

**Stock Code: 2022**

**TYCOONS GROUP ENTERPRISE CO., LTD.**

**2020 ANNUAL REPORT**

**Website for annual report: <http://mops.twse.com.tw>**

**The Company website: <http://www.tycons.com.tw>**

**Publication date: May 15, 2021**

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Nil.

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# One. Letter to Shareholders

## I. Business Report for 2020

### (I) Implementation Status of Business Plans

The net loss for the current period was mainly due to the COVID-19 pandemic and the uncertainties of global trade and tariffs. These factors caused the steel industry to slow down. In recent years, as the economic recovery of the US and Europe has gained momentum, the impact of production decrease of steel mills has also begun to unfold, causing prices in the steel market to skyrocket. Furthermore, the raw material prices of coal and iron ore remain high, thus driving up the raw material and production costs. Compounded by market psychology, in which the expectation of shortage causes further competition in securing these raw materials, the prices are driven up further.

Looking ahead to the second half of the year, as many countries are commencing their respective vaccination programs, the consumption and the economy of the US and Europe market would have higher chances of recovery than in the first half of the year. The demand for steel would also pick up, which is beneficial for the steady growth of the steel market in the second half of this year.

Consolidated Comprehensive Income Statement of Tycoons Group Enterprise Co., Ltd.  
Unit: NT\$ thousand

Profit or loss item	2020	Percentage	2019	Percentage	Increase/decrease	Percentage
Operating revenue	7,930,384	100	11,519,202	100	(3,588,818)	(31)
Operating cost	(7,397,427)	(93)	(11,268,848)	(98)	(3,871,421)	(34)
Operating gross profit	532,957	7	250,354	2	282,603	113
Operating expenses	(415,275)	(5)	(513,565)	(4)	(98,290)	(19)
Net operating income	117,682	2	(263,211)	(2)	380,893	145
Net non-operating income (expenses)	(323,764)	(4)	(563,486)	(5)	(239,722)	(43)
Profit before tax	(206,082)	(2)	(826,697)	(7)	620,615	75
Current net profit from continuing operations	(219,823)	(2)	(893,365)	(8)	673,542	75
Profit or loss from discontinued departments			(114,061)	(1)	(114,061)	(100)
Current net income (loss)	(219,823)	(2)	(1,007,426)	(9)	787,603	78
Net income (loss) attributed to:						
Owners of parent company	(185,640)	(2)	(786,105)	(7)	600,465	76
Non-controlling interests	(34,183)		(221,321)	(2)	187,138	85
Basic earnings (loss) per share (NT\$)	(0.39)		(1.64)			

## (II) Financial Income and Loss

Unit: NT\$ thousand

Item	2020	2019	Increase/decrease
Net cash inflow from operating activities	127,975	706,593	(578,618)
Net cash inflow (outflow) from investing activities	(332,255)	508,162	(840,417)
Net cash inflow (outflow) from financing activities	(126,776)	(1,243,484)	1,116,708

1. The net cash inflow from operating activities decreased by NTD 578,618 thousand compared with the previous period, mainly due to the increase in the loss of inventories and related companies using the equity method in the current year.
2. Net cash inflows from investment activities decreased by NTD 840,417 thousand compared with the previous period, which was mainly due to the fact that there were branch companies in the previous period but there was no such situation in the current period.
3. Net cash outflow from financing activities increased by NTD 1,116,708 thousand compared with the previous period, mainly due to the decrease in the repayment of long-term and short-term borrowings in the current period and the purchase of part of the equity of the subsidiary company.

## (III) Profitability Analysis

Item	2020	2019
Return on assets	(2.00)	(6.95)
Return on shareholder equity	(4.03)	(17.22)
Profit margin	(2.77)	(8.75)

In 2020, the consolidated net loss amounted to NT\$219,823 thousand, while net loss attributable to the owners of the parent company amounted to NT\$186 million. The net loss was lower and the profitability indicators improved as compared to 2019.

## (IV) Research and Development:

In response to changes in the business environment, the Company shall make consistent improvements to its fabrication processes and implement automated fabrication technology to increase production volume and enhance quality, while satisfying and surpassing customer requirements. Certification obtained by Tycoons Group Enterprise and Tycoons Worldwide Group (Thailand):

### Certificate authority of Tycoons Group Enterprise

Item	Content of certificate	Certification unit	Certificate number
1	ISO 9001 : 2015	SGS	TW14/10817
2	EN 14566 : 2008+A1 : 2009	EURO CERT	TW.CE.0425-05/12
3	EN 14592 : 2008, 3.0mm	EURO CERT	E-30-20366-12
4	EN 14592 : 2008, 3.5mm	EURO CERT	E-30-20367-12
5	EN 14592 : 2008, 4.0mm	EURO CERT	E-30-20368-12
6	EN 14592 : 2008, 4.5mm	EURO CERT	E-30-20369-12
7	EN 14592 : 2008, 5.0mm	EURO CERT	E-30-20370-12
8	EN 14592 : 2008, 6.0mm	EURO CERT	E-30-20371-12
9	Studs for drawn arc stud welding - concrete anchor and shear connectors	Bureau of Standards, Metrology and Inspection, Ministry of Economic Affairs	Tai-Zheng-Zi No. 7407

### Certificate authority of Tycoons Worldwide Group (Thailand)

UKAS	ISO9001:2015
UKAS	ISO14001:2015
Thai Industrial Standards Institute	ISO/IEC 17025
CE	CE EN14566 · EN14592
TISI	TIS no.348-2540 TIS no.349-2540 TIS 24-2559 · TIS20-2559

## II. Summary of the 2021 Business Plan

### (I) Business strategy and major production and marketing policies

1. The Company shall source for new customers to increase the sales of wire rods and wires.
2. The Company shall closely adjust the price quotations to the wire rods market to counter the fluctuations in costs. To ensure that the production of wires reaches full capacity, the Company shall increase the utilization rate to satisfy customer needs.
3. For the sales of screws and bolts, the Company shall continue to make use of various market channels to increase the number of customers, create a balanced product profile and increase the gross margin.
4. For the export of shear studs, with the recovery of the economy, the Company shall continue to expand its market.
5. For the domestic market of shear studs, the Company shall grasp the opportunity to raise price quotations to reflect the increase in costs and create profits.

### (II) Expected sales volume:

Product targets for 2021 are as follows:

Product name	Sales volume (metric ton)	%
Spheroidized wires	159,086	35.51
Wire rods	138,501	30.92
Screws	56,250	12.56
Steel bars	78,332	17.49
Fabrication	15,776	3.52
Total	447,945	100.00

## III. Future development strategy of the Company

### 1. Thailand's ban on the expansion of production capacity for billets and steel bars shall be beneficial to the profitability of Tycoons Worldwide Group (Thailand).

To resolve the excess capacity and financial loss of steel companies in Thailand, on January 29, 2019, the Thai cabinet enacted the Factory Act B.E. 2535, in which in the next five years, the country has banned the construction or expansion of production capacity of steel bars and billets (which are used for the production of steel bars), so that the steel makers in the country can make internal adjustments and accelerate technological development. The act took effect from January 11, 2020, onward. Under the act, the product prices of Tycoons Worldwide Group (Thailand) and TY Steel for billets and steel bars shall stabilize. Furthermore, with adjustments made to production processes and improvements on production technology, the profitability of the Company is expected to increase.

### 2. Infrastructure and industry upgrade of Thailand

In the middle of 2016, the Thai government launched an economic development program, Thailand 4.0, which is a blueprint for industry upgrade that covers a 20-year period from 2017 to 2036. It contains six major areas for development and ten popular industries. In the coming eight years, the Thai government is expected to invest well over THB 3 trillion in infrastructure. A substantial expansion in the networks of railways and expressways and other core infrastructure shall be undertaken, which aims to lower logistic costs and develop the Eastern Economic Corridor (EEC), thus bolstering the competitiveness of the country.

Of these, EEC is the flagship program of the Thai government. In May 2017, the Thai government cited Thailand's Constitution of 2017, Section 44 and lifted certain restriction to accelerate the development of ECC. The items that were initiated at the end of 2018 included: U-Tapao International Airport, a bullet train that connects three international airports, the third container port of Laem Chabang Deep Sea Port, Map Ta Phut Third Industrial Port, six EEC double-track rails and Chonburi-Pattaya-Map Ta Phut expressway. Other projects include an airport in the east, U-Tapao's aircraft maintenance, repair and operating center and a bullet train network from Bangkok to Rayong. It is estimated that at the end of 2021, the construction of infrastructure shall begin. The demand for steel is expected to grow. The future economic growth of Thailand is expected to drive its steel market.

### 3. The rise of trade protectionism

In May 2019, the Thai government enacted the anti-circumvention law and the Anti-Dumping and Countervailing Act to prevent dumping behavior that attempted to circumvent previous anti-dumping regulations. The act is beneficial in stabilizing the domestic wire rod prices in Thailand and regulating anti-dumping duties of products with more variety in metal admixture ratios that include low carbon wire rods. The development of the steel market shall benefit from the act.

### 4. In conjunction with the "Made in Thailand" policy launched by the Thai government, the Company shall expand sales in Thailand

In January 2021, the Office of Auditor General of Thailand's Ministry of Finance announced the guidelines pertaining to "Made in Thailand" to promote the steel demand in the country. The Thai government has rolled out a policy whereby the use of local content shall not be lower than 60% and stipulated that the use of domestically produced steel in government infrastructure projects must not be less than 90% of the total steel used. The Federation of Thai Industries (FTI) is designated to take charge of registration, documentation and certification of products, including steel products. This shall facilitate policy implementation in selecting domestic steel manufacturers over foreign ones in the bidding of steel used in infrastructure projects. The policy is expected to take effect in February and shall be able to implement the use of locally made steel products in government infrastructure projects, thus preventing illegal dumping behavior of overseas providers with low-priced products and benefitting the development of local steel mills.

## IV. External competition, regulatory environment and overall economic impact

The main production base of Tycoons Group is situated in Thailand. In the coming eight years, the Thai government is expected to make investments in infrastructure of well over THB 3 trillion, e.g. international airports, bullet trains that connects three international airports, expressways, etc. It is estimated that at year end of 2021, the infrastructure constructions shall begin. The demand for steel is therefore expected to grow. The future economic growth of Thailand is expected to drive the profitability of Tycoons Group.

In the future, we shall deepen product planning and pursue cost reduction to maintain our core competitive advantages in the steel industry. By upholding the philosophy of self-surpassing, the Company pursues product diversification and enhancement of operating efficiency to cater to the rapid changing market and create more profit for the shareholders.

Chairwoman: Lu, Yen-Chuan  
President: Huang, Wen-Sung  
Accounting Director: Chou, Pi-Wan

## Two. Company Overview

### I. Date of Establishment

The Company was founded on November 20, 1980

### II. Organization and Operations

#### 1. 1980 to 1983 - Founding period

November 1980: Tycoons Group Enterprise Company Limited was founded. The capital amounted to NT\$2 million. Huang, Yao-Kun was the Chairperson. The major business was the production and sale of screws.

#### 2. 1984 to 1986 - Transformation period

June 1984: Due to a growing demand in the international screw market, the Company focused on producing self-tapping screws, because compared to traditional screws, the users can save the trouble of drilling holes and using the corresponding nut caps. The self-tapping screws would become the mainstream product in the market. The Company expanded its production equipment and became a specialist in self-tapping screws.

December 1986: To enhance management efficiency, the Company introduced IBM mainframes and other peripheral equipment to enter into the computerized and informationalized stage.

#### 3. 1987 to 1989 - Settling period

February 1987: The Company improved its financial structure and gradually increase its capital to NT\$10 million to cater to the funding of operations.

April 1987: To enhance product quality, the Company purchased a set of professional automated heat treatment furnaces from Japan, a heading machine and an automated thread rolling machine.

January 1988: To cater to business growth and production capacity needs, the Company increased its capital to NT\$20 million and purchased a new generation fully automated heat treatment furnace.

April 1988: The Company was accredited as a satellite mill for China Steel Corporation by the Ministry of Economic Affairs (MOEA).

December 1989: The Company increased capital to NT\$30 million to improve the financial structure and enhance the operational foundation.

#### 4. 1990 to 1994 - Expansion period:

November 1990: To bolster the operational scale, the Company purchased land for building a steel mill, and increased capital by NT\$130 million to a total of NT\$190 million.

April 1991: Upholding the philosophy of sustainable development, the Company improved its operational capability by increasing assets and purchasing land assets to strengthen its development foundation.

August 1991: The Securities and Futures Bureau (SFB) approved the capitalization of retained earnings of NT\$11.4 million and subsequent registration for public issue.

December 1991: To add value to products and increase market shares, the shareholders' meeting passed a resolution for capital increase of NT\$200 million to establish the second steel mill and add production equipment for wiredrawing, spheroidizing, acid cleaning. These measures were taken to establish vertical integration in terms of the upstream and downstream production and technologies. The Company thus became a domestic professional manufacturer in spheroidized wires and screws. The capital of the Company amounted to NT\$301,400,000.

China Development Trust Co., Ltd. invested in the Company and purchased 3,000,000 shares. In June 1992, it became a director in the Company.

April 1992: The Company developed the ultrasonic acid and alkaline resistant bath and was accredited by Bureau of Standards, Metrology and Inspection, MOEA a new patent, numbered 772757.

October 1992: The Company increased capital to NT\$316,470,000 to improve the financial structure and enhance the operational foundation.

April 1993: The Company developed the cold extrusion machine to fabricate hexagonal screws and the high speed cold forging machine. The SFB also approved the capitalization of retained earnings for 1992 to purchase a new model bell-type vacuum heat treatment furnace from Germany that was crucial for improving production processes and reducing product costs. The capital of the Company reached NT\$367,105,200.

December 1993: The Company purchased additional wiredrawing equipment to break through the existing production scale. The Company also improved its financial structure and undertook cash capital increase of NT\$45 million. The total capital of the Company amounted to NT\$412,105,200.

March 1994: The Company was certified by Corporate Synergy Development Center, MOEA.

April 1994: The installation of the bell-type vacuum heat treatment furnace from Germany was completed. The testing was completed in July and the furnace started mass production.

July 1994: The Company increased capital to NT\$484,223,610 to improve the financial structure.

The Company was accredited the ISO-9002 quality assurance system certificate by the German TÜV.

July 1994: The Company was accredited the grade A level of excellent quality from the Bureau of Standards, Metrology and Inspection, MOEA.

September 1994: The Company was accredited the 1994 Third Top Quality Award by MOEA for its overall business performance.

December 1994: The board of directors of the Taiwan Stock Exchange approved of the Company's listing.

January 1995: The SFB of the Ministry of Finance approved of the Company's listing.

March 1995: The Company became a listed company on the Taiwan Stock Exchange.

June 1995: The Company undertook a capital increase of NT\$228,571,740 to improve its financial structure and expand its operating capital. The total capital amounted to NT\$712,795,350.

May 1996: To effectively stabilize raw material supplies, reduce operating costs, enhance product quality and expand the market so as to facilitate horizontal expansion or vertical integration for the growth of the Company, the Company registered with SFB for a cash capital increase of NT\$500 million.  
Via Tycoon Group International Co., Ltd, the Company invested in constructing a steel mill in Thailand that can integrate upstream, midstream and downstream processes to manufacture wire rods, spheroidized wires and screws.

May 1996: The Company capitalized retained earnings, capital reserve and employee bonus of NT\$144,098,310, as well as cash increase of NT\$500,000,000.

August 1996: The Company established Tycoons Group International Co., Ltd.

September 1996: The holding company, Tycoons Group International Co., Ltd., indirectly invested in Thailand and established Tycoons Worldwide Group (Thailand) Co., Ltd. to construct a steel mill that can integrate upstream, midstream and downstream processes to manufacture wire rods, spheroidized wires and screws.

December 1996: The Company increased cash capital by NT\$1 billion.

January 1997: Collaborating with Tycoons Worldwide Group (Thailand) Co., Ltd., the construction of the steel mill went smoothly. The Company increased cash capital in Tycoons Group International Co., Ltd. to indirectly invest in the steel mill in Thailand.

January 1998: In conformation with the overall planning of Tycoons Worldwide Group (Thailand) Co., Ltd. for the storage of raw materials and finished products of the steel mill, as well as the flexibility and diversity of product specifications, the SFB approved the cash capital increase of NT\$1.2 billion in the holding company, Tycoons Group International Co., Ltd., to indirectly invest in the steel mill in Thailand. The total capital amounted to NT\$3,792,583,020.

June 1998: The Company increased cash capital by NT\$455,109,960 to expand capital structure. The total capital amounted to NT\$4,247,692,980.

July 2000: The steel mill for manufacturing wire rods, spheroidized wires and screws finished construction and went into production.

August 2001: The Thai subsidiary was accredited the certificates of ISO 9001 on quality management and ISO 14001 on environmental management system.

November 2003: The Company applied to the Investment Commission, MOEA to invest in the Mainland China enterprise Huanghua Jujin Hardware Products Co., Ltd. through a company set up in third region. The approved investment capital amounted to US\$4,480 thousand.

December 2003: Tycoons Worldwide Group (Thailand) Co., Ltd. went public in Thailand. To comply with listing requirements, Tycoons Worldwide Group (Thailand) Co., Ltd. changed name to Tycoons Worldwide Group (Thailand) Public Co., Ltd. In December 2003, Tycoons Worldwide Group (Thailand) Public Co., Ltd. increased capital by THB 1.257 billion and the current paid-in capital amounted to THB 6.285 billion.

July 2004: The Company issued overseas convertible corporate bonds of US\$30 million.

October 2004: The Company established a joint venture, Franbo Navigator S.A., with Franbo Lines Corporation. Tycoons Group invested US\$576 thousand and its shareholding amounted to 18%.

December 2004: The Company established a joint venture, Taiwan Steel (Vietnam) Co., Ltd., with Taiwanese investors in Vietnam. The capital amounted to US\$750 thousand, and Tycoons Group's shareholding amounted to 100%.

