreign currency exchange differences	<u>(1)</u>
Liability component at December 31, 2018	391,664
Interest charged at an effective interest rate of 0.8026%	<u>3,194</u>
Liability component at December 31, 2019	<u>\$ 394,858</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

	December 31	
	2019	2018
<u>Current</u>		
Other payables		
Payables for salaries or bonuses	\$ 67,907	\$ 79,836
Payables for insurance	122,686	116,059
Payables for business tax	11,060	15,715
Payables for remuneration of directors	840	840
Payables for interest	4,321	2,303
Others	<u>29,649</u>	<u>30,581</u>
	<u>\$ 236,463</u>	<u>\$ 245,334</u>
Other liabilities		
Contract liabilities	\$ 44,818	\$ 80,231
Others	<u>232</u>	<u>323</u>
	<u>\$ 45,050</u>	<u>\$ 80,554</u>

## 21. EQUITY

### a. Share capital

#### Ordinary shares

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Number of shares authorized (in thousands)	<u>250,000</u>	<u>250,000</u>
Shares authorized	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>168,000</u>	<u>168,000</u>
Shares issued	<u>\$ 1,680,000</u>	<u>\$ 1,680,000</u>

### b. Capital surplus

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*</u>		
Issuance of ordinary shares	\$ 212,915	\$ 212,915
Organization restructured	703,860	703,860
<u>May not be used for any purpose</u>		
From share of changes in equities of subsidiaries	<u>130</u>	<u>130</u>
	<u>\$ 916,905</u>	<u>\$ 916,905</u>

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

### c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 23-6.

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



## 23. PROFIT BEFORE INCOME TAX

### a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest income	\$ 7,390	\$ 14,036
Income from government grants	7,750	4,513
Rental income	2,436	2,208
Dividend income	3,224	458
Others	<u>2,449</u>	<u>4,197</u>
	<u>\$ 23,249</u>	<u>\$ 25,412</u>

### b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Net foreign exchange gains (losses)	\$ (10,200)	\$ 21,772
Loss on disposal of property, plant and equipment	(10,826)	(3,725)
Gain on fair value changes of financial assets designated as at FVTPL	49,759	10,706
Loss on disposal of associates	-	(387)
Others	<u>(4,702)</u>	<u>(2,900)</u>
	<u>\$ 24,031</u>	<u>\$ 25,466</u>

### c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest on bank loans	\$ (114,358)	\$ (110,302)
Interest on lease liabilities	(815)	-
Interest on convertible bonds	<u>(3,194)</u>	<u>(1,143)</u>
	<u>\$ (118,367)</u>	<u>\$ (111,445)</u>

No interest has been capitalized in 2019 and 2018.

### d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
An analysis of depreciation by function		
Operating costs	\$ 68,870	\$ 64,216
Operating expenses	<u>74,588</u>	<u>68,862</u>
	<u>\$ 143,458</u>	<u>\$ 133,078</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
An analysis of amortization by function		
Operating costs	\$ -	\$ -
Operating expenses	<u>3,548</u>	<u>2,631</u>
	<u>\$ 3,548</u>	<u>\$ 2,631</u>

(Concluded)

e. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Post-employment benefits		
Defined contribution plans	\$ 691	\$ 595
Other employee benefits	<u>392,076</u>	<u>447,332</u>
	<u>\$ 392,767</u>	<u>\$ 447,927</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 217,222	\$ 252,423
Operating expenses	<u>175,545</u>	<u>195,504</u>
	<u>\$ 392,767</u>	<u>\$ 447,927</u>

f. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 0% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and the remuneration of directors and supervisors for the years ended December 31, 2019 and 2018, which were approved by the Company's board of directors on March 18, 2020 and March 15, 2019, respectively, are as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Employees' compensation	-	-
Remuneration of directors and supervisors	0.18%	0.16%

Amount

	<b>For the Year Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Cash</b>	<b>Shares</b>	<b>Cash</b>	<b>Shares</b>
Employees' compensation	\$ -	\$ -	\$ -	\$ -
Remuneration of directors and supervisors	840	-	840	-

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

The employees' compensation and the remuneration of directors and supervisors for the years ended December 31, 2019 and 2018, which were approved by the Company's board of directors on March 15, 2019 and March 13, 2018, respectively, are as follows:

	<b>For the Year Ended December 31</b>			
	<b>2018</b>		<b>2017</b>	
	<b>Employees' Compensation</b>	<b>Remuneration of Directors and Supervisors</b>	<b>Employees' Compensation</b>	<b>Remuneration of Directors and Supervisors</b>
Amounts approved in the board of directors' meeting	\$ -	\$ 840	\$ -	\$ 840
Amounts recognized in the annual consolidated financial statements	\$ -	\$ -	\$ -	\$ -

The differences were adjusted to profit and loss for the years ended December 31, 2019 and 2018, respectively.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Foreign exchange gains	\$ 3,169	\$ 55,488
Foreign exchange losses	(13,369)	(33,716)
	<u>\$ (10,200)</u>	<u>\$ 21,772</u>

## 24. INCOME TAXES RELATING

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
In respect of the current period	\$ 63,298	\$ 89,344
Income tax on unappropriated earnings	1,005	835
Adjustments for prior periods	<u>1,210</u>	<u>10,083</u>
	<u>65,513</u>	<u>100,262</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Deferred tax		
In respect of the current period	\$ 55,458	\$ 34,578
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>-</u>	<u>(83)</u>
	<u>55,458</u>	<u>34,495</u>
Income tax expense recognized in profit or loss	<u>\$ 120,971</u>	<u>\$ 134,757</u> (Concluded)

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit before tax	<u>\$ 588,475</u>	<u>\$ 672,199</u>
Income tax expense calculated at the statutory rate (15%)	\$ 88,271	\$ 100,830
Deductible gains in determining taxable income	(16,156)	(20,983)
Income tax on unappropriated earnings	1,005	835
Deferred tax effect of earnings of subsidiaries	42,041	47,020
Temporary differences - investment overseas	57,170	6,168
Unrecognized deductible temporary differences	6,387	(24)
Effect of different tax rates of group entities operating in other jurisdictions	(58,957)	(9,089)
Effect of tax rate changes	-	(83)
Adjustments for prior years' tax	<u>1,210</u>	<u>10,083</u>
Income tax expense recognized in profit or loss	<u>\$ 120,971</u>	<u>\$ 134,757</u>

- 1) The applicable tax rate used by Tong Ming Enterprise Co., Ltd. in China is 15% from 2017 to 2019, 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 2019, the applicable corporate income tax rate used by the Group in the ROC is 20%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Current tax assets and liabilities

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax liabilities		
Income tax payable	<u>\$ 10,243</u>	<u>\$ 29,619</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Exchange Differences</b>	<b>Others</b>	<b>Closing Balance</b>
Temporary differences					
Accrued insurance	\$ 16,609	\$ 1,257	\$ (609)	\$ -	\$ 17,257
Unrealized loss on					
Inventory	8,835	(2,800)	(354)	-	5,681
Allowance for					
impairment loss	3,324	-	(124)	-	3,200
Temporary differences					
on sales	628	21	1	-	650
Other	<u>6,649</u>	<u>(6,226)</u>	<u>(296)</u>	<u>-</u>	<u>127</u>
	<u>\$ 36,045</u>	<u>\$ (7,748)</u>	<u>\$ (1,382)</u>	<u>\$ -</u>	<u>\$ 26,915</u>
<b>Deferred Tax Liabilities</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Exchange Differences</b>	<b>Others</b>	<b>Closing Balance</b>
Temporary differences					
Unappropriated					
earnings of					
subsidiaries	\$ (188,114)	\$ (42,041)	\$ 6,281	\$ 44,896	\$ (178,978)
Associates	(11,330)	(2,200)	405	-	(13,125)
Interest capitalized	(3,373)	229	128	-	(3,016)
Unrealized expense	(825)	159	32	-	(634)
Financial assets at					
FVTPL	-	(3,845)	(33)	-	(3,878)
Others	<u>(51)</u>	<u>(12)</u>	<u>-</u>	<u>-</u>	<u>(63)</u>
	<u>\$ (203,693)</u>	<u>\$ (47,710)</u>	<u>\$ 6,813</u>	<u>\$ 44,896</u>	<u>\$ (199,694)</u>

