

Stock code: 2006



**TUNG HO STEEL
ENTERPRISE
CORPORATION**

**Meeting Handbook
2020 Annual Meeting of Shareholders
May 19, 2020**

Shareholders' Meeting Time: 9: 30AM, Tuesday, May 19, 2020

Shareholders' Meeting Place: Assembly Hall in Miaoli Plant of Tung Ho Steel

Enterprise Corporation, No. 22, Pingding, Erhu Vil., Xihu Township, Miaoli County

2020 Annual Meeting of Shareholders

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Proceedings of the 2020 Annual Meeting of Shareholders

Time: 9:30 AM, Tuesday, May 19, 2020

Venue: No. 22, Pingding, Erhu Vil., Xihu Township, Miaoli County

Assembly Hall in Miaoli Plant of Tung Ho Steel Enterprise Corporation

Meeting Procedure

1. Call Meeting to Order

2. Chairperson's Remarks

3. Reports

- (1) 2019 business report
- (2) The Audit Committee review of 2019 year-end report
- (3) Report on 2019 surplus appropriation of cash dividend
- (4) Report on the 2019 distribution of remunerations to employees, directors, and supervisors
- (5) Report on the communication between the independent directors and the internal audit supervisors.
- (6) Report on 2019 impairment of assets
- (7) 2019 Board performance evaluation report.
- (8) Report on the amendment of "Corporate Governance Best Practice Principles"
- (9) Report on endorsement.
- (10) Report on lending funds to others
- (11) Report on convertible bonds

4. Matters for Ratification

- (1) Ratify 2019 business report and financial report
- (2) Ratify the surplus allocation table for 2019

5. Matter of discussion

Revision of "Article of Incorporation"

6. Election

Full-scale reelection of directors.

7. Other matters for Discussion

Release the prohibition of newly elected directors and their representatives working in competing companies

8. Extempore Motions

9. Adjournment

Report Items

(1) 2019 Business report

Description:

1. The primary scopes of operation of the Company comprise of the production and sale of steel reinforcement bars, H-beams, steel plates, and channel steel. The quantity of production and sales in 2019 and 2018 can be referred as follows:

Unit: metric ton

| | production | | | sales | | |
|----------------------------|------------|-----------|-------------|-----------|-----------|-------------|
| | 2019 | 2018 | Growth Rate | 2019 | 2018 | Growth Rate |
| Billet steel | 1,804,569 | 1,865,773 | -3.28% | 3,686 | 39,515 | -90.67% |
| Rebar | 1,058,306 | 926,679 | 14.20% | 1,077,908 | 973,439 | 10.73% |
| H-beams | 508,000 | 548,442 | -7.37% | 532,684 | 556,744 | -4.32% |
| Steel plate | 98,521 | 82,358 | 19.63% | 88,283 | 64,047 | 37.84% |
| Channel | 35,443 | 62,842 | -43.60% | 38,829 | 63,081 | -38.45% |
| I-beams | 2,706 | 2,617 | 3.40% | 2,262 | 2,665 | -15.12% |
| Sale and purchase of steel | 0 | 0 | 0.00% | 105,458 | 186,254 | -43.38% |
| Steel sheet piles | 637 | 2,652 | -75.98% | 634 | 2,658 | -76.15% |
| Total | 3,508,182 | 3,491,362 | 0.48% | 1,849,744 | 1,888,402 | -2.05% |

2. The net revenue and consolidated net revenue in 2019 and 2018 are listed as below:

Unit: NT\$1000

| | 2019 | 2018 | Growth rate |
|--------------------------|------------|------------|-------------|
| Net revenue | 34,692,282 | 24,704,836 | 40.43% |
| Consolidated net revenue | 39,769,621 | 31,749,271 | 25.26% |

3. Please refer to Attachment 1 (Page 13) for the business report
4. Please review and assess the preceding items

(2) The Audit Committee review of 2019 year-end report, submitted for review and assessment

Description:

1. The Company's 2019 year-end report was audited by Tzuhui Li and Sinyi Kuo of KPMG International Cooperative and has been duly reviewed by the Company's audit committee. Please refer to Attachments 2 (Page 17) and 3 (Page 28) for the respective accountant inspection report and the Audit Committee review report.
2. The audit committee hereby announce their review report.
3. Please review and assess.

(3) Report on the 2019 distribution of cash dividends with surplus

Description:

1. In accordance with the Company's Articles of Incorporation under Article 28-1, if the surplus appropriation is issued in cash alone, the board of directors shall be authorized to distribute with the attendance of 2/3 of the directors by a resolution agreed by more than

- half of the present directors, and report to the shareholders' meeting.
2. As approved by 19th meeting of the 23rd Board of directors meeting, the Company distributed a cash dividend of NT \$ 1,355,481,821 and a dividend of NT \$1.35 per share.
 3. The total amount of odd shares with a cash dividend of less than NT \$ 1 shall be included in the shareholders' equity.
 4. If later the convertible corporate debt is converted into ordinary shares or due to other reasons, which affects the number of outstanding shares, the chairman of the board is authorized to adjust the changes of the dividend distribution rate of the shareholders.
 5. Please review and assess.

(4) Report on the 2019 distribution of remunerations to employees and directors

Description:

1. In accordance with the Company's Articles of Incorporation under Article 28.
2. As approved by 19th meeting of the 23rd Board of directors meeting, the Company respectively distributed 2.5% of its profit in 2018 for the current year as employee remuneration and 2% as director remunerations. The remunerations are distributed by way of cash and the targets of distribution do not include employees of the Company's affiliates.
3. The total employee remuneration for 2019 was NT\$54,696,060 and the total remuneration to directors was NT\$ 43,756,848.
4. Please review and assess.

(5) Report on the communication between the independent directors and the internal audit supervisors.

Description:

1. The internal audit supervisors of the Company shall submit the relevant information of the internal audit report to the independent directors for review on a month basis and the independent directors shall provide guidance to the internal audit unit through this communication mechanism. For the communication between the independent directors and the internal audit supervisors in 2019, please refer to Attachment 4 (page 29).
2. The audit committee members hereby announce their communication with the internal audit supervisors.
3. Please review and assess.

(6) 2019 asset impairment report

Description:

1. In accordance with the provisions of No. 39 Gazette of International Financial Reporting Standards, there was no loss of assets and no asset impairment loss which shall be recognized for the Company in 2019.
2. Please review and assess.

(7) 2019 Annual Board of Directors Performance Evaluation Report

Description:

1. According to the provisions of the "Measures for the performance of the board of directors" of the Company.
2. For the 2019 Board of Directors performance evaluation report, please refer to attachment 5 (page 30).
3. Please review and assess.

(8) Report on amendment of “Corporate Governance Best Practice Principles”

Description:

1. The Company amended the Corporate Governance Best Practice Principles in accordance with Tai Cheng Chih Li Tzu No. 10800083781 Letter issued on May 23, 2019 by Taiwan Stock Exchange Corporation.
2. For the comparison table of the “Corporate Governance Best Practice Principles”, please refer to attachment 6 (page 33)
3. Please review and assess.

(9) Report on endorsement

Description:

1. In accordance with Articles of Incorporation: the Company shall promise to public in terms of a certain business operation.
2. The Company provided an endorsement to a financial institution for Fujian Tung Steel Limited Company, the remaining endorsement balance is USD \$ 9,000,000 and RMB \$80,000,000 in 2019 year-end.
3. The Company provided an endorsement to a financial institution for Tung Ho Steel Vietnam Corp., Ltd., the remaining endorsement balance is USD \$ 267,500,000 in 2019 year-end.
4. Please review and assess.

(10) Report on Loaning Funds to Others

Description:

1. Corporate capital loan to Tung Ho Steel Vietnam Corp.,Ltd., the remaining balance reaches USD \$ 23,384,000 in 2019 year-end.
2. Please review and assess

(11) Report on convertible bonds, submitted for review and assessment

Description:

1. The company repaid its loans to the bank and saved on interest payments. The 7th domestic unsecured convertible bonds issued in 2018 amounted to NT\$2 billion till book closure date on March 21, 2020. There are no applications for conversion of common shares, and remaining convertible bonds are 20,000. For use of the funds and expected benefits, please refer to attachment 7 (page 39).
2. Please review and assess.

Proposals for Acceptance and Approval

(1) Ratified 2019 business report and financial report. (Board of directors' proposal)

Description:

1. The accountants and the audit committee found no discrepancies in the 2019 Company business report and financial statements (including the consolidated statements). Please refer to Attachment 1 (Page 13) and Attachment 8 (Page 40).
2. Please rectify.

Resolution:

(2) Ratified the surplus allocation for 2019. (Board of directors' proposal)

Description:

1. The net revenue this year was NT\$ 2,089,389,473. According to the International Financial Reporting Standards (IFRS) 12, the income tax expense recorded and net income after tax were NT\$ 523,330,856 and NT\$ 1,566,058,617 respectively.
2. According to the 2019 Company profit distribution table, in addition to the distribution of cash dividends, the remaining items shall include the proposed legal earned surplus reserve, the proposed equity deductions, special reserve, and the determination of welfare plans and the changes in the measurement of the current period. Please refer to the Attachment 9 (page 48) and Attachment 10 (page 50).
3. Please rectify.

Resolution:

Discussion Matters

Revision of “Article of Incorporation”(Board of Directors’ Proposal)

Description:

1. Due to the business demands, we proposed to make amendments to parts of the provisions of “Article of Incorporation”.
2. Please refer to Attachment 11 (Page 51) for the comparison table to the amendments of Articles of Incorporation.
3. Please discuss the preceding items.

Resolution:

Election Matters

Re-election of directors(Board of Directors' Proposal)

Description:

1. The term of office of the 23rd session of the Board will end on June 15, 2020. Hence, we proposed to re-elect the Board during the regular shareholders' meeting.
2. In accordance with Article 21 of Articles of Incorporation, the Company established 11 directors where there are at least 3 independent directors and shareholders will elect directors from the list of candidates during shareholders' meeting.
3. 11 directors shall be elected (including 3 independent directors) during the 24th session, who will take office for three years. The term of office will begin on May 19, 2020 to May 18, 2023. The term of office for the 23rd session of the Board will end until the completion of the regular shareholders' meeting. Please refer to Appendix 4 (page 71) for Regulations for director election.
4. For candidate list of directors, please refer to Attachment 12 (page 54).

Results of the election:

Other Discussion Matters

Proposal to release the prohibition of newly elected directors and their representatives working in competing companies (Board of Directors' Proposal)

Description:

1. We proposed to release non-compete for newly elected directors in accordance with Article 209, Paragraph 1 of the Company Act, stating that “A director who does anything for himself or on behalf of another person that is within the scope of the company’s business shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.”
2. To successfully promote the company’s business, if the directors of the company were engaged in the situations in the preceding paragraph, we proposed to the shareholders’ meeting to “approve directors who does anything for himself or on behalf of another person that is within the scope of the company’s business” so as to release the prohibition on directors and their representatives working in competing companies.
3. Please discuss the preceding items.

Resolution:

Extempore motions

Adjournment

Attachment

Tung Ho Steel Enterprise Corporation Business Report

Dear shareholders,

In 2019, global economy continues taking slow recovery pace towards stable prosperity since all central banks of countries in the world had loosened the currency policies and held on to the low interest environment over the past years. Only the US maintained stable growth in its economic status. Others had ups and downs in their performances due to the following negative factors: 1. US ruled by Trump administration was the first to implement anti-globalization trade protection policies, single sided dismiss the regional trade agreement, enhance technology trade war with China and adopt measures to levy high custom duties on China. These measures directly or indirectly block the international trade and investment operation, causing shock in international economy, delaying enterprise investment plans and weakening global economic momentum. 2. Brexit issues were not resolved. England cannot reach an agreement on its relationship with the EU after Brexit, causing uncertainties and dragging on the economic recovery in Europe. 3. China was facing the dilemma of not able to maintain the rapid economic growth. Issues such as over investment, insufficient consumption, debt crisis, worsening environment emerged one by one. In addition, the threats of custom duty sanctions from the US even enhanced its economic decelerating. The resulted expansion effects also influenced the global economy. Hence, the strength to recover prosperity is relatively weak and global economic recovery cannot be formed.

In the domestic economy aspect, high custom duty barriers from trade protectionism implemented by the US and the trade war between US and China were unfavourable to Taiwan's economy with high dependency on trades without doubts. However, the suppressing on China by US accidentally brought order transfer effects and the investment trend from Taiwanese business in mainland China. Accompanied with the forward-looking infrastructure plans promoting continuously, there is a vigorous development in the business opportunities of domestic investment on new factories and building construction this year. Moreover, major domestic semi-conductor and electric industries had a nice business performance under the situations such as hot sales of Apple's smart phones and the promotion of emerging industries, AI, IoT and electric vehicles. These factors made the performance of Taiwan's economy stroke out with the growth rate of GDP achieved 2.71%, superior than the major industrial countries.

The business performance of steel industry this year was diversified. Subject to weak recovery of global economy, the demands in steel board products were reduced. Affected by the protective custom duties implemented in US, export business to US was largely reduced, causing hard operation situation. As for steel bars, benefiting from the promotion of public investments by the government, the recovery of prosperity in electric industries, investment from Taiwanese businessman and active promotion on construction projects, demands on mass amount of steel materials increased. The business in the steel industry is generally prosperous with enhanced profits.

Benefiting from the recovery of prosperity in steel industry, the Company has stable growth in its steel business. Besides, the expansion of new rolling steel production line in Taoyuan factory was just completed, the Company enhanced its production capability in steel making and the production

and sales volume of reinforcing steel in time and raised cost efficiency, resulting huge growth in its profits. In addition, the order volume in the steel business of the subsidiaries has increased along with the increase in electric factory projects and construction promotion projects. There is a huge growth in the revenue and profit, comparing to last year. However, the business performance of our subsidiary in Vietnam was a fly in the ointment. Influenced by poor prosperity of the Vietnam steel market, the performance had not improved significantly, causing larger loss and dragging on the overall profit performance of the Company.