January 2005: The Mainland China enterprise Huanghua Jujin increased capital by RMB 20 million. The shareholding of the Company amounted to 60%.

August 2005: The Company was accredited laboratory certification from TAF (CNLA).

October 2005: The Company was accredited ISO 9001:2000 certification.

April 2006: Taiwan Steel (Vietnam) Co., Ltd. changed its name to Baw Heng Steel VN Co., Ltd., which was a joint venture the Company established with the Mainland Chinese Jigang Group Co., Ltd. The Company accounted for a 71.43% stake while Jigang accounted for a 28.57% stake.

April 2006: Tycoons Worldwide Group (Thailand) obtained ISO 9001:2000 and product registration certificate for steel bars and wire rods from the Bureau of Standards, Metrology and Inspection, MOEA.

November 2006: Tycoons Group Enterprise obtained BS ISO 9001:2000 BP certification.

September 2007: The Company issued domestic secured and unsecured convertible corporate bonds of NT\$700 million.

September 2008: All domestic convertible corporate bonds were converted to shares. The total outstanding share capital amounted to NT\$5,522,303,970.

June 2010: The FSC approved capital reduction of 193,409,671 shares. The total outstanding share capital after capital reduction amounted to NT\$3,588,207,260.

September 2010: The FSC approved cash capital increase of 100,000,000 to 150,000,000 shares.

June 2010: The FSC approved capital reduction of 125,000,000 shares. The total outstanding share capital after capital reduction amounted to NT\$4,838,207,260.

September 2011: Tycoons Worldwide Group (Thailand) issued Taiwan Depository Receipts (TDR). The stock code was 911622. 30 million units were issued. A total of 60 million shares of Tycoons' were outstanding.

October 2011: The Company made an investment in the subsidiary TY Steel Co., Ltd, an Electric Arc Furnace (EAF) steel mill. The capital amounted to THB 840 million, where Tycoon Group International held a 50.24% stake and Tycoons Worldwide Group (Thailand) held a 49.76% stake.

July 2012: The Company issued the third domestic secured corporate bonds of NT\$300 million.

March 2013: After corporate bonds were converted to new shares, the total capital after capital increase amounted to NT\$4,983,490,040.

April 2013: A Bruneian holding company was established to invest in Tycoons Vietnam Co., Ltd.

June 2013: After corporate bonds were converted to new shares, the total capital after capital increase amounted to NT\$5,007,452,290.

September 2013: The Company issued the fourth domestic secured corporate bonds of NT\$300 million.

September 2013: After corporate bonds were converted to new shares, the total capital after capital increase amounted to NT\$5,404,244,500.

February 2014: TY Steel increased capital to THB 124 million. Tycoon Group International held a 64.27% stake, while Tycoons Worldwide Group (Thailand) held a 35.73% stake.

May 2014: Tycoon Group International Co., Ltd. increased capital by US\$199,050,140. Tycoons Group Enterprise held a 100% stake.

November 2014: After corporate bonds were converted to new shares, the total capital after capital increase amounted to NT\$5,445,911,160.

March 2015: After corporate bonds were converted to new shares, the total capital after capital increase amounted to NT\$5,470,911,160.

July 2016: TY Steel increased capital to THB 239 million. Tycoon Group International held a 69.43% stake, while Tycoons Worldwide Group (Thailand) held a 30.57% stake.

July 2018: The Company undertook a capital reduction to offset a loss of NT\$1,673,391,400. The total capital after capital reduction amounted to NT\$3,797,519,760.

December 2018: The Company undertook a capital increase of 100 million shares, with a face value of NT\$10 each. The total capital after capital increase amounted to NT\$4,797,519,760.

December 2018: The board of directors decided to sell Tycoon Group International's 60% stake in TY Steel to Ton Shun Industry Co., Ltd and Son Li Electric & Machinery Co., Ltd.

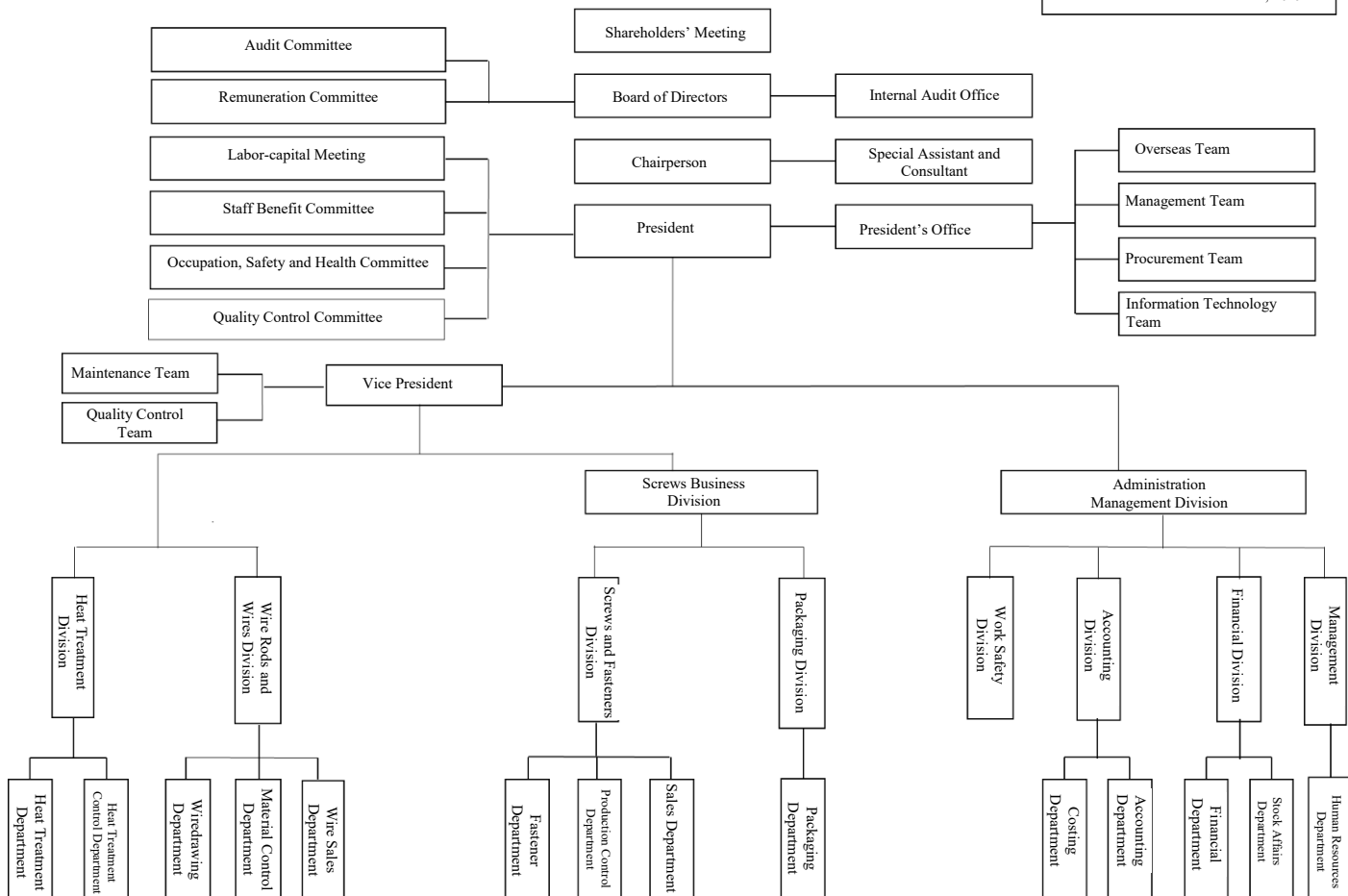
### Three. Report on Corporate Governance

#### I. Organization of the Company



Organizational Chart

Effective since November 21, 2019



Division	Main duties	
President's Office	Management Team	Implement and execute various projects, planning and analysis.
	Procurement Team	Source for price quotations and make purchases for raw materials, office supplies and other equipment.
	Information Technology Team	Build, implement and manage the information operating system.
Internal Audit Office	Investigate, evaluate and follow up on the internal control system issues. Convene audit meeting and devise audit plans.	
Administration Management Division	Accounting Division	Undertake accounting, tax and budgeting preparation, cost computation and other operations.
	Financial Division	Execute and control capital management, financial statement preparation, cash payments and check clearing. Convene shareholders' meeting, stock affairs and other affairs as per law and regulations.
	Management Division	Manage human resource data and documentation. Oversee general administration matters. Manage factory safety and environmental protection matters.
Quality Control Team	Devise, plan and conduct training on quality enhancement measures. Conduct production testing, statistical analysis, measurement equipment testing, CNLA certification for the overall quality control of the finished products.	
Screws Business Division	Manufacture screws and fasteners, perform market analysis, devise marketing distribution, expand domestic and overseas markets and strengthen after sale services.	
Wire Rods and Wires Division Heat Treatment Division	Perform sales and marketing analysis for wire rods and wires, devise marketing distribution, expand domestic and overseas markets, and strengthen after sale services and production.	
	Manage the schedule of heat treatment production.	

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

### (I) Directors and supervisors

#### 1. Directors and supervisors

April 26, 2021

Position	Nationality or place of registration	Name	Gender	Date of appointment	Tenure	Date of initial appointment	Shares held when appointed		Current shares held		Current shares held by spouse and minor child(ren)		Shares held under other people's names		Education and experience	Concurrent position(s) in the Company and other companies	Spouse or relative within the second degree of kinship holding other managerial, director or supervisor positions		
							Shares held	Shareholding percentage	Shares held	Shareholding percentage	Shares held	Shareholding percentage	Shares held	Shareholding percentage			Position	Name	Relationship
Chairperson	Republic of China	Lu, Yen-Chuan	Female	January 31, 2019	3 years	June 2, 1992	5,986,649	1.25	5,986,649	1.25			Nil	Nil	Department of Information Management (three-year course), Ming Chuan Junior College	(Note 1)	Director	Huang, Ping-Lun	Son
Director	Republic of China	Botian Investment Co., Ltd.	Male	January 31, 2019	3 years	January 31, 2019	21,209,879	4.42	21,209,879	4.42	-	-	Nil	Nil	Bachelor of Business Administration, Seattle University	(Note 2)	Chairperson	Lu, Yen-Chuan	Mother
		14,849,136					3.10	20,027,136	4.17										
Independent Director	Republic of China	Wei, Kung-Ao	Male	January 31, 2019	3 years	June 14, 2016	-	-	-	-	-	-	Nil	Nil	National Tsing Hua University	Remuneration Committee member	Nil	Nil	Nil
Independent Director	Republic of China	Wu, Chung-Hsin	Male	January 31, 2019	3 years	June 14, 2016	-	-	-	-	-	-	Nil	Nil	Feng Chia University	Remuneration Committee member	Nil	Nil	Nil
Independent Director	Republic of China	Huang, Chun-Kai	Male	June 27, 2019	3 years	June 27, 2019	-	-	-	-	-	-	Nil	Nil	Bachelor of Information Engineering, Southern Taiwan University of Science and Technology	Remuneration Committee member	Nil	Nil	Nil

Note 1: Chairperson of Tycoons Worldwide Group (Thailand), supervisor of Hurco Automation, Ltd., director of Yuan Chen Investment Co., Ltd. and representative of Tycoon Group International Co., Ltd.

Note 2: President of Tycoons Worldwide Group (Thailand) and director of Hurco Automation, Ltd.

#### 2. Major shareholders of corporate shareholders:

Corporate shareholder name	Major shareholders of corporate shareholder
Botian Investment Co., Ltd.	Ben Fu (HK) Co., Ltd. - 100%

**2-1: Major shareholders in Table 1 are major shareholders of corporate shareholders**

March 30, 2021

Corporate shareholders (Note 1)	Major shareholders of corporate shareholder (Note 2)
Ben Fu (HK) Co., Ltd.	Huang Chen Syuan-100%

3. Directors:

March 30, 2021

Name	Criterion	Having one of the following professional qualifications, together with at least five years work experience			Independence criteria (Note)												Number of other public companies in which the individual is concurrently serving as an independent director
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Having work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	11	12	
Lu, Yen-Chuan			✓							✓	✓	✓	✓		✓	✓	0
Representative of Botian Investment Co., Ltd.: Huang, Ping-Lun			✓							✓	✓	✓	✓		✓		0
Independent Director: Wei, Kung-Ao			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director: Wu, Chung-Hsin			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director: Huang, Chun-Kai			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: Directors and supervisors who meet the following conditions two years before appointment or during the term of appointment, indicate with “” in the corresponding boxes.

(1) Not an employee of the company or any of its affiliates.

(2) Not a director or supervisor of the company or any of its affiliates (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary).

(3) Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.

(4) Not a managerial officer mentioned in paragraph (1), or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship mentioned in paragraphs (2) and (3).

(5) Not a director, supervisor, or employee of an institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, or ranks as its top five shareholders, or a designated representative pursuant to Article 27, Paragraph 1 or 2 in the company as director, supervisor or employee (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary).

(6) Not a director, supervisor, or employee of another company with more than half of the board seats or the voting shares under control of one person (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company appointed in accordance

with the laws of Taiwan or with the laws of the country of the parent company or subsidiary).

(7) Not a director, supervisor, or employee of another company whose chairperson or president is the same person as or spouse of the chairperson, president or equivalent position holder of the company (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary).

(8) Not a director, supervisor, managerial officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company (the same does not apply, however, if specified company or institution possessing shareholdings of more than 20% and less than 50% of the total number of issued shares of the Company, and in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary).

(9) Not a professional individual who, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that provides auditing services or for the past two years has provided commercial, legal, financial, accounting services or consultation amounting to less than a cumulative NT\$500,000 to the Company or to any affiliate of the company, or a spouse thereof. However, this does not apply to members of the Compensation Committee, Public Tender Offer Review Committee or Special Merger and Acquisition Committee carrying out their duties in accordance with the Securities and Exchange Act or Business Mergers and Acquisitions Act.

(10) Not a spouse or a relative within two degrees of consanguinity to any director.

(11) Does not meet any of the criteria described in Article 30 of the Company Act.

(12) Not the proxy of any government agency, juridical person, or their representative that is a shareholder of the Company as outlined in Article 27 of the Company Act.

## (II) Information on the President, Vice Presidents, Assistant Vice President, Heads of Departments and Branches

April 26, 2021

Position	Nationality	Name	Gender	Date of appointment	Shareholding		Shares held by spouse and minor child(ren)		Shares held under other people's names		Education and experience	Concurrent position(s) in other companies	Spouse or relative within the second degree of kinship holding a managerial position		
					Shares held	Shareholding percentage	Shares held	Shareholding percentage	Shares held	Shareholding percentage			Position	Name	Relationship
President	Republic of China	Huang, Wen-Sung	Male	February 5, 2021	6,170,824	1.29	-	-	-	-	Li Der Commercial and Technical Vocational School	(Note 1)	Nil	Nil	Nil
Vice President	Republic of China	Chang, Jui-Fu	Male	November 21, 2019	59	-	-	-	-	-	Department of Chemical Engineering, Provincial Kaohsiung Institute of Technology	Nil	Nil	Nil	Nil
Assistant Vice President	Republic of China	Yao, Chin-Hsiang	Female	September 1, 2006	64,893	-	-	-	-	-	Two-year junior college program	Nil	Nil	Nil	Nil
Assistant Vice President	Republic of China	Chang, Hsin-Yueh	Female	November 21, 2019	-	-	-	-	-	-	Two-year junior college program	Nil	Nil	Nil	Nil
Assistant Vice President	Republic of China	Yan, Pang-Hsiu	Male	November 21, 2019	-	-	-	-	-	-	Oxford Brookes University (UK) (MSc) International Management	Nil	Nil	Nil	Nil
Accounting Director	Republic of China	Chou, Pi-Wan	Female	September 1, 2015	-	-	-	-	-	-	Department of Accounting, Tung Hai University	Nil	Nil	Nil	Nil
Finance Director	Republic of China	Chang, Wen-Hui	Female	March 25, 2021	87	-	-	-	-	-	Department of Accounting, National Cheng Kung University	Nil	Nil	Nil	Nil
Corporate Governance Director	Republic of China	Wang, Min-Hua	Female	November 13, 2019	-	-	-	-	-	-	Department of Accounting, Feng Chia University	Nil	Nil	Nil	Nil

Note 1: Director of Tycoons Worldwide Group (Thailand), director of Huanghua Jujin Hardware Products Co., Ltd., director of Hurco Automation, Ltd., director of Chin Fong Hsing Enterprising Co., Ltd.

Note 2: Where the president or equivalent position holder (the highest management position) and the chairperson are the same person, spouses or first-degree relatives, the rationale, reasonableness, necessity and countermeasures (e.g. increasing the number of independent directors, and more than half of the directors do not hold concurrent positions as company employees or managers) for the arrangement must be provided: Nil.