For the year ended December 31, 2018

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
Temporary differences				
Accrued insurance	\$ 15,490	\$ 1,468	\$ (349)	\$ 16,609
Unrealized loss on Inventory	3,432	5,601	(198)	8,835
Allowance for impairment loss	2,361	1,035	(72)	3,324
Temporary differences on sales	421	208	(1)	628
Other	<u>1,104</u>	<u>5,697</u>	<u>(152)</u>	<u>6,649</u>
	<u>\$ 22,808</u>	<u>\$ 14,009</u>	<u>\$ (772)</u>	<u>\$ 36,045</u>
<b>Deferred Tax Liabilities</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
Temporary differences				
Unappropriated earnings of subsidiaries	\$ (145,129)	\$ (47,020)	\$ 4,035	\$ (188,114)
Associates	(9,967)	(1,602)	239	(11,330)
Interest capitalized	(3,689)	246	70	(3,373)
Unrealized expense	(745)	(97)	17	(825)
Others	<u>(21)</u>	<u>(31)</u>	<u>1</u>	<u>(51)</u>
	<u>\$ (159,551)</u>	<u>\$ (48,504)</u>	<u>\$ 4,362</u>	<u>\$ (203,693)</u>

d. Income tax examination

- 1) The income tax returns through 2017 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**

	<b>Unit: NT\$ Per Share</b>	
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Basic earnings per share		
From continuing operations	<u>\$ 2.77</u>	<u>\$ 3.19</u>
Diluted earnings per share		
From continuing operations	<u>\$ 2.67</u>	<u>\$ 3.14</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><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Earnings used in the computation of basic earnings per share	\$ 466,098	\$ 535,870
Effect of potentially dilutive ordinary shares		
Interest on convertible bonds (after tax)	<u>3,194</u>	<u>1,143</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 469,292</u>	<u>\$ 537,013</u>

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	168,000	168,000
Effect of potentially dilutive ordinary shares		
Convertible bonds	<u>8,000</u>	<u>2,871</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>176,000</u>	<u>170,871</u>

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

**26. NON-CASH TRANSACTION**

For the years ended December 31, 2019 and 2018, the Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statements of cash flows:

- a. The Group reclassified prepayment for equipment with an aggregated value of \$151,178 thousand as property, plant and equipment in 2019 (refer to Note 13).
- b. The Group acquired property, plant and equipment with an aggregate fair value of \$129,514 thousand, with a cash payment of 125,892 thousand and an offset of \$3,222 thousand was increased from other payables (refer to Note 13).
- c. The Group reclassified prepayments for equipment with an aggregated value of \$12,824 thousand as property, plant and equipment in 2018 (refer to Note 13).
- d. The Group acquired property, plant and equipment with an aggregate fair value of \$129,900 thousand, with a cash payment of 128,150 thousand and an offset of \$1,750 thousand was increased from other payables (refer to Note 13).

## 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 Group's overall strategy remains unchanged from 2012.

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

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

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

## 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, 2019

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

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-principal structured deposits	\$ -	\$ -	\$ 247,591	\$ 247,591
Value of redemptions	-	40	-	40
Listed shares	<u>50,987</u>	<u>-</u>	<u>-</u>	<u>50,987</u>
	<u>\$ 50,987</u>	<u>\$ 40</u>	<u>\$ 247,591</u>	<u>\$ 298,618</u>

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

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

For the year ended December 31, 2019

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

For the year ended December 31, 2018

<b>Financial Assets</b>	<b>Financial Assets at FVTPL Derivatives</b>
Balance at January 1, 2018	\$ 616,275
Purchases	1,785,009
Sales/settlements	(2,151,165)
Recognized in profit or loss (included in other gains and losses)	1,669
Effect of exchange rate	<u>(4,197)</u>
	<u>\$ 247,591</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

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	\$ 254,239	\$ 298,618
Financial assets at amortized cost (1)	3,062,988	3,131,549
Financial assets at FVTOCI		
Debt instruments	4,228	5,605
<u>Financial liabilities</u>		
Financial liabilities at FVTPL		
Held for trading	40	-
Financial liabilities at amortized cost (2)	3,107,491	3,375,245

- 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 and other payables, bonds issued, and long-term borrowings.
- d. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

Several subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 18% of the Group's sales is denominated in currencies other than the functional currency of the Group making the sale, whilst almost 17% 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 33.

Sensitivity analysis

The Group is mainly exposed to the Renminbi and US dollar.

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

	<b>Impact on Profit</b>	
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
USD	\$ 3,334	\$ 3,272

This was mainly attributable to the exposure outstanding on US dollar 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>2019</b>	<b>2018</b>
Fair value interest rate risk		
Financial liabilities	\$ 394,858	\$ 391,664
Cash flow interest rate risk		
Financial assets	1,241,226	1,504,737
Financial liabilities	2,146,087	2,457,588

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, 2019 and 2018 would decrease by \$9,049 thousand and \$9,529 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 2019 and 2018.

The Group's concentration of credit risk by geographical locations was mainly in mainland China, which accounted for 94% and 97% of total trade receivables as of December 31, 2019 and 2018, 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, 2019 and 2018, 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, 2019

	Weighted Average Effective Interest rate	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing Lease liabilities	4.608%-4.76%	\$ 9,189 823	\$ 432,022 1,646	\$ 125,335 7,405	\$ - 2,146	\$ - -
Variable interest rate liabilities	3.4%-4.75%	-	333,515	1,593,317	275,243	-
Fixed interest rate liabilities	0.8026%	-	-	-	394,858	-
		<u>\$ 10,012</u>	<u>\$ 767,183</u>	<u>\$ 1,726,057</u>	<u>\$ 672,247</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities

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

December 31, 2018

	Weighted Average Effective Interest rate	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing		\$ 22,119	\$ 387,815	\$ 116,059	\$ -	\$ -
Variable interest rate liabilities	3.72%-5.00%	-	22,441	2,481,234	-	-
Fixed interest rate liabilities	0.8026%	-	-	-	391,664	-
		\$ <u>22,119</u>	\$ <u>410,256</u>	\$ <u>2,597,293</u>	\$ <u>391,664</u>	\$ <u>-</u>

b) Financing facilities

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	\$ 2,004,022	\$ 1,966,786
Amount unused	<u>2,662,598</u>	<u>1,879,831</u>
	<u>\$ 4,666,620</u>	<u>\$ 3,846,617</u>
Secured bank overdraft facilities, received annually		
Amount used	\$ 142,065	\$ 490,802
Amount unused	<u>1,284,318</u>	<u>1,152,916</u>
	<u>\$ 1,426,383</u>	<u>\$ 1,643,718</u>

c. Transfers of financial assets

Factored trade receivables for the years ended December 31, 2019 and 2018 were as follows:

Counterparties	Receivables Sold	Amounts Collected	Amounts Uncollected Year End	Advances Received Year End	Interest Rates on Advances Received (%)	Credit Line
<u>2019</u>						
CTBC Bank Co., Ltd.	\$ <u>35,128</u> (US\$ 1,139,613)	\$ <u>30,900</u> (US\$ 998,593)	\$ <u>4,228</u> (US\$ 141,020)	\$ <u>-</u>	-	US\$ 1,000,000
<u>2018</u>						
CTBC Bank Co., Ltd.	\$ <u>42,507</u> (US\$ 1,389,291)	\$ <u>36,902</u> (US\$ 1,206,816)	\$ <u>5,605</u> (US\$ 182,475)	\$ <u>-</u>	-	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, 2019 and 2018, the carrying amount of these trade receivables that have been transferred but not derecognized was \$4,228 thousand and \$5,605 thousand, respectively.