Overview on the consolidated business and performances of the Company and the major re-investment business in 2019 are the following:

1.Results of Implementing Production and Sales Plan:

Unit: NT\$1000

| | Production | | | Sales | | |
|---|------------|------------|-------------|------------|------------|-------------|
| | 2019 | 2018 | Growth rate | 2019 | 2018 | Growth rate |
| Billet | 31,870,845 | 32,612,323 | -2.27% | 1,522,153 | 4,213,094 | -63.87% |
| Rebar | 18,954,052 | 14,908,853 | 27.13% | 21,568,314 | 17,377,738 | 24.11% |
| H-beam | 9,080,525 | 9,860,169 | -7.91% | 10,933,327 | 10,940,317 | -0.06% |
| steel plate (self-made) | 1,813,511 | 1,552,989 | 16.78% | 912,354 | 731,591 | 24.71% |
| steel plate (transaction) | 0 | 0 | 0.00% | 32,327 | 740 | 4268.57% |
| Channel | 708,728 | 1,202,075 | -41.04% | 778,305 | 1,274,544 | -38.93% |
| I-beam | 54,759 | 51,135 | 7.09% | 46,989 | 52,556 | -10.59% |
| Steel structure | 8,157,790 | 4,406,257 | 85.14% | 8,360,839 | 4,641,996 | 80.11% |
| Sale and purchase of steel | 0 | 0 | 0.00% | 0 | 7,098 | -100.00% |
| Environmental protection processing | 128,983 | 105,969 | 21.72% | 128,914 | 105,969 | 21.65% |
| Steel sheet piles | 12,059 | 50,488 | -76.12% | 13,949 | 57,552 | -75.76% |
| Wind Power Generation | 55,146 | 42,120 | 30.92% | 55,146 | 51,232 | 7.64% |
| Construction Revenue | 77,552 | 271,775 | -71.46% | 77,682 | 113,558 | -31.59% |
| Others | 519,908 | 375,851 | 38.33% | 433,301 | 201,636 | 114.89% |
| Total | 71,433,858 | 65,440,004 | 9.16% | 44,863,600 | 39,769,621 | 12.81% |

2.Profitability Analysis:

Unit: NT\$1000

| | 2019 | 2018 | Growth rate |
|-----------------------|------------|------------|-------------|
| Operating revenue | 44,863,600 | 39,769,621 | 12.81% |
| Operating cost | 40,731,834 | 36,444,939 | 11.76% |
| Operating profit | 4,131,766 | 3,324,682 | 24.28% |
| Operating expenses | 2,025,168 | 2,049,329 | -1.18% |
| Operating margin | 2,106,598 | 1,275,353 | 65.18% |
| Net profit before tax | 2,122,132 | 1,255,103 | 69.08% |
| Net income after tax | 1,557,798 | 888,939 | 75.24% |

3. Financial Structure and profitability analysis:

Unit: NT\$1000

| Analysis Item | | Year | | |
|---------------------------|--------------------------------------|-----------------------|--------|-------|
| | | 2019 | 2018 | |
| Financial Structure (%) | Debt-to-assets ratio | 49.04 | 50.55 | |
| | Long-term fund to fixed assets ratio | 162.97 | 150.13 | |
| Profitability | Return on assets (%) | 3.73 | 2.38 | |
| | Return on shareholder's equity (%) | 6.45 | 3.70 | |
| | Paid-in capital ratio (%) | Operating income | 20.98 | 12.70 |
| | | Net profit before tax | 21.14 | 12.50 |
| | Net profit ratio (%) | 3.47 | 2.24 | |
| Earnings per share (NT\$) | 1.56 | 0.88 | | |

4. Overview of Technology and R&D

The company's research and development expenditure for the year 2019 was NT\$39,525,438, accounting for 0.09% of consolidated revenue. Major R&D achievements in steelmaking include the development of high purity and high stiffness billet steel, development of low alloy super-high strength steel board, development of high-strength reinforcing steel and splicer, development of high-grade marine steel, high-strength steel and hearthstone recycle technology. Major R&D achievements in rolling steel include development of super-high strength anti-shock reinforcing steel with new technology on low energy consumption direct rolling production process to enhance the strength over 1.6 multiple, development of billet steel welding technology and the plan to apply direct rolling technology to continuously breaking rolling to produce reinforcing steel, development of special rolling technology on new multi-size H-shaped steel with the same roller-opening development B value equal to 300mm, development of heat-rolling integrally formed angle pole of U-shaped steel board, development of new rolling technology on H-shaped steel UE (Universal Edger), development of circular material rolling technology with serial back and forth movement by universal rolling machine and development of co-H/V rolling (horizontal/vertical rolling) on angle steel and flat steel. The main research and development plans for the year of 2020 will be: Project research on electric stove off-gas detection and the dynamic control of furnace burner and carbon spraying room, research on ORC power generation technology by recycling the excess heat from the waste air of electric stove, development of low-carbon green production process technology of electric stove.

The Company's operational strategies include continuous efforts in improving our technical capability and management efficiency, lowering production costs, and ramping up collaboration of production, sales, and purchases so that we can raise the Company's competitive advantages in the domestic market and also simultaneously carry out aggressive expansion of our overseas market and customer. Additionally, another important strategy of the Company is the continual research and development of new steel products and applications, environmental protection, and reduction of greenhouse gas emission to further strengthen the sustainable management of the Company.

Looking at the economy in 2020, the trade war between US and China have become a long-term fight and continued to influence global economy. In addition, climate change caused more frequent occurrence of natural disaster incidents, which also posed threats to economic growth. The biggest black swan event this year is the recent outbreak of coronavirus disease in China and the worsening

status of spreading to all places around the world. It had an impact on the economic activities, consumption, investment, trade and travel. If the epidemic cannot be resolved within a few months, this could hit hard on the weak global economy. Originally, the economic status was looking good this year since Taiwan may continue its good domestic and foreign status last year to acquire business opportunities in emerging mainstream industries, such as new smart phones, IoT, electric vehicles, AI and 5G mobile communication equipment; and moreover, vendors from mainland china, Taiwan and foreign companies distributed business bases to increase investment momentum in Taiwan. Due to the spread of coronavirus diseases, the Company may need to adjust its direction slightly to take on conservative measures. That being said, domestic steel industry was not affected by the diseases as severe as other industries. Investment on new factories were still being promoted and the demand on the steels for architecture and construction projects were still increasing. Hence, we can still expect the market prosperity and face the issue with a more optimistic attitude. All colleagues of the Company shall hold self-discipline, intelligence, optimistic Tung Kung spirit to strengthen our competitiveness, reduce costs, improve management, make efforts in developing new markets and new products, and enhance performances to achieve largest values for the shareholders.

Lastly, I would like to wish all our shareholders health and prosperity.

Chairman(required over printing)**
Manager(required over printing)**
Head of Accounting(required over printing)**

Inspection report on individual accountant financial report consolidated accountant inspection report

Independent Auditors' Report

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

Opinion

We have audited the financial statements of Tung Ho Steel Enterprise Corporation (“the Company”), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, the statements of changes in equity, and the statements of cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the “Regulations Governing Auditing and Ruling No1090360805 issued by the FSC and Certification of Financial Statements by Certified Public Accountant” and the auditing standards generally accepted in the Republic of China for the year ended December 31, 2019; and the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” and the auditing standards generally accepted in the Republic of China for the year ended December 31, 2018. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements as of and for the year ended December 31, 2019. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

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

Explanation of the key audit matter:

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

Our principal audit procedures included:

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

2. Valuation of inventories

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

Explanation of the key audit matter:

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

Our principal audit procedures included:

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

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

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

Explanation of the key audit matter:

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

Our principal audit procedures included:

- reviewing significant contracts and discussing them with the management to obtain a full understanding of the specific terms and risks, to assess whether revenue was appropriately recognized;
- selecting a sample from the ongoing constructions to verify the costs between the estimation and the contracts, discussing with the management about the estimates for total contract costs and forecasted costs, including taking into account the historical accuracy of such estimates;
- selecting a sample from the completed constructions to assess the settlement of revenue by examination of external evidence;

for warranty under the construction contracts provided to the clients by the subsidiaries, obtaining the estimated warranty costs, vouching internal and external data to assess the rationality of the estimates and whether there are any abnormalities in the provisions estimated by the management; assessing whether the loss recognized for onerous contracts appropriately reflect the expected contractual position.

4. Investments accounted for using the equity method (Impairment of property, plant and equipment in subsidiaries)

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

Explanation of the key audit matter:

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

Our principal audit procedures included:

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Lee, Tzu Hui and Kuo, Hsin Yi.

Taipei, Taiwan (Republic of China)
February 27, 2020

Inspection report on individual accountant financial report consolidated accountant inspection
Report

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Tung Ho Steel Enterprise Corporation (“the Company”) and its subsidiaries (“the Consolidated Company”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Consolidated Company as of December 31, 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 with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Ruling No1090360805 issued by the FSC and Certification of Financial Statements by Certified Public Accountants” and the auditing standards generally accepted in the Republic of China for the year ended December 31, 2019; and the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” and the auditing standards generally accepted in the Republic of China for the year ended December 31, 2018. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Consolidated Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Other Matter

The Company has prepared its parent company only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 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 for the consolidated financial statements as of and for the year ended December 31, 2019 are stated as follows:

1. Revenue recognition

Please refer to Note 4(o) “Revenue recognition” and Note 6(v) “Revenue from contracts with customers” in the consolidated financial statements.

Explanation of the key audit matter:

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

Our principal audit procedures included:

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

2. Valuation of inventories

Please refer to Note 4(h) “Inventories” and Note 6(f) “Inventories” in the consolidated financial statements.

Explanation of the key audit matter:

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

Our principal audit procedures included:

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

3. Construction contracts

Please refer to Note 4(o) “Revenue recognition— Construction contracts” Note 5(b)

“Significant accounting assumptions and judgments, and major sources of estimation uncertainty” , and Note 6(v) “Revenue from contracts with customers” of the consolidated financial statements.

Explanation of the key audit matter:

Contract accounting is considered to be an audit risk to the Consolidated Company as it requires a high degree of estimation and judgment of matters, such as the costs of the work required to complete the contract, the stage of completion of the contract, as well as the recognition of onerous contract.

Different judgments could lead to different outcomes, leading to different profit or loss and revenue being reported in the consolidated financial statements.

Our principal audit procedures included:

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

4. Impairment of property, plant and equipment

Please refer to Note 4(m) “Impairment of non financial assets”, Note 5(a) “Impairment evaluation of property, plant and equipment ”, and Note 6(h) “Property, plant and equipment” of the consolidated financial statements.

Explanation of the key audit matter:

The subsidiary in Vietnam of Tung Ho Steel Enterprise Corporation is facing an assets impairment issue due to the impact of the local market. The subsidiary regularly evaluates whether there is any indication of impairment of non financial assets such as property, plant and equipment, based on the value in use and industry characteristics to estimate the recoverable amount of property, plant and equipment. The estimation involves numbers of assumptions, including the determination of discount

rates and expected growth rates, subject to subjective judgment and uncertainty. Therefore, the assessment of impairment is one of the important evaluation matters in auditing the consolidated financial report of Tung Ho Steel Enterprise Corporation and its subsidiaries.

Our principal audit procedures included:

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report

unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Lee, Tzu Hui and Kuo, Hsin Yi.

KPMG

Taipei, Taiwan (Republic of China)

February 27, 2020

Audit Committee's Review Report

The Board of Directors sent the company's 2019 annual business report, financial statements (including individual and consolidated financial statements) and the distribution of surpluses to the company. The financial statements (including individual and consolidated financial statements) have also been audited by accountants Tzuhui Li and Xinyi Kuo of KPMG in Taiwan, and an unqualified audit report has been issued. The Audit Committee has completed the verification of the above-mentioned business report, financial statements and the proposal for distribution of surpluses, and is of the opinion that there was no discrepancy therein. A statement is therefore announced as above in accordance with the provisions of Article 14-4 of Securities Exchange Act and Article 219 of Company Act for your review and verification.

To the 2020 Annual Meeting of Shareholders of Tung Ho Steel Enterprise Corporation

Tung Ho Steel Enterprise Corporation
Audit Committee Convener: Yiji Liu

Feb. 27, 2020

Attachment 4

Communications between independent directors and internal audit supervisors in 2019

| Date | Communication contents | Processing and implementing results |
|-------------------------------|--|--|
| 2019.03.21 Audit Committee | Report 2018 Dec. to 2019 Feb. implementation status on audit operation and communication and discuss on relevant issues. | No inconsistency in opinions between them and they are aware of the matters. |
| 2019.05.14 Audit Committee | Report 2019 March-April implementation status on audit operation and communication and discuss on relevant issues. | No inconsistency in opinions between them and they are aware of the matters. |
| 2019.06.18 Audit Committee | Report 2019 May implementation status on audit operation and communication and discuss on relevant issues. | No inconsistency in opinions between them and they are aware of the matters. |
| 2019.08.12 Audit Committee | <ol style="list-style-type: none"> 1. Report 2019 June-July implementation status on audit operation and communication and discuss on relevant issues. 2. The audit office reported the audit situation on the subsidiary THSVC project in July 2019. 3. The audit office proposed to revise “internal control system” and “rules for implementing internal audit”. | No inconsistency in opinions between them and they are aware of the matters. |
| 2019.09.26 Audit Committee | Report 109 July-August implementation status on audit operation and communication and discuss on relevant issues. | No inconsistency in opinions between them and they are aware of the matters. |
| 2019.11.11 Audit Committee | <ol style="list-style-type: none"> 1. Report 2019 September-October implementation status on audit operation and communication and discuss on relevant issues. 2. The audit office submitted 2020 audit plan. | No inconsistency in opinions between them and they are aware of the matters. |
| 2019.12.31 Audit Committee | Report 2019 November-December implementation status on audit operation and communication and discuss on relevant issues. | No inconsistency in opinions between them and they are aware of the matters. |

2019 Annual Performance Evaluation Report of the Board of Directors

I. Guidelines:

In order to fulfill the company's governance and enhance the function and operation efficiency of the board of directors, we executed the company's 2019 performance evaluation of the board of directors according to the provisions of the company's measures for the performance evaluation of the board of directors.

The performance evaluation of the board is handled in accordance with the "Rules for evaluating the performance of the board" amended on Dec. 31, 2019.

II. Procedures for performance evaluation: self-evaluation.

- (1) The "self-evaluation questionnaire of the board members" is self-evaluated by all the members of the board themselves. The 6 evaluation aspects are: the mastery of the company's goals and tasks, the awareness of the directors' duties, the participation degree of the company's operation, the management and communication of internal relationships, the expertise and continuing education of a director, and internal control, which in total contains 28 items.
- (2) The "self-evaluation questionnaire of the functional committees" is evaluated by the conveyors of each functional committee. The 5 evaluation aspects are the participation level on corporate operations, awareness on the duties of functional committee, enhancement on the decision quality of the functional committee, composition of the functional committee and the election of the members and internal control.
- (3) The "performance self-evaluation questionnaire of the board of directors" is assessed by the supervisors of corporate governance. The 5 evaluation aspects are: the participation degree of the company's operation, the enhancement of the decision-making quality of the board meeting, the composition and structure of the board of directors, the election and continuing education of directors, and internal control, which in total contains 45 items.