### III. Remuneration paid to directors, supervisors, president and vice president(s) in the most recent fiscal year

#### (I) Remuneration Paid to Directors, Supervisors, President and Vice Presidents

##### 1. Director remuneration

Unit: NT\$; %

Position	Name	Remuneration of directors								Sum of A, B, C and D as a percentage of net income after tax		Compensation to directors also serving as employees										Sum of A, B, C, D, E, F and G as a percentage of net income after tax		Compensation from affiliates other than subsidiaries or parent company					
		Remunerations (A)		Pensions (B)		Director earnings distribution (C)		Business expenses (D)		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	Salary, bonuses, and special allowance (E)		Pensions (F)		Employee earnings distribution (G)				Number of employee stock option certificates subscribed (H)			Number of new restricted employee shares obtained (I)		The Company	All companies included in the financial statements	
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements					The Company	All companies included in the financial statements	Cash bonuses	Stock dividends	Cash bonuses	Stock dividends	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements		The Company	All companies included in the financial statements			
Director	Lu, Yen-Chuan	360,000	600,000	0	0	0	0	25,000	25,000	-0.21	-0.34	3,688,800	4,706,541			0	0	0	0	0	0	0	0	0	0	0	-2.19	-2.87	Nil
Director	Huang, Ping-Lun	240,000	360,000	0	0	0	0	25,000	25,000	-0.14	-0.21	636,000	1,864,648	38,160	38,160	0	0	0	0	0	0	0	0	0	0	0	-0.51	-1.23	Nil
Independent Director	Wei, Kung-Ao	240,000	240,000	0	0	0	0	30,000	30,000	-0.15	-0.15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-0.15	-0.15	Nil
Independent Director	Wu, Chung-Hsin	240,000	240,000	0	0	0	0	30,000	30,000	-0.15	-0.15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-0.15	-0.15	Nil
Independent Director	Huang, Chun-Kai	240,000	240,000	0	0	0	0	30,000	30,000	-0.15	-0.15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-0.15	-0.15	Nil

The correlation between the policies, standards, and structure of the remuneration, and the responsibilities, risks and time undertaken by the independent directors: For the remuneration of directors and independent directors, the Remuneration Committee refers to the industrial standard or remuneration of similar industries and the Company performance, as well as the level of participation in the management of the Company and individual contribution by the directors. The committee shall review the reasonableness of the remuneration on a regular basis and forward its recommendation to the board for resolution.

2. In addition to the disclosure in the above table, in the most recent fiscal year, the compensation received by directors from all companies included in the financial statements for services rendered (e.g. in the capacity of non-employee consultant): Nil.

Note 1: In addition to the disclosure in the above table, in the most recent fiscal year, the compensation received by directors from all companies included in the financial statements for services rendered (e.g. in the capacity of non-employee consultant): Nil.

Note 2: The cost of providing a vehicle to chairperson amounted to NT\$3,615,000.

Note 3: Director Huang, Ping-Lun is the representative of Botian Investment Co., Ltd.

## 2. Remuneration of Supervisors

Unit: NT\$

Position	Name	Remuneration of Supervisors						Sum of A, B and C as a percentage of net income after tax		Compensation from affiliates other than subsidiaries or parent company
		Remunerations (A)		Compensation (B)		Business expenses (C)		The Company	All companies included in the financial statements	
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements			
Not applicable										

Note: The Company has established the Audit Committee to replace supervisors.

## 3. Compensation of President and Vice Presidents

Position	Name	Salary (A)		Pensions (B)		Salary, bonuses, and special allowance (C)		Employee earnings distribution (D)				Sum of A, B, C and D as a percentage of net income after tax (%)		Amount of employee stock option certificates obtained		Number of new restricted employee shares obtained		Compensation from affiliates other than subsidiaries or parent company
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	
								Cash bonuses	Stock dividends	Cash bonuses	Stock dividends							
President	Li, Chun-Hsiung	2,276,080	2,276,080	108,000	108,000	551,910	551,910	0	0	0	0	-1.58	-1.58	0	0	0	0	0
Vice President	Chang, Jui-Fu	1,337,600	1,337,600	83,160	83,160	313,441	313,441	0	0	0	0	-0.93	-0.93	0	0	0	0	0
President of Tycoons Worldwide Group (Thailand)	Huang, Ping-Lun	636,000	1,476,000	38,160	38,160	0	0	0	0	0	0	-0.36	-0.82	0	0	0	0	0

Note: The general manager Mr. Huang Wen-song retired in 2019 year and was re-appointed as the general manager in February 2021 year.

#### 4 Compensation of the top five management (separately disclose name and compensation method)

Position	Name	Salary (A)		Pensions (B)		Salary, bonuses, and special allowance (C)		Employee earnings distribution (D)				Sum of A, B, C and D as a percentage of net income after tax (%)		Compensation from affiliates other than subsidiaries or parent company
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements(Note 5)		The Company	All companies included in the financial statements	
								Cash	Stock	Cash	Stock			
Chairperson	Lu, Yen-Chuan	3,688,800	3,688,800	-	-	647,919	647,919	-	-	-	-	-2.34	-2.34	-
President	Li, Chun-Hsiung	2,276,080	2,276,080	100,800	100,800	551,910	551,910	-	-	-	-	-1.58	-1.58	-
Vice President	Chang, Jui-Fu	1,337,600	1,337,600	83,160	83,160	313,441	313,441					-0.93	-0.93	
President	Huang, Ping-Lun	636,000	1,476,000	38,160	38,160	-	-	-	-	-	-	-0.04	-0.10	-
President	Bai, Chih-Ying	-	1,103,900	-	-	-	242,500	-	-	-	-	-0.74	-0.74	-

#### 5. Distribution of employee compensation to managers:

	Position	Name	Stock	Cash	Total	Percentage of net income after tax (%)
Manager	Unappropriated employee compensation					

(II) Compare and describe the percentage of total remuneration paid by the company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the company, relative to net profit after tax of the standalone financial statements, and the correlation between policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and business performance and future risks.

1. The percentage of total remuneration paid by the Company and all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice president of the Company, relative to net profit after tax in the standalone financial statements

Unit: NT\$ thousand; %

Position	2020				2019			
	The Company		All companies included in the financial statements		The Company		All companies included in the financial statements	
	Total compensation	Percentage of net income (loss) after tax (%)	Total compensation	Percentage of net income (loss) after tax (%)	Total compensation	Percentage of net income (loss) after tax (%)	Total compensation	Percentage of net income (loss) after tax (%)
Director	5,823	-3.14	8,429	-4.54	15,721	-2.00	19,061	-2.42
Supervisor	-	-	-	-	20	-	20	-
President and Vice President	5,344	-2.88	6,184	-3.33	18,282	-2.36	21,862	-2.81

Note 1: Chairperson cum President Huang, Wen-Sung retired in 2019. The pension disbursed caused an increase in the total remuneration for 2019. The Audit Committee was established in 2019 to replace the supervisors.

2. The correlation between policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and business performance and future risks
  - (1) Director remuneration: The director remuneration is determined in accordance with the Articles of Incorporation and management procedures. Apart from appropriating not more than 1% of the net profit for the period as director remuneration, the Company also disburses a fixed monthly salary and travel expense reimbursement to the directors. No severance pay was disbursed for the current period. The salary paid for the concurrent positions as employees of the Company held by the directors is determined according to the management procedures. For the director remuneration, the Remuneration Committee refers to the industrial standard or remuneration of similar industries, and the Company's performance, as well as the level of participation in the management of the Company and individual contributions by the directors. The committee shall review the reasonableness of the remuneration on a regular basis and forward its recommendation to the board for resolution.
  - (2) Manager remuneration: The compensation of managers is determined according to their scope of duties, individual performance, contribution to the Company and the industrial pay standard. The compensation includes fixed salary, management allowance, year-end bonus and employee compensation. The employee compensation is determined in accordance with the Articles of Incorporation. 2% to 5% of the net profit for the period is appropriated as the employee compensation. The manager salary is determined in accordance with the management procedures, while taking into consideration the decision making capability of the manager and the performance of the department led by the manager and other performance results. The Remuneration Committee shall review the reasonableness of the consideration on a regular basis.

## IV. Implementation of Corporate Governance

### (I) Board of directors

There were 6 board meetings in the latest fiscal year. The attendance of directors was as follows:

Position	Name (Note 1)	Attendance in person (in non-voting capacity) (B)	Attendance by proxy	Rate of attendance in person (in non-voting capacity) (%) [B/A] (Note 2)	Remarks
Chairperson	Lu, Yen-Chuan	5	1	83%	
Director	Representative of Botian Investment Co., Ltd.: Huang, Ping-Lun	5	1	83%	
Independent Director	Wei, Kung-Ao	6	0	100%	
Independent Director	Wu, Chung-Hsin	6	0	100%	
Independent Director	Huang, Chun-Kai	6	0	100%	

Other matters to be recorded:

- I. For board meetings that meet any of the following conditions, state the date, session, the discussed topics, independent directors' opinions and how the company has responded to such opinions: Nil.
  - (I) Conditions described in Article 14-3 of the Securities and Exchange Act.
  - (II) Other issues opposed by independent directors or which directors have reservations about that have been noted in the record or declared in writing.
- II. In situations where independent directors recuse themselves due to conflict of interest, the director's name, content of the resolution, reason for recusal, and the voting participation should be properly recorded: Nil.
- III. TWSE/TPEX listed companies should disclose the frequency, period, scope, method and content of the self-assessment (or peer assessment) of the board of directors, as well as indicate (2) the implementation status of the assessment of the board.
- IV. Evaluation of the target achievement and execution by the board of directors in the current and most recent year (e.g. establishing an audit committee, increasing information transparency): The Rules and Procedures of Board of Director Meetings have been established. In January 2019, the Audit Committee was established. The self-assessment of the board of directors has been completed.

Note 1: If the director or supervisor is a legal person, the names of the shareholders and representatives of the legal person should be disclosed.

Note 2: (1) If any director or supervisor is discharged before year end, the discharge date must be indicated in the remarks column. The attendance rate (%) is computed using the number of board meetings during the tenure before discharge and the actual attendance in person (in non-voting capacity).

- (2) Before year end, if there is any newly elected director or supervisor, the information of both new and existing directors and supervisors must be indicated. In the remarks column, the newly elected or re-elected status of the directors and supervisors and the re-election date must be indicated. The attendance rate (%) is computed using the number of board meetings during the tenure before discharge and the actual attendance in person (in non-voting capacity).

Assessment of the board of directors				
Frequency of assessment	Period of assessment	Scope of assessment	Method of assessment	Content of assessment
Once a year	January 1, 2020 to December 31, 2020	Performance evaluation of the board of directors, individual directors and functional committees	Self-assessment of the board of directors and self-assessment of individual directors	The level of participation in the management of the Company, enhancement of the decision making quality of the board, composition and structure of the board of directors, continuing education of directors and the execution of the internal control.

## (II) Information on the Operating Status of the Audit Committee

There were 5 Audit Committee meetings (A) in the latest fiscal year (2020). The attendance of independent directors was as follows:

Position	Name	Attendance in person (B)	Attendance by proxy	Attendance rate (%) (B/A)	Remarks
Independent Director	Wei, Kung-Ao	5	0	100%	
Independent Director	Wu, Chung-Hsin	5	0	100%	
Independent Director	Huang, Chun-Kai	5	0	100%	

Other matters to be recorded:

I. For Audit Committee meetings that meet any of the following descriptions, state the meeting date, session, the discussed topics, independent directors' opinions and how the company has responded to such opinions.

(I) Conditions described in Article 14-5 of the Securities and Exchange Act:

Date of board of directors meeting	Resolution	Voting result of resolution of the Audit Committee:	Response of the Company toward opinion of Audit Committee
March 10, 2020 First meeting in 2020	<ol style="list-style-type: none"> <li>1. "Efficacy Assessment of Internal Control System" and "Statement of Internal Control System" for 2019.</li> <li>2. Amendment to the "Audit Committee Charter", "Remuneration Committee Charter" and "Rules and Procedures of Board of Director Meetings".</li> <li>3. Proposal for amendments to some articles of the Articles of Incorporation.</li> <li>4. Proposal to provide endorsement or guarantee for the subsidiary Tycoons Worldwide Group (Thailand) Public Co., Ltd.</li> <li>5. Proposal for financial derivatives transaction undertaken by the Company.</li> <li>6. Proposal to set the ceiling of funds lent to Tycoon Group International Co., Ltd. at US\$2.6</li> </ol>	On March 10, 2020, all attending Audit Committee members approved and passed the resolution.	The proposal was submitted to the board of directors. The board approved and passed the resolution.

		<p>million.</p> <p>7. Proposal to set the ceiling of short-term advance payments to NT\$1 million for the subsidiary Tycoons Worldwide Group (Thailand).</p> <p>8. Proposal to set the ceiling of short-term advance payments to NT\$1 million for the affiliate TY Steel.</p>		
	March 26, 2020 Second meeting in 2020	<p>1. Financial statements, consolidated financial statements and business report for 2019.</p> <p>2. Proposal for offsetting accumulated losses for 2019.</p> <p>3. Proposal for engagement of independent auditors and their service fees for 2020.</p> <p>4. Assessment of the independence of independent auditors.</p> <p>5. Proposal for amendments to “Business Integrity Procedures and Behaviors”, “Corporate Governance Best Practice Principles” and “CSR Procedures”.</p> <p>6. Proposal for capital increase in Yuan Chen Investment Co., Ltd.</p>	On March 26, 2020, all attending Audit Committee members approved and passed the resolution.	The proposal was submitted to the board of directors. The board approved and passed the resolution.
	May 13, 2020 Third meeting in 2020	1. Consolidated financial statements for the first quarter of 2020.	On May 13, 2020, all attending Audit Committee members approved and passed the resolution.	The proposal was submitted to the board of directors.
	August 13, 2020 Fifth meeting in 2020	1. Consolidated financial statements for the second quarter of 2020.	On August 13, 2020, all attending Audit Committee members approved and passed the resolution.	The proposal was submitted to the board of directors.
	November 13, 2020 Sixth meeting in 2020	<p>1. Consolidated financial statements for the third quarter of 2020.</p> <p>2. Addition of audit fees for 2020.</p>	On November 13, 2020, all attending Audit Committee members approved and passed the resolution.	Apart from item one that was reported to the board, the rest were resolved by all attending directors unanimously.

(II) Apart from the aforementioned item, items that had not been passed by the Audit Committee but passed by two-thirds or more of all directors: Nil.

II. In situations where independent directors recuse themselves due to conflict of interest, the director's name, content of the resolution, reason for recusal, and the voting participation should be properly recorded: Nil.

III. Communication between independent directors, internal audit officers, and external auditors (major issues, method and results of the financial position of the company and business operation should be included).

(I) The Company's internal audit officers make audit reports to the independent directors via the Audit Committee every quarter. The communication between independent directors and the internal audit officers in 2020 was as follows:

Date	Content of communication	Results of action taken
March 10, 2020 Audit Committee	The Internal Audit Office reported the internal audit operation for October to December 2019 and conducted communication and discussion on the related issues.	Independent directors did not have objections pertaining to the issue.
May 13, 2020 Audit Committee	The Internal Audit Office reported the internal audit operation for January to March 2020 and conducted communication and discussion on the related issues.	Independent directors did not have objections pertaining to the issue.
August 13, 2020 Audit Committee	The Internal Audit Office reported the internal audit operation for January to June 2020 and conducted communication and discussion on the related issues.	Independent directors did not have objections pertaining to the issue.
November 13, 2020 Audit Committee	The Internal Audit Office reported the internal audit operation for July to September 2020 and conducted communication and discussion on the related issues.	Independent directors did not have objections pertaining to the issue.

(II) The independent auditors organize at least one workshop per year, communicating with the independent directors regarding the financial position of the Company, audit findings and amendments to regulations. The communication status between independent directors and head of internal audit in 2020 was as follows:

Date	Content of communication	Results of action taken
November 13, 2020 Workshop	1. Review of financial reporting for the first three quarters of 2020. 2. Audit of financial statements for 2020. 3. Amendments to important regulations. 4. Financial statement preparation for TWSE/TPEX listed companies.	Independent directors did not have objections pertaining to the issue.

IV. Focus and progress of Audit Committee for the year:

(I) The focus of Audit Committee is mainly supervising the following tasks:

1. Fair representation of the financial statements.
2. Engagement (termination), independence and performance of independent auditors.
3. Effective implementation of the internal control systems.
4. Legal compliance with rules and regulations.
5. Control for existing or potential risks.

(II) Duties of the Audit Committee are as follows:

1. Establish or amend an internal control system in accordance with the Securities and Exchange Act, Article 14-1.
2. Assess the effectiveness of the internal control system.

3. Establish or amend procedures for material financial activities including the acquisition or disposal of assets, derivative transactions, lending of funds to others, provision of endorsement or guarantee in accordance with the Securities and Exchange Act, Article 36-1.
4. Oversee matters involving conflict of interest of directors.
5. Oversee transactions involving material assets or derivatives.
6. Oversee material lending of funds, and provision of endorsement or guarantee.
7. Oversee offering, issuance, or private placement of equity-type securities.
8. Oversee the appointment or dismissal of certified public accountants, or their fees.
9. Oversee appointment or discharge of financial, accounting, or internal audit officers.
10. Annual financial reports that require the signing off of the chairperson, president and accounting director, and financial reports for the second quarter that require the signing off of independent auditors.
11. Oversee other material matters as may be required by the Company or by the competent authority.

(III) Progress of the Audit Committee for 2020:

Date of meeting	Resolution
March 10, 2020	<ol style="list-style-type: none"> <li>1. Resolution passed for “Efficacy Assessment of Internal Control System” and “Statement of Internal Control System” for 2019.</li> <li>2. Amendment to the “Audit Committee Charter”, “Remuneration Committee Charter” and “Rules and Procedures of Board of Director Meetings”.</li> <li>3. Resolution passed for amendments to some articles of the Articles of Incorporation.</li> <li>4. Resolution passed for endorsement or guarantee for Tycoons Worldwide Group (Thailand) Public Co., Ltd.</li> <li>5. Resolution passed for financial derivatives transaction undertaken by the Company.</li> <li>6. Resolution passed for setting the ceiling of funds lent to Tycoon Group International Co., Ltd. to US\$2.6 million.</li> <li>7. Resolution passed for setting the ceiling of short-term advance payments to NT\$1 million for the subsidiary Tycoons Worldwide Group (Thailand).</li> <li>8. Resolution passed for setting the ceiling of short-term advance payments to NT\$1 million for the affiliate TY Steel.</li> </ol>
March 26, 2020	<ol style="list-style-type: none"> <li>1. Passed financial statements, consolidated financial statements and business report for 2019.</li> <li>2. Resolution passed for proposal for offsetting accumulated losses for 2019.</li> <li>3. Resolution passed for engagement of independent auditors and their service fees for 2020.</li> <li>4. Resolution passed for assessment of the independence of independent auditors.</li> <li>5. Proposal for amendments to “Business Integrity Procedures and Behaviors”, “Corporate Governance Best Practice Principles” and “CSR Procedures”.</li> <li>6. Resolution passed for capital increase in Yuan Chen Investment Co., Ltd.</li> </ol>

May 13, 2020	1. Resolution passed for consolidated financial statements for the first quarter of 2020.
August 13, 2020	1. Resolution passed for consolidated financial statements for the second quarter of 2020.
November 13, 2020	1. Resolution passed for consolidated financial statements for the third quarter of 2020. 2. Resolution passed for addition of audit fees for 2020.