For the years ended December 31, 2019 and 2018, 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, 2019 and 2018, the carrying amount of these banker's acceptance bills that have been transferred but not derecognized was \$78,506 thousand and \$55,684 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

<u>Related Party Name</u>	<u>Related Party Category</u>
Tong Heer Fasteners Co., Sdn Bhd.	Related party in substance
Tong Heer Fasteners (Thailand) Co., Ltd.	Related party in substance
Apex Glory Limited	Related party in substance
A-Land International Limited	Related party in substance
Go Link Limited	Related party in substance
Tong Hwei Co., Ltd.	Related party in substance
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.	Related party in substance
Tsai, Ching-Tung	Key management personnel
Tsai, Hung-Chuan	Key management personnel

### b. Sales of goods

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
		<b>2019</b>	<b>2018</b>
Sales	Associate		
	Others	\$ 107,852	\$ 111,714
	Related party in substance		
	Others	<u>307,172</u>	<u>75,962</u>
		<u>\$ 415,024</u>	<u>\$ 187,676</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

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Associate		
Others	\$ 13,086	\$ 7,668
Related party in substance		
Others	<u>694,761</u>	<u>546,086</u>
	<u>\$ 707,847</u>	<u>\$ 553,754</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

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
		<b>2019</b>	<b>2018</b>
Manufacturing overhead - material consumption	Associate		
	Others	<u>\$ 15,061</u>	<u>\$ 19,637</u>

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

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>December 31</b>	
		<b>2019</b>	<b>2018</b>
Notes receivable	Associate		
	Others	<u>\$ 8,599</u>	<u>\$ 11,432</u>
Accounts receivables	Associate		
	Others	\$ 32,861	\$ 44,755
	Related party in substance		
	Others	<u>8,067</u>	<u>10,674</u>
		<u>\$ 40,928</u>	<u>\$ 55,429</u>

f. Other receivables

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>December 31</b>	
		<b>2019</b>	<b>2018</b>
Other receivables	Associate		
	Others	<u>\$ 90</u>	<u>\$ 213</u>

g. Prepayments

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>December 31</b>	
		<b>2019</b>	<b>2018</b>
Prepayments	Related party in substance		
	Others	<u>\$ 969</u>	<u>\$ -</u>

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

Line Item	Related Party Category/Name	December 31	
		2019	2018
Accounts payable	Associate		
	Others	\$ 2,887	\$ 2,506
	Related party in substance		
	Others	<u>16,483</u>	<u>10,264</u>
		<u>\$ 19,370</u>	<u>\$ 12,770</u>

i. Lease arrangements

Line Item	Related Party Category/Name	December 31	
		2019	2018
Lease liabilities	Key management personnel		
	Others	<u>\$ 398</u>	<u>\$ -</u>

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2019	2018
Interest expense	Key management personnel		
	Others	<u>\$ 23</u>	<u>\$ -</u>

j. Others

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2019	2018
Operating expense - rental expense	Key management personnel		
	Others	<u>\$ -</u>	<u>\$ 432</u>
Non-operating income - rental income	Associate		
	Others	<u>\$ 2,395</u>	<u>\$ 2,208</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.

k. Endorsements and guarantees

Endorsements given by related parties

Related Party Category/Name	December 31	
	2019	2018
Key management personnel		
Amount endorsed	\$ 1,426,383	\$ 1,643,718
Amount utilized (reported as secured bank loans)	142,065	490,802

1. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	2019	2018
Short-term employee benefits	\$ <u>19,706</u>	\$ <u>17,511</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, 2019 and 2018.

**31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

Unrecognized commitments were as follows:

	<u>December 31</u>	
	2019	2018
Acquisition of property, plant and equipment	\$ <u>50,297</u>	\$ <u>59,330</u>

**32. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD: NONE.**

**33. 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, 2019

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

December 31, 2018

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 10,725	6.8632 (USD:RMB)	\$ 329,166
EUR	1,146	7.781 (EUR:RMB)	40,345
<u>Financial liabilities</u>			
Monetary items			
USD	65	6.8632 (USD:RMB)	2,001
NTD	391,664	0.2236 (NTD:RMB)	391,664

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange losses were \$10,200 thousand and net foreign exchange gains were \$21,772 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.

#### **34. SEPARATELY DISCLOSED ITEMS**

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 3)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
- 9) Trading in derivative instruments (Note 7)
- 10) Intercompany relationships and significant intercompany transactions (Table 6)
- 11) Information on investees (Table 7)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 8)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 8):
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
  - c) The amount of property transactions and the amount of the resultant gains or losses
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
  - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds (Table 1)
  - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services

### 35. 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>2019</b>	<b>2018</b>
Fasteners	\$ 5,381,368	\$ 5,459,818
Wire	1,657,524	1,543,192
Others	<u>1,768,167</u>	<u>1,883,539</u>
	<u>\$ 8,807,059</u>	<u>\$ 8,886,549</u>

b. Geographical information

The Group's principal geographical areas is mainland China.

c. Information about major customers

The Group has no client who contributes over 10% to the Group's total revenue for the years ended December 31, 2019 and 2018.