The evaluation results will be submitted to the compensation committee for review, and the evaluation review results will be submitted to the nearest board of directors for report, and as the basis of future inspection and improvement.

III. Evaluation results:

- (1) Self-evaluation of the whole members of the board:

Ten copies of "self-evaluation questionnaire of the board members" were issued on December 31, 2019, and 10 copies were regained, and a "statistical table of self-evaluation questionnaire of the board members" prepared according to the questionnaires is attached in

supplementary table 1. The self-evaluation results of all directors were “beyond the criteria” with an average score of 97.29.

(2) Self-evaluation of the functional committees:

1. The evaluation result of the 2019 “performance self-evaluation questionnaire of remuneration committee” is attached as in supplementary table 2. The evaluation results were “beyond the criteria”. The performance in each aspect is conformed to the requirements on corporate governance from the competent agencies and relevant regulations.
2. The evaluation result of the 2019 “performance self-evaluation questionnaire of audit committee” is attached as in supplementary table 3. The performance in each aspect is conformed to the requirements on corporate governance from the competent agencies and relevant regulations.
3. The evaluation result of the 2019 “performance self-evaluation questionnaire of corporate governance committee” is attached as in supplementary table 4. The performance in each aspect is conformed to the requirements on corporate governance from the competent agencies and relevant regulations.

(3) Performance self-evaluation of the board of directors:

The evaluation result of the 2019 “performance self-evaluation questionnaire of the board of directors” is attached in supplementary table 5. The overall operation condition of the board of directors is excellent. The evaluation results were “beyond the criteria”. The overall implementation status of the board was good. The comprehensive performance of the board in each aspect are compiled to the requirements on corporate governance from the competent agencies and relevant regulations.

According to the self-evaluation results, the results of the performance evaluation on the board members, each functional committee and the whole board of directors are superior than the evaluation criteria, showing that the overall operation condition is good.

IV. Connection between the performance evaluation and the compensation:

The connection and reasonableness of the directors’ compensation content and figure, and the results of the evaluation, according to the resolution adopted by the 18th meeting of the 23rd board of directors on December 31, 2019, will decide how the compensation is going to be distributed, which formulas are as follows:

The figure of distributable directors’ compensation × the ratio of the shares held by individual director to the shares held by all the directors × the distribution ratio of directors’ performance evaluation.

Among the ratios, according to article 9 of the “measures for the performance evaluation of the

board of directors,” the distribution ratio of directors’ performance evaluation depends on the evaluation results listed as follows:

The distribution ratio is 100% for the one who is “beyond the criteria” and “above the criteria”.

The distribution ratio is 90% for the one who is “complied with the criteria.”

The distribution ratio is 80% for the one who is “under the criteria.”

The distribution ratio is 70% for the one who is “need to improve”.

If there is a difference between the actual distribution amount and the estimated amount, the differences shall be listed in the gain and losses in next year’s statement.

The performance evaluation results of the board of directors in the preceding paragraph will be submitted to the 7th meeting of the 3rd compensation committee for review on February 21, 2020 and reported to board of directors’ meeting on February 27, 2020.

Comparison Table to the Amendment of “Rules of Best Practice Principles”

| Amended articles | Existing articles | Description |
|---|---|--|
| <p>Article 5 Policy</p> <p>This Company shall <u>establish policies that are “fair, clean, honest, transparent, and trustworthy to treat all stakeholders” with the management concepts based on good faith</u>, and practice sound corporate governance and risk control mechanisms in order to create a business environment for sustainable development.</p> | <p>Article 5 Policy</p> <p>This Company shall have a clean, transparent, and responsible business philosophy, establish its policies based on good faith, and practice sound corporate governance and risk control mechanisms in order to create a business environment for sustainable development.</p> | <p>Establish Best Practice Policy.</p> |
| <p>Article 7 Scope of the prevention programs</p> <p>The Company <u>shall establish a risk assessment mechanism against unethical conduct, and regularly analyze and access</u> which business activities within their business scope are possibly at a higher risk of being involved in an unethical conduct, and <u>establish prevention programs accordingly and review their adequacy and effectiveness on a regular basis</u>.</p> <p>The prevention programs mentioned in the preceding paragraph shall include, at the very least, preventive measures against the following conducts:</p> <ol style="list-style-type: none"> 1. Offering and acceptance of bribes. 2. Illegal political donations. 3. Improper charitable donations or sponsorship. 4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits. 5. Misappropriation of business secrets | <p>Article 7 Scope of the prevention programs</p> <p>When establishing the prevention programs, the Company shall analyze which business activities within their business scope are possibly at a higher risk of being involved in an unethical conduct, and strengthen the preventive measures.</p> <p>The prevention programs mentioned in the preceding paragraph shall include, at the very least, preventive measures against the following conducts:</p> <ol style="list-style-type: none"> 1. Offering and acceptance of bribes. 2. Illegal political donations. 3. Improper charitable donations or sponsorship. 4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits. 5. Misappropriation of business secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights. | <p>Revise some text.</p> |

| Amended articles | Existing articles | Description |
|--|--|--|
| <p>and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.</p> <p>6. Engaging in unfair competitive practices.</p> <p>7. Acts that directly or indirectly damage the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacturing, provision, or sales of products and services.</p> | <p>6. Engaging in unfair competitive practices.</p> <p>7. Acts that directly or indirectly damage the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacturing, provision, or sales of products and services.</p> | |
| <p>Article 8 Commitment and implementation</p> <p>The Company and its business group shall <u>request their directors and senior management to issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy.</u></p> <p>The ethical corporate management policies and the commitment by the Board of Directors and the management on the active implementation of such policies shall be clearly specified in the rules, external documents <u>and corporate website</u> and exercised in internal management and in commercial activities.</p> <p><u>The Company shall record the relevant documents on ethical management policy, statement, commitment and implementation mentioned above and retain said information properly.</u></p> | <p>Article 8 Commitment and implementation</p> <p>The Company and its business group shall clearly specify in their rules and external documents the ethical corporate management policies and the commitment by the Board of Directors and the management on the active implementation of such policies, and shall exercise the policies in internal management and in commercial activities.</p> | <ol style="list-style-type: none"> 1. Add “directors and senior management are required to prepare a statement of compliance with the ethical management policy. 2. Add “ethical corporate management policies shall be clearly specified on the corporate website” and define the management level. 3. Add the recording or storage regulation on the relevant document to ethical management. |

| Amended articles | Existing articles | Description |
|--|--|---|
| <p><u>Article 11-1 Preventing products or services damaging stakeholders</u> <u>In the course of research and development, procurement, manufacture, provision, or sale of products and services, the Company and their directors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, their products and services with a view to preventing their products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders.</u> <u>Where there are sufficient facts to determine that the company's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, the company shall handle in accordance with relevant regulations.</u></p> | | Add new article. |
| <p>Article 12 Organization and responsibilities The directors, managers, employees, appointees, and substantial controllers of the Company shall exercise due administrative diligence to urge the company to prevent unethical conduct, consistently review the results of preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical</p> | <p>Article 12 Organization and responsibilities The directors, managers, employees, appointees, and substantial controllers of the Company shall exercise due administrative diligence to urge the company to prevent unethical conduct, consistently review the results of preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical</p> | Revise the ethical management dedicated unit and the implementation unit. |

| Amended articles | Existing articles | Description |
|---|---|--|
| <p>corporate management policies. <u>The ethical management dedicated unit of the Company is the Corporate Governance Committee and shall be responsible for establishing ethical corporate management policies and prevention programs, developing and supervising the implementation of such policies and programs and shall report to the Board of Directors on a regular basis.</u> <u>The management department and legal office of the Company shall be responsible for the implementation procedure in the preceding paragraph.</u></p> | <p>corporate management policies. The management department and legal office of the Company shall be responsible for establishing ethical corporate management policies and prevention programs. The auditing office of the Company shall be in charge of and supervise the implementation of such policies and programs and shall report to the Board of Directors on a regular basis.</p> | |
| <p>Article 15 <u>Internal Control System</u> The Company shall establish effective accounting systems and internal control systems for business activities at a potentially higher risk of being involved in unethical conduct. The Company shall not have under-the-table accounts or keep secret accounts, and shall conduct regular reviews so as to ensure that the design and enforcement of the systems are effective. The internal audit unit of the Company shall periodically examine the Company's compliance with the foregoing systems. <u>The results of examination in the preceding paragraph shall be reported to senior management and the ethical management dedicated unit and put down in writing in the form of an audit report to be submitted to the board of directors.</u></p> | <p>Article 15 Accounting and internal control The Company shall establish effective accounting systems and internal control systems for business activities at a potentially higher risk of being involved in unethical conduct. The Company shall not have under-the-table accounts or keep secret accounts, and shall conduct regular reviews so as to ensure that the design and enforcement of the systems are effective. The internal audit unit of the Company shall periodically examine the Company's compliance with the foregoing systems and prepare and submit audit reports to the Board of Directors.</p> | <ol style="list-style-type: none"> 1. Revise the title. 2. Add new provisions on the notification and report of audit results. |

| Amended articles | Existing articles | Description |
|---|---|---|
| <p>Article 16 Training and assessments The Company shall periodically organize training and promotional programs for <u>directors, managers, employees, appointees</u>, and substantial controllers to ensure that they understand the Company's resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.</p> <p>The Company shall integrate the policies of ethical corporate management into its employee performance appraisal system and human resource policies. The Company shall execute such policies in conjunction with a reward and discipline system.</p> | <p>Article 16 Training and assessments The Company shall periodically organize training and promotional programs for directors, supervisors, managers, employees, appointees, and substantial controllers to ensure that they understand the Company's resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.</p> <p>The Company shall integrate the policies of ethical corporate management into its employee performance appraisal system and human resource policies. The Company shall execute such policies in conjunction with a reward and discipline system.</p> | Delete supervisors |
| <p>Article 17 Whistle-blowing system and disciplinary and appeal system The Company shall adopt a proper whistle-blowing system and ensure the confidentiality of the whistleblower's identity and the reported content.</p> <p>When <u>any tip involving a director or senior management</u>, material violations or concerns involving material impairment to the Company come to their awareness, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify <u>independent directors</u> in writing.</p> <p><u>Follow-up measures to be adopted</u></p> | <p>Article 17 Whistle-blowing system and disciplinary and appeal system The Company shall adopt a proper whistle-blowing system and ensure the confidentiality of the whistleblower's identity and the reported content.</p> <p>When material violations or concerns involving material impairment to the Company come to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify Audit committee in writing.</p> <p>The Company shall establish and publish a well-defined disciplinary and</p> | <ol style="list-style-type: none"> 1. Add new subjects involved in the tip. 2. Revise the subjects for written notification of the complaint report and the process procedures. |

| Amended articles | Existing articles | Description |
|--|---|--------------------------------|
| <p><u>depending on the severity of the circumstances after investigations of cases reported are completed. Where necessary, a case shall be reported to the competent authority or referred to the judicial authority.</u></p> <p>The Company shall establish and publish a well-defined disciplinary and appeal system for handling violations of the ethical corporate management rules. The Company shall make immediate disclosure on the company's internal website of the title and name of the culprit, the date and details of the violation, and the actions taken in response.</p> | <p>appeal system for handling violations of the ethical corporate management rules. The Company shall make immediate disclosure on the company's internal website of the title and name of the culprit, the date and details of the violation, and the actions taken in response.</p> | |
| <p>Article 21 This Principle was announced and implemented on December 29, 2014. First amendment on June 16, 2017. <u>Second amendment on December XX, 2019.</u></p> | <p>Article 21 This Principle was announced and implemented on December 29, 2014. First amendment on June 16, 2017.</p> | <p>Add new amendment date.</p> |

Attachment 7

The implementation condition of the 7th domestic unsecured convertible corporate bonds:

1. The total amount of funds required for this project: NT\$ 2.5 billion
2. Source of funds: A total of 20,000 domestic unsecured convertible corporate bonds were issued in the 7th Bond Issuance, and the par value was NT\$ 100,000. The total raised amount was NT\$ 2,010,000,000, which is issued at 100.5% par value. The duration was 5 years and the coupon rate was 0%. If the raised fund is insufficient for the amount needed, we are going to supplement the amount with our own funds.
3. Project item, expected schedule, and the expected possible benefits

Unit: NT\$1,000

| Project item | Expected completion date | Total amount of capital required | Expected capital spending schedule |
|----------------------------|--|----------------------------------|------------------------------------|
| | | | 2018 Q2 |
| Repayment of bank loans | 2018 Q2 | 2,512,500 | 2,512,500 |
| Total | | 2,512,500 | 2,512,500 |
| Expected possible benefits | Repaying the bank loans can save NT\$ 22,070 thousand in interest expenses for 2018, and can save NT\$37,835 thousand in interest expenses each year since 2019. | | |

4. The actual fulfillment condition of the expected possible benefits: In this fundraising project, we expect to repay the bank loans with NT\$ 2,010,000 thousand. As of the 2nd quarter of 2018, the actual expenditure is NT\$ 2,010,000 thousand. It is expected that we are going to save NT\$ 20,583 thousand in interest expenses for the fiscal year of 2018, and it is expected that we are going to save NT\$ 35,286 thousand in interest expenses each year hereafter. As of the 2nd quarter of 2018, the application schedule of the fund has finished according to the originally decided project, and the implementation condition is in accordance with the schedule. There are no major differences between the expected benefits and the actual fulfillment condition.
5. The implementation condition: As of the 2nd quarter of 2018, the amount scheduled to expend is NT\$ 2,010,000 thousand; the actual expenditure is NT\$ 2,010,000 thousand. We have complied with the expected capital spending schedule to finish repaying 100.00% of the bank loans, which is compliant with the originally decided schedule of repaying the bank loans project. We are of the opinion that there are no major differences, and have reported to Taiwan Stock Exchange Corporation (TWSE) on July 2018 that we finished implementing the item according to the original project.