(III) Participation of supervisors in board of directors meetings: In 2019, the Audit Committee was established.

(IV) Corporate governance implementation and deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Assessment item	Progress (Note)			Deviations and causes of the deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Summary description	
I. Has the company established and disclosed its corporate governance principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Company has established the Corporate Governance Best Practice Principles and made amendments to keep up to date with the current regulations. The principles are disclosed on the Market Observation Post System (MOPS) and the Company website (www.tycons.com.tw).	No major deviation.
II. Shareholding structure and shareholders’ interests				No major deviation.
(I) Has the company implemented a set of internal procedures to handle shareholders’ recommendations, queries, disputes, and litigations?	V		(I) As per the Procedures for Handling Material Internal Information of the Company, the spokesperson or acting spokesperson shall serve as external communicators for releasing material information. If the shareholders have any recommendations or disputes pertaining to stock affairs, they can bring the issues up to the stock affairs department and the stock transfer agency. A specific section is established for communication with external stakeholders on the Company website to receive information, recommendations, complaints and reports. Specific personnel is designated to oversee and respond to issues raised.	
(II) Is the company constantly informed of the identities of its major shareholders and the ultimate controller of major shareholders?	V		(II) The stock affairs of the Company are overseen by a professional stock transfer agency. Specific personnel is designated for internal reporting and reporting of changes in major shareholders.	
(III) Has the company established and implemented risk management practices and firewalls for companies it is affiliated with?	V		(III) The management of related party transactions between the Company and affiliated companies, endorsement or guarantee provisions and lending of funds are supervised in accordance with the internal control procedures. Risk control and firewall mechanisms are implemented to foster a healthy business relationship between the Company and affiliated companies.	
(IV) Has the company established internal policies to prevent insiders from trading securities using non-public information?	V		(IV) The Company has established Procedures for Management of Ethical Conduct, Procedures for Handling Material Internal Information and Business Integrity Procedures and Behaviors and other regulations to prohibit company insiders from trading securities using information not disclosed to the market.	
III. Composition and duties of the board of directors				No major deviation.

Assessment item	Progress (Note)			Deviations and causes of the deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”																																																																																
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(I) Has the board established and implemented policies to ensure the diversity of its members?	V		<p>(I) To strengthen corporate governance and promote the healthy development of the composition and structure of the board, the Company has established the Corporate Governance Best Practice Principles, which contains the diversification policy of board members. The policy stipulates that for the composition of the board of directors, the Company shall take into consideration its operation, business model and development needs so as to devise the appropriate diversification policy. The policy shall include but not be limited to the following criteria:</p> <ol style="list-style-type: none"> <li>1. Basic criteria: Gender, age, nationality and etc.</li> <li>2. Professional knowledge and skill sets: Professional background (e.g. legal, accounting, industry, financial, marketing or technology), professional skill sets and industry experience.</li> </ol> <p>Currently, the board of directors has five members of which three are independent directors. The members possess extensive experience and professional knowledge in business and management. Furthermore, gender equality amongst the board members is important to the Company. The target percentage of female directors is 20% or more. Among the five directors there is currently one female director, so the gender ratio amounts to 20%. The related implementation information is as follows:</p> <table border="1"> <thead> <tr> <th colspan="10">Diversification policy of the board of directors and implementation status</th> </tr> <tr> <th rowspan="2">Name of director</th> <th rowspan="2">Gender</th> <th colspan="2">Age distribution</th> <th colspan="2">Years of experience as independent director</th> <th rowspan="2">Business management capability</th> <th rowspan="2">Leadership and decision making capability</th> <th rowspan="2">Industry knowledge</th> <th rowspan="2">Financial and accounting knowledge</th> <th rowspan="2">Marketing knowledge</th> </tr> <tr> <th>Below 59 years old</th> <th>60 to 75 years old</th> <th>Less than 3 years</th> <th>4 to 8 years</th> </tr> </thead> <tbody> <tr> <td>Chairperson Lu, Yen-Chuan</td> <td>Female</td> <td></td> <td>V</td> <td></td> <td></td> <td>V</td> <td>V</td> <td>V</td> <td></td> <td>V</td> </tr> <tr> <td>Director Huang, Ping-Lun</td> <td>Male</td> <td>V</td> <td></td> <td></td> <td></td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> </tr> <tr> <td>Independent Director Wei, Kung-Ao</td> <td>Male</td> <td></td> <td>V</td> <td></td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td></td> <td>V</td> </tr> <tr> <td>Independent Director Wu, Chung-Hsin</td> <td>Male</td> <td></td> <td>V</td> <td></td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td></td> </tr> <tr> <td>Independent Director Huang, Chun-Kai</td> <td>Male</td> <td>V</td> <td></td> <td>V</td> <td></td> <td>V</td> <td></td> <td>V</td> <td></td> <td></td> </tr> </tbody> </table>	Diversification policy of the board of directors and implementation status										Name of director	Gender	Age distribution		Years of experience as independent director		Business management capability	Leadership and decision making capability	Industry knowledge	Financial and accounting knowledge	Marketing knowledge	Below 59 years old	60 to 75 years old	Less than 3 years	4 to 8 years	Chairperson Lu, Yen-Chuan	Female		V			V	V	V		V	Director Huang, Ping-Lun	Male	V				V	V	V	V	V	Independent Director Wei, Kung-Ao	Male		V		V	V	V	V		V	Independent Director Wu, Chung-Hsin	Male		V		V	V	V	V	V		Independent Director Huang, Chun-Kai	Male	V		V		V		V			
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(II) Apart from the Compensation Committee and Audit Committee,	V		(II) The Company has established the Audit Committee and Remuneration Committee in accordance with the law and regulations. Both cater to the current needs of the Company.																																																																																	

Assessment item	Progress (Note)			Deviations and causes of the deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”																								
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<p>has the company established other functional committees at its own discretion?</p> <p>(III) Has the company established a set of policies and assessment methodology to evaluate the performance of the board? Is regular performance evaluation conducted, at least once a year, and the evaluation result submitted to the board to serve as a reference in determining the remuneration of individual directors and nomination for re-election?</p> <p>(IV) Does the company assess the independence of external auditors on a regular basis?</p>	V		<p>In the future, the Company shall establish other functional committees depending on the business needs.</p> <p>(III) The Company has established the Procedures for Performance Assessment of the Board of Directors and Functional Committees. The internal performance assessment of the board of directors is conducted once a year. Depending on the needs of the Company, a professional independent institution or an external expert team may be appointed to conduct the assessment.</p> <p>The self-assessment questionnaire of the board and the board members assessment questionnaire for 2020 have been completed. The results of the questionnaires indicate that the overall performance of the board is considered efficient. The results were submitted to the board meeting on March 25, 2021. The results of the assessment are disclosed on the Company website, annual report and MOPS as per the regulations and shall serve as a reference for the future election or nomination of the directors and the determination of remuneration for individual directors.</p> <p>(IV) The Company conducts evaluation on the independence of the independent auditors at least once a year. The independent auditors accepting the engagement must produce a statement of independence. On March 25, 2021, the Audit Committee and the board of directors passed resolution for the engagement and service fees of the independent auditors for 2021. Please see below for the independence evaluation:</p> <table border="1"> <thead> <tr> <th>Assessment item of the independence of independent auditors.</th> <th>Assessment result</th> <th>Independence criterion met</th> </tr> </thead> <tbody> <tr> <td>1. Do the independent auditors have direct or major indirect financial interest in the Company?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>2. Do the independent auditors have financing or guaranteeing activities with the Company or the Company’s directors?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>3. Do the independent auditors have close business relationships and potential employment relationships with the Company?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>4. Have the independent auditors or members of the auditing team in the most recent two years assumed positions as the Company’s directors, managers or positions that have significant influence?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>5. Do the independent auditors provide other auditing services to the Company that may directly influence the auditing work?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>6. Do the independent auditors serve as the underwriter of shares or other securities issued by the Company?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>7. Do the independent auditors serve as an advocate of the Company or a representative of the Company in mediating disputes with third parties?</td> <td>No</td> <td>Yes</td> </tr> </tbody> </table>	Assessment item of the independence of independent auditors.	Assessment result	Independence criterion met	1. Do the independent auditors have direct or major indirect financial interest in the Company?	No	Yes	2. Do the independent auditors have financing or guaranteeing activities with the Company or the Company’s directors?	No	Yes	3. Do the independent auditors have close business relationships and potential employment relationships with the Company?	No	Yes	4. Have the independent auditors or members of the auditing team in the most recent two years assumed positions as the Company’s directors, managers or positions that have significant influence?	No	Yes	5. Do the independent auditors provide other auditing services to the Company that may directly influence the auditing work?	No	Yes	6. Do the independent auditors serve as the underwriter of shares or other securities issued by the Company?	No	Yes	7. Do the independent auditors serve as an advocate of the Company or a representative of the Company in mediating disputes with third parties?	No	Yes	
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Assessment item	Progress (Note)				Deviations and causes of the deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”						
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			8. Do the independent auditors have any kinship relations with the Company’s director, manager or personnel holding positions that have significant influence on the auditing work?	No	Yes						
IV. Does the TWSE/TPEX listed company dedicate competent managers or a sufficient number of managers to take charge of corporate governance, and designate corporate governance officers to oversee corporate governance affairs (including but not limited to providing information required for director/supervisor’s operations, assisting the board and supervisors in legal compliance, convening board/shareholders’ meetings in accordance with the law, and producing meeting minutes of board/shareholders’ meetings)?	V		<p>On November 13, 2019, the board of directors passed a resolution and designated Wang, Min-Hua as the Corporate Governance Director to protect the shareholders’ interest and strengthen the board’s capability in fulfilling its duties. Wang, Min-Hua possesses more than three years of experience as head of internal audit, financial affairs, stock affairs or corporate governance units in public issued companies.</p> <p>The main duties of the Corporate Governance Director are convening board and shareholders’ meetings in accordance with the law, preparing meeting minutes of the board and shareholders’ meetings, assisting in arranging the inauguration and continuing education of directors and supervisors, providing information needed by the board of directors to perform its functions and assisting the directors in legal compliance.</p> <table border="1" data-bbox="714 828 1697 1396"> <thead> <tr> <th>Execution status for 2020</th> </tr> </thead> <tbody> <tr> <td>1. Assisted in convening meetings of the board and other committees, prepared meeting materials and issues, e.g. giving reminders to parties to recuse themselves for issues with conflict of interest. In 2020, two Remuneration Committee meetings, five Audit Committee meetings and six board meetings were convened.</td> </tr> <tr> <td>2. Assisted in convening the shareholders’ meetings.</td> </tr> <tr> <td>3. Assisted in the communication meeting between independent directors, independent auditors and internal audit officers. Assisted in organizing the workshop between independent directors and the main management on November 13, 2020.</td> </tr> <tr> <td>4. Assisted in arranging the courses for the continuing education of directors.</td> </tr> <tr> <td>5. Performed checks on public announcements on material information of major resolutions made by the board so as to ensure the appropriateness and accuracy of the information and protect the symmetry of the investors’ access to information.</td> </tr> </tbody> </table>	Execution status for 2020	1. Assisted in convening meetings of the board and other committees, prepared meeting materials and issues, e.g. giving reminders to parties to recuse themselves for issues with conflict of interest. In 2020, two Remuneration Committee meetings, five Audit Committee meetings and six board meetings were convened.	2. Assisted in convening the shareholders’ meetings.	3. Assisted in the communication meeting between independent directors, independent auditors and internal audit officers. Assisted in organizing the workshop between independent directors and the main management on November 13, 2020.	4. Assisted in arranging the courses for the continuing education of directors.	5. Performed checks on public announcements on material information of major resolutions made by the board so as to ensure the appropriateness and accuracy of the information and protect the symmetry of the investors’ access to information.		No major deviation.
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Assessment item	Progress (Note)			Deviations and causes of the deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”																							
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			<p>6. Organized institutional investor conferences and handled matters related to investor relations.</p> <p>7. Assisted in the purchase of liability insurance for directors and managers and reported the purchase to the board on May 28, 2020.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="5">Continuing education of Corporate Governance Director for 2020</th> </tr> <tr> <th>Date of training</th> <th>Organizer</th> <th>Course title</th> <th>Hours of training</th> <th>Total hours of training for the year</th> </tr> </thead> <tbody> <tr> <td>May 22, 2020</td> <td>Institute of Internal Auditors-Chinese Taiwan</td> <td>Company Act in Practice and Analysis of the Latest Interpretations</td> <td>6</td> <td rowspan="3">18</td> </tr> <tr> <td>June 2, 2020</td> <td>Accounting Research and Development Foundation of R.O.C.</td> <td>Policy Analysis of the Competent Authority in “Assisting Enterprises in Enhancing Financial Statement Preparation Capabilities” and Management of Internal Control in Practice</td> <td>6</td> </tr> <tr> <td>August 28, 2020</td> <td>Institute of Internal Auditors-Chinese Taiwan</td> <td>Risks of Unethical Behavior in Business Activities and Case Study Analysis</td> <td>6</td> </tr> </tbody> </table>	Continuing education of Corporate Governance Director for 2020					Date of training	Organizer	Course title	Hours of training	Total hours of training for the year	May 22, 2020	Institute of Internal Auditors-Chinese Taiwan	Company Act in Practice and Analysis of the Latest Interpretations	6	18	June 2, 2020	Accounting Research and Development Foundation of R.O.C.	Policy Analysis of the Competent Authority in “Assisting Enterprises in Enhancing Financial Statement Preparation Capabilities” and Management of Internal Control in Practice	6	August 28, 2020	Institute of Internal Auditors-Chinese Taiwan	Risks of Unethical Behavior in Business Activities and Case Study Analysis	6	
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V. Has the company established a means of communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, et cetera) or created a stakeholders section on the company website? Does the company respond to stakeholders’ questions on corporate social responsibility?	V		<p>(I) The Company has established a stakeholders section on its website according to different stakeholders (including employees, shareholders, customers, suppliers, government agencies, social organizations (community members), counterparts in the steel industry) and the issues they are concerned with. It is the specific window for communication with them and appropriate responses shall be given.</p> <p>(II) An investors section serving as the communication channel with investors is established on the Company website, which contains the contact information and e-mail addresses of the spokesperson, acting spokesperson and stock transfer agency.</p>	No major deviation.																							
VI. Does the company appoint a professional stock transfer agent to handle the affairs of the shareholders’ meeting?	V		The Company appoints Grand Fortune Securities Co., Ltd. to handle the stock affairs.	No major deviation.																							
VII. Information disclosure (I) Has the company established a website that discloses financial,	V		(I) The Company is in the process of constructing its English version website (www.tycons.com.tw) to make disclosures on major regulations, as well as financial,	No major deviation.																							

Assessment item	Progress (Note)			Deviations and causes of the deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
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<p>business and corporate governance-related information?</p> <p>(II) Does the company make disclosures using other avenues (e.g. setting up an English website, designating specific personnel to collect and provide disclosure on the company, implementing a spokesperson system, disclosing the process of institutional investor conferences on the company website, et cetera)?</p> <p>(III) Does the company publicly announce and file the annual financial reports within two months after the accounting year-end, and publicly announce and file the first, second and third quarterly financial reports and monthly operating status report before the stipulated deadlines?</p>	V		<p>business and corporate governance related information and their implementation status.</p> <p>(II) The Company’s disclosure methods are as follows:</p> <ol style="list-style-type: none"> <li>1. Constructing a Chinese and English version website and designating personnel to collect and make disclosures on related information.</li> <li>2. The Company has designated a spokesperson and acting spokesperson, and disclosed their contact information on the Company website.</li> <li>3. The Company discloses its financial information to the public on the Company website and MOPS.</li> <li>4. The information and presentation material on institutional investor conferences are disclosed on the Company website for the reference of investors.</li> </ol> <p>(III) In accordance with the Securities and Exchange Act, Article 36, the Company publicly announces and files the annual financial reports within three months after the accounting year-end, and publicly announces and files the first, second and third quarterly financial reports and monthly operating status report before the stipulated deadlines. For the aforementioned information, please see MOPS (<a href="https://mops.twse.com.tw/mops/web/index">https://mops.twse.com.tw/mops/web/index</a>).</p>	<p>No major deviation.</p> <p>The Company publicly announces and files the financial reports in accordance with Article 36 of the Securities and Exchange Act where it is listed.</p>
<p>VIII. Does the company have other important information for better understanding the company’s corporate governance system (including but not limited to the interests and rights of employees, care for employees, investor relations, relations with suppliers, rights of stakeholders, continuing education of directors and supervisors, execution of risk management policies and risk measuring standards, execution of customer policies, liability insurance</p>	V		<p>Apart from establishing the related internal control systems in accordance with the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”, the Company has also established rules and procedures governing human resource matters and disclosed them in accordance with laws and regulations on the MOPS.</p> <p>(I) For interests and rights of employees and care for employees, please see “Section Five. Operational Highlights, subsection 5, Labor-capital relations” in the annual report.</p> <p>(II) For relationships with investors and suppliers and rights of stakeholders, the Company has established “Corporate Governance Best Practice Principles”, “CSR Procedures”, “Ethical Corporate Management Best Practice Principles”, “Business Integrity Procedures and Behaviors” and other related regulations pertaining to CSR to implement and promote corporate governance. For other information, please see “Section Three. Report on Corporate Governance, IV. Implementation of Corporate Governance, (V) Corporate Social Responsibility” of the annual report.</p> <p>(III) Continuing education of directors for 2020:</p>	<p>No major deviation.</p>