No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
		Shang Tuo Enterprise Co., Ltd. (Yantai)	Other receivables	No	\$ 275	\$ 258	\$ -	5.00-5.22	1	\$ 5,586	-	\$ -	None	\$ -	258	\$ 1,549,163	
		Xin Hao Enterprise Co., Ltd. (Qizhou)	Other receivables	No	275	258	-	5.00-5.22	1	6,055	-	-	None	-	258	1,549,163	
		Xin Dun Enterprise Co., Ltd. (Suzhou)	Other receivables	No	275	258	-	5.00-5.22	1	6,394	-	-	None	-	258	1,549,163	
		Fu Er Da Enterprise Co., Ltd. (Qingdao)	Other receivables	No	275	258	-	5.00-5.22	1	6,710	-	-	None	-	258	1,549,163	
		Chang Zhong Enterprise Co., Ltd. (Nantong)	Other receivables	No	304	301	-	4.35	1	3,714	-	-	None	-	301	1,549,163	
		Dong Wei Enterprise Co., Ltd. (Changzhou)	Other receivables	No	304	301	-	4.35	1	3,756	-	-	None	-	301	1,549,163	
		Yuan Fei Enterprise Co., Ltd. (Guangzhou)	Other receivables	No	304	301	-	4.35	1	4,835	-	-	None	-	301	1,549,163	
		Jin Feng Enterprise Co., Ltd. (Xi'an)	Other receivables	No	321	301	-	5.00-5.22	1	6,158	-	-	None	-	301	1,549,163	
		Rui Feng Enterprise Co., Ltd. (Yuyao)	Other receivables	No	321	301	-	5.00-5.22	1	6,744	-	-	None	-	301	1,549,163	
		Dong Xin Enterprise Co., Ltd. (Shenzhen)	Other receivables	No	304	301	-	4.35	1	6,955	-	-	None	-	301	1,549,163	
		Li Bao Enterprise Co., Ltd. (Qingdao)	Other receivables	No	321	301	-	5.00-5.22	1	7,322	-	-	None	-	301	1,549,163	
		Fan Ke Enterprise Co., Ltd. (Foshan)	Other receivables	No	321	301	-	5.00-5.22	1	8,146	-	-	None	-	301	1,549,163	
		Jian Li Enterprise Co., Ltd. (Foshan)	Other receivables	No	347	344	-	4.35	1	4,472	-	-	None	-	344	1,549,163	
		Yi Luo Ke Enterprise Co., Ltd. (Beijing)	Other receivables	No	366	344	-	5.00-5.22	1	7,518	-	-	None	-	344	1,549,163	
		Bao Kuo Enterprise Co., Ltd. (Shenyang)	Other receivables	No	366	344	-	5.00-5.22	1	11,229	-	-	None	-	344	1,549,163	
		Ya Zhi Neng Enterprise Co., Ltd. (Suzhou)	Other receivables	No	390	387	-	4.35	1	4,028	-	-	None	-	387	1,549,163	
		Mei Bo Er Enterprise Co., Ltd. (Kunshan)	Other receivables	No	412	387	-	5.00-5.22	1	6,794	-	-	None	-	387	1,549,163	
		Rui Bo Te Enterprise Co., Ltd. (Zhongshan)	Other receivables	No	412	387	-	5.00-5.22	1	6,928	-	-	None	-	387	1,549,163	
		Shang Ge Te Enterprise Co., Ltd. (Shenzhen)	Other receivables	No	412	387	-	5.00-5.22	1	9,831	-	-	None	-	387	1,549,163	
		He Bao Enterprise Co., Ltd. (Beijing)	Other receivables	No	458	431	-	5.00-5.22	1	8,633	-	-	None	-	431	1,549,163	
		Fan Xing Enterprise Co., Ltd. (Jinan)	Other receivables	No	458	431	-	5.00-5.22	1	11,604	-	-	None	-	431	1,549,163	
		Jin Li Hua Enterprise Co., Ltd. (Harbin)	Other receivables	No	458	431	-	5.00-5.22	1	11,869	-	-	None	-	431	1,549,163	
		Te Er Si Enterprise Co., Ltd. (Guangzhou)	Other receivables	No	477	474	-	4.35	1	5,275	-	-	None	-	474	1,549,163	
		Shang Yu Chen Tao Enterprise Co., Ltd. (Shaoxing)	Other receivables	No	504	474	-	5.00-5.22	1	12,603	-	-	None	-	474	1,549,163	
		Dong Gu Enterprise Co., Ltd. (Dongguan)	Other receivables	No	521	517	-	4.35	1	9,465	-	-	None	-	517	1,549,163	
		Bai De Enterprise Co., Ltd. (Hangzhou)	Other receivables	No	550	517	-	5.00-5.22	1	11,192	-	-	None	-	517	1,549,163	
		Kai Run Enterprise Co., Ltd. (Nanjing)	Other receivables	No	550	517	-	5.00-5.22	1	13,281	-	-	None	-	517	1,549,163	
		Shen Gu Enterprise Co., Ltd. (Jiaxing)	Other receivables	No	595	560	-	5.00-5.22	1	4,981	-	-	None	-	560	1,549,163	
		Jian Yue Enterprise Co., Ltd. (Shanghai)	Other receivables	No	564	560	-	4.35	1	11,367	-	-	None	-	560	1,549,163	
		Hong Li Wei Ye Enterprise Co., Ltd. (Foshan)	Other receivables	No	595	560	-	5.00-5.22	1	13,527	-	-	None	-	560	1,549,163	
		Shang Jiang Yu Enterprise Co., Ltd. (Beijing)	Other receivables	No	733	689	-	5.00-5.22	1	13,324	-	-	None	-	689	1,549,163	
		Dong Ming Enterprise Co., Ltd. (Nantong)	Other receivables	No	779	732	-	5.00-5.22	1	18,644	-	-	None	-	732	1,549,163	
		Jie Ying Enterprise Co., Ltd. (Suzhou)	Other receivables	No	824	775	-	5.00-5.22	1	14,521	-	-	None	-	775	1,549,163	

(Continued)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
		Gang Hao Enterprise Co., Ltd. (Zhongshan)	Other receivables	No	\$ 824	\$ 818	\$ -	4.35	1	\$ 8,352		\$ -	None	\$ -	818	\$ 1,549,163	
		Dong Ming Enterprise Co., Ltd. (Qingdao)	Other receivables	No	868	861	-	4.35	1	20,800		-	None	-	861	1,549,163	
		Fan Yi Enterprise Co., Ltd. (Guangzhou)	Other receivables	No	1,008	947	-	5.00-5.22	1	24,327		-	None	-	947	1,549,163	
		Dong Ya Enterprise Co., Ltd. (Guangdong)	Other receivables	No	1,041	1,033	-	4.35	1	8,311		-	None	-	1,033	1,549,163	
		Nan Fang Enterprise Co., Ltd. (Foshan)	Other receivables	No	1,191	1,119	-	5.00-5.22	1	24,119		-	None	-	1,119	1,549,163	
		Ai Rui De Enterprise Co., Ltd. (Shanghai)	Other receivables	No	1,215	1,205	-	4.35	1	18,683		-	None	-	1,205	1,549,163	
		Le Kou Enterprise Co., Ltd. (Shanghai)	Other receivables	No	1,215	1,205	-	4.35	1	29,524		-	None	-	1,205	1,549,163	
		Cheng Gang Enterprise Co., Ltd. (Hangzhou)	Other receivables	No	1,328	1,248	-	5.00-5.22	1	31,643		-	None	-	1,248	1,549,163	
		Gong Biao Enterprise Co., Ltd. (Guangzhou)	Other receivables	No	1,345	1,335	-	4.35	1	16,560		-	None	-	1,335	1,549,163	
		Dao Qin Enterprise Co., Ltd. (Jinan)	Other receivables	No	1,388	1,378	-	4.35	1	19,424		-	None	-	1,378	1,549,163	
		Jin Jie Enterprise Co., Ltd. (Changzhou)	Other receivables	No	1,466	1,378	-	5.00-5.22	1	42,970		-	None	-	1,378	1,549,163	
		Fan Yi Enterprise Co., Ltd. (Shenzhen)	Other receivables	No	1,518	1,507	-	4.35	1	15,186		-	None	-	1,507	1,549,163	
		Sheng XI Enterprise Co., Ltd. (Xiamen)	Other receivables	No	1,924	1,808	-	5.00-5.22	1	58,088		-	None	-	1,808	1,549,163	
		Wan Jie Tong Enterprise Co., Ltd. (Qingdao)	Other receivables	No	2,126	2,109	-	5.00-5.22	1	21,740		-	None	-	2,109	1,549,163	
		Tao Yue Enterprise Co., Ltd. (Shanghai)	Other receivables	No	2,473	2,454	-	4.35	1	28,159		-	None	-	2,454	1,549,163	
		He Xu Enterprise Co., Ltd. (Huizhou)	Other receivables	No	562	560	560	4.35	1	15,784		-	None	-	560	1,549,163	

Note 1: Financing provided to others are numbered as follows:

- a. "0" for the Company.
- b. Subsidiaries are numbered from "1".

Note 2: The nature for the financing is as follows:

- a. No. 1 represents the business contact.
- b. No. 2 represents the need for short-term financing.

Note 3: The limit amount is calculated as follows:

- a. The total amount for lending to a company for a short-term period shall not exceed  $\$3,872,908 \times 40\% = \$1,549,163$  (in thousands) of the net worth of Tong Ming Enterprise Co., Ltd.
- b. There were business transactions: The total loan to borrower shall not exceed  $\$3,872,908 \times 40\% = \$1,549,163$  (in thousands) of the net worth of Tong Ming Enterprise Co., Ltd.
- c. There need for short term financing: The total loan to borrower shall not exceed  $\$3,872,908 \times 40\% = \$1,549,163$  (in thousands) of the net worth of Tong Ming Enterprise Co., Ltd. The total loan for lending to a company shall not exceed  $\$3,758,397 \times 40\% = \$1,503,359$  (in thousands) of the net worth of Tong Ming Enterprise Co., Ltd. reviewed by the CPA for the most recent period ( refer to the Consolidated Financial Statements for the Nine Months Ended September 30, 2019 and Independent Auditors' Review Report).

(Concluded)

TABLE 2

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

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guaranteee		Limit on Endorsement/Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/Guaranteed During the Period	Outstanding Endorsement/Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/Guaranteed by Collateral	Ratio of Accumulated Endorsement/Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/Guarantee Limit	Endorsement/Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Tong Ming Enterprise Co., Ltd.	Winlink Fasteners Co., Ltd. TongWin International Co., Ltd.	b b	\$ 774,581 774,581	\$ 90,600 91,439 (US\$ 3,050)	\$ 90,600 91,439 (US\$ 3,050)	\$ - -	\$ - -	2.34 2.36	\$ 1,936,454 1,936,454	Y Y	N N	N N	

Note 1: Number should be noted in number column.