Attachment 8

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

Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

| | December 31, 2019 | | December 31, 2018 | | | December 31, 2019 | | December 31, 2018 | | | |
|----------------------------|---|----------------------|-------------------|-------------------|------------|-------------------|---|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % | | Amount | % | Amount | % | | |
| Assets | | | | | | | | | | | |
| Current assets: | | | | | | | | | | | |
| 1100 | Cash and cash equivalents (Note 6(a)) | \$ 375,583 | 1 | 329,264 | 1 | 2100 | Short-term loans (Note 6(k)) | \$ 6,964,718 | 18 | 8,288,087 | 19 |
| 1110 | Current financial assets at fair value through profit or loss (Note 6(b)) | 162,959 | - | 134,560 | - | 2111 | Short-term notes and bills payable (Note 6(l)) | 559,831 | 1 | 1,109,567 | 3 |
| 1150 | Notes receivable, net (Notes 6(d)(v) and 7) | 122,826 | - | 139,048 | - | 2120 | Current financial liabilities at fair value through profit or loss (Note 6(b)) | 6,778 | - | 1,745 | - |
| 1170 | Accounts receivable, net (Notes 6(d)(v) and 7) | 3,749,844 | 9 | 4,909,108 | 12 | 2130 | Current contract liabilities (Note 6(v)) | 530,262 | 1 | 329,010 | 1 |
| 1200 | Other receivables (Notes 6(e) and 7) | 720,125 | 2 | 72,190 | - | 2150 | Notes payable (Note 7) | 61,085 | - | 160,777 | - |
| 1310 | Inventories (Note 6(f)) | 12,069,244 | 29 | 11,463,995 | 27 | 2170 | Accounts payable (Note 6(d)) | 1,359,036 | 3 | 1,412,820 | 3 |
| 1410 | Prepayments | 171,132 | 1 | 282,616 | 1 | 2200 | Other payables (Notes 6(q) and 7) | 1,183,124 | 3 | 1,245,168 | 3 |
| 1470 | Other current assets | 15,954 | - | 97,894 | - | 2230 | Current tax liabilities | 349,967 | 1 | 185,198 | 1 |
| | Total current assets | <u>17,387,667</u> | <u>42</u> | <u>17,428,675</u> | <u>41</u> | 2280 | Current lease liabilities (Note 6(o)) | 18,574 | - | - | - |
| | | | | | | 2300 | Other current liabilities | 8,846 | - | - | - |
| Non-current assets: | | | | | | | | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income (Note 6(e)) | 456,328 | 1 | 557,915 | 1 | | Total current liabilities | <u>11,042,221</u> | <u>27</u> | <u>12,732,372</u> | <u>30</u> |
| 1550 | Investments accounted for using the equity method (Notes 6(g) and 7) | 8,321,261 | 20 | 9,081,736 | 21 | | Non-current liabilities: | | | | |
| 1600 | Property, plant and equipment (Notes 6(h) and 7) | 12,638,857 | 31 | 13,352,838 | 31 | 2500 | Non-current financial liabilities at fair value through profit or loss (Notes 6(b) and (n)) | 13,000 | - | 31,200 | - |
| 1755 | Right-of-use assets (Note 6(i)) | 145,210 | - | - | 1 | 2530 | Bonds payable (Note 6(n)) | 1,935,021 | 5 | 1,915,729 | 4 |
| 1760 | Investment property (Notes 6(h) and (j)) | 2,010,800 | 5 | 1,870,098 | 4 | 2540 | Long-term loans (Note 6(m)) | 3,100,000 | 8 | 3,200,000 | 8 |
| 1840 | Deferred tax assets (Note 6(s)) | 137,258 | - | 138,771 | - | 2570 | Deferred tax liabilities (Note 6(s)) | 170,200 | - | 174,355 | - |
| 1990 | Other non-current assets | 103,740 | - | 135,859 | - | 2580 | Non-current lease liabilities (Note 6(o)) | 127,060 | - | - | - |
| 1915 | Prepayments for equipment | 50,322 | - | 62,509 | 1 | 2640 | Non-current defined benefit liability, net (Note 6(r)) | 836,234 | 2 | 846,223 | 2 |
| 1920 | Refundable deposits (Note 8) | 185,045 | 1 | 185,228 | - | 2645 | Guarantee deposits received (Note 7) | 13,260 | - | 10,665 | - |
| | Total non-current assets | <u>24,048,821</u> | <u>58</u> | <u>25,384,954</u> | <u>59</u> | | Total non-current liabilities | <u>6,194,775</u> | <u>15</u> | <u>6,178,172</u> | <u>14</u> |
| | | | | | | | Total liabilities | <u>17,236,996</u> | <u>42</u> | <u>18,910,544</u> | <u>44</u> |
| Equity (Note 6(t)) | | | | | | | | | | | |
| | | | | | | 3100 | Capital stock | 10,040,606 | 24 | 10,040,606 | 24 |
| | | | | | | 3200 | Capital surplus | 6,592,236 | 16 | 6,592,236 | 15 |
| | | | | | | | Retained earnings: | | | | |
| | | | | | | 3310 | Legal reserve | 3,619,075 | 9 | 3,530,282 | 8 |
| | | | | | | 3320 | Special reserve | 647,025 | 1 | 149,309 | - |
| | | | | | | 3350 | Unappropriated retained earnings | 4,006,772 | 10 | 4,237,676 | 10 |
| | | | | | | | Total retained earnings | 8,272,872 | 20 | 7,917,267 | 18 |
| | | | | | | 3400 | Other equity interest | (706,222) | (2) | (647,024) | (1) |
| | | | | | | | Total equity | <u>24,199,492</u> | <u>58</u> | <u>23,903,085</u> | <u>56</u> |
| | | | | | | | Total liabilities and equity | <u>\$ 41,436,488</u> | <u>100</u> | <u>\$ 42,813,629</u> | <u>100</u> |
| | Total assets | <u>\$ 41,436,488</u> | <u>100</u> | <u>42,813,629</u> | <u>100</u> | | | | | | |

See accompanying notes to the parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TUNG HO STEEL ENTERPRISE CORPORATION
Statements of Comprehensive Income
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

| | | For the years ended December 31, | | | |
|------|--|----------------------------------|------------|-------------------|------------|
| | | 2019 | | 2018 | |
| | | Amount | % | Amount | % |
| 4000 | Operating revenue (Notes 6(v) and 7) | \$ 35,247,359 | 100 | 34,692,282 | 100 |
| 5000 | Operating costs (Notes 6(f)(r) and 7)) | <u>31,129,766</u> | <u>88</u> | <u>31,507,397</u> | <u>91</u> |
| 5900 | Gross profit from operations | 4,117,593 | 12 | 3,184,885 | 9 |
| 5910 | Less: Unrealized profit (loss) from sales (Note 7) | 25,818 | - | 43,741 | - |
| 5920 | Add: Realized profit (loss) on from sales (Note 7) | <u>43,741</u> | <u>-</u> | <u>35,941</u> | <u>-</u> |
| 5950 | Gross profit, net | <u>4,135,516</u> | <u>12</u> | <u>3,177,085</u> | <u>9</u> |
| 6000 | Operating expenses: | | | | |
| 6100 | Selling expenses(Notes 6(r)(w) and 7) | 798,960 | 3 | 896,276 | 3 |
| 6200 | Administrative expenses (Notes 6(r)(w) and 7) | 786,658 | 2 | 687,482 | 2 |
| 6450 | Expected credit loss (Note 6(d)) | <u>373</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 6500 | Total operating expenses | <u>1,585,991</u> | <u>5</u> | <u>1,583,758</u> | <u>5</u> |
| 6900 | Operating income | <u>2,549,525</u> | <u>7</u> | <u>1,593,327</u> | <u>4</u> |
| 7000 | Non-operating income and expenses: | | | | |
| 7010 | Other income (Notes 6(x) and 7) | 92,914 | - | 113,549 | - |
| 7020 | Other gains and losses, net (Notes 6(x) and 7) | 128,895 | - | 96,704 | - |
| 7050 | Finance costs, net (Notes 6(n) and (x)) | (147,539) | - | (140,441) | - |
| 7060 | Share of (loss) profit of subsidiaries and associates accounted for using the equity method, net (Note 6(g)) | <u>(534,405)</u> | <u>(1)</u> | <u>(436,334)</u> | <u>(1)</u> |
| | Total non-operating income and expenses | <u>(460,135)</u> | <u>(1)</u> | <u>(366,522)</u> | <u>(1)</u> |
| 7900 | Income before income tax | 2,089,390 | 6 | 1,226,805 | 3 |
| 7950 | Less: Income tax expenses(Note 6(s)) | <u>523,331</u> | <u>2</u> | <u>338,873</u> | <u>1</u> |
| | Net income | <u>1,566,059</u> | <u>4</u> | <u>887,932</u> | <u>2</u> |
| 8300 | Other comprehensive income: | | | | |
| 8310 | Items that will not be reclassified subsequently to profit or loss: | | | | |
| 8311 | Losses on remeasurements of defined benefit plans | (21,962) | - | (72,344) | - |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | 66,244 | - | 14,626 | - |
| 8330 | Share of other comprehensive loss of subsidiaries and associates accounted for using the equity method, components of other comprehensive income that will not be reclassified to profit or loss | (447) | - | (5,453) | - |
| 8349 | Less : income tax related to components of other comprehensive income that may not be reclassified to profit or loss (Note 6 (s)) | <u>(4,392)</u> | <u>-</u> | <u>(22,002)</u> | <u>-</u> |
| | Total items that will not be reclassified subsequently to profit or loss | <u>48,227</u> | <u>-</u> | <u>(41,169)</u> | <u>-</u> |
| 8360 | Items that may be reclassified subsequently to profit or loss: | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | (119,712) | - | (83,894) | - |
| 8399 | Less : income tax related to components of other comprehensive income that will be reclassified to profit or loss | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | Total items that may be reclassified subsequently to profit or loss | <u>(119,712)</u> | <u>-</u> | <u>(83,894)</u> | <u>-</u> |
| 8300 | Other comprehensive income | <u>(71,485)</u> | <u>-</u> | <u>(125,063)</u> | <u>-</u> |
| 8500 | Total comprehensive income for the period | <u>\$ 1,494,574</u> | <u>4</u> | <u>762,869</u> | <u>2</u> |
| 9750 | Basic earnings per share (in dollars) (Note 6(u)) | <u>\$ 1.56</u> | | <u>0.88</u> | |
| 9850 | Diluted earnings per share(in dollars) (Note 6(u)) | <u>\$ 1.44</u> | | <u>0.87</u> | |

See accompanying notes to the parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TUNG HO STEEL ENTERPRISE CORPORATION
Statements of Changes in Equity
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

| | Capital stock | | | Retained earnings | | | | Total other equity interest | | | Total equity | |
|---|-----------------|--|---------------------|-------------------|---------------|-----------------|----------------------------------|-----------------------------|---|---|--------------|-----------------------------|
| | Ordinary shares | Certificate of entitlement to new shares from convertible bond | Total capital stock | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Total retained earnings | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | | Total other equity interest |
| Balance at January 1, 2018 after adjustments | \$ 10,002,241 | 38,365 | 10,040,606 | 6,320,178 | 3,358,789 | 149,309 | 4,546,800 | 8,054,898 | (581,054) | 101,745 | (479,309) | 23,936,373 |
| Net income for the period | - | - | - | - | - | - | 887,932 | 887,932 | - | - | - | 887,932 |
| Other comprehensive income for the period | - | - | - | - | - | - | (50,942) | (50,942) | (83,894) | 9,773 | (74,121) | (125,063) |
| Total comprehensive income for the period | - | - | - | - | - | - | 836,990 | 836,990 | (83,894) | 9,773 | (74,121) | 762,869 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | |
| Legal reserve appropriated | - | - | - | - | 171,493 | - | (171,493) | - | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | - | - | (1,405,685) | (1,405,685) | - | - | - | (1,405,685) |
| Other changes in capital surplus: | | | | | | | | | | | | |
| Due to recognition of equity component of convertible bonds issued | - | - | - | 81,973 | - | - | - | - | - | - | - | 81,973 |
| Changes in equity of associates accounted for using the equity method | - | - | - | 190,085 | - | - | - | - | - | - | - | 190,085 |
| Conversion of convertible bonds | 38,365 | (38,365) | - | - | - | - | - | - | - | - | - | - |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | - | - | - | 431,064 | 431,064 | - | (93,594) | (93,594) | 337,470 |
| Balance at December 31, 2018 | 10,040,606 | - | 10,040,606 | 6,592,236 | 3,530,282 | 149,309 | 4,237,676 | 7,917,267 | (664,948) | 17,924 | (647,024) | 23,903,085 |
| Net income for the period | - | - | - | - | - | - | 1,566,059 | 1,566,059 | - | - | - | 1,566,059 |
| Other comprehensive income for the period | - | - | - | - | - | - | (17,763) | (17,763) | (119,712) | 65,990 | (53,722) | (71,485) |
| Total comprehensive income for the period | - | - | - | - | - | - | 1,548,296 | 1,548,296 | (119,712) | 65,990 | (53,722) | 1,494,574 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | |
| Legal reserve appropriated | - | - | - | - | 88,793 | - | (88,793) | - | - | - | - | - |
| Special reserve appropriated | - | - | - | - | - | 497,716 | (497,716) | - | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | - | - | (1,204,873) | (1,204,873) | - | - | - | (1,204,873) |
| Capital reduction of financial assets at fair value through other comprehensive income | - | - | - | - | - | - | (19,796) | (19,796) | - | 26,502 | 26,502 | 6,706 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | - | - | - | 31,978 | 31,978 | - | (31,978) | (31,978) | - |
| Balance as of December 31, 2019 | \$ 10,040,606 | - | 10,040,606 | 6,592,236 | 3,619,075 | 647,025 | 4,006,772 | 8,272,872 | (784,660) | 78,438 | (706,222) | 24,199,492 |

See accompanying notes to the parent company only financial statements.