Assessment item	Progress (Note)		Summary description	Deviations and causes of the deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”																								
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for the company’s directors and supervisors)?			<table border="1"> <thead> <tr> <th>Position</th> <th>Name</th> <th>Date of training</th> <th>Organizer</th> <th>Course title</th> <th>Hours of training</th> </tr> </thead> <tbody> <tr> <td>Independent Director</td> <td>Huang, Chun-Kai</td> <td>November 16, 2020</td> <td>Taiwan Stock Exchange Taipei Exchange</td> <td>2020 Awareness Forum for Directors and Supervisors in Corporate Governance and Ethics</td> <td>3</td> </tr> </tbody> </table> <p>(IV) Implementation of risk management policy and risk measurement standard: The Company has established various internal control procedures in accordance with the law and regulations. The Company performs many risk management measures and assessments to devise plans for action. Future follow-ups are performed to make further improvements.</p> <p>(V) Implementation of customer policy: The Company has established the “Ethical Corporate Management Best Practice Principles” and “Business Integrity Procedures and Behaviors” to observe the integrity management of business activities.</p> <p>(VI) Liability insurance of directors (including independent directors):</p> <table border="1"> <thead> <tr> <th>Insurance applicant</th> <th>Insurance company</th> <th>Insurance amount (NT\$)</th> <th>Insurance period</th> <th>Date of reporting by board of directors</th> <th>Status of insurance</th> </tr> </thead> <tbody> <tr> <td>Directors</td> <td>Shinkong Insurance</td> <td>30,000,000</td> <td>From: June 4, 2020 To: June 4, 2021</td> <td>May 28, 2020</td> <td>Renewal of insurance</td> </tr> </tbody> </table>	Position	Name	Date of training	Organizer	Course title	Hours of training	Independent Director	Huang, Chun-Kai	November 16, 2020	Taiwan Stock Exchange Taipei Exchange	2020 Awareness Forum for Directors and Supervisors in Corporate Governance and Ethics	3	Insurance applicant	Insurance company	Insurance amount (NT\$)	Insurance period	Date of reporting by board of directors	Status of insurance	Directors	Shinkong Insurance	30,000,000	From: June 4, 2020 To: June 4, 2021	May 28, 2020	Renewal of insurance	
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IX. Please describe improvements that have been made pertaining to the results of the corporate governance evaluation as prescribed by the Taiwan Stock Exchange Corporate Governance Center, as well as priorities and measures for matters that have yet to be improved. (Companies not listed for evaluation do not have to be filled in)

Improvement items of the 7th corporate governance assessment		
Number	Assessment item	Improvement method
1.11	Does the company upload the English version annual report seven days before the shareholders’ meeting?	In 2021, the information shall be uploaded within the stipulated deadline.
2.2	Has the company established a diversification policy for the board members and disclosed the concrete management objectives and implementation status of the diversification policy on the company website and in the annual report?	The management objectives and implementation status have been disclosed on the Company website and in the annual report.

Assessment item	Progress (Note)		Summary description	Deviations and causes of the deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”									
	Yes	No											
<table border="1"> <thead> <tr> <th colspan="3">Prioritized improvement items of the 7th corporate governance assessment</th> </tr> <tr> <th>Number</th> <th>Assessment item</th> <th>Improvement method</th> </tr> </thead> <tbody> <tr> <td>2.24</td> <td>Has the company installed an information security risk management framework, established an information security policy and concrete management principle, and made the aforementioned information available on the company website or in the annual report?</td> <td>The Company is in the process of disclosing the information security risk management framework on the Company website.</td> </tr> </tbody> </table>					Prioritized improvement items of the 7th corporate governance assessment			Number	Assessment item	Improvement method	2.24	Has the company installed an information security risk management framework, established an information security policy and concrete management principle, and made the aforementioned information available on the company website or in the annual report?	The Company is in the process of disclosing the information security risk management framework on the Company website.
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2.24	Has the company installed an information security risk management framework, established an information security policy and concrete management principle, and made the aforementioned information available on the company website or in the annual report?	The Company is in the process of disclosing the information security risk management framework on the Company website.											

(Note) Regardless of ticking “Yes” or “No”, please provide more information in the summary description column.

(V) If the company has established a remuneration committee, its composition, responsibilities and operation should be disclosed:

1. The remuneration committee shall practice the due care of a good administrator when performing the following responsibilities and forwarding all recommendations it makes to the board of directors for discussion.
  - (1) The committee has established and reviewed on a regular basis the performance assessment standard, yearly and long-term performance targets of the Company's directors and managers, as well as the policy, system, standard and structure of the Remuneration Committee. The performance assessment standard is disclosed in the annual report.
  - (2) The committee reviews the performance target meeting status of the directors and managers on a regular basis. By referring to the assessment results obtained using the performance assessment standard, the individual content and amount of their remuneration is determined.
  - (3) The committee reviews the Remuneration Committee Charter and makes recommendations for amendments on a regular basis.
2. Remuneration Committee members

Identity (Note 1)	Criterion  Name	Having met one of the following professional qualifications, together with at least five years work experience			Independence criteria (Note 2)										Number of other public companies in which the individual is concurrently serving as a Remuneration Committee member	Remarks	
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Having work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10			
Independent Director	Wei, Kung-Ao			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Nil
Independent Director	Wu, Chung-Hsin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Nil
Independent Director	Huang, Chun-Kai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Nil

Note 1: For identity, please indicate director, independent director or others.

Note 2: Members who meet the following conditions two years before appointment or during the term of appointment, indicate with "✓" in the corresponding boxes.

- (1) Not an employee of the company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a managerial officer mentioned in paragraph (1), or a spouse, relative within the second degree of kinship, or

lineal relative within the third degree of kinship mentioned in paragraphs (2) and (3).

- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, or ranks as its top five shareholders, or a designated representative pursuant to Article 27, Paragraph 1 or 2 in the company as director, supervisor or employee (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary).
- (6) Not a director, supervisor, or employee of other company with the board seats or more than half of the voting shares under control of one person. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (7) Not a director, supervisor, or employee of another company whose chairperson or president is the same person as or spouse of the chairperson, president or equivalent position holder of the company (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary). .
- (8) Not a director, supervisor, managerial officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company (the same does not apply, however, if specified company or institution possessing shareholdings of more than 20% and less than 50% of the total number of issued shares of the Company, and in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that provides auditing services or for the past two years has provided commercial, legal, financial, accounting services or consultation amounting to less than a cumulative NT\$500,000 to the Company or to any affiliate of the company, or a spouse thereof. However, this does not apply to members of the Compensation Committee, Public Tender Offer Review Committee or Special Merger and Acquisition Committee carrying out their duties in accordance with the Securities and Exchange Act or Business Mergers and Acquisitions Act. .
- (10) Does not meet any of the criteria described in Article 30 of the Company Act.

3. Information on the Operating Status of the Remuneration Committee

- (1) There are three members in the Company's Remuneration Committee.  
 (2) The tenure of the committee: January 31, 2019, to January 30, 2023. There were 2 meetings (A) in the latest fiscal year, and the qualifications and attendance situation of committee members was as follows:

Position	Name	Attendance in person (B)	Attendance by proxy	Attendance rate (%) (B/A) (Note)	Remarks
Convener	Wei, Kung-Ao	2	0	100%	
Committee member	Wu, Chung-Hsin	2	0	100%	
Committee member	Huang, Chun-Kai	2	0	100%	

Other matters to be recorded:

- I. If the board of directors declines to adopt or modify a recommendation of the remuneration committee, it should specify the date of the meeting, the session, the nature of the motion, the resolution made by the board of directors, and the company's response to the remuneration committee's opinion (e.g. the board passed a resolution on remuneration that is better than the recommendation of the committee, and the reason for the deviation should be indicated): Nil.
- II. If resolutions of the remuneration committee are objected to by members or become subject to a qualified opinion which has been recorded or declared in writing, then the date of the meeting, the session, the nature of the motion, all members' opinions and the response to members' opinions should be specified: Nil.
- III. Discussion items and voting results of the Remuneration Committee for 2020, and the Company's response to the Remuneration Committee's opinion:

Date and session of meeting	Resolution	Committee's opinion and voting results	Company's response to committee's opinion
Fourth term Third meeting March 10, 2020	1. Review of the list of directors and independent directors for 2020 and their corresponding remuneration. 2. Preliminary review of eligible managers submitted to the Remuneration Committee by the Company. 3. Proposal for the fixed monthly salary of managers for 2020 and year-end bonuses for 2019. 4. Proposal for amendments to Remuneration Committee Charter, Article 6 and 12.	All attending committee members passed the resolution unanimously.	The proposal was submitted to the board of directors. The board approved and passed the resolution.
Fourth term Fourth meeting November 13, 2020	1. Preliminary review of eligible managers submitted to the Remuneration Committee by the Company. 2. Proposal for the fixed monthly salary of managers for 2020.		

Note:

- (1) If any Remuneration Committee member is discharged before year end, the dismissal date must be indicated in the remark column. The attendance rate (%) is computed using the number of committee meetings during the tenure before discharge and the actual attendance in person.
- (2) Before year end, if there is any newly elected Remuneration Committee member, the information of both the new and existing committee members must be indicated. In the remarks column, the newly elected or re-elected status of the committee members and the re-election date must be indicated. The attendance rate (%) is computed using the number of Remuneration Committee meetings during the tenure before discharge and the actual attendance in person (in non-voting capacity).

(VI) Corporate Social Responsibility and the deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies

Assessment item	Progress (Note)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies														
	Yes	No	Summary description															
I. Has the company performed risk assessment pertaining to the environment, society and corporate governance issues related to the operation of the company in accordance with the materiality principle, and established the corresponding risk management policies or strategies?	V		<p>The management of the Company performed the related risk assessment on major issues according to the materiality principle. Based on the risks identified in the assessment, the management has established the following risk management policy or strategies:</p> <table border="1"> <thead> <tr> <th>Major issue</th> <th>Risk assessment item</th> <th>Risk management policy or strategies</th> </tr> </thead> <tbody> <tr> <td>Environment</td> <td>Environmental protection</td> <td>The Company's Management Division and Work Safety Division are responsible for handling the pollution prevention matters in the mills, and engage inspection institutions approved by the Environmental Protection Administration to perform inspections from time to time so as to conform to the latest emission standards stipulated by the Environmental Protection Administration.</td> </tr> <tr> <td rowspan="2">Social</td> <td>Integrity management</td> <td>To facilitate the compliance of directors, managers and all employees, the Company has established "Ethical Corporate Management Best Practice Principles", "Procedures for Management of Ethical Conduct" and other internal regulations, as well as concrete rules such as the "Business Integrity Procedures and Behaviors" to lay out the important items to pay attention to when conducting business activities. The Company also consistently promotes awareness of the philosophy of integrity and prohibiting unethical conduct via internal and external training and education. The Company also purchases liability insurance for the directors to reduce the potential liability risk when performing their duties.</td> </tr> <tr> <td>Workplace safety</td> <td>The Company performs public safety checks regularly every year and holds labor safety training and medical check-ups for employees to provide a safe and healthy working environment.</td> </tr> <tr> <td>Corporate governance</td> <td>Legal compliance</td> <td>By implementing internal control systems, the Company ensures all employees and procedures conform to the related regulations.</td> </tr> </tbody> </table>	Major issue	Risk assessment item	Risk management policy or strategies	Environment	Environmental protection	The Company's Management Division and Work Safety Division are responsible for handling the pollution prevention matters in the mills, and engage inspection institutions approved by the Environmental Protection Administration to perform inspections from time to time so as to conform to the latest emission standards stipulated by the Environmental Protection Administration.	Social	Integrity management	To facilitate the compliance of directors, managers and all employees, the Company has established "Ethical Corporate Management Best Practice Principles", "Procedures for Management of Ethical Conduct" and other internal regulations, as well as concrete rules such as the "Business Integrity Procedures and Behaviors" to lay out the important items to pay attention to when conducting business activities. The Company also consistently promotes awareness of the philosophy of integrity and prohibiting unethical conduct via internal and external training and education. The Company also purchases liability insurance for the directors to reduce the potential liability risk when performing their duties.	Workplace safety	The Company performs public safety checks regularly every year and holds labor safety training and medical check-ups for employees to provide a safe and healthy working environment.	Corporate governance	Legal compliance	By implementing internal control systems, the Company ensures all employees and procedures conform to the related regulations.	No major deviation.
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II. Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and reports its progress to the board of directors?	V		The Company has assigned the Management Division as the designated unit to oversee CSR matters, and to be responsible for devising the Company's CSR strategies, supervising and reviewing their implementation, preparing the sustainability report and reporting to the board on the implementation status on a regular basis every year. The implementation and execution of CSR measures for 2020 has been reported to the board of directors on March 25, 2021. In 2020, the Company sponsored the expenses for activities in Gangshan Village and Police Friends of Kaohsiung City, as well as donating to the Origin of Life and Care for Humanity	No major deviation.														

Assessment item	Progress (Note)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
			Foundation (Love for Homeland).	
<p>III. Environmental issues</p> <p>(I) Has the company developed an appropriate environmental management system, given the distinctive characteristics of its industry?</p> <p>(II) Is the company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?</p> <p>(III) Has the company made an assessment on the present and future potential risks and opportunities posed by climate change to the company and undertaken countermeasures pertaining to climate change?</p> <p>(IV) Has the company measured its greenhouse gas emissions, water</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>(I) The main scope of business of the Company includes the manufacturing, trading and fabrication of wire rods, screws and wires. The manufacturing involves performing wiredrawing, acid cleaning, spheroidization and heat treatment of raw materials. Although this is not a highly polluting industry, for the prevention of pollution sources, the Company has installed dust removal systems, waste water and gas treatment facilities, exhaust equipment and other equipment. Furthermore, as per the environmental protection regulations, the Company has designated personnel to undertake the pollution prevention measures depending on the on-site operations, and engaged inspection institutions approved by the Environmental Protection Administration to perform inspections from time to time. Therefore, with appropriate control engineering, the Company meets the emission standards stipulated by the Environmental Protection Administration.</p> <p>(II) For sustainable development, as per the “CSR Procedures”, the Company gradually improves the efficiency of resource re-use, including the recycling and re-using of water resources, planning on electronic signatures to cut down paper use and utilization of various energy conserving products (e.g. LED lamps, variable frequency air conditioners, water conserving toilets, installing motion sensors in public areas). The Company makes concerted efforts to reduce the carbon footprint of the manufacturing process and gives priority to green procurement as much as possible. In 2020, green procurement amounted to NT\$3,395,834. The Company shall insist on its environmental protection philosophy going forward and giving priority to green products in the manufacturing process.</p> <p>(III) For global climate change, the Company may face the following risks:</p> <ol style="list-style-type: none"> <li>1. Stricter environmental protection policies and regulations may cause an increase in costs, or existing assets may be forced to be retired due to policy changes. For the reduction of greenhouse gas emissions, the Company plans to start from the conservation of energy and the utilization of clean energy.</li> <li>2. Due to extreme rainfall and increase in the frequency of drought, the government may impose water ban by zone to curb water shortages. This measure may affect industrial water use and cause production interruptions. The Company seeks to devise water conservation measures, in hopes of making preparation for consolidating government and enterprise water resources to resolve short-term water supply and allotment issues.</li> <li>3. Due to global warming or extreme climate, the production may be interrupted or delayed and costs increase as a result, due to low water level at hydro-electric power stations and insufficient cooling water at thermal power stations. The Company shall get informed of the electricity use in its area and, depending on circumstances, reschedule production to avoid peak periods.</li> </ol> <p>Although climate change may bring the aforementioned risks to the Company, it may also bring opportunities to improve production procedures. To mitigate the risks, the Company shall seek to improve production procedures by switching to low polluting or non-polluting equipment and practicing green procurement as much as possible to fulfill its green production target.</p> <p>(IV) The Company shall continue to promote energy management. The energy conservation, carbon reduction, greenhouse gas emissions and waste management strategies are as follows:</p>	No major deviation.

Assessment item	Progress (Note)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies																																				
	Yes	No	Summary description																																					
use and total weight of waste for the past two years, and established policies pertaining to energy conservation, reduction in carbon and greenhouse gas emissions, reduction in water use, or management of waste disposal?			<p>1. To conform with environmental protection policy and regulations, the Company performs greenhouse gas emission inspection and reporting of waste on a regular basis.</p> <p>2. By adjusting production procedures, utilizing energy conservation equipment (e.g. gas-fired boilers, switching to high-performance motors of IE3 level or higher) and other measures, the Company seeks to reduce its greenhouse gas emissions.</p> <p>3. By controlling the optimal air-fuel ratio, using clean fuel, lowering sludge moisture content etc., the Company seeks to meet waste reduction targets and develop toward green production.</p> <p style="text-align: right;">Unit: Metric ton CO<sub>2</sub>e/year</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Direct greenhouse gas emissions</td> <td>854.8440</td> <td>980.3290</td> </tr> <tr> <td>Indirect greenhouse gas emissions</td> <td>8129.7284</td> <td>11430.6266</td> </tr> <tr> <td>Total greenhouse gas emissions</td> <td>8984.5726</td> <td>12410.9600</td> </tr> </tbody> </table> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Type</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Water use</td> <td>30,183 cubic meters</td> <td>35,815 cubic meters</td> </tr> </tbody> </table> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Type of waste</th> <th>Total waste in 2019</th> <th>Total waste in 2020</th> </tr> </thead> <tbody> <tr> <td>Waste acid</td> <td>590.05 metric tons</td> <td>810.91 metric tons</td> </tr> <tr> <td>Inorganic sludge</td> <td>345.69 metric tons</td> <td>432.19 metric tons</td> </tr> <tr> <td>Oil sludge</td> <td>378.60 metric tons</td> <td>359.73 metric tons</td> </tr> <tr> <td>Others</td> <td>4.35 metric tons</td> <td>21.48 metric tons</td> </tr> <tr> <td>Waste treatment</td> <td>NT\$8,421,994</td> <td>NT\$10,936,499</td> </tr> </tbody> </table> <p>(Note) The information above is obtained from inspection conducted by the Company and has not been certified by external parties. Despite not having passed third party certification, by strong internal control and auditing mechanism, the Company is able to ensure the accuracy of the data in the report.</p>		2019	2020	Direct greenhouse gas emissions	854.8440	980.3290	Indirect greenhouse gas emissions	8129.7284	11430.6266	Total greenhouse gas emissions	8984.5726	12410.9600	Type	2019	2020	Water use	30,183 cubic meters	35,815 cubic meters	Type of waste	Total waste in 2019	Total waste in 2020	Waste acid	590.05 metric tons	810.91 metric tons	Inorganic sludge	345.69 metric tons	432.19 metric tons	Oil sludge	378.60 metric tons	359.73 metric tons	Others	4.35 metric tons	21.48 metric tons	Waste treatment	NT\$8,421,994	NT\$10,936,499	
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<p>IV. Social issues</p> <p>(I) Has the company developed its policies and procedures in accordance with laws and the International Bill of Human Rights?</p> <p>(II) Has the company established and implemented reasonable employee benefit measures (including salary, leave and other benefits), reasonably reflecting</p>	<p>V</p> <p>V</p>	<p>(I) In accordance with the Labor Standard Act and International Bill of Human Rights, the Company has established many working protocols and management measures, including operating protocols, occupational safety and health protocols, regulations governing sexual harassment prevention measures, complaint and punishment, workplace violence prevention measures, human rights policy and etc. Meanwhile, the Company has also established the CSR Procedures to ensure the basic human rights of all employees, customers and stakeholders, so as to protect the welfare of the society.</p> <p>(II) By conforming to the Labor Standards Act and the related regulations, the Company has established the human resource and working protocols and regulated the employee benefit measures (including salary, leave and other benefits). Of which, the performance assessment and year-end bonus procedures depend on the yearly performance assessment. With regular assessment and disbursement of bonus, the Company</p>	No major deviation.																																					