- "0" for the Company.
- Subsidiaries are numbered from "1".

Note 2: Relationship in formation of endorser and endorsee should be noted.

- Trading partner.
- Majority owned subsidiary.
- The Company and subsidiary own over fifty percent (50%) ownership of the investee company.
- Directly or through subsidiaries owned over fifty percent (50%) of the Company's ordinary shares.
- Guaranteed by the Company according to the construction contract.
- An investee company of which the guarantees were provided based on the Company's proportionate share in the investee company.

Note 3: The limit amount is calculated as follows:

- The total amount of guarantee shall not exceed 50% of the net worth of Tong Ming Enterprise Co., Ltd. which is \$3,872,908 × 50% = \$1,936,454 (in thousands).
- The total amount of guarantee provided by Tong Ming Enterprise Co., Ltd. to any individual entity shall not exceed 20% of the net worth of Tong Ming Enterprise Co., Ltd. which is \$3,872,908 × 20% = \$774,581 (in thousands).

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

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2019

(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, 2019			Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	
Tong Ming Enterprise (Zhejiang) Co., Ltd	Structured deposits China Everbright Bank Co., Ltd. - Yong Tai No. 1 wealth investment product	None	Financial assets at FVTPL - current	-	\$ 86,100 (RMB 20,000)	-	\$ 86,443 (RMB 20,080)
	China Minsheng Trust Co., Ltd. - Hwei Sin No. 5 wealth investment product	None	Financial assets at FVTPL - current	-	129,150 (RMB 30,000)	-	130,052 (RMB 30,210)
	Shares Yongxing Special Stainless Steel Co., Ltd.	None	Financial assets at FVTPL - current	510	38,987 (RMB 9,056)	-	38,987 (RMB 9,056)

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 NTS300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(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)		Carrying Amount	Gain (Loss) on Disposal	Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount			Shares	Amount (Note 4)
Tong Ming Enterprise (Zhejiang) Co., Ltd	ICBC - Tain Li Bao wealth investment product	Financial assets at FVTPL - current	-	-	-	\$ -	-	\$ 1,377,600 (RMB 320,000)	-	\$ 1,385,775 (RMB 321,899)	\$ 1,377,600 (RMB 320,000)	\$ 8,175 (RMB 1,899)	-	\$ -

Note 1: Marketable Securities in this table include shares, bonds, beneficiary certificates and derivative products.

Note 2: Fill in the two columns if marketable securities are accounted for using equity method.

Note 3: The accumulated amount of acquisition/disposal were calculated separately.

Note 4: Paid-in capital is the paid-in capital of the parent company. Shares of issuers without par value or not NTS10 per share are calculated according to 10% of total equity attributable to owners of the Company regarding the regulation on transaction amount of 20% of paid-in capital.

TABLE 5

**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, 2019**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details			Abnormal Transaction		Notes/Accounts Receivable (Payable) Ending Balance	Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price		
Tong Ming Enterprise (Zhejiang) Co., Ltd	Tong Win International Co., Ltd.	Affiliated company	Sale	\$ 211,327	2	T/T at sight	\$ -	\$ 13,077	1
Tong Win International Co., Ltd.	Tong Heer Fasteners (Thailand) Co., Ltd.	Related party in substance	Purchase	658,883	8	T/T after shipment	-	16,483	4
Tong Win International Co., Ltd.	A-Land International Limited	Related party in substance	Sale	231,272	3	T/T after shipment	-	-	-

Note: The prices and payments to related parties were not significantly different from those of purchases/sales from third parties.

**TONG MING ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets
1	Tong Ming Enterprise (Zhejiang) Co., Ltd	Tong Win International Co., Ltd.	c	Sales revenue	\$ 211,327	T/T at sight	3

Note 1: Intercompany relationships and significant intercompany transactions information are noted within the number column as follows:

Number 0 represents the parent company.  
Number 1 represents subsidiaries.

Note 2: Parties involved in the transaction have a direct relationship noted by the following:

Note "a" represents transactions from parent company to subsidiary.  
Note "b" represents transactions from subsidiary to parent company.  
Note "c" represents transactions between subsidiaries.

Note 3: The amounts of asset and liability are calculated as a percentage of the combined total assets. The amounts of income are calculated as a percentage of the combined total sales.

Note 4: Balance and transactions between the Company and subsidiaries, which are related parties of the Company, have been eliminated on consolidation.

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

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019		Share of Profit (Loss)	Note	
				December 31, 2019	December 31, 2018	Number of Shares	%			Carrying Amount
Tong Ming Enterprise Co., Ltd. (Cayman)	Tong Group Limited	Hong Kong	Investment	\$ 1,848,966	\$ 1,848,966	1,000,000	100	\$ 3,767,069	\$ 384,583	1
	China Rich International Holding Limited	Hong Kong	Investment	(RMB 429,493)	(RMB 429,493)	10,000	100	396,754	40,504	1
	Winlink Fasteners Co., Ltd.	Taiwan	Selling and marketing of fasteners and wires	(RMB 45,222)	(RMB 45,222)	1,500,000	100	90,764	12,481	1
	Tong Win International Co., Ltd.	Samoa	Selling and marketing of fasteners and wires	15,989	15,989	500,000	100	142,411	71,578	1
Tong Ming Enterprise (Zhejiang) Co., Ltd	Tong Ming Trading Limited	Hong Kong	Buying and selling raw materials	1,502	1,502	50,000	100	59,425	94	1
	Tong Ming Holding Ltd.	Hong Kong	Investment	(US\$ 50)	(US\$ 50)	50,000	100	(52)	-	-

Note 1: The carrying amount was based on the net assets of the investee whose financial statements were not audited as of December 31, 2019.

Note 2: For information of investments in mainland China, refer to Table 8.

Note 3: The exchange rate was US\$1=NT\$30.03; RMB1=NT\$4.305 as of December 31, 2019.

TABLE 8

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

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(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, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019	Note
					Outward	Inward							
Tong Group Limited Tong Ming Enterprise (Zhejiang) Co., Ltd	Manufacturing, selling and marketing of fasteners and wires	2,014,740 (RMB 468,000)	Direct investment	\$ -	\$ -	\$ -	\$ -	\$ 468,532	90.20	\$ 422,616	\$ 3,928,989	\$ -	Note 1
China Rich International Holding Limited Tong Ming Enterprise (Zhejiang) Co., Ltd	Manufacturing, selling and marketing of fasteners and wires	2,014,740 (RMB 468,000)	Direct investment	-	-	-	-	468,532	9.50	44,511	413,807	-	Note 1
Tong Ming Enterprise Co., Ltd. (Zhejiang) Eastar trade (Shanghai) Co., Ltd	Selling of marketing of fasteners and wires	21,378 (RMB 4,966)	Direct investment	-	-	-	-	443	100.00	443	17,966	-	
Shanghai Dongyiqin Industrial Fastener Co., Ltd.	Selling of marketing of fasteners and wires	2,153 (RMB 500)	Direct investment	-	-	-	-	7,024	40.00	2,810	5,981	-	
Jiaxing Spring You Precise Mold Co., Ltd	Manufacturing and selling of molds	24,489 (RMB 5,689)	Direct investment	-	-	-	-	3,814	47.50	1,812	19,465	-	
Jiaxing Toyou Hardware Co., Ltd	Selling of marketing of fasteners and wires	4,305 (RMB 1,000)	Direct investment	-	-	-	-	1,604	40.00	642	4,236	-	
Sherzhen Yiqin Industrial Fastener Co., Ltd	Selling of marketing of fasteners and wires	12,915 (RMB 3,000)	Direct investment	-	-	-	-	9,227	100.00	9,227	35,637	-	
Tong Win Trading (Jiaxing) Co., Ltd	Selling of marketing of fasteners and wires	6,458 (RMB 1,500)	Direct investment	-	-	-	-	175	100.00	175	6,627	-	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
N/A	N/A	N/A

Note 1: The carrying amount was based on the net assets of the investee whose financial statements were audited as of December 31, 2019.