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

Statements of Cash Flows
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

| | 2019 | 2018 |
|--|--------------------|--------------------|
| Cash flows from (used in) operating activities: | | |
| Income before income tax | \$ 2,089,390 | 1,226,805 |
| Adjustments: | | |
| Adjustments to reconcile profit or loss: | | |
| Depreciation expense | 992,984 | 949,527 |
| Amortization expense | 36,328 | 25,474 |
| Expected credit loss | 373 | - |
| Net (gain) loss on financial assets or liabilities at fair value through profit or loss | (41,566) | 65,022 |
| Interest expense | 147,539 | 140,441 |
| Interest income | (14,715) | (860) |
| Dividend income | (23,142) | (59,935) |
| Share of loss of subsidiaries and associates accounted for using the equity method | 534,405 | 436,334 |
| Loss (gain) on disposal of property, plant and equipment | 1,524 | (1,409) |
| Gain on disposal of investment properties | - | (3,133) |
| Loss on disposal of investments accounted for using equity method | 307 | - |
| Unrealized profit from sales | 25,818 | 43,741 |
| Realized profit from sales | (43,741) | (35,941) |
| Unrealized foreign currency exchange loss (gain) | 21,192 | (19,809) |
| Total adjustments to reconcile profit or loss | 1,637,306 | 1,539,452 |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in notes receivable | 16,222 | (69,435) |
| Increase in accounts receivable | (92,188) | (292,230) |
| Decrease (increase) in accounts receivable from related parties | 1,251,079 | (1,491,937) |
| Increase in other receivable | (633,892) | (26,931) |
| Increase in inventories | (605,235) | (5,225,284) |
| Decrease (increase) in prepayments | 111,484 | (130,148) |
| Decrease (increase) in other current assets | 81,939 | (97,730) |
| Increase in other operating assets | (4,209) | (71,173) |
| Total changes in operating assets | 125,200 | (7,404,868) |
| Increase in contract liabilities | 201,252 | 27,749 |
| (Decrease) increase in notes payable | (99,052) | 58,528 |
| Decrease in notes payable to related parties | (640) | (65) |
| (Decrease) increase in accounts payable | (52,063) | 290,582 |
| Decrease in accounts payable to related parties | (1,721) | (11,070) |
| Increase (decrease) in other payables | 55,807 | (36,806) |
| Increase in other current liabilities | 8,846 | - |
| Decrease in net defined benefit liability | (31,951) | (24,040) |
| Total changes in operating liabilities | 80,478 | 304,878 |
| Net changes in operating assets and liabilities | 205,678 | (7,099,990) |
| Total adjustments | 1,842,984 | (5,560,538) |
| Cash inflow (outflow) generated from operations | 3,932,374 | (4,333,733) |
| Interest received | 13,344 | 860 |
| Dividends received | 148,277 | 197,060 |
| Interest paid | (136,638) | (119,227) |
| Income taxes paid | (356,090) | (335,833) |
| Net cash flows from (used in) operating activities | 3,601,267 | (4,590,873) |
| Cash flows from (used in) investing activities: | | |
| Acquisition of financial assets at fair value through other comprehensive income | (13,960) | (3,628) |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | 137,164 | 1,358,531 |
| Proceeds from capital reduction of financial assets at fair value through other comprehensive income | 51,332 | 1,408 |
| Proceeds from liquidation of financial assets at fair value through other comprehensive income | - | 667 |
| Acquisition of investments accounted for using equity method | (15,000) | (1,199,197) |
| Proceeds from capital reduction of investments accounted for using equity method | - | 10,000 |
| Acquisition of property, plant and equipment | (303,580) | (543,190) |
| Proceeds from disposal of property, plant and equipment | 668 | 5,326 |
| Decrease (increase) in refundable deposits | 183 | (557) |
| Acquisition of investment properties | (149,777) | (26,948) |
| Proceeds from disposal of investment properties | - | 40,788 |
| Increase in prepayments for equipment and land | (35,573) | (30,154) |
| Net cash flows used in investing activities | (328,543) | (386,954) |
| Cash flows from (used in) financing activities: | | |
| Increase in short-term loans | 61,160,027 | 3,356,518 |
| Decrease in short-term loans | (62,483,396) | - |
| Increase in short-term notes and bills payable | 6,090,000 | 640,000 |
| Decrease in short-term notes and bills payable | (6,640,000) | - |
| Proceeds from issuing bonds | - | 2,000,000 |
| Proceeds from long-term loans | 1,850,000 | 200,000 |
| Repayments of long-term loans | (1,950,000) | - |
| Increase (decrease) in guarantee deposits received | 2,595 | (11,554) |
| Payment of lease liabilities | (29,566) | - |
| Cash dividends paid | (1,204,873) | (1,405,685) |
| Net cash flows (used in) from financing activities | (3,205,213) | 4,779,279 |
| Effect of exchange rate changes on cash and cash equivalents | (21,192) | 19,809 |
| Net increase (decrease) in cash and cash equivalents | 46,319 | (178,739) |
| Cash and cash equivalents at beginning of period | 329,264 | 508,003 |
| Cash and cash equivalents at end of period | \$ 375,583 | 329,264 |

See accompanying notes to the parent company only financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

| | | <u>2019</u> | | <u>2018</u> | |
|------|---|---------------------|-----------|-------------------|-----------|
| | | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| 4000 | Operating revenue (Notes 6(v) and 7) | \$44,863,600 | 100 | 39,769,621 | 100 |
| 5000 | Operating costs (Notes 6(f)(r)(w) and 7) | <u>40,731,834</u> | <u>91</u> | <u>36,444,939</u> | <u>92</u> |
| 5900 | Gross profit from operations | <u>4,131,766</u> | <u>9</u> | <u>3,324,682</u> | <u>8</u> |
| 6000 | Operating expenses: | | | | |
| 6100 | Selling expenses (Notes 6(r)(w) and 7) | 957,356 | 2 | 1,002,718 | 3 |
| 6200 | Administrative expenses (Notes 6(r)(w) and 7) | 1,067,327 | 2 | 1,006,750 | 2 |
| 6450 | Expected credit loss (Note 6(d)) | <u>485</u> | <u>-</u> | <u>39,861</u> | <u>-</u> |
| | Total operating expenses | <u>2,025,168</u> | <u>4</u> | <u>2,049,329</u> | <u>5</u> |
| 6900 | Operating income | <u>2,106,598</u> | <u>5</u> | <u>1,275,353</u> | <u>3</u> |
| 7000 | Non-operating income and expenses: | | | | |
| 7010 | Other income (Notes 6(p)(x) and 7) | 79,943 | - | 114,165 | - |
| 7020 | Other gains and losses, net (Notes 6(x) and 7) | 130,681 | - | 31,456 | - |
| 7050 | Finance costs, net (Note 6(x)) | (296,203) | - | (224,550) | - |
| 7060 | Share of profit of associates accounted for using the equity method, net (Note 6(g)) | <u>101,113</u> | <u>-</u> | <u>58,679</u> | <u>-</u> |
| | Total non-operating income and expenses | <u>15,534</u> | <u>-</u> | <u>(20,250)</u> | <u>-</u> |
| 7900 | Income before income tax | 2,122,132 | 5 | 1,255,103 | 3 |
| 7950 | Less: income tax expenses (Note 6(s)) | <u>564,334</u> | <u>2</u> | <u>366,164</u> | <u>1</u> |
| | Net income | <u>1,557,798</u> | <u>3</u> | <u>888,939</u> | <u>2</u> |
| 8300 | Other comprehensive income: | | | | |
| 8310 | Items that will not be reclassified subsequently to profit or loss | | | | |
| 8311 | Losses on remeasurements of defined benefit plans | (22,351) | - | (71,970) | - |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | 65,971 | - | 14,626 | - |
| 8320 | Share of other comprehensive income of associates accounted for using the equity method, components of other comprehensive income that will not be reclassified to profit or loss | 118 | - | (5,744) | - |
| 8349 | Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss | <u>(4,470)</u> | <u>-</u> | <u>(21,919)</u> | <u>-</u> |
| | Total items that will not be reclassified subsequently to profit or loss | <u>48,208</u> | <u>-</u> | <u>(41,169)</u> | <u>-</u> |
| 8360 | Items that may be reclassified subsequently to profit or loss | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | (117,192) | - | (74,516) | - |
| 8399 | Less: income tax related to components of other comprehensive income that may be reclassified to profit or loss | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | Total items that may be reclassified subsequently to profit or loss | <u>(117,192)</u> | <u>-</u> | <u>(74,516)</u> | <u>-</u> |
| 8300 | Other comprehensive income for the period | <u>(68,984)</u> | <u>-</u> | <u>(115,685)</u> | <u>-</u> |
| 8500 | Total comprehensive income for the period | <u>\$ 1,488,814</u> | <u>3</u> | <u>773,254</u> | <u>2</u> |
| 8600 | Net income attributable to: | | | | |
| 8610 | Owners of the parent | \$ 1,566,059 | 3 | 887,932 | 2 |
| 8620 | Non-controlling interests | <u>(8,261)</u> | <u>-</u> | <u>1,007</u> | <u>-</u> |
| | | <u>\$ 1,557,798</u> | <u>3</u> | <u>888,939</u> | <u>2</u> |
| 8700 | Comprehensive income attributable to: | | | | |
| 8710 | Owners of the parent | \$ 1,494,574 | 3 | 762,869 | 2 |
| 8720 | Non-controlling interests | <u>(5,760)</u> | <u>-</u> | <u>10,385</u> | <u>-</u> |
| | | <u>\$ 1,488,814</u> | <u>3</u> | <u>773,254</u> | <u>2</u> |
| 9750 | Basic earnings per share (in dollars) (Note 6(u)) | <u>\$ 1.56</u> | | <u>0.88</u> | |
| 9850 | Diluted earnings per share (in dollars) (Note 6(u)) | <u>\$ 1.44</u> | | <u>0.87</u> | |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

| | Equity attributable to owners of parent | | | | | | | | | | | | | |
|---|---|--|---------------------|-------------------|---------------|-----------------|----------------------------------|-------------------------|---|---|-----------------------------|---|---------------------------|--------------|
| | Capital stock | | | Retained earnings | | | | | Total other equity interest | | | | | |
| | Ordinary shares | Certificate of entitlement to new shares from convertible bond | Total stock capital | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Total retained earnings | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Total other equity interest | Total equity attributable to owners of the parent | Non controlling interests | Total equity |
| Balance as of January 1, 2018 after adjustment | \$ 10,002,241 | 38,365 | 10,040,606 | 6,320,178 | 3,358,789 | 149,309 | 4,546,800 | 8,054,898 | (581,054) | 101,745 | (479,309) | 23,936,373 | 86,426 | 24,022,799 |
| Net income for the period | - | - | - | - | - | - | 887,932 | 887,932 | - | - | - | 887,932 | 1,907 | 888,939 |
| Other comprehensive income for the period | - | - | - | - | - | - | (50,942) | (50,942) | (83,894) | 9,773 | (74,121) | (125,063) | 9,378 | (115,685) |
| Total comprehensive income for the period | - | - | - | - | - | - | 836,990 | 836,990 | (83,894) | 9,773 | (74,121) | 762,869 | 10,385 | 773,254 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | | | |
| Legal reserve appropriated | - | - | - | - | 171,493 | - | (171,493) | - | - | - | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | - | - | (1,405,685) | (1,405,685) | - | - | - | (1,405,685) | - | (1,405,685) |
| Other changes in capital surplus: | | | | | | | | | | | | | | |
| Due to recognition of equity component of convertible bonds issued | - | - | - | 81,973 | - | - | - | - | - | - | - | 81,973 | - | 81,973 |
| Changes in equity of associates accounted for using equity method | - | - | - | 190,085 | - | - | - | - | - | - | - | 190,085 | - | 190,085 |
| Conversion of convertible bonds | 38,365 | (38,365) | - | - | - | - | - | - | - | - | - | - | - | - |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | 10,868 | 10,868 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | - | - | - | 431,064 | 431,064 | - | (93,594) | (93,594) | 337,470 | - | 337,470 |
| Balance at December 31, 2018 | 10,040,606 | - | 10,040,606 | 6,592,236 | 3,530,282 | 149,309 | 4,237,676 | 7,917,267 | (664,948) | 17,924 | (647,024) | 23,903,085 | 107,679 | 24,010,764 |
| Net income for the period | - | - | - | - | - | - | 1,566,059 | 1,566,059 | - | - | - | 1,566,059 | (8,261) | 1,557,798 |
| Other comprehensive income for the period | - | - | - | - | - | - | (17,763) | (17,763) | (119,712) | 65,990 | (53,722) | (71,485) | 2,501 | (68,984) |
| Total comprehensive income for the period | - | - | - | - | - | - | 1,548,296 | 1,548,296 | (119,712) | 65,990 | (53,722) | 1,494,574 | (5,760) | 1,488,814 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | | | |
| Legal reserve appropriated | - | - | - | - | 88,793 | - | (88,793) | - | - | - | - | - | - | - |
| Special reserve appropriated | - | - | - | - | - | 497,716 | (497,716) | - | - | - | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | - | - | (1,204,873) | (1,204,873) | - | - | - | (1,204,873) | - | (1,204,873) |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | - | - | - | 31,978 | 31,978 | - | (31,978) | (31,978) | - | - | - |
| Capital reduction of financial assets at fair value through other comprehensive income | - | - | - | - | - | - | (19,796) | (19,796) | - | 26,502 | 26,502 | 6,706 | - | 6,706 |
| Balance as of December 31, 2019 | \$ 10,040,606 | - | 10,040,606 | 6,592,236 | 3,619,075 | 647,025 | 4,006,772 | 8,272,872 | (784,660) | 78,438 | (706,222) | 24,199,492 | 101,919 | 24,301,411 |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

| | 2019 | 2018 |
|--|--------------------|--------------------|
| Cash flows from (used in) operating activities: | | |
| Income before income tax | \$ 2,122,132 | 1,255,103 |
| Adjustments: | | |
| Adjustments to reconcile profit or loss: | | |
| Depreciation expense | 1,576,532 | 1,307,037 |
| Amortization expense | 119,068 | 77,763 |
| Expected credit loss | 485 | 39,861 |
| Net (gain) loss on financial assets or liabilities at fair value through profit or loss | (41,182) | 64,386 |
| Interest expense | 296,203 | 224,550 |
| Interest income | (5,483) | (6,078) |
| Dividend income | (23,382) | (59,935) |
| Share of profit of associates accounted for using the equity method | (101,113) | (58,679) |
| Loss (gain) on disposal of property, plant and equipment | 1,522 | (979) |
| Prepayments for equipment transferred to expenses | 284 | 447 |
| Gain on disposal of investment properties | - | (3,133) |
| Loss on disposal of investments accounted for using equity method | 307 | - |
| Impairment loss on non-financial assets | - | 20,811 |
| Unrealized foreign exchange loss (gain) | 21,192 | (19,809) |
| Total adjustments to reconcile profit or loss | 1,844,433 | 1,586,242 |
| Changes in operating assets and liabilities: | | |
| Increase in contract assets | (2,274,545) | (515,143) |
| Decrease (increase) in notes receivable | 93,387 | (91,284) |
| Decrease in accounts receivable | 68,961 | 206,589 |
| Decrease in other receivable | 71,023 | 102,117 |
| Decrease (increase) in inventories | 1,634,072 | (6,801,912) |
| Decrease (increase) in prepayments | 173,365 | (77,576) |
| Decrease (increase) in other current assets | 100,985 | (461,700) |
| Increase in other operating assets | (100,183) | (37,275) |
| Increase in other non-current assets | (2,318) | - |
| Increase (decrease) in contract liabilities | 401,128 | (255,299) |
| (Decrease) increase in notes payable | (102,297) | 63,823 |
| Increase in accounts payable | 221,082 | 134,487 |
| Increase (decrease) in other payables | 161,406 | (118,090) |
| Increase (decrease) in other current liabilities | 9,710 | (518) |
| Decrease in net defined benefit liability | (32,292) | (24,040) |
| Decrease in provisions | (13,890) | (52,619) |
| Total adjustments | 2,254,027 | (6,342,198) |
| Cash inflow (outflow) from operations | 4,376,159 | (5,087,095) |
| Interest received | 6,071 | 5,615 |
| Dividends received | 148,517 | 197,060 |
| Interest paid | (322,483) | (207,205) |
| Income taxes paid | (375,273) | (347,378) |
| Net cash flows from (used in) operating activities | 3,832,991 | (5,439,003) |
| Cash flows from (used in) investing activities: | | |
| Acquisition of financial assets at fair value through other comprehensive income | (13,960) | (3,628) |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | 137,164 | 1,358,531 |
| Proceeds from capital reduction of financial assets at fair value through other comprehensive income | 51,332 | 2,075 |
| Decrease (increase) in other current and non-current assets | 633 | (36,484) |
| Acquisition of property, plant and equipment | (651,285) | (1,705,982) |
| Proceeds from disposal of property, plant and equipment | 697 | 8,345 |
| Decrease (increase) in refundable deposits | (5,322) | 4,361 |
| Acquisition of investment properties | (83,459) | (26,948) |
| Proceeds from disposal of investment properties | - | 40,788 |
| Increase in prepayments for equipment and land | (60,006) | (62,882) |
| Net cash flows used in investing activities | (624,206) | (421,824) |
| Cash flows from (used in) financing activities: | | |
| Increase in short-term loans | 70,957,998 | 61,414,940 |
| Decrease in short-term loans | (73,261,944) | (57,973,533) |
| Increase in short-term notes and bills payable | 9,340,000 | 12,730,000 |
| Decrease in short-term notes and bills payable | (9,875,000) | (11,835,000) |
| Proceeds from issuing bonds | - | 2,000,000 |
| Proceeds from long-term loans | 2,617,138 | 3,427,413 |
| Repayments of long-term loans | (1,960,143) | (2,353,571) |
| Increase (decrease) in guarantee deposits received | 1,609 | (11,390) |
| Payment of lease liabilities | (57,331) | - |
| Cash dividends paid | (1,204,873) | (1,405,685) |
| Change in non-controlling interests | 2,501 | 20,246 |
| Net cash flows (used in) from financing activities | (3,440,045) | 6,013,420 |
| Effect of exchange rate changes on cash and cash equivalents | 110,134 | (75,077) |
| Net (decrease) increase in cash and cash equivalents | (121,126) | 77,516 |
| Cash and cash equivalents at beginning of period | 1,097,976 | 1,020,460 |
| Cash and cash equivalents at end of period | \$ 976,850 | 1,097,976 |