Assessment item	Progress (Note)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
<p>the operating results in employee salary?</p> <p>(III) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?</p>	V		<p>seeks to share its earnings with all employees. Please see “Section V. Operational Highlights, subsection 5, Labor-capital relations” in the annual report for more details.</p> <p>(III) To provide a safe and healthy working environment for employees, the Company has established the following measures:</p> <ol style="list-style-type: none"> <li>1. Labor working environment monitoring <p>By paying close attention to the labor working environment and evaluating the operating environment that operators are exposed to, the Company devises a plan for labor working environment monitoring. According to the plan, the Company samples, monitors and analyzes the evaluation. Labor working environment monitoring is performed twice a year to effectively reduce the hazards that operators are exposed to and gain understanding of what operators are exposed to every year.</p> </li> <li>2. Industrial safety performance <ol style="list-style-type: none"> <li>(1) The industrial safety unit and the auditing unit perform regular checks every three months and consolidate the recommendations for improvement derived from the checks to various units for reference. At meetings held by the Occupation, Safety and Health Committee, weaknesses are reviewed.</li> <li>(2) The Company holds occupational safety and health training for new recruits and existing employees, and also has the occupational safety and health unit organize awareness campaigns from time to time to enhance the safety awareness of operators.</li> </ol> </li> <li>3. Fire fighting safety <p>To maintain the workplace safety, the Company performs checks and reports on the fire fighting equipment every year, and assigns employees into fire fighting groups. Fire extinguishing, notification and fire drills are held at least once every half year to get employees familiarized with the importance of fire fighting safety and how to avoid fire hazard.</p> </li> <li>4. Access control <p>To enter the mills, employees are required to wear their staff badges. Vendors and visitors are required to register by indicating the units they are visiting and reasons of their visits in order to get visitor passes before they can access the mills.</p> </li> <li>5. Employee welfare <p>Apart from providing labor and health insurance for employees, the Company also purchases group insurance for employees (including foreign employees) and provides lunch to employees at the cafeterias to take care of their diet. Every year, medical check-ups are also organized for employees and their families.</p> </li> <li>6. In accordance with the frequency of medical professionals providing on-site medical services stipulated by the Labor Health Protection Act, Article 4, the Company arranged two on-site visits by doctors in 2020, and two on-site visits by nurses every month. The Company also arranges for service items stipulated in the Labor Health Protection Act, Article 10 to be provided to employees.</li> </ol>	
<p>(IV) Has the company implemented an effective training program that helps employees develop skills over the course of their career?</p>	V		<p>(IV) The Company’s Management Division collects information pertaining to the training that the employees require in the following year at the end of every year. The Management Division then devises the yearly training program and supervises the employees in attending the training as per the program. All trainings are recorded and filed. The training program aims to enhance the employees’ capabilities and serves as a</p>	

Assessment item	Progress (Note)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
(V) Pertaining to the health and safety of customer when using the company's products and services, consumer privacy, marketing and labeling, does the company comply with the relevant regulations and international standards, and establish relevant policies on consumer protection and complaint procedures?	V		(V) reference for their promotions. As per ISO 9001 on quality management, the Company regulates the management of products and customers. The Company also provides a window for communication and e-mail addresses pertaining to its products on the Company website. The Company has also established a stakeholder section for customers to file their queries and complaints. Adhering to the principle of integrity, the Company handles the correspondences appropriately and provides feedback. Meanwhile, the Company has also established the "CSR Procedures" and "Business Integrity Procedures and Behaviors" to protect customer interests.	
(VI) Has the company established policy on supplier management, demanding suppliers to observe codes of conduct pertaining to environmental protection, labor safety and health or labor rights, and monitoring their implementation?	V		(VI) To ensure suppliers conform with the regulations, the Company has taken the following measures: 1. The Company has established the "Procedures for Supplier Management" and performs supplier evaluation every six months. The Company sends self-assessment questionnaires pertaining to environmental, social and corporate governance and other areas to suppliers (in 2020, a total of 21 questionnaires were collected). If the assessment results and collection of questionnaires from a supplier do not meet the requirements, the Company shall cut back or terminate transactions with it altogether. 2. Before entering the mills for construction, the Company shall convey the hazard notification to the vendors. The vendors also have to take part in hazard training (17 sessions were held in 2020) and sign the "Notification and Confirmation Checklist of Important Occupation, Safety and Health Hazard Matters" before they can start the construction. 3. If a current supplier is involved in actual or expected major environmental protection, labor law and human rights violations, or social incidents, the Company shall require the supplier to make improvements or terminate the contract with supplier.	
V. Does the company refer to universal standards or guidelines for report preparation when preparing for CSR report and other non-financial disclosure reports? Has the company obtained the confirmation or affirmation opinion from third-party certification body for the aforementioned reports?		V	The Company voluntarily prepared the Sustainability Report for 2020. Please see the Company website (www.tycons.com.tw) for more information. As per the Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies, the Company is not required to prepare the sustainability report. Therefore, the report is not prepared in accordance with the international standards or preparation guidelines, and has not received the assurance or independent verification from a third-party certification body.	Going forward, the Company shall work toward preparing the report according to international standards.
VI. If the Company has established integrity management principles in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please describe the current practices and any deviations from the Best Practice Principles: The Company has established the "CSR Procedures" to promote the implementation of social responsibilities. The actual implementation does not have major deviations from the procedures. However, the sustainability report was not prepared in accordance with the CSR standard. Going forward, the Company shall work toward preparing the report according to international standards.				
VII. Other information relevant to understanding the implementation of CSR: (-) The Company has uploaded the sustainability report on its website to assist others in understanding the implementation of CSR.				

Assessment item	Progress (Note)		Summary description	Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No		
(二)			To conform with government regulations, apart from providing jobs to local residents, the Company also hires people with disabilities to protect their right to employment. The Company has exceeded the quota stipulated in hiring people with disabilities.	

(VII) Deviation and causes of deviation from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies”

Assessment item	Progress (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Establishment of corporate conduct and ethics policy and implementation measures				
(I) Has the company established a corporate conduct and ethics policy that is approved by the board of directors and documented such policy and procedure, as well as ensured the commitment of the board and management team in the implementation of the policy thereof, in the bylaws and publicly available documents?	V		(I) The Company has established the “Ethical Corporate Management Best Practice Principles” and “Business Integrity Procedures and Behaviors”, which have been resolved by the board of directors and disclosed on MOPS and the Company website. Integrity management serves as the bedrock of the Company. When the management and board members conduct business activities, they are compelled to conduct themselves according to the principles of integrity management and responsible in supervising its implementation, so as to create a business environment for sustainable development.	No major deviation.
(II) Has the company established a risk assessment mechanism for unethical conduct, analyzed and evaluated activities that contain a higher risk of unethical conduct	V		(II) In the “Business Integrity Procedures and Behaviors”, the Company has concretely laid out the important items to pay attention to when conducting business activities, the punishment for violations and the complaint system. The Company has also implemented internal audit to reduce the occurrence of unethical behavior.	No major deviation.

Assessment item	Progress (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>in the scope of operations on a regular basis, and established measures for the prevention of unethical conduct that at least cover the business activities prescribed in the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”, Article 7, Paragraph 2?</p> <p>(III) Has the Company established relevant policies which are duly enforced to prevent unethical conduct, and provided and implemented operating procedures, behavioral guidelines, penalties for violations and an appeal system in such policies?</p>	V		<p>By applying the risk assessment mechanism for unethical conduct to evaluate the scope of business, the Company analyzes and assesses operating activities with relatively higher unethical conduct. The Company then devises preventive measures and reviews their propriety and effectiveness. The preventive measures cover at least the following behavior: 1. giving out and receiving bribery; 2. making illegal political contribution; 3. making illegal donations or sponsorships; 4. leaking trade secrets; 5. involvement in unfair competition and harming stakeholders’ interests.</p> <p>(III) In the “Business Integrity Procedures and Behaviors”, the Company has concretely laid out the important items to pay attention to when conducting business activities, including stipulating various operating procedures and behavioral guidelines. The Company has also established the “Procedures for Handling Reports on Illegal or Unethical Conduct” to encourage reporting on illegal or unethical conduct. Depending on the seriousness of the conduct, the Company shall give out rewards and punishment. For injustices or improprieties, employees may file a complaint in accordance with the “Procedures for Undertaking of Employee Complaint”.</p>	No major deviation.

Assessment item	Progress (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			Meanwhile, to implement integrity management, the President's Office is responsible for promoting and overseeing the execution of the integrity policy and preventive measures. It also reviews and amends the aforementioned guidelines and procedures on a regular basis.	
<p>II. Implementation of integrity management</p> <p>(I) Does the company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?</p> <p>(II) Does the company task a unit that reports directly to the board of directors with promoting ethical standards, making periodical updates (at least once a year) to the board on business integrity management policy, as well as the supervision of measures for</p>	<p>v</p> <p>v</p>		<p>(I) Before fostering new business relationships, the Company has to evaluate the legality and misconduct records of the transaction counterparties. After the evaluation, the Company shall assess the necessity of the relationship. If necessary, the contract shall stipulate the rights and obligations of both parties, terms and conditions of the transactions and the ethical commitment clauses.</p> <p>(II) The President's Office concurrently promotes integrity management, whereby it assists the board of directors and the management in devising and overseeing the implementation of integrity management policies and preventive measures. The implementation of the Ethical Corporate Management Best Practice Principles must be supervised and shall be reported to the board at least once a year. On November 13, 2020, the President's Office reported the implementation status to the board:</p>	<p>No major deviation.</p> <p>The Company shall maintain the current setup and not establish new designated units.</p>

Assessment item	Progress (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>the prevention of unethical conduct?</p> <p>(III) Does the company have any policies to prevent conflicts of interests and channels to facilitate the reporting of conflicting interests?</p>	V		<p>1. The Company reviews its integrity management policy and principles on a regular basis. In 2020, after referring to the existing rules and regulations, the Company established the “Business Integrity Procedures and Behaviors”.</p> <p>2. From time to time, the Company sends employees to take part in internal and external integrity management training. 17 people received training in the current period and completed a total of 57.5 training hours.</p> <p>3. The audit plan for 2020 included a review of the implementation of the internal control system. As of October 31, 2020, 36 reports had been completed and submitted to the chairperson for review.</p> <p>(III) To avoid conflicts of interests, the “Rules and Procedures of Board of Director Meetings”, “Procedures for Management of Ethical Conduct”, “Ethical Corporate Management Best Practice Principles”, “Business Integrity Procedures and Behaviors” and other related regulations stipulate and implement a recusal policy. A specific section for communication with external stakeholders is established on the Company website to receive information, recommendations, complaints and reports. Specific personnel is designated to oversee and respond to issues raised. There were no</p>	No major deviation.

Assessment item	Progress (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(IV) Has the company implemented effective accounting and internal control systems for the purpose of maintaining business integrity, and has the internal audit unit devised relevant audit planning according to the risk assessment results of unethical conduct? Are these systems reviewed by internal or external auditors on a regular basis?	V		whistle-blowing incidents in 2020. (IV) The Company has established an effective accounting system and prepared financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and IFRSs. According to the results of risk assessment, internal auditors shall devise and execute the yearly audit plan. The audit report generated is then submitted to the Audit Committee and board of directors. Furthermore, various departments of the Company conduct self-assessment on their respective internal control system every year, before the internal auditors conduct the related assessment and audit work. The practice is to ensure that the design and execution of the system remains effective.	No major deviation.
(V) Does the company conduct internal and external ethical training programs on a regular basis?	V		(V) The Company distributes working regulations to new recruits and conducts training for them to promote awareness on the Ethical Corporate Management Best Practice Principles. To prevent misconduct, in 2020, the Company held integrity management related training courses. 17 people received training and completed a total of 57.5 training hours.	No major deviation.
III. Implementation of the whistle-blowing system (I) Does the company provide	V		(I) The Company has established the “Procedures for Handling Reports	No major deviation.

Assessment item	Progress (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
incentives and means for employees to report malpractice, and implement an accessible whistle-blowing channel? Does the company dedicate personnel to investigate the reported malpractice?			on Illegal or Unethical Conduct” and “Procedures for Undertaking of Employee Complaint”. Whistle-blowers are able to file a complaint with the spokesperson, acting spokesperson or internal audit officers. Meanwhile, an e-mail address for reporting illegal or unethical conduct is available on the Company website. In 2020, there was no internal or external report of illegal or unethical conduct.	
(II) Has the company implemented any standard procedures or confidentiality measures for handling reported malpractices?	V		(II) As per the “Procedures for Handling Reports on Illegal or Unethical Conduct” and “Business Integrity Procedures and Behaviors”, depending on the seriousness of the conduct, the Company shall give out reward and punishment. For serious misconduct, the Company may terminate the employment of the persons involved. Meanwhile, the identity and the content of the report are kept confidential. The report, investigation process and results are documented on paper or in electronic files. The Company is responsible for properly maintaining the records.	No major deviation.
(III) Does the company assure malpractice reporters that they will not be mistreated for making such reports?	V		(III) As per the “Procedures for Handling Reports on Illegal or Unethical Conduct” and “Business Integrity Procedures and Behaviors”, the identity and the content of the report are kept confidential to ensure that the whistle-blowers do not receive any retaliation.	No major deviation.
IV. Strengthening information				

Assessment item	Progress (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
disclosure Has the company disclosed relevant CSR principles and implementation on its website and the Market Observation Post System?	V		The Company has disclosed relevant CSR principles and implementation on the Company website (www.tycons.com.tw) and MOPS.	No major deviation.
<p>V. If the company has established business integrity policies in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies”, please describe its current practices and any deviations from the Best Practice Principles: The Company has established the “Ethical Corporate Management Best Practice Principles” to foster a corporate culture of integrity management that can thrive. The actual practice does not have major deviations from the Company procedures.</p>				
<p>VI. Other information relevant to understanding the company’s business integrity: (e.g. review of Ethical Corporate Management Best Practice Principles)</p> <p>(I) To concretely regulate the important items to pay attention to when conducting business activities, the Company has established the “Ethical Corporate Management Best Practice Principles” and “Business Integrity Procedures and Behaviors”, which have been disclosed on MOPS and the Company website.</p> <p>(II) The Company has established the “Procedures for Handling Material Internal Information“, stipulating that directors, managers and employees exercise the due care of good administrators and principle of integrity when conducting business. For significant matters that require confidentiality, they are required to sign confidentiality agreements.</p> <p>(III) The Company has established the “Rules and Procedures of Board of Director Meetings”. For conflicts of interests concerning the directors or the legal persons they represent, they should inform the board meeting of the conflict of interest. If the interest of the Company may be harmed, they are not allowed to take part in the discussion and voting. Furthermore, they should recuse themselves from the discussion and voting, and shall not</p>				

Assessment item	Progress (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
represent other directors in the voting.				

(Note) Regardless of ticking “Yes” or “No”, please provide more information in the summary description column.