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.

## Seven. Review and Analysis of Financial Position and Performance and Associated Risks

### I. Financial Position

Unit: NT\$ 1,000

Items	Fiscal Year		Difference	
	2018	2019	Amount	%
Current Assets	6,414,414	6,088,003	(326,411)	(5.09)
Fixed Assets	908,148	1,004,208	96,060	10.58
Other Assets	338,740	237,187	(101,553)	(29.98)
Total Assets	7,661,302	7,329,398	(331,904)	(4.33)
Current Liabilities	3,174,567	2,580,675	(593,892)	(18.71)
Long-Term Liabilities	391,664	660,907	269,243	68.74
Other Liabilities	203,693	201,840	(1,853)	(0.91)
Total Liabilities	3,769,924	3,443,422	(326,502)	(8.66)
Capital	1,680,000	1,680,000	0	0
Capital Surplus	916,905	916,905	0	0
Retained earnings	1,428,095	1,558,193	130,098	9.11
Exchange differences on translation of foreign financial statements	(147,118)	(282,190)	(135,072)	(91.81)
Total Stockholders' Equity	3,891,378	3,885,976	(5,402)	(0.14)

Reason and impact for varying over 20% and amount changed up to NT\$ 10,000 thousand from 2017 to 2018 are as follows:

- (1) Decrease in other assets: mainly due to prepayment for machinery and equipment such as molding machines in 2018 and transferred to property, plant and equipment assets in 2019.
- (2) Increase in long-term liabilities: mainly due to an increase in long-term borrowings in 2019.
- (3) Increase in the translation difference between the financial statements of foreign operating entities: mainly due to the lower exchange rate of Renminbi to New Taiwan Dollar in 2019, resulting in an increase in the impact of the exchange rate on the conversion of the functional currency Renminbi to New Taiwan Dollar.

## II. Financial Performance

### (I) Reasons and Impact of Significant Changes in Asset, Liability and Equity

Unit: NT\$ 1,000

Items	Fiscal Year		Increase(Decrease) Amount	Variable ratio (%)
	2018	2019		
Net Operating Revenue	8,886,549	8,807,059	(79,490)	(0.89)
Operating Cost	7,558,551	7,585,139	26,588	0.35
Gross profit	1,327,998	1,221,920	(106,078)	(7.99)
Operating Expenses	599,614	567,621	(31,993)	(5.34)
Operating Profit	728,384	654,299	(74,085)	(10.17)
Non-operating income	(56,185)	(65,824)	(9,639)	(17.16)
Income Before Tax	672,199	588,475	(83,724)	(12.46)
Income Tax Benefit (expense)	(1134,757)	(120,971)	(13,786)	(10.23)
Net benefits	537,442	467,504	(69,938)	(13.01)
Reason and impact for varying over 20% and amount changed up to NT\$ 10,000 thousand from 2018 to 2018 are as follows: None.				

### (II) Expected Sales Volume with Basis, and Its Impact on the Company's Finance and Business and Action Plan:

The Company makes the target of annual delivery with the expected sales volume which is based on the effective sales in previous year and the demand estimated with economy growth prospecting of the market where the major business entities in, plus the situation and lead time of raw material. And the Company dedicates itself to the stable increasing of performance with numbers of high-quality products and diversified sales channel and platform. The Company will continue to optimize the unique e-commerce business model that integrates production and channels in China, with a variety of sales channels and platforms, in order to maintain steady growth in performance.

### III. Cash Flow

#### (I) Variance Analysis of Cash Flows in 2019:

Unit: NTS 1,000

Item \ Year	2018	2019	Increase (Decrease) Amount	Increase (Decrease) Ratio (%)
Net cash generated by operating activities:	518,626	701,266	182,640	35.22
Net cash used in investing activities:	154,066	(164,699)	(318,765)	(206.90)
Net cash generated by financing activities:	190,710	(774,205)	(964,915)	(505.96)
Reason and impact for varying over 20% and amount changed up to NTS 10,000 thousand from 2018 to 2019 are as follows:				
(1) Cash inflow from operating activities increased by \$182,640 thousand from the prior period, mainly due to the increased net cash inflow of accounts receivable.				
(2) Cash outflows investing activities increased \$ 318,765 thousand from the period time, mainly due to disposition of financial assets have a lower amount in 2019				
(3) Cash outflows from financing activities increased \$964,915 thousand from the prior period, mainly due to the repayment of short-term loans in 2019 and the distribution of cash dividends in issuance the corporate bond in 2018.				

#### (2) Liquidity Analysis for 2020 and action plan for insufficient liquidity

Responding to the market, the Company will continuously increase the production capacity and shipment to expand the market share in 2020. And being at the growing and profitable stage with well controlled inventory and receivable as well as good cooperation with banks, the Company has enough financing amount and no concerns of liquidity shortage

### IV. Major Capital Expenditures in 2019 and Their Impacts on the Company's Finance and Operation

The Company spent total \$125,892 thousand for fixed assets in 2019, 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 2019, Main Reasons for Investment Gains or Losses, Improvement Plans, and Investment Plans of 2020

### (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	384,583	Good operating condition
Tong Ming Enterprise Co., Ltd	40,504	Good operating condition
Winlink Fasteners Co., Ltd.	12,481	Good operating condition
Tong Win International Co., Ltd.	71,578	Good operating condition
Tong Ming Enterprise Co., Ltd	468,532	Good operating condition
Easy Trade (Shanghai)Co., Ltd.	443	Lower sales volume
Jiaxing Chunyou Precision Mould Co., Ltd.	3,814	Good operating condition
Suzhou Dongqin Hardware Co., Ltd.	94	Good operating condition
Tong Ming Trading Limited	7,024	Lower sales volume
SHANGHAI DONGQIN TRADING CO., LTD	-	Good operating condition
Tong Ming Holding Limited	1,604	No business activities
Jiaxing Dongyou Hardware Co., Ltd.	9,227	Good operating condition
SHENZHEN EASY FASTENERS CO., LTD	384,583	Good operating condition
Tong Win Trading (Jiaxing) Co., Ltd	175	Good operating condition

### (3) Investment plan in following year: None

## **VI. Risk Analysis and Assessment in 2019 and as of the Publishing Date of this Annual Report**

### **(1) The impact of the Fluctuation in Interest Rates, Foreign Exchange Rates and Inflation on the Company's Profitability, and Associated Action Plans**

#### **A. Interest Rate Fluctuation**

##### **(a) The Impact on the Company's Revenue and Profit**

The interest income of the Company in 2018 and 2019 was NT\$ 14,036 thousand and NT\$7,390 thousand, respectively, amounting to a consolidated net operating income of 0.16% and 0.08% respectively for the same period. The interest expenditure in 2018 and 2019 was NT\$ 111,445 and NT\$ 118,367 respectively, amounting to a consolidated net operating expense of 1.25% and 1.34% respectively for the same period. As a whole, the impact on the Company's profitability was under control, since the ratio of interest income and expenditure to consolidated net operating revenue was not excessive.

##### **(b) Action Plans**

The Company has always had good relationships with the corresponding banks, and the financing policy is mainly used for short-term working capital and loans for material acquisitions. Going forward, it will actively maintain these good relationships with the banks, not only to secure more favorable interest rates, but to also closely watch the changes to the financial regulations inside and outside of mainland China, and the fluctuation in the interest rates so as to best make use of these regulations and reduce the risk of interest rate fluctuation.