See accompanying notes to consolidated financial statements.

Attachment 9

Tung Ho Steel Enterprise Corporation
2019 Distribution Table of Net Profit

Unit: NT\$

| | | | |
|---|--|-----------------|----------------------|
| Beginning unappropriated retained earnings | | | 2,446,294,542 |
| Plus: disposal of equity instruments measured at fair value through other comprehensive income (note 4) | | 31,977,757 | |
| Net income after tax in the current period | | 1,566,058,617 | |
| Minus: Measure capital gain an loss from financial assets by fair value through other comprehensive gain and loss (note 5) | | (19,796,022) | |
| Changes in re-measurement of defined benefit plan (note 6) | | (17,762,937) | |
| Distributable net profit | | | 4,006,771,957 |
| Minus: legal reserve (note 7) | | (156,047,742) | |
| Equity deduction of special reserve | | (59,196,149) | |
| Assign items: | | | |
| (1) | Shareholder dividends – cash (NT\$ 1.35 per share) | (1,355,481,821) | |
| (2) | Shareholder dividends – stock (NT\$ per share) | | |
| unappropriated retained earnings at the end of the period | | | 2,436,046,245 |

Note:

1. The item of 2019 surplus earnings distribution is going to be first distributed from the net profit after tax of 2019. If there are deficiencies, the insufficient amount will be retroactively supplemented from the net profit of the past few years in sequence.
2. The above-listed dividend is temporarily decided as NT\$ 1.35 per share, which is calculated on a basis of 1,004,060,608 distributable shares. If the number of actual shares outstanding changes because of converting convertible debts to stocks or other reasons and hence results in an amendment to the payout ratio, it is proposed that the chairman of the Board be fully authorized to process such.
3. Cash dividend will be rounded down to the unit of NT\$ 1. The total sum of the fractional figures will be ascribed into the item of shareholders' equity.
4. The company adopted equity method to account gain and loss in the disposal of shares from investment companies and adjusted the reserved surplus in accordance with IFRS 9.
5. Measure capital gain an loss from financial assets by fair value through other comprehensive gain and loss and adjust the reserved surplus in accordance with IFRS 9.
6. The changes in re-measurement of defined benefit plan (NT\$ 17,762,937) is from the re-measurement of defined benefit plan (NT\$ 21,961,863), relevant income tax NT\$ 4,392,373 and the actuarial gains and losses of the defined benefit by adopting equity method of investment companies (NT\$ 193,447).

7. In accordance with the amendment to Article 66-9 of Income Tax Act, the basis set aside from legal reserve was revised to “Net income of the current period plus other items other than net income of the current period will be counted towards undistributed surplus of the current year”.

(required over printing)

Chairman:

General Manager: Chief Accountant:

Attachment 10

Relevant information about issuance of bonus shares

The influence of issuance of bonus shares proposed by this shareholders' meeting on the company's operation performance, earnings per share, and return on investment: not applicable.

Attachment 11**Comparison Table for the Amendment to the “Articles of Incorporation”**

| After Amendment | Before Amendment | Explanation |
|---|--|---|
| <p>Article 2 The business scope of the Company is as follows:</p> <ol style="list-style-type: none"> 1. CC01060 Wired communication machinery and equipment manufacturing industry. 2. CC01070 Wireless communication machinery and equipment manufacturing industry. 3. CC01080 Electronic component manufacturing industry. 4. H701040 Specific professional zone development industry. 5. J701020 Amusement park industry. 6. C801010 Basic chemical industry. 7. CA01010 Iron and steel smelting industry. 8. CA01020 Iron and steel rolls and crowding industry. 9. CA01050 Iron and Steel Rolling, Drawing, and Extruding. 10. CA01070 Waste vehicle and vessel disassembly and waste iron and steel disposal industry. 11. CA03010 Heat treatment industry. 12. CA04010 Surface processing industry. 13. CB01010 Machinery and equipment manufacturing. 14. CC01110 Computers and peripheral equipment manufacturing. 15. CP01010 Hand tool manufacturing. 16. F114060 Wholesale of vessels and vessel parts. 17. F214060 Retail sale of vessels and vessel parts. 18. F401010 International Trade. 19. H701010 Residence and Buildings Lease Construction and Development 20. H701060 New town or community development industry. | <p>Article 2 The business scope of the Company is as follows:</p> <ol style="list-style-type: none"> 1. CC01060 Wired communication machinery and equipment manufacturing industry. 2. CC01070 Wireless communication machinery and equipment manufacturing industry. 3. CC01080 Electronic component manufacturing industry. 4. H701040 Specific professional zone development industry. 5. J701020 Amusement park industry. 6. C801010 Basic chemical industry. 7. CA01010 Iron and steel smelting industry. 8. CA01020 Iron and steel rolls and crowding industry. 9. CA01050 Iron and Steel Rolling, Drawing, and Extruding. 10. CA01070 Waste vehicle and vessel disassembly and waste iron and steel disposal industry. 11. CA03010 Heat treatment industry. 12. CA04010 Surface processing industry. 13. CB01010 Machinery and equipment manufacturing. 14. CC01110 Computers and peripheral equipment manufacturing. 15. CP01010 Hand tool manufacturing. 16. F114060 Wholesale of vessels and vessel parts. 17. F214060 Retail sale of vessels and vessel parts. 18. F401010 International Trade. 19. H701060 New town or community development industry. 20. I103060 Management consulting services. 21. I599990 Other design industry. 22. CA02010 Metal structures and architectural component | <ol style="list-style-type: none"> 1. Add new business items |

| After Amendment | Before Amendment | Explanation |
|---|---|--------------------------------------|
| <p>21. <u>H701090 Renovation, or maintenance within the renewal area.</u></p> <p>22. <u>H702010 Construction Management.</u></p> <p>23. I103060 Management consulting services.</p> <p>24. I599990 Other design industry.</p> <p>25. CA02010 Metal structures and architectural component manufacturing.</p> <p>26. EZ99990 Other Construction.</p> <p>27. F106010 Wholesale of ironware.</p> <p>28. F199010 Wholesale of recycled materials.</p> <p>29. ZZ99999 All business items that are not prohibited or restricted by law, except those subject to special approval.</p> | <p>manufacturing.</p> <p>23. EZ99990 Other Construction.</p> <p>24. F106010 Wholesale of ironware.</p> <p>25. F199010 Wholesale of recycled materials.</p> <p>26. ZZ99999 All business items that are not prohibited or restricted by law, except those subject to special approval.</p> | |
| <p><u>Article 25-4</u></p> <p><u>The Company established Corporate Governance Committee.</u></p> <p><u>Number of Seats, term of office, management of operation rules, authority exertion and other compliance matters for the Corporate Governance Committee shall be established in Organic Regulations of Corporate Governance Committee</u></p> | | <p>Add a new Article</p> |
| <p>Article 34</p> <p>This Article was announced and implemented on May 20, 1962.</p> <p>(omitted)</p> <p>The 48th amendment was on June 21, 2016. The articles related to setup of the Audit Committee are added, which shall be applicable since the term of office for the supervisors appointed in 2014 shareholders' general meeting is expired.</p> <p>The 49th amendment was on June 16, 2017.</p> | <p>Article 34</p> <p>This Article was announced and implemented on May 20, 1962.(omitted)</p> <p>The 48th amendment was on June 21, 2016. The articles related to setup of the Audit Committee are added, which shall be applicable since the term of office for the supervisors appointed in 2014 shareholders' general meeting is expired.</p> <p>The 49th amendment was on June 16, 2017.</p> <p>The 50th amendment was on June 18,</p> | <p>The amendment date was added.</p> |

| After Amendment | Before Amendment | Explanation |
|--|------------------|-------------|
| <p>The 50th amendment was on June 18, 2019.</p> <p><u>The 51th amendment was on XX XX, 2020.</u></p> | <p>2019.</p> | |

Attachment 12

List of Candidates for Tung Ho Steel Enterprise Corp.

| Type | Name | Academic background | Experience | Current Task | Note |
|-------------|---|---|--|--|-------------|
| Director | Mao Sheng Investment Corp. Representative: Hou Chieh Teng | Depart. of Economics, Harvard University | Director of Tung Kang Steel Structure Corp. Chairman of Hexasave Inc. Supervisor of Da Guan Visory Consultant Corp. Director of Taiwan High Speed Rail Corp. Director of Chung Hsing Electric Machinery Corp. | Chairman and General Manager of Tung Ho Steel Enterprise Corp. Chairman of Tung Kang Steel Structure Corp. Chairman of Tung Kang Wind Drive Generator Corp. Chairman of Far East Steel Enterprise Corporation Chairman of Shen Yuan Investment Corp. Chairman of Wan Nian Department Stores Corp. Chairman of He Chao Investment Corp. Chairman of Mao Sheng Investment Corp. Director of Shang Fu Corp. Limited Director of Chia Te Chuang Resource Corp. Director of Chia Te Technology Development Corp. Director of Tung Kang Construction Corp. Director of Prosperity Enterprise Corp. Director of Tung Ho Steel Vietnam Corp. Ltd. Director of Goldham Development Ltd. Director of 3 Oceans International Inc. Director of Tung Yuan International Corp. Director of Best-Steel Trade Corp. Director of Fujian Sino-Japan Metal Corporation Chairman of Tung Tang Energy Service Corp. Director of Ming Tai Entertainment Corp. Director of Tung He Steel Foundation Chairman of Hou Chin Tui Foundation | |
| Director | Mao Sheng Investment Corp. Representative: Hou Yu Shu | Dept. of Environment and Visual Art, Harvard University | Director of Shen Yuan Investment Corp. Supervisor of Wan Nian Department Stores Corp. | Director of Tung Ho Steel Enterprise Corp. supervisor of Shen Yuan Investment Corp. Director of He Chao Investment Corp. Director of He Shing Investment Corp. Chairman of Spring Foundation | |
| Director | Shen Yuan Investment Corp. Representative: Wu Hui Ming | Dept. of Resources Engineering, National Taipei University of Technology | Director of Tung Kang Steel Structure Corp. Production vice general manager of Far East Steel Enterprise Corporation Taoyuan factory director of Far East Steel Enterprise Corporation | Director of Tung Ho Steel Enterprise Corp. | |
| Director | Shen Yuan Investment Corp. Representative: Tung Po Hsun | Master in Business Management, School of Business, National Chengchi university | Supervisor of Hexawave Inc. Administrative vice general manager of Fujian Sino-Japan Metal Corporation Manager of Dept. of Investment, Tung Ho Steel Enterprise Corp. Manager of Dept. of Resources and Materials, Tung Ho Steel Enterprise Corp. | General manager of Dept. of Finance and Accounting, Tung Ho Steel Enterprise Corp. Director of Tung Kang Wind Drive Generator Corp. Director of Tung Kang Steel Structure Corp. | |
| Director | Han Lei Investment Corp. Representative: Huang Chih Ming | MBA, California State University | Director of Chi Te Technology Corp. Manager of Chi Te Technology Corp. Director of Far East Steel Enterprise Corporation | Director of Tung Ho Steel Enterprise Corp. Chairman of Han Lei Investment Corp. Supervisor of Far East Steel Enterprise Corporation Director of Yu Tai Investment Corp. | |
| Director | Liang Cheng Investment Corp. Representative: Chen Pao He | MBA, Royal Roads University | General manager of Chu Cheng Construction Corp. | Director of Tung Ho Steel Enterprise Corp. Chairman of He Cheng Investment Corp. Chairman of Chi Cheng Investment Corp. Chairman of Chien Ching Corp. Chairman of Liang Cheng Investment Corp. Chairman of Jing Mei Xue Biotechnology | |

| | | | | | |
|----------------------|---|--|---|--|--|
| | | | | Corp. Chairman of Meng Cheng Technology Corp. Chairman of Water Element Biotechnology Corp. | |
| Director | Taiwan Development Corp. Representative: Lin Chao He | Dept. of Economics, SCU | Supervisor of Tung Ho Steel Enterprise Corp. Senior vice general manager of Tung Ho Steel Enterprise Corp. | Director of Tung Ho Steel Enterprise Corp. Chairman of Rui Nien Enterprise Management Consultant Corp. | |
| Director | Hou Yen Liang | EMBA, Aalto University, Finland | None | Director of Tung Ho Steel Enterprise Corp. Chairman, Ya Sheng Chemical Engineering Corp. Director of Hao Han Investment Corp. | |
| Independent director | Liu I Chi | Master in Accounting, National Chengchi university | Senior accountant of KPMG International Director of CPA Association Executive director of Taipei CPA Association | Independent director of Tung Ho Steel Enterprise Corp. Supervisor of Da Tung Textile Corp. Independent director of MITWELL, INC. | |
| Independent director | Chang Chuang Hsi | PhD in Law-Economics, Social Sciences (Politics), University of Paris II, France | Head of Humanity Education Research Center, Huafan University Chief Secretary, Secretariat, Huafan University Director and general manager of Hua Shan Creative Corp. Limited Manager of Dept. of Management of Tung Ho Steel Enterprise Corp. Miaoli factory vice director of Tung Ho Steel Enterprise Corp. Adjunct professor of National Central University | Independent director of Tung Ho Steel Enterprise Corp. Director Education, Huafan University Adjunct professor of Huafan University | |
| Independent director | Liu Te Ming | PhD in Economics, Ohio State University | Professor of Dept. of Financial Management, National Sun Yat-sen University Independent director of CSBC Corporation Independent director of Laser Tek Taiwan Co. | Independent director of Tung Ho Steel Enterprise Corp. Independent director of CSBC Corporation Independent director of Laser Tek Taiwan Co. Adjunct Professor of Financial Management (Honor Professor) of National Sun Yat-sen University | |

Articles of Incorporation

Chapter I General Principles

Article 1 The Company is named by Tung Ho Steel Enterprise Corporation, which is organized in accordance with the regulation in The Company Act.