(VIII) If the company has corporate governance guidelines and regulations and other relevant internal policies, the method of inquiry shall be disclosed:

Avenue of inquiry: The Company website <http://www.tycons.com.tw>  
MOPS <http://mops.twse.com.tw/mops/web/index>

(IX) Other material information that may enhance the understanding of the status of corporate governance of the company shall also be disclosed:

1. Apart from the corporate governance section on MOPS, for significant matters, the Company shall immediately inform the investors on material information by way of notification.
2. The Company organizes an institutional investor conference every year. The related information is made available on the Company website and MOPS.
3. Continuing education of managers from January 1, 2020, to March 31, 2021:

Position	Name	Date of training	Organizer	Course title	Hours of training
President	Li, Chun-Hsiung	August 13, 2020	TYCOONS GROUP ENTERPRISE CO., LTD.	Prevention of Insider Trading	1.5H
Vice President	Chang, Jui-Fu	July 24, 2020	Kaohsiung City Government Labor Standards Inspection Office, Labor Affairs Bureau	2020 Occupational Safety and Health Awareness Campaign for SMEs	3H
		August 24, 2020	Occupational Safety and Health Administration, Ministry of Labor	2020 Occupational Hazard Prevention Exercise for Mechanical Cutting, Clipping and Coiling	3H
		March 12, 2021	Ministry of Justice Investigation Bureau (Gangshan Station)	Trade Secrets Act	1H
Assistant Vice President	Yao, Chin-Hsiang	August 13, 2020	TYCOONS GROUP ENTERPRISE CO., LTD.	Prevention of Insider Trading	1.5H
		March 12, 2021	Ministry of Justice Investigation Bureau (Gangshan Station)	Trade Secrets Act	1H
Assistant Vice President	Yan, Pang-Hsiu	August 13, 2020	TYCOONS GROUP ENTERPRISE CO., LTD.	Prevention of Insider Trading	1.5H
		March 12, 2021	Ministry of Justice Investigation Bureau (Gangshan Station)	Trade Secrets Act	1H

Assistant Vice President	Chang, Hsin-Yueh	July 3, 2020	Kaohsiung Chamber of Industry	Countermeasures of Enterprises after the Labor Incident Act Takes Effect	3H
		July 10, 2020	Labor Affairs Bureau, Kaohsiung City Government	2020 Training for Employment Service Act (Employment Discrimination) and Act of Gender Equality in Employment	3H
		July 20, 2020	Kaohsiung City Government Labor Standards Inspection Office, Labor Affairs Bureau	Prevention Training for Suspected Overwork and Occupational Machinery Hazard	4H
		August 13, 2020	TYCOONS GROUP ENTERPRISE CO., LTD.	Prevention of Insider Trading	1.5H
		August 18, 2020	Kaohsiung City General Industrial Association	Non-Financial Profitability Analysis and Cost Management	6H
		August 24, 2020	Occupational Safety and Health Administration, Ministry of Labor	2020 Occupational Hazard Prevention Exercise for Mechanical Cutting, Clipping and Coiling	3H
		November 27, 2020	Taiwan Stock Exchange	2020 Training for Public Listed Company Operations	2.5H
		March 3, 2021	Taiwan Corporate Governance Association	Seminar on Performance Assessment of the Board of Directors	4H
		March 12, 2021	Ministry of Justice Investigation Bureau (Gangshan Station)	Trade Secrets Act	1H
Manager	Wang, Min-Hua	May 20, 2020	Institute of Internal Auditors-Chinese Taiwan	Company Act in Practice and Analysis of the Latest Interpretations	6H
		June 2, 2020	Accounting Research and Development Foundation of R.O.C.	Policy Analysis of the Competent Authority in “Assisting Enterprises in Enhancing Financial Statement Preparation Capabilities” and Management of Internal Control in Practice	6H
		August 13, 2020	TYCOONS GROUP ENTERPRISE CO., LTD.	Prevention of Insider Trading	1.5H
		August 28, 2020	Institute of Internal Auditors-Chinese Taiwan	Risks of Unethical Behavior in Business Activities and Case Study Analysis	6H
		October 6, 2020	Institute of Internal Auditors-Chinese Taiwan	Exercise and Ethical Discussion on Internal Audit	6H
		November 13, 2020	Taiwan Stock Exchange	2020 Awareness Forum for Directors and Supervisors in Corporate Governance and Ethics	3H

		March 3, 2021	Taiwan Corporate Governance Association	Seminar on Performance Assessment of the Board of Directors	4H
		March 12, 2021	Ministry of Justice Investigation Bureau (Gangshan Station)	Trade Secrets Act	1H
Manager	Kao, Ching-Pin	August 13, 2020	TYCOONS GROUP ENTERPRISE CO., LTD.	Prevention of Insider Trading	1.5H
		March 12, 2021	Ministry of Justice Investigation Bureau (Gangshan Station)	Trade Secrets Act	1H
Manager	Chou, Pi-Wan	August 13, 2020	TYCOONS GROUP ENTERPRISE CO., LTD.	Prevention of Insider Trading	1.5H
		October 13, 2020	Accounting Research and Development Foundation of R.O.C.	Common Corporate Governance Weaknesses and Analysis of Related Regulations	4H
		October 23, 2020	Accounting Research and Development Foundation of R.O.C.	Tracing “the Money” in Financial Statement Fraud and Case Study for Legal Liability	4H
		November 24, 2020	Accounting Research and Development Foundation of R.O.C.	Case Study of Financial Statement Fraud and How to Gain Perspective on Key Financial Statement Information	4H
		December 3, 2020	Accounting Research and Development Foundation of R.O.C.	Case Study of Fraudulent Securities Trading by False Foreign Investment and Analysis of Legal Liability	4H
		March 12, 2021	Ministry of Justice Investigation Bureau (Gangshan Station)	Trade Secrets Act	1H

(X) Implementation of internal control systems: 1. Statement of Internal Control System

# TYCOONS GROUP ENTERPRISE CO., LTD.

## Statement of Internal Control System

Date: March 25, 2021

The Company declares the following with regard to its internal control system during fiscal year 2020, based on the findings of a self-assessment:

1. The Company acknowledges that the establishment, implementation and maintenance of an internal control system is the responsibility of the board of directors and managers of the Company. As such, the Company has established the aforementioned system. Its objectives are to provide reasonable assurance for effectiveness and efficiency of operations (including profitability, performance and guarantee of asset safety etc.), reliable, timely and transparent reporting, and conformity to applicable rules, regulations and laws.
2. An internal control system has its inherent limitations. Regardless of how exhaustive the design is, an effective internal control system can only provide reasonable assurance for the achievement of the aforementioned three objectives. Furthermore, due to changes in the environment or circumstances, the effectiveness of the internal control system may vary accordingly. Nevertheless, the Company's internal control system has set up a self-supervision mechanism. Once a deficiency has been identified, the Company will take remedial actions immediately.
3. In accordance with the determining criteria for the effectiveness of the internal control system prescribed in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereafter "the Regulations"), the Company evaluated the effectiveness of the design and execution of its internal control system. The determining criteria of the internal control system prescribed in the "Regulations" are based on the process of management control, dividing the internal control system into five composite elements: 1. control environment, 2. risk evaluation, 3. control operations, 4. information and communication, and 5. supervision. The composition of each element also includes several items. Please refer to the "Regulations" for the aforementioned items.
4. The Company has adopted the aforementioned determining criteria of the internal control system to evaluate the effectiveness of the design and execution of its own internal control system.
5. Based on the evaluation result of the preceding paragraph, the Company believes that its internal control system (including the supervision and management of its subsidiaries) as of December 31, 2020, including understanding the achievement for the objectives of effectiveness and efficiency of its operations, reliability, timeliness and transparency of its reporting and compliance with the applicable law and regulations, was effective in design and execution, and can be reasonably assured of the achievement of the aforementioned objectives.
6. This statement will serve as the main content of the Company's annual report and prospectus, and will be made available to the public. If the aforementioned public content has any illegal events including falseness or concealment etc., it shall be liable to the legal liabilities stipulated in Article 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the board of directors meeting of the Company held on March 25, 2021, where none of the 5 attending directors expressed dissenting opinions, and all affirmed the content of this statement.

TYCOONS GROUP ENTERPRISE CO., LTD.

Chairwoman: Lu, Yen-Chuan

Sign/Seal

President: Huang, Wen-Sung

Sign/Seal

2. When hiring an accountant to audit the company’s internal control system, the audit report prepared by the CPAs shall be disclosed: Nil.

(XI) For the most recent year and up to the publication date of the annual report, penalties imposed against the company and its staff, or penalties imposed by the company against its staff for violations of internal control or regulations, the main shortcomings and status of improvements: Nil.

(XII) For the most recent year and up to the publication date of the annual report, major resolutions and implementation by the shareholders’ and board meetings:

Date	Meeting	Major resolutions
March 10, 2020	Board of directors	<ol style="list-style-type: none"> <li>1. Summary of the 2020 business plan.</li> <li>2. Budget for 2020.</li> <li>3. Resolution of Remuneration Committee.</li> <li>4. Proposal for “Efficacy Assessment of Internal Control Systems” and “Statement of Internal Control System” for 2019.</li> <li>5. Amendment to the “Audit Committee Charter”, “Remuneration Committee Charter” and “Rules and Procedures of Board of Director Meetings”.</li> <li>6. Proposal for amendments to some articles of the Articles of Incorporation.</li> <li>7. Proposal for determining matters pertaining to the convening of shareholders’ meetings for 2020.</li> <li>8. Matters pertaining to the reception of shareholders’ written proposals for the shareholders’ meetings for 2020.</li> <li>9. Proposal to provide endorsement or guarantee for the subsidiary Tycoons Worldwide Group (Thailand) Public Co., Ltd.</li> <li>10. Proposal for financial derivatives transaction undertaken by the Company.</li> <li>11. Proposal to set the ceiling of funds lent to Tycoon Group International Co., Ltd. at US\$2.6 million.</li> <li>12. Proposal to set the ceiling of short-term advance payments to NT\$1 million for the subsidiary Tycoons Worldwide Group (Thailand).</li> <li>13. Proposal to set the ceiling of short-term advance payments to NT\$1 million for the affiliate TY Steel Co., Ltd.</li> <li>14. Proposal for the bank loan limit.</li> </ol> <p>Attending directors passed the resolution unanimously after the convener solicited opinions from the board.</p>
March 26, 2020	Board of directors	<ol style="list-style-type: none"> <li>1. Resolution of Remuneration Committee.</li> <li>2. Financial statements, consolidated financial statements and business report for 2019.</li> <li>3. Proposal for offsetting accumulated losses for 2019.</li> </ol>

		<p>4. Proposal for engagement of independent auditors and their service fees for 2020.</p> <p>5. Assessment of the independence of independent auditors.</p> <p>6. Proposal for amendments to “Business Integrity Procedures and Behaviors”, “Corporate Governance Best Practice Principles” and “CSR Procedures”.</p> <p>7. Proposal for capital increase in Yuan Chen Investment Co., Ltd.</p>
		Attending directors passed the resolution unanimously after the convener solicited opinions from the board.
May 13, 2020	Board of directors	Discussion items of the meeting: Nil.
May 28, 2020	Shareholders’ meeting	<p>1. Proposal for amendments to some articles of the Articles of Incorporation.</p>
		[Resolution] There were a total of 282,987,244 attending votes. 279,726,776 votes were in favor of the resolution (of which 150,030,359 votes were cast electronically), 329,566 were against the resolution (of which 329,566 votes were cast electronically), 2,930,902 votes were abstentions and votes not exercised (of which 2,930,902 votes were cast electronically). 98.84% of the votes were votes in favor. The resolution was passed as proposed.
May 28, 2020	Board of directors	<p>1. Proposal for the bank loan limit.</p>
		Attending directors passed the resolution unanimously after the convener solicited opinions from the board.
August 13, 2020	Board of directors	<p>1. Proposal for the bank loan limit.</p>
		Attending directors passed the resolution unanimously after the convener solicited opinions from the board.
November 13, 2020	Board of directors	<p>1. Addition of audit fees for 2020.</p> <p>2. Resolution passed for the audit plan for 2021.</p> <p>3. Proposal for the bank loan limit.</p>
		Attending directors passed the resolution unanimously after the convener solicited opinions from the board.
February 5, 2021	Board of directors	<p>1. Discussion on the appointment of the Company’s president.</p> <p>2. Rescission of non-compete clauses for the Company’s managers.</p> <p>3. Discussion on the appointment of the Company’s spokesperson.</p> <p>4. Confirmation of the extension of endorsement or guarantee to TY Steel Co., Ltd.</p> <p>5. Resolution passed for endorsement or guarantee to the subsidiaries Tycoons Worldwide Group (Thailand) and TY Steel Co., Ltd.</p> <p>6. Resolution of Remuneration Committee.</p>
		Attending directors passed the resolution unanimously after the convener solicited opinions from the board.
March 25, 2021	Board of directors	<p>1. Summary of the 2021 business plan.</p> <p>2. Budget for 2021.</p> <p>3. Resolution of Remuneration Committee.</p> <p>4. Change of Finance Director.</p> <p>5. Proposal for “Efficacy Assessment of Internal Control Systems”</p>

		<p>and “Statement of Internal Control System” for 2020.</p> <p>6. Financial statements, consolidated financial statements and business report for 2020.</p> <p>7. Proposal for offsetting accumulated losses for 2020.</p> <p>8. Assessment of the independence and qualification of independent auditors.</p> <p>9. Proposal for engagement of independent auditors and their service fees for 2021.</p> <p>10. Discussion on amendments to the Regulations for Elections of Directors.</p> <p>11. Discussion on amendments of the representatives of different departments in PS07B.</p> <p>12. Proposal for determining matters pertaining to the convening of shareholders’ meetings for 2021.</p> <p>13. Matters pertaining to the reception of shareholders’ written proposals for the shareholders’ meetings for 2021.</p> <p>14. Proposal for financial derivatives transaction undertaken by the Company.</p> <p>15. Proposal to provide endorsement or guarantee for the subsidiary Tycoons Worldwide Group (Thailand) Public Co., Ltd.</p> <p>16. Proposal to set the ceiling of funds lent to Tycoon Group International Co., Ltd. at US\$2.6 million.</p> <p>17. Proposal to set the ceiling of short-term advance payments to NT\$1 million for the subsidiary Tycoons Worldwide Group (Thailand).</p> <p>18. Proposal for the bank loan limit.</p>
		<p>Attending directors passed the resolution unanimously after the convener solicited opinions from the board.</p>

※ Execution of resolutions passed in shareholders’ meeting held on May 28, 2020:

Ratification Items

Item 1: Ratification of audited financial report for 2019.

[Resolution] There were a total of 282,987,244 attending votes. 279,312,467 votes were in favor of the resolution (of which 149,616,050 votes were cast electronically), 329,543 were against the resolution (of which 329,543 votes were cast electronically), 3,345,234 votes were abstentions and votes not exercised (of which 3,345,234 votes were cast electronically). 98.70% of the votes were approval votes. The resolution was passed as proposed.

Execution status: Resolution passed and announced on MOPS.

Second resolution: Ratification of proposal for offsetting accumulated losses for

2019.

[Resolution] There were a total of 282,987,244 attending votes. 279,712,462 votes were in favor of the resolution (of which 150,016,045 votes were cast electronically), 344,604 were against the resolution (of which 344,604 votes were cast electronically), 2,930,178 votes were abstentions and votes not exercised (of which 2,930,178 votes were cast electronically). 98.84% of the votes were approval votes. The resolution was passed as proposed.

Execution status: Resolution passed and announced on MOPS.

#### Discussion Items

Item 1: Proposal for amendments to some articles of the Articles of Incorporation.

[Resolution] There were a total of 282,987,244 attending votes. 279,726,776 votes were in favor of the resolution (of which 150,030,359 votes were cast electronically), 329,566 were against the resolution (of which 329,566 votes were cast electronically), 2,930,902 votes were abstentions and votes not exercised (of which 2,930,902 votes were cast electronically). 98.84% of the votes were approval votes. The resolution was passed as proposed.

Execution status: Resolution passed. On June 2, 2020, the Company received approval from MOEA for registration, and it was announced on MOPS.

(XIII) For the most recent year and up to the publication date of the annual report, important resolutions passed by the board of directors to which directors or supervisors had dissenting opinions and of which there are records or written statements: Nil.

(XIV) For the most recent year and up to the publication date of the annual report, resignations or discharges of the company's key individuals:

Position	Name	Date of appointment	Date of discharge	Reason for resignation or discharge
President	Li, Chun-Hsiung	November 13, 2019	February 5, 2021	Retirement
Finance Director	Kao, Ching-Pin	November 13, 2019	March 25, 2021	Staffing change

## V. Audit Fees

### (I) Audit Fees

#### **Audit fees table (Please tick the applicable bracket and indicate the amount)**

Accounting firm	Independent auditor		Audit period	Remarks
Baker Tilly Clock & Co.	Lai, Yung-Chi	Ting, Hung-Sun	January 1, 2020, to December 31, 2020	

Note: If there are changes in independent auditors or accounting firms, the periods covered by

their audit should be disclosed respectively. The reason for the change shall be indicated in the remarks column.

Amount unit: NT\$ thousand

Accounting firm	Independent auditor	Audit fee	Non-audit fee				Subtotal	Period covered by audit	Remarks
			System design	Company registration	Human resources	Others			
Baker Tilly Clock & Co.	Lai, Yung-Chi Ting, Hung-Sun	2,090				20	20	2020	Fees for reviewing the shareholders' meeting financial report

Unit : Thousand New Taiwanese Dollars

Bracket	Item	Audit fees	Non-audit fees	Total
1	低於 2,000 千元 Less than 2,000,000	-	20	20
2	Between 2,000,000(inclusive) to 4,000,000	2,090	-	2,090
3	Between 4,000,000(inclusive) to 6,000,000	-	-	-
4	Between 6,000,000(inclusive) to 8,000,000	-	-	-
5	Between 8,000,000(inclusive) to 10,000,000	-	-	-
6	More than 10,000,000 ((inclusive)	-	-	-

- (II) Non-audit fees paid to independent auditors, accounting firms, and affiliated companies thereof that amount to more than 1/4 of the audit fees: Not applicable.
- (III) Changes in the accounting firm that result in lesser audit fees paid in comparison to the previous year: Not applicable.
- (IV) Reduction of audit fees by more than 15% compared to the previous year: Not applicable.

VI. For the last two fiscal years and the period afterward, changes in independent auditors: Nil.

- (I) Replies from previous independent auditors pursuant to Article 10, Paragraph 6, Subparagraph 1 and 2(3): Not applicable.

VII. Any of the company's chairperson, president, or managers responsible for financial or accounting affairs employed by the auditor's firm or any of its affiliated companies in the most recent year: Nil.

VIII. For the most recent year and up to the publication date of the annual report, transfers of equity interest and changes in stock pledges of directors, supervisors, managers and shareholders with stakes of 10% or more: Nil.