#### **B. Foreign Exchange Rates Fluctuation**

##### **(a) The Impact on the Company's Revenue and Profit**

Any sales and purchasing transactions outside of mainland China are mainly made in US dollars, and those inside are in RMB. Natural hedging often takes place for the fluctuation of foreign exchange rates since the overseas sales volumes are almost equivalent to that of the overseas purchases. Foreign exchange gain amounted to NT\$ 21,772 in 2018 with a loss of NT\$ 10,200 in 2019, amounting to 0.24% and -0.12% of the consolidated net operating revenue and 3.24% and -1.73% of the consolidated income before tax. The impact on the Company's profitability was manageable since the ratio of gains and losses to operating revenue and income before tax was not excessive.

The main functional currency of the Company is RMB and there has been no significant risk of foreign exchange rates until now.

##### **(b) Action Plans**

The Company will continue to strengthen awareness in their financial staff for exchange hedging, analyzing trends in the exchange rate using a real-time, online system and by keeping in close contact

with financial institutions to provide a reference for exchange settlement. Moreover, natural hedging will still be used as a major strategy for risk control, with assets and liabilities in foreign currencies adjusted properly to reduce the risk of exchange rate fluctuations.

### C. Inflation

Inflation did not have a significant impact on the Company's profitability in 2018 and 2019 and according to the announcement by the National Bureau of Statistics in March 2020, the Consumer Price Index (CPI) increased by 4.3% year-on-year in March 2020, mainly due to the delayed resumption of work due to the new Covid-19, with the index set to decline from rising to falling as the epidemic eases; there will only be an annual increase of 2.1% to the CPI in mainland 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. 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 2018 and 2019 was 0.42% and 0.36%, respectively. Although the figures were not high, the Company has over 15 years production experience in the field of stainless steel fasteners and is a leader in the speed of product R&D and the improvement of the production process, with a National High-Tech Enterprise certification. It will continuously invest in research and development to enhance the Company's technical strength and industrial competitiveness.

(4)The Impact of Changes in Major Domestic and Overseas Policies and Regulations on the Company's Finances and Business, and Associated Action Plans:

The company is registered in the Cayman Islands and operates primarily in mainland China. The Cayman Island's major economic activities are financial services, and mainland China has become the major economy in the world. The Company's business of stainless steel fasteners and wire does not belong to the franchising industry, which is heavily regulated both home and abroad. The Company keeps a close watch on policy trends and any changes to the regulations, along with any variations in the market so as to take proper action. Therefore, changes to major domestic and overseas policies and regulations have no significant impact on the Company's finances and business.

(5)The Impact of Changes in Technology and Industry on the Company's Finances and Business, and Associated Action Plans:

Our products are widely used in various industries. Apart from grasping market and technology trends, the Company is also dedicated to the research of material, intensity and corrosion resistance, continues to make an improvement to the mould and production process to provide more competitive products and services for expanding the market share, and introduces new technology into existing products to cope with a dynamic industrial variation. Furthermore, online shopping is increasingly popular and the platform is perfect in mainland China where the major business is located. The Company has set up a complete sales mechanism for this distribution channel, so there is no impact of changes in technology and industry on the Company's finances and business.

(1)The Impact of Changes to the Corporate Image on Corporate Risk Management, and the Associated Action Plans:

As a professional producer of stainless steel fasteners and wire, Zhejiang Tong Ming has been focusing on its operation since it was established, achieving remarkably and establishing a good reputation with more than ten year's hard work. There is no impact to our business on changes to our corporate image.

(2)Expected Benefits and Risks Relating to Mergers and Acquisitions, and the Associated Action Plans:

The Company has established a procedure for the internal restructure and integration of resources for the purpose of listing on the TWSE. It has not undertaken any other mergers and acquisitions. There are no risks associated with mergers and acquisitions and a negative impact on the operations since the implementation of the aforementioned restructure in accordance with the local laws and internal regulations

(3)The Expected Benefits and Risks Relating to Plant Expansion, and the Associated Action Plans:

The Company has no plans for plant expansion in the near future.

(4)The Risks of Concentrated Sources of Sales or Purchases, and the Associated Action Plans:

A. Risk of purchases:

Considering the quality and the lead time of receiving raw materials, the Company will give priority to Tier-one steel manufacturers for the purchase of rolled steel wire and will build long-term relationships with them. Although the purchasing of raw materials has been consolidated to the first three suppliers, they are all Tier-one steel manufacturers with a monthly opening price base. Since other suppliers keep growing in both technology and their scale of operations, the Company can transfer orders to them if there is any supply disruption. There is no significant risk of centralized purchasing of raw materials since the Company has the right to decide the supplier based on our purchasing scale advantage.

B. Risk of sales:

The Company primarily sells stainless steel fasteners and wire to distributors of all sizes to key direct customers in various industries due to the wide application of our products. Therefore, there is no significant risk of sales concentration since our customers are scattered and order large quantities, and the ratio of the sales volume of individual customers to overall revenue is less than 10%.

(5) The Impact and Risk of the Sale or Transfer of a Significant Number of Shares by the Directors, Supervisors or Shareholders with Over 10% Shareholding, and the Associated Action Plans: None.

(6) The Impact and Risk of a Change in Management, and the Associated Action Plans: None.

(7) The Significant Impact of Litigations or Non-litigations on the Interests of Shareholders or Share Prices:

(a) Major convictions or ongoing Litigations, Non-litigations, or Administrative Disputes in 2017 and 2018 with a Significant Impact on the Interests of Shareholders or Share Prices: None.

(b) Major convictions or ongoing Litigations, Non-litigations, or Administrative Disputes in 2017 and 2018 which Involve the Directors, Supervisors, President, De Facto Responsible Person, Major Shareholders with Over 10% Shareholding and Affiliates having a Significant Impact on the Interests of Shareholders or Share Prices: None.

(c) Any Events in 2017 and 2018 as stated in Article 157 of the Securities and Exchange Act by the Directors, Supervisors, Managers and Shareholders with Over 10% Shareholding: None

(8) Other Significant Risks and Associated Action Plans:

(a) The Risk of Overall Economic, Political and Economic Environment, Foreign Exchange and Laws and Regulations.

The Company is registered in the Cayman Islands and the primary business is in mainland China, so the overall economy, changes to the political environment and any fluctuation to the foreign exchange will all have an impact on the Company's operations.

(b) The Risk of Shareholders' Rights and Protection of Interests

There are many differences between the laws and regulations of the Cayman Islands and Taiwan, and the Company amends the Articles of Incorporation as per the "Checklist on the Protection of Shareholders' Rights and Interests at the Registered Place of Foreign Issuers" of the Taiwan Stock Exchange without contradiction to Cayman's laws and regulations.

**VII. Other Significant Matters: None.**

## Eight. Special Notes

### I. Consolidated Business Report of the Affiliates:

**It is same as the financial statement, please refer to page 85~152.**

(1) Chart of Affiliates: Refer to page 5.

(2) Basic Information on Affiliates:

Company Name	Date of Incorporation	Address	Paid-in Capital	Main Business / Products
Tong Ming Enterprise Co., Ltd	Nov. 1995	No. 88 East Changsheng Road, Economic Development Zone, Jiaxing City, Zhejiang Province	RMB 468,000 thousand	Production and sales of SUS fastener and wire, including hardware like SUS screw, threaded rod, wire and nut.
Tong Group Limited	Feb. 2008	Room 2702-03, CC Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong	RMB 429,493 thousand	Investment
China Rich International Holding Limited	Feb. 2008	Room 2702-03, CC Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong	RMB 45,222 thousand	Investment
Tong Ming Trading Limited	May 2011	Room 2702-03, CC Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong	US\$ 50 thousand	Transaction and sales of SUS products
Tong Ming Holding Limited	Jul. 2012	Room 2702-03, CC Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong	Registered capital of US\$ 50 thousand (Not available yet)	Investment
EASY TRADE (SHANGHAI) CO., LTD	Sep. 2005	Building 12, No. 816 Ronghua Road, Chedun Town, Songjiang District, Shanghai	RMB 4,966 thousand	Sales of SUS fastener
Shenzhen Easy Fasteners Co., Ltd.	Dec. 2013	No. 126, Building M07, South China International Hardware, Chemical and Plastic Logistics Zone (Phase I), 1# Huanan Avenue, Pinghu Street, Longgang District, Shenzhen	RMB 3,000 thousand	R&D and sales of SUS fastener and standard parts
Winlink Fasteners Co., Ltd.	Jun. 1996	15 F, No. 140, Zhongshan N. Rd., Gangshan Dist., Kaohsiung City	NT\$ 15,000 thousand	Domestic and overseas transaction of screw, nut and mechanical parts