The Company is named Tung Ho Steel Enterprise Corporation in English.

Article 2 The business scope of the Company is as follows:

1. CC01060 Wired communication machinery and equipment manufacturing industry.
2. CC01070 Wireless communication machinery and equipment manufacturing industry.
3. CC01080 Electronic component manufacturing industry.
4. H701040 Specific professional zone development industry.
5. J701020 Amusement park industry.
6. C801010 Basic chemical industry.
7. CA01010 Iron and steel smelting industry.
8. CA01020 Iron and steel rolls and crowding industry.
9. CA01050 Iron and Steel Rolling, Drawing, and Extruding.
10. CA01070 Waste vehicle and vessel disassembly and waste iron and steel disposal industry.
11. CA03010 Heat treatment industry.
12. CA04010 Surface processing industry.
13. CB01010 Machinery and equipment manufacturing.
14. CC01110 Computers and peripheral equipment manufacturing.
15. CP01010 Hand tool manufacturing.
16. F114060 Wholesale of vessels and vessel parts.
17. F214060 Retail sale of vessels and vessel parts.
18. F401010 International Trade.
19. H701060 New town or community development industry.
20. I103060 Management consulting services.
21. I599990 Other design industry.
22. CA02010 Metal structures and architectural component manufacturing.
23. EZ99990 Other Construction.
24. F106010 Wholesale of ironware.
25. F199010 Wholesale of recycled materials.
26. ZZ99999 All business items that are not prohibited or restricted by law, except those subject to special approval.

Article 2-1 When the Company becomes the shareholder of limited liability in other companies, its total amount of investment in such companies shall not be subject to Article 13 of the Company Act which stipulates that the total amount of investment may not exceed 40% of the amount of its own paid-in capital.

Article 3 The Company is headquartered in Taipei City. Where necessary, the Company may set up branch offices within and outside the territory of the Republic of China upon approval from the Board of Directors. Such set up, changes or revocation shall be resolved by the Board of Directors.

Article 4 Public announcements of the Company shall be made in accordance with Article 28 of the Company Act and relevant rules and regulations.

Chapter II Shares

Article 5 The total capital stock of the Company shall be NT\$15 billion and only, divided into 1.5 billion shares at a par value of NT\$10 per share. The shares shall be issued in installments by the Board of Directors however it deems necessary for business purposes.

Article 6 Stocks of the Company shall be registered, signed or sealed by at least 3 directors and properly numbered. The stocks shall be issued after proper certification by the competent authority or its authorized registration institutes.

Stocks issued by the Company as well as other securities are not required to be printed. The Company, however, shall contact the centralized securities depository enterprise institution for registration of the share certificates.

Article 7 All shares of the Company are issued to registered owners only. The registered share certificate shall bear the true name of the shareholder. Shareholder who is a government or corporate shareholder shall specify the name of the entity and may not establish another name or only specify the name of his or her representative.

Article 7-1 The Company shall administer all the stock-related operations or affairs in accordance with the "Regulations Governing the Administration of Shareholder Services of Public Companies", unless otherwise specified by law.

Article 8 (Deleted)

Article 9 (Deleted)

Article 10 (Deleted)

Article 11 (Deleted)

Article 12 (Deleted)

Article 13 Transfer of title for the stocks is not permitted within 60 days prior to the general meeting of shareholders; or within 30 days prior to the special meeting of shareholders, or within 5 days prior to the cut-off date determined for the distribution of dividends, bonus or other benefits.

Chapter III Shareholders' Meeting

Article 14 The Company holds general and extraordinary shareholders' meetings. The general meeting shall be convened at least once a year. It shall be convened by the Board of Directors within 6 months after the close of each fiscal year. The extraordinary meeting shall be held in accordance with the relevant statutory requirements whenever deemed necessary. The shareholders' general meeting convened by the Board of Directors shall be attended by more than half of all directors on the Board. However, this provision does not apply to those excused from such meetings for justifiable reasons.

Article 15 The notice for convening shareholders' meeting shall be issued 30 days before the general meeting and 15 days before an extraordinary meeting. The date, venue, and purpose of the meeting shall be notified to all shareholders.

Article 16 A shareholder shall have 1 voting right per share, unless otherwise specified by law.

Article 17 A shareholder who cannot attend shareholders' meeting may appoint a proxy to attend on his/her behalf by executing a power of attorney printed and issued by the Company, stating clearly the scope of the authorization. However, a shareholder shall be limited to issuing 1 power of attorney and appointing one proxy and shall deliver such power of attorney to the Company 5 days prior the shareholders' meeting.

Except for stock agencies approved by the competent authority in charge of the securities business or trust enterprises, when a person concurrently acts as the proxy for two or more shareholders, the number of voting right represented by him/her shall not exceed 3% of the total number of issued voting shares. Otherwise, the portion of excessive voting right shall not be counted.

Article 18 Unless otherwise regulated by the Company Act, a shareholders' meeting resolution is passed when the shareholders representing more than 50% of all outstanding shares attend the meeting, and voted in favor by more than 50% of all voting rights represented at the meeting.

Article 19 When the number of shareholders present does not satisfy the quorum prescribed in the preceding article, but those present represent 1/3 or more of the total number of issued shares, a tentative resolution may be passed by a majority of those present. A notice of such tentative resolution shall be given to each shareholder, and a shareholders' meeting must be convened again within 1 month. If the tentative resolution is again adopted by a majority of

those present who represent 1/3 or more of the total number of issued shares, it shall be deemed as a resolution.

Article 20 Shareholders' meeting resolutions shall be compiled into minutes with details including the date and venue of the meeting, the name of chairman, method of resolution, a summary of the essential points of the proceedings and the results of the meeting, number of shareholders present at the meeting, and number of represented votes. The minutes shall be signed or sealed by the chairman and disseminated to each shareholder no later than 20 days after the meeting.

The meeting minutes mentioned in the preceding paragraph along with shareholders' attendance sheets and proxy forms shall be kept by the Company.

The meeting minutes prescribed in the first paragraph may be delivered by way of public announcement.

Chapter IV Directors, Supervisors and Functional Committees

Article 21 The Company shall have 11 directors. Candidates shall be nominated and elected at the shareholders' meeting from the list of candidates for directors and including at least 3 independent directors.

With respect to other requirements on independent directors including professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination, appointment method, and other compliance matters, the Company shall observe the regulations announced by the competent authority for the securities industry.

The independent directors and non-independent directors shall be nominated separately. The election shall be done together and the result shall be calculated separately.

The term of office for directors shall be 3 years. The directors may serve consecutive terms if they are reelected. The term of office for the independent directors shall not exceed 3 terms of office. The total number of registered shares held by the Company's directors shall not be below a certain percentage of the total number of Company's issued shares. The verification of the total number of shares shall be addressed in accordance with regulations prescribed by the competent authority.

Article 21-1 The Company shall purchase liability insurance for the directors during the term of office based on the compensation liability within the business scope.

Article 22 The elected directors shall assemble a Board of Directors and appoint a chairman and a Vice

chairman.

The Board of Directors shall exercise all of the Company's affairs according to laws, regulations, Articles of Incorporation, and resolutions made by the shareholders' meeting.

Article 22-1 The directors may be distributed remunerations in accordance with Article 28 of this Articles and may be paid a fixed monthly remuneration, which shall be determined by the Board according to standards adopted by the industry and listed companies.

Article 23 The chairman shall represent the company externally and shall internally chair the shareholders' and the board meetings. If the chairman is unable to perform such duties due to leave of absence or any other reason, the Vice chairman shall act on the Chairman's behalf. If the Vice Chairman is also unavailable or unable to perform duties, the Chairman may appoint one of the directors to act on the Chairman's behalf. If no delegate is appointed by the Chairman, one shall be elected from among the directors to act on the Chairman's behalf.

Article 24 The Chairman shall convene a board meeting and issue a notice setting forth therein the topic(s) to be discussed at the meeting to each director no later than 7 days prior to the scheduled meeting date. However, in the case of emergency, the meeting may be convened at any time.

The board meeting may be notified in forms of letters, e-mail or facsimile.

Unless otherwise prescribed in the Company Act, the resolutions made by the Board shall be passed by a majority vote at a meeting of the Board of Directors attended by 2/3 or more of all directors of the Board.

If a director is unable to attend the meeting, she/he may delegate another director as his/her representative for the meeting by issuing a proxy, specifying clearly the scope of the authorization. Any director, however, can only represent 1 other director during the meeting.

The Company's board meeting shall follow the Board of Directors' Meeting Procedure, unless otherwise specified by laws or this Article.

Article 24-1 The Board of Directors may lease the Company's real property for investment purpose according to the resolutions regulated by Paragraph 3 of the preceding article.

Article 25 (Deleted)

Article 25-1 The Company's Board shall set up related functional committees as required by laws, and the related records shall be disclosed in the annual report.

Article 25-2 The Company has established audit committee composed of the entire number of independent directors in accordance with Article 14-4, Securities and Exchange Act. The audit committee shall be responsible for enforcing Company Act, Securities and Exchange Act, and other provisions regarding supervisors' authority.

According to Article 14-4, Securities and Exchange Act, the Company Act regarding supervisors or representing the company shall apply mutatis mutandis to the independent directors of the audit committee.

The number of people, tenure, rules of procedure for meetings, action under the authority, and other regulations of audit committees are subject to the provisions otherwise stipulated by the audit committee.

Article 25-3 The Company sets up the Remuneration Committee.

The Company sets up the Remuneration Committee.

The number, term of office, rules of procedure, powers and other regulations of Remuneration Committee are subject to the provisions otherwise stipulated by the Remuneration Committee.

Chapter V Managers and Consultants

Article 26 The Company shall appoint 1 general manager and several vice general managers, assistant managers and managers. The appointment, dismissal and remuneration of the said parties shall be decided by a majority vote at a board meeting attended by more than one half of the directors.

For business purposes, the Company may employ consultants through the Board of Directors in compliance with the regulation described in the preceding paragraph.

Chapter VI Accounting

Article 27 The Company's fiscal year begins on January 1 and ends on December 31. Year-end closing is carried out at the end of each fiscal year. After the year-end closing, the Board of Directors shall prepare the following statements and reports. These statements and reports shall be submitted to supervisors for verification at least 30 days before the shareholders' general meeting. Alternatively, the supervisors shall commission a CPA to review these statements and reports and shall present them as a report during the shareholders' general meeting for final approval.

1. Business report
2. Financial reports
3. Proposal of earnings distribution or loss reimbursement plans

The financial reports and proposal of earnings distribution or loss reimbursement plans shall be disseminated to each shareholder by way of public announcements.

Article 28 If the Company makes a profit in a year, it shall set aside no less than 2.5% as the staff remuneration, no more than 2% as the remuneration for directors. However, if the Company has accumulated loss, it shall first set aside a certain amount for compensation of loss.

The employees' bonuses shall be distributed by stock or cash upon the resolution passed by a majority vote at a board meeting attended by more than 2/3 of all directors and reported in a shareholders' meeting.

If the employees' bonuses are new stock allotments, employee stocks shall be calculated based on the closing price on the day before the date of resolution by the Board.

Article 28-1 Annual profit of the Company after year-end closing has been conducted, if any, shall firstly be allocated for paying business taxes and compensation of accumulated deficit. 10% of the remaining profit shall be allocated as legal reserve. Special reserve may be allocated or reversed to meet the operational or regulatory requirements. The remaining profit, if any, along with the accumulated undistributed earnings for the previous years, shall be distributed as profits dividends. The aforesaid distributed profit dividends shall be done with cash or stocks. If with cash, the distribution shall be decided by a majority vote at a board meeting attended by more than 2/3 of the directors and approved by more than half of the attendants, and reported to the shareholders' meeting; if not with cash, a proposal of profit dividends distribution shall be made and submitted to the shareholder's meeting for approval.

The Company's operational life span has reached a positive, stable, and mature stage. With regard to the allocation of profits, cash dividends shall not be less than 80% of the total dividend and stock dividends shall exceed 20% of the total dividend.

Article 29 The allocation of statutory surplus reserve may cease when the amount appropriated equals to the Company's total capital stock.

Chapter VII Supplemental Provisions

Article 30 The organization of the Company and roles of each department shall be determined by the Board of Directors.

Article 31 The Company may provide guarantees to outside parties for relevant business activities.

Article 32 With regard to matters not addressed in this Article, the Company Act and other

relevant regulations shall prevail.

Article 33 (deleted)

Article 34 This Article was announced and implemented on May 20, 1962.

The 1st amendment was on September 27, 1962.

The 2nd amendment was on April 19, 1965.

The 3rd amendment was on November 15, 1965.

The 4th amendment was on May 25, 1967.

The 5th amendment was on May 25, 1969.

The 6th amendment was on July 20, 1969.

The 7th amendment was on November 10, 1971.

The 8th amendment was on April 4, 1972.

The 9th amendment was on August 5, 1974.

The 10th amendment was on June 30, 1977.

The 11th amendment was on May 26, 1978.

The 12th amendment was on June 29, 1980.

The 13th amendment was on May 28, 1981.

The 14th amendment was on October 11, 1981.

The 15th amendment was on January 30, 1982.

The 16th amendment was on September 5, 1983.