Company Name	Date of Incorporation	Address	Paid-in Capital	Main Business / Products
Tong Win International Co., Ltd.	Aug. 2012	Novasage Chambers, PO Box 3018, Level 2, CCCS Building, Beach Road, Apia, Samoa	Registered capital of US\$ 500 thousand (Not available yet)	Import and export of standard fastener
Tong Win Trading (Jiaxing) Co., Ltd	May. 2019	Room 502-2, Building 1, Fu'an Plaza, Economic and Technological Development Zone, Jiaxing City, Zhejiang Province	RMB 1,500 thousand	Domestic and overseas transaction of screw, nut and mechanical parts

(3) Shareholders in Common of Tong Ming and Its Affiliates with Deemed Control and Subordination:  
None

## (4) Operational Highlights of Affiliates:

Unit: NTS 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 468,000 thousand	7,006,524	2,643,628	4,362,896	7,301,952	581,226	479,760	1.03
Tong Group Limited	RMB 429,493 thousand	3,935,336	162,495	3,772,841	-	-	393,798	-
China Rich International Holding Limited	RMB 45,222 thousand	414,476	17,114	397,362	-	-	41,475	-
Tong Ming Trading Limited	US\$ 50 thousand	59,425	0	59,425	0	(117)	94	-
Tong Ming Holding Limited	-	-	52	(52)	-	-	-	-
EASY TRADE(SHANGHAI)CO., LTD	RMB 4,966 thousand	18,013	47	17,966	5,221	106	438	-
Shenzhen Easy Fasteners Co., Ltd.	RMB 3,000 thousand	77,569	41,932	35,637	111,321	11,528	9,296	-
Winlink Fasteners Co., Ltd.	NT\$ 15,000 thousand	144,344	52,897	91,447	532,022	17,170	12,481	8.32
Tong Win International Co., Ltd.	-	184,574	42,175	142,399	1,149,569	68,176	71,507	-
Tong Win Trading (Jiaxing) Co., Ltd	RMB 1,500 thousand	6,937	309	6,628	3,729	180	176	-

(5) 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	-	-

(6) Consolidated Financial Statements of Affiliates: it is same as consolidate Financial Statements, refer to page 85~152

(7) Statement of Consolidated Financial Statements of Affiliates: N/A

**II. Private Placement of Securities in 2019 and as of the Publishing Date of this Annual Report: None**

**III. The Company's Shares Held or Disposed of by Subsidiaries in 2018 and as of the Publishing Date of this Annual Report: None.**

**IV. Other Necessary Supplement: None.**

**V. Any Events in 2018 and as of the Publishing Date of this Annual Report that had Significant Impacts on Shareholders' Right or Security Prices as Stated in Subparagraph 2 of Paragraph 3 of Article 36 of the Securities and Exchange Act: None.**

**VI. Major difference with Shareholder Rights Protection Provisions of our Country**

Difference	The Company's Law of the Cayman Island and Interpretation	Articles of Incorporation and Interpretation
<p>“Special Resolution” means: a resolution passed by a majority of the Members, as being entitled to do so, voting in Person or, where proxies are allowed at a general meeting, with such members holding two-thirds or more of the total number of outstanding Shares of the Company attending that meeting; or if the total number of Shares represented by the Members of Public Companies present at a general meeting is not sufficient to meet the criteria specified in the preceding paragraph, the resolution made thereby may be passed by two-thirds or more of the Members, as being entitled to do so, voting in Person or, where proxies are allowed at a general meeting, such Members holding a majority of the total number of outstanding shares of the Company attending that meeting.</p>	<p>Subject to the Company's Laws of the Cayman Islands, a Special Resolution means in theory that the resolution is passed by two-thirds or more of the Members, as being entitled to do so, voting in Person or, where proxies are allowed at a general meeting, and the quorum of the meeting of Members shall be the Members holding a majority of the total number of outstanding shares of the Company attending that meeting</p>	<p>Subject to Letter Tai-Zheng-Shang-Zi No. 0991701319 of TWSE on April 13, 2010, Article 31 and Article 2(1) in the Articles of Incorporation, a special resolution means a resolution passed by two-thirds or more of the Members, as being entitled to do so, voting in Person or, in the case such Members are corporations, by their respective duly authorized representative, or where proxies are allowed, by proxy at a general meeting, which shall also comply with the stipulation in the Company's Law of the Cayman Islands and Company Act of Taiwan for the number of members of a Public Company entitled to vote.</p>

<b>Difference</b>	<b>The Company's Law of the Cayman Island and Interpretation</b>	<b>Articles of Incorporation and Interpretation</b>
<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>The Company's Law of the Cayman Islands has established applicable provisions for capital reduction.</p>	<p>The stipulation of capital reduction in the Company's Law of the Cayman Islands is mandatory and cannot be changed by Articles of Incorporation, so the Articles of this foreign issuer stipulates the buyback mode of shares to fulfill the provision on the left-hand side.</p>
<p>When a general meeting is convened outside the territory of the ROC, an application shall be submitted to the Stock Market for approval within two (2) days after the date that the Board resolves to convene such a meeting or the date the Shareholder obtains permission from the competent authorities.</p>	<p>There is no requirement that the meeting of the Members shall be convened with the territory of the Cayman Islands.</p>	<p>As stipulated in Article 27, the meeting of Members shall be convened inside the territory of the ROC during the Relevant Period without any exception. So there is no stipulation of other cases for "the meeting of the Members to be convened outside the territory of the R.O.C."</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 competent authority to approve the convening of a meeting of the Members in the Cayman Islands.</p>	<p>Due to there being a foreign issuer of the company established according to the Company's Law of the Cayman Islands and there is no competent local authority to approve the convening of the meeting of the Members by any one or more Members on his/their own, so Article 28 in force stipulates 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 convene a meeting of the Members on their own, with no need to apply for approval from the competent authority. If the Board fails to convene such a meeting after the expiration date as per the written requisition. Subject to Letter Tai-Zheng-Shang-Zi No. 0991701319 of</p>

<b>Difference</b>	<b>The Company’s Law of the Cayman Island and Interpretation</b>	<b>Articles of Incorporation and Interpretation</b>
		TWSE on April 13, 2010, the aforesaid stipulation has no negative impact on the Shareholders’ rights.
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.	No applicable regulation in the Company’s Law of the Cayman Islands.	A member who exercises his voting power at a general meeting in writing or by way of electronic transmission shall be deemed to assign the Chairman as its proxy in the Cayman Islands; so Article 51(3) stipulates this circumstance shall be deemed to assign the Chairman as a proxy.
Applicable provisions of the “Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies” for solicitation, contest mode and the announcement and restriction of contest.	No applicable regulation in the Company’s Law of the Cayman Islands.	Subject to Letter Tai-Zheng-Shang-Zi No. 0991701319 of TWSE on April 13, 2010, the foreign issuer is allowed to establish generalized provisions of the “Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies” applicable to our country in the Articles of Incorporation. As stipulated in Article 58, the use of a proxy and proxy contest shall comply with the Company’s Law of the Cayman Islands and Listing Rules, especially the “Regulations Governing the Use of Proxies for the Attendance at the Shareholder Meetings of Public Companies” of our country with the same meaning as the aforementioned letter.
Applicable regulation of the Supervisors.	No applicable regulation in the Company’s Law of the Cayman Islands.	It is not applicable since the Company does not have the position of Supervisors.



Tong Ming Enterprise Co. Ltd.

蔡清東



Tsai, Ching-Tung