The 17th amendment was on February 21, 1984.

The 18th amendment was on October 2, 1984.

The 19th amendment was on December 1, 1984.

The 20th amendment was on May 11, 1985.

The 21st amendment was on May 22, 1986.

The 22nd amendment was on July 17, 1986.

The 23rd amendment was on April 10, 1987.

The 24th amendment was on September 16, 1987.

The 25th amendment was on December 4, 1987.

The 26th amendment was on May 27, 1988.

The 27th amendment was on August 18, 1988.

The 28th amendment was on April 24, 1989.

The 29th amendment was on June 30, 1989.

The 30th amendment was on April 24, 1991.

The 31st amendment was on May 14, 1992.

The 32nd amendment was on April 27, 1993.

The 33rd amendment was on April 8, 1994.

The 34th amendment was on April 6, 1995.

The 35th amendment was on May 20, 1997.

The 36th amendment was on May 13, 1998.

The 37th amendment was on June 9, 2000.

The 38th amendment was on June 27, 2002.

The 39th amendment was on June 16, 2003.

The 40th amendment was on June 24, 2004.

The 41st amendment was on April 18, 2005.

The 42nd amendment was on June 25, 2007.

The 43rd amendment was on June 13, 2008.

The 44th amendment was on June 19, 2009.

The 45th amendment was on June 25, 2010.

The 46th amendment was on June 22, 2012.

The 47th amendment was on June 25, 2013.

The 48th amendment was on June 21, 2016. The articles related to setup of the Audit Committee are added, which shall be applicable since the term of office for the supervisors appointed in 2014 shareholders' general meeting is expired.

The 49th amendment was on June 16, 2017.

The 50th amendment was on June 18, 2019.

Appendix 2

Rules of Procedure for Shareholders' Meetings

Article 1 Unless otherwise provided by law or regulation, the shareholders meetings of the company shall be proceeded with in accordance with these regulations.

Article 2 The company shall prepare an attendance register book for shareholders to register their attendance, or shareholders who present themselves may hand in attendance cards to substitute their signatures. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.

Article 3 The presence of shareholders in a shareholders meeting and their voting thereof shall be calculated in accordance with the number of shares.
Each shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

When the company holds a shareholders meeting, it may allow the shareholders to exercise their voting rights in the manner of correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, its method of exercise shall be explicitly stated in the convening notice for shareholders meeting. It shall be counted as attending the meeting personally, when the shareholders exercise the rights by either in writing or electronically. However, it shall be deemed as waiver in terms of the extraordinary motion and amendments to original proposals of that shareholders meeting.

Shareholders who exercise voting rights by either in writing or electronically under the preceding paragraph shall deliver a declaration of intent to the company by two days before the date of shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to this Corporation, by the same means by which the voting rights were exercised, before 2 business days

before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Article 4 The venue for a shareholders meeting shall be the premises of the company, or the places readily accessible for shareholders to attend and suitable for shareholders to convene shareholders meetings. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.

Article 5 If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairperson does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair.

If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

Article 6 This Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity. Those handling the business of a shareholders meeting shall wear an identification card or a badge.

Article 7 Any meetings of the company's shareholders meetings shall be audio recorded and videotaped from beginning to the end, and the files shall be kept for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 8 When it is time to convene a shareholders meeting, the chairman shall immediately convene the meeting, provided, however, that if the shareholders present do not represent a majority of the total amount of issued shares, the chairman may postpone the meeting, provided, however, that the postponement of the said meeting shall be limited to two times, and the total time postponed shall not exceed one hour. If the meeting has been postponed for two times, but the shareholders present still do not represent a majority of the total amount of issued shares, a tentative resolution may be adopted in accordance with Paragraph 1 of Article 175 of the Company Law by shareholders representing one-third of the total amount of issued shares.

Before the close of the said meeting if the shareholders present represent a majority of the total amount of issued shares, the chairman may present the tentative resolution so adopted to the meeting for resolution in accordance with the provisions of Article 174 of the Company Law.

Article 9 If a shareholders meeting is convened by the board of directors, its agenda shall be formulated by the board of directors, and the meeting shall be proceeded with in accordance with the scheduled agenda. The proceedings shall not be changed without a resolution made by the shareholders meeting.

If a shareholders meeting shall be called by any other person than the board of directors, the preceding provisions shall apply mutatis mutandis to the said meeting. The chairperson shall not adjourn a meeting without resolution adopted by shareholders if the motions (including extraordinary motions) covered in the proceedings so arranged in the above two paragraphs shall not have been resolved.

Unless the chairperson violates the rules of procedure to declare the meeting closed, a chairperson shall be elected by agreement of the majority of the votes represented by the attending shareholders, and then continue the meeting. After close of the foregoing meeting, shareholders shall not elect another chairperson to hold another meeting at the same place or at any other place.

Article 10 Shareholders who wish to speak in a shareholders meeting shall first fill out slips, specifying therein the major points of their speech, their serial numbers as shareholders (or number of attendance) and username, and the chairperson shall determine the orders of giving a speech.

A shareholder who submits his or her slip for a speech but does not actually speak shall be considered as not having given a speech. If the contents of his or her speech shall be different from those specified on the slip, the contents of his or her speech shall prevail.

When a shareholder is giving a speech, the other shareholders shall not interrupt unless they have got the green light from the chairperson and the said shareholder, and the chairperson may prevent others from interrupting.

Article 11 Each shareholder shall not make a speech more than two times for the same motion, unless the shareholder got the green light from the chairperson, and each speech shall not exceed 5 minutes.

If a shareholder violates the above provisions or the speech goes off the topic of the motion, the chairperson may refrain the shareholder from speaking.

Article 12 A corporate shareholder being entrusted to attend a shareholders meeting may designate only one representative to represent it at the meeting.

If a corporate shareholder which designates two or more representatives to represent it at the shareholders meeting, only one of the representatives so designated may speak on any one motion.

Article 13 After a shareholder has given a speech, the chairperson may personally or appoint the relevant person to respond.

Article 14 When the chairperson considers that the discussion for a motion has reached the extent of making a resolution, he or she may announce discontinuance of the discussion and submit the motion for a resolution.

Article 15 Persons for the supervising the casting of votes and the counting thereof for resolutions shall be designated by the chairperson, provided, however, that the person supervising the casting of votes shall be a shareholder.

The results of resolutions shall be announced at the meeting, and recorded in the meeting minutes.

Article 16 During the proceedings of a meeting, the chairman may consider the schedule and announce a break.

- Article 17 Unless otherwise specifically provided for in the Company Law or the Articles of Incorporation of the Company, resolutions shall be adopted by a majority vote at a meeting attended by the shareholders.
When a matter comes to a vote if upon inquiry by the meeting chair no member voices an objection, the matter shall be regarded as approved, with the same effect as approval by vote.
- Article 18 When there is an amendment or alternative to the same motion, the chairperson shall combine with the amendment or alternative into the original motion, and determine the orders of the votes. If one of the foregoing motions has been adopted, the others will be counted as a veto, upon which no further resolution shall be required.
- Article 19 The chairperson shall direct disciplinary personnel (or security guards) to maintain the order of the meeting. In this regard, disciplinary personnel (or security guards) shall wear a badge bearing the words of "disciplinary personnel".
- Article 20 Matters in relation to the resolutions of the shareholders meetings shall be included in the meeting minutes, which shall be signed or sealed by the chairperson, and it shall be delivered to each shareholder within twenty days after the meeting. The meeting minutes may be produced and distributed electronically.
The company may distribute the meeting minutes of the preceding paragraph in the manner of a public announcement made through market observatory post system (M.O.P.S.).
The meeting minutes shall specifically include day, month, year, name of the chairperson, the methods by which resolutions were adopted, the gist and results of the discussions, and shall be retained for the duration of the existence of this company.
- Article 21 Matters that have yet covered by these Rules, shall be proceeded with in accordance with the Company Act, Article of Incorporations, and other relevant laws and regulations.
- Article 22 These Rules shall be implemented after being approved by shareholders' meetings, and the same shall apply to any amendments thereto.
- Article 23 These rules were promulgated and executed on September 16, 1987.
The fourth revision was made on June 16, 2003.
The fifth revision was made on June 22, 2012.
The sixth revision was made on June 25, 2013.

Appendix 3

The Dividend Policy of the Company:

Annual profit of the Company after year-end closing has been conducted, if any, shall firstly be allocated for paying business taxes and compensation of accumulated deficit. 10% of the remaining profit shall be allocated as legal reserve. Special reserve may be allocated or reversed to meet the operational or regulatory requirements. The remaining profit, if any, along with the accumulated undistributed earnings for the previous years, shall be distributed as profits dividends. The aforesaid distributed profit dividends shall be done with cash or stocks. If with cash, the distribution shall be decided by a majority vote at a board meeting attended by more than 2/3 of the directors and approved by more than half of the attendants, and reported to the shareholders' meeting; if not with cash, a proposal of profit dividends distribution shall be made and submitted to the shareholder's meeting for approval.

The Company's operational life span has reached a positive, stable, and mature stage. With regard to the allocation of profits, cash dividends shall not be less than 80% of the total dividend and stock dividends shall exceed 20% of the total dividend.

Appendix 4

Director Election Rules

- Article 1 Unless otherwise provided by the Articles of Incorporation and the applicable laws, the election of the directors in the Company shall be subject to the Rules.
- Article 2 The election of the directors in the Company shall be subject to the candidate nomination system, which shall adopt accumulated voting system. The number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or split for election of multiple candidates.
- During the election of directors, besides the ballot, the shareholder may exercise the voting right in the written or electronic means.
- Article 3 The Chairman shall appoint several persons each to check, count and record the ballots prior to the casting of ballot, provided the checking persons shall be assigned from the shareholders.
- Article 4 The number of directors and independent directors shall be calculated based on the Articles of Incorporation, and the candidates receiving a majority of votes will be appointed. If two or more candidates receive an equal number of votes, a draw shall take place between them to determine who shall be elected. Where a candidate is not present, the Chairman shall draw on behalf of the candidate.
- The number of votes shall be calculated based on the ballots voted by the shareholders and the voting rights exercised in a written or electronic way.
- Article 5 The Board shall prepare separate ballots. The number of voting rights associated with each ballot shall be specified on the ballots. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders. Then the ballots be distributed to the shareholders attending the shareholders' meeting.
- Article 6 The person casting the vote shall specify the candidate account name and the shareholder account name on each ballot in the column entitled "Candidate". If the candidate is not a shareholder, it shall specify the candidate name and the identity card number. the If the candidate is a government entity or a juristic person, the person casting the vote shall specify the name of the government entity or juristic person, the name of

the representative and the account number of the entity shareholder. When there are several representatives, it shall add the names of all representatives.

- Article 7 The ballot shall be invalid upon occurrence of one of the following.
1. Ballots which are not prepared by the Board
 2. More than two candidates are voted
 3. Writing other words and symbols than the account name (or name) of the candidate or shareholder account number (or identity card number).
 4. Scribbled, unidentifiable or altered writing.
 5. For a candidate who is also a shareholder, the account name and the account number are inconsistent with the information recorded in the Register of shareholders. For a candidate who is not a shareholder, the name and the identity card number provided are inconsistent upon further verification.
 6. The account name (name) of the candidate is the same with other shareholder, but no shareholder number (or identity card number) is provided for identification.
 7. Blank ballots which are cast into the ballot box.
- Article 8 After the voting is finished, the ballots shall be counted publicly, and the voting results shall be announced by the Chairman publicly.
The voting data under paragraph 2 of Article 4 shall be sealed with the signature of the ballot supervisor, and shall be properly retained for at least one year. However, if a shareholder makes a litigious claim against the Company according to Article 189 of the Company Act, such data shall be retained until the end of the litigation.
- Article 9 The Rules shall be implemented following approval from the shareholders' meeting. The same procedure shall apply for amendments to the Rules.
- Article 10 The Rules were announced and implemented on February 27, 1988.
The 1st amendment was on June 27, 2002.
The 2nd amendment was on June 25, 2013.
The 3rd amendment was on June 21, 2016.

Appendix 5**Directors' Holdings**

1. By Mar. 21, 2020, the Company has issued a total of 1,004,060,608 shares.
2. The shareholdings of individual and all directors and supervisors as recorded in the shareholder registry until the book closure date of the current shareholders' meeting are as follows:

| Title | Name | Shareholding on the book closure date | |
|---|--|---------------------------------------|--------------------------------------|
| | | Number of shares | Shareholding percentage(%) |
| Chairman | Representative of Haos Heng Investment Co., Ltd.: Henry, Ho | 60,407,877 | 6.02% |
| Director | Representative of Shen Yuan Investment Co., Ltd. (Note 1:) | 139,505,779 | 13.89% |
| Director | Representative of Haos Heng Investment Co., Ltd.: Yushu Hou | 60,407,877 | 6.02% |
| Director | Representative of Shen Yuan Investment Co., Ltd.: Huiming Wu | 139,505,779 | 13.89% |
| Director | Representative of Liang Cheng Investment Co., Ltd.: Baohe Chen | 11,185,973 | 1.11% |
| Director | Representative of Episil Holding Incorporation: Zhiming Huang | 5,055,649 | 0.50% |
| Director | Representative of Taiwan Zhi Di Co. Ltd.: Chaohe Lin | 65,000 | 0.01% |
| Director | Yanliang Hou | 361,670 | 0.04% |
| Independent Director | Yiji Liu | 0 | 0.00% |
| Independent Director | Zhuangxi Zhang | 6,685 | 0.00% |
| Independent Director | Tedming Liu | 0 | 0.00% |
| The minimum shareholdings of all directors required by laws | | 32,000,000 | 3.20% of the total number of shares |
| The minimum shareholdings of all directors required by laws | | 216,588,633 | 21.57% of the total number of shares |

Note 1: Representative of legal entity as a director of Shen Yuan Investment Co., Ltd.: Shuzhao Houwang was dismissed from her position because of her death. (January 8, 2019). The legal entity as directors has yet appointed a representative by the date for the suspension of share transfer of shareholders' meetings.

Appendix 6

Supplementary Descriptions

Descriptions of the proposals made in the current annual meeting of shareholders:

Description:

1. According to Article 172-1 of the Company Act, shareholders holding 1% or more of the aggregate number of issued shares of the Company may propose to the Company a proposal for discussion at the annual meeting of shareholders, provided that only one matter shall be allowed in each single proposal which shall be limited to no more than 300 words (including punctuation marks).
2. The period for submitting proposals for the Company's annual meeting of shareholders for this year was from Jan.4 to Jan. 14, 2020 and was announced on the market observatory post system (M.O.P.S.)
3. The Company did not receive any proposals from the shareholders during the acceptance period.