- (I) Transfer of equity interest and change in stock pledge of directors, supervisors, managers and shareholders:

Title	Name	2020		Current fiscal year up to April 26, 2021	
		Increase (decrease) in number of shares held	Increase (decrease) in number of pledged shares	Increase (decrease) in number of shares held	Increase (decrease) in number of pledged shares

Chairman	Lu, Yen-Chuan	0	0	0	0
Director	Huang, Bing-Lun	5,359,822	0	0	0
Independent Director	Wei, Gong-Ao	0	0	0	0
Independent Director	Wu, Zhong-Xin	0	0	0	0
Independent Director	Huang, Qun-Kai	0	0	0	0
President	Huang, Wen-Sung	0	0	0	0
President (Note 1)	Li, Chun-Hsiung	(200,000)	0	0	0
Vice President	Chang, Jui-Fu	(2,000)	0	0	0
Senior Manager	Yao, Chin-Hsiang	(23,000)	0	(13,000)	0
Senior Manager	Chang, Hsin-Yueh	0	0	0	0
Senior Manager	Yen, Pang-Hsiu	0	0	0	0
Accounting Officer	Chou Pi-Wan	0	0	0	0
Financial Officer	Chang, wen-Hui	0	0	0	0
Corporate Governance Officer	Wang, Min-Hua	0	0	0	0

(Note 1) President Li, Chun-Hsiung retired on January 2021.

(Note 2) The information above listed the changes in common stock, while transferee and transferor involved are all non-related parties.

(II) Stock transfers to related parties : None ◦

(III) Pledge of stock rights to related parties : None ◦

#### IX. Shareholding percentage of top 10 shareholders and their mutual affiliations

Name	In person Shareholding		Shares held by spouse and minor child(ren)		Total shares held under other people's names		Names and relationships of spouse or other relatives within two degrees of consanguinity who are also among the Company's top 10 largest shareholders		Remarks
	Shares held	Shareholding percentage	Shares held	Shareholding percentage	Shares held	Shareholding percentage	Title (or name)	Relationship	
Heng Hsieh Investment Co., Ltd.	36,568,846	7.62	-	-	-	-	Nil	Nil	
Representative of Heng Hsieh Investment Co., Ltd.: Li, Tsui-Chuan	-	-	-	-	-	-	Nil	Nil	
Shou Fu Investment Co., Ltd.	30,005,285	6.25	-	-	-	-	Nil	Nil	
Representative of Shou Fu Investment Co., Ltd.: Huang, Shao-Wei	-	-	-	-	-	-	Nil	Nil	
Yi Sheng Investment Co., Ltd.	28,317,165	5.90	-	-	-	-	Nil	Nil	
Representative of Yi Sheng Investment Co., Ltd.: Huang, Chen-Hsuan	-	-	-	-	-	-	Nil	Nil	
Botian Investment Co., Ltd.	21,209,879	4.42%	-	-	-	-	Nil	Nil	
Representative of Botian Investment Co., Ltd.: Huang, Wen-Sung	6,170,824	1.29	-	-	-	-	Huang, Ping-Lun	Father and son	
Huang, Ping-Lun	20,027,136	4.17	-	-	-	-	Lu, Yen-Chuan Huang, Wen-Sung G. Yen Co., Ltd.	Mother and son Father and son Director	
Wei, Tao-Cheng	13,500,000	2.81	-	-	-	-	Nil	Nil	
G. Yen Co., Ltd.	13,276,077	2.77	-	-	-	-	Lu, Yen-Chuan Huang, Wen-Sung Huang, Ping-Lun	Director Supervisor Director	
Representative of G. Yen Co., Ltd.: Lu, Yen-Chuan	5,986,649	1.24	-	-	-	-	G. Yen Co., Ltd. Huang, Ping-Lun	Director Mother and son	
Wang, Pi-Chang	9,080,026	1.89	-	-	-	-	Nil	Nil	
Chiang, Shu-Chu	6,857,000	1.43	-	-	-	-	Nil	Nil	
Huang, Wen-Sung	6,170,824	1.29	-	-	-	-	G. Yen Co., Ltd. Huang, Ping-Lun	Supervisor Father and son	

X. Number of shares and consolidated shareholding percentages of investee companies held by the company, directors, supervisors and managerial officers of the company, and entities in which the company has direct or indirect controlling interest

March 30, 2021 Unit: Shares; %

Investees (Note1)	Invested by the Company		Held by directors, supervisors, managers, and directly/indirectly controlled entities		Aggregated investment	
	Shares held	Shareholding percentage	Shares held	Shareholding percentage	Shares held	Shareholdin g percentage
Tycoons Group International Co.,Ltd	182,650,140	100	—	—	182,650,140	100
Hurco Automation, Ltd.	4,207,707	35	—	—	4,207,707	35
Yuan Chen Investment Co., Ltd. (Note2)	3,185,000	100	—	—	3,185,000	100
Tycoons Worldwide Group(Thailand) Public Co., Ltd.	7,220,000	1.21	419,880,892	70.36	427,100,892	71.57

Note1: Investment that is accounted for using the equity method.

Note 2: Yuan Zhen Investment Co., Ltd. has been confirmed dissolution status on 2020/11/19 by Commercial Administration Division of Economic Development Bureau of Kaohsiung City Government official document #1095446110, the closure of liquidation be process by court on 2021/03/24.

## Four. Share issuance

### I. Source of share capital

Month / Year	Issue price	Authorized share capital		Paid-in capital		Remarks		
		Shares held	Amount	Shares held	Amount	Source of capital	Property other than cash provided as capital contribution	Others
October 1991	10	20,140,000	201,400,000	20,140,000	201,400,000	Capitalization of retained earnings of NT\$11,400,000	—	—
December 1991	10	30,140,000	301,400,000	30,140,000	301,400,000	Cash capital increase of NT\$100,000,000.	—	—
October 1992	10	31,647,000	316,470,000	31,647,000	316,470,000	Capitalization of retained earnings of NT\$15,070,000	—	—
April 1993	10	36,710,520	367,105,200	36,710,520	367,105,200	Capitalization of capital reserve of NT\$15,823,500; capitalization of retained earnings of NT\$34,811,700	—	—
December 1993	10	41,210,520	412,105,200	41,210,520	412,105,200	Cash capital increase of NT\$45,000,000	—	—
July 1994	10	48,422,361	484,223,610	48,422,361	484,223,610	Capitalization of capital reserve of NT\$20,605,260; capitalization of retained earnings of NT\$51,513,150	—	—
June 1995	10	83,500,000	835,000,000	71,279,535	712,795,350	Capitalization of capital reserve of NT\$24,211,180; capitalization of retained earnings of NT\$62,949,070 Capitalization of employee bonus of NT \$1,411,490; cash capital increase of NT\$140,000,000	—	—
May 1996	10	135,689,366	1,356,893,660	135,689,366	1,356,893,660	Capitalization of capital reserve of NT\$71,279,540; capitalization of retained earnings of NT\$71,279,540 Capitalization of employee bonus of NT \$1,539,230; cash capital increase of NT\$500,000,000	—	—
December 1996	10	400,000,000	4,000,000,000	235,689,366	2,356,893,660	Cash capital increase of NT\$1,000,000,000	—	—
July 1997	10	400,000,000	4,000,000,000	259,258,302	2,592,583,020	Capitalization of capital reserve of NT\$235,689,360	—	—
March 1998	10	500,000,000	5,000,000,000	379,258,302	3,792,583,020	Cash capital increase of NT\$1,200,000,000	—	—
July 1998	10	530,000,000	5,300,000,000	424,769,298	4,247,692,980	Capitalization of capital reserve of NT\$379,258,300 Capitalization of retained earnings of NT\$75,851,660	—	—
December 2004	10	530,000,000	5,300,000,000	451,984,494	4,519,844,940	Overseas convertible bonds that exercised conversion right, totaling NT\$272,151,960	—	—
March 2005	10	530,000,000	5,300,000,000	455,008,404	4,550,084,040	Overseas convertible bonds that exercised conversion right, totaling NT\$30,239,100	—	—
Month/Year	Issue price	Authorized share capital		Paid-in capital		Remarks		
		Shares held	Amount	Shares held	Amount	Source of share capital	Property other than cash provided as capital contribution	Others
June 2007	10	640,000,000	6,400,000,000	455,008,404	4,550,084,040	Increased authorized capital to NT\$6.4 billion	—	—
April 2008	10	640,000,000	6,400,000,000	511,563,845	5,115,638,450	Domestic convertible bonds that exercised conversion right, totaling NT\$565,554,410	—	—

September 2008	10	640,000,000	6,400,000,000	552,230,397	5,522,303,970	Domestic convertible bonds that exercised conversion right, totaling NT\$406,665,520	—	—
July 2010	10	640,000,000	6,400,000,000	358,820,726	3,588,207,260	Capital reduction to offset losses of NT\$1,934,096,710	—	—
November 2010	10	640,000,000	6,400,000,000	483,820,726	4,838,207,260	Cash capital increase of NT\$1,250,000,000	—	—
April 2013	10	640,000,000	6,400,000,000	498,349,004	4,983,490,040	Domestic convertible bonds that exercised conversion right, totaling NT\$145,282,780	—	—
June 2013	10	640,000,000	6,400,000,000	500,745,229	5,007,452,290	Domestic convertible bonds that exercised conversion right, totaling NT\$23,962,250	—	—
May 2014	10	640,000,000	6,400,000,000	540,424,450	5,404,244,500	Domestic convertible bonds that exercised conversion right, totaling NT\$396,792,210	—	—
December 2014	10	640,000,000	6,400,000,000	544,591,116	5,445,911,160	Domestic convertible bonds that exercised conversion right, totaling NT\$41,666,660	—	—
April 2015	10	640,000,000	6,400,000,000	547,091,116	5,470,911,160	Domestic convertible bonds that exercised conversion right, totaling NT\$25,000,000	-	-
July 2018	10	640,000,000	6,400,000,000	379,751,976	3,797,519,760	Capital reduction to offset losses of NT\$1,673,391,400	-	-
December 2018	10	640,000,000	6,400,000,000	479,751,976	4,797,519,760	Cash capital increase from issuance of new shares of NT\$1,000,000,000	-	-
June 2019	10	700,000,000	7,000,000,000	479,751,976	4,797,519,760	Increased authorized capital to NT\$7.0 billion		

Share categories	Authorized share capital				
	Outstanding shares			Unissued shares	Total
	Listed	Non-listed	Total		
Registered ordinary shares	479,751,976	-	479,751,976	220,248,024	700,000,000

Information on shelf registration: Not applicable.

## II. Shareholder structure

Shareholder structure	Governmental agencies	Financial institutions	Other legal persons	Foreign institutions and foreign persons	Individuals	Total
Number of shareholders	0	0	124	68	46,215	46,407
Shares held	0	0	131,634,343	15,376,455	332,741,178	479,751,976
Shareholding percentage	0.00%	0.00%	27.44%	3.20%	69.36%	100.00%

## III. Share ownership distribution

April 30, 2021

Range of shareholding	Number of shareholders	Shares held	Shareholding percentage
1-999	17,522	3,807,843	0.79%
1,000-5,000	21,416	48,413,882	10.09%
5,001-10,000	3,999	33,791,752	7.04%
10,001-15,000	958	12,424,477	2.59%
15,001-20,000	768	14,538,187	3.03%
20,001-30,000	621	16,025,196	3.34%
30,001-40,000	254	9,073,207	1.89%
40,001-50,000	236	11,056,044	2.31%
50,001-100,000	352	25,569,828	5.33%
100,001-200,000	144	20,785,338	4.33%
200,001-400,000	59	16,498,703	3.44%
400,001-600,000	21	10,468,183	2.18%
600,001-800,000	12	8,535,726	1.78%
800,001-1,000,000	8	7,279,287	1.52%
1,000,001 以上	37	241,484,323	50.34%
Total	46,407	479,751,976	100.00%

## IV. List of major shareholders

Name of major shareholder	Shares held	Shareholding percentage
Heng Hsieh Investment Co., Ltd.	36,568,846	7.62%
Heng Hsieh Investment Co., Ltd.	30,005,285	6.25%
Yi Sheng Investment Co., Ltd.	28,317,165	5.90%
Botian Investment Co., Ltd.	21,209,879	4.42%
Huang, Ping-Lun	20,027,136	4.17%
Wei, Tao-Cheng	13,500,000	2.81%
G. Yen Co., Ltd.	13,276,077	2.77%
Wang, Pi-Chang	9,080,026	1.89%
Chiang, Shu-Chu	6,857,000	1.43%
Huang, Wen-Sung	6,170,824	1.29%

V. Market share price, net worth, earnings and dividend information for the most recent two years

Item		Year	2019	2020	Current year as of March 31, 2021 (Note 8)
Market price per share (Note 1)	Highest		7.06	8.85	8.30
	Lowest		4.95	3.26	6.09
	Average		6.36	4.88	7.00
Equity per share (Note 2)	Prior to distribution		9.01	8.52	8.80
	After distribution		9.01	8.52	8.80
Earnings per share	Weighted average shares (thousand shares)		479,752	479,752	479,752
	Earnings per share (Note 3)		(1.64)	(0.39)	0.4
Dividend per share	Cash dividends		—	—	—
	Preferred stock	—	—	—	—
		—	—	—	—
	Cumulative unpaid dividends (Note 4)		—	—	—
Analysis of return on investment	Price to earnings ratio (Note 5)		—	—	—
	Price to dividend ratio (Note 6)		—	—	—
	Dividend yield (Note 7)		—	—	—

Note 1: PE Ratio = Average closing price for the period / Earnings per share.

Note 2: Please calculate using the number of issued shares as of year end and distribution as per resolution of the shareholders' meeting in the following year.

Note 3: If retrospective adjustment is needed due to bonus shares, EPS prior to and after adjustments should be presented.

Note 4: If the terms of issuance of equity securities stipulate that the unpaid dividend of the year can only be cumulated and disbursed in the year where the Company is profitable, respective disclosure on the cumulative unpaid dividend up to the year should be made.

Note 5: Price to earnings ratio = Average closing price for the period / Earnings per share.

Note 6: Price to dividend ratio = Average closing price for the period / Cash dividend per share.

Note 7: Dividend yield = Cash dividend per share / Average closing price for the period.

Note 8: The market price per share is based on information as of March 31, 2021.

VI. Dividend Policy and Implementation Status

1. Dividend policy:

As the Company is in a transformative stage, the dividend policy shall take into account the investment capital requirements, financial structure, earnings and other circumstances of the Company. The board of directors shall prepare the earning distribution proposal and submit it to the shareholders' meeting for a resolution.

In the event of profit after tax after the annual account closure, the Company shall appropriate the profit to offset the following in order:

(I) Tax payments.

(II) Accumulated losses.

(III) 10% appropriated to legal reserve.

(IV) Special reserve required to be appropriated as stipulated by the law and regulations. The reversal of

special reserve shall be integrated into the undistributed earnings before distribution as stipulated by the law and regulations.

- (V) After appropriating the aforementioned items from (I) to (IV), for the remaining earnings of the fiscal year, together with any accumulated undistributed earnings of the previous year and the adjustment of undistributed earnings of the fiscal year, the Company shall appropriate at least 50% to 100% as stock dividend. The remaining amount shall be reserved as the balance of undistributed earnings for the fiscal year. Of this, the cash dividend appropriated shall not be less than 10% of the total shareholder dividend distributed for the fiscal year.

For the aforementioned dividend distribution principles, the Company shall take into account the changes in the internal and external business environment. The board of directors shall prepare the distribution proposal and submit it to the shareholders' meeting for adjustment and resolution.

2. Proposal to appropriate cash dividend at the shareholders' meeting: No appropriation of cash dividend was proposed at this shareholders' meeting.

## VII. The impact on the operating performance of the Company and EPS posed by the proposal of the shareholders' meeting to issue bonus shares

No appropriation of bonus shares was proposed at this shareholders' meeting.

## VIII. Employees and directors remuneration

1. Employees and directors remuneration policies as stated in the Articles of Incorporation:  
For a profitable fiscal year (a profitable fiscal year refers to the annual profit before tax before deducting the remunerations of employees, directors and supervisors), the Company shall appropriate 2% to 5% of the profit as employee remuneration and not more than 1% as director and supervisor remuneration. However, in the event of accumulated losses, the Company shall first reserve a sufficient amount to offset the losses.  
The Company may distribute the employee remuneration in the form of stocks or cash to eligible employees of subordinate companies who fulfill certain requirements.  
The disbursement of the employee, director and supervisor remunerations shall be passed by the board of directors via a special resolution.
2. The estimation basis of the compensation for employees, directors and supervisors for the current period, the computation basis for the number of shares issued as stock dividend serving as employee compensation, and accounting treatments for any discrepancies between the amounts estimated and the amounts disbursed: No appropriation.
3. Data related to the board of directors' resolution on the appropriation of employee compensation and director and supervisor remuneration, as well as earnings distribution computation: On March 25, 2021, the board passed a resolution for the accumulated losses offsetting proposal for 2020, and it was resolved not to distribute employee compensation and director and supervisor remuneration.
4. Actual disbursement of employee bonus and remuneration to directors for the preceding year (including employee stocks, cash disbursement and share prices). In circumstances where the actual distributed differs from the recognized amount, the difference, reasons and handling of such matter shall be stated: Nil.

## IX. Share repurchase by the Company: Nil.

## X. Corporate bonds, preferred shares, overseas depositary receipts, employee stock option certificates and mergers and acquisitions (including mergers, acquisitions and splits):

### (I) Corporate bonds

#### 1. Corporate bonds:

Type of corporate bonds	First domestic secured corporate bonds
Date of issuance	November 14, 2018
Face value	Face value of NT\$1 million per unit
Issuance and trading location	Over-the-counter

Issue price	Issued at face value	
Total	NT\$200 million	
Interest	0.79%	
Time limit	3 years	
Credit guarantee institution	First Commercial Bank	
Trustee	Land Bank of Taiwan	
Underwriter	Not applicable	
Legal counsel	Chen, Shu-Chen	
Independent auditors	Not applicable	
Repayment method	Repay at face value	
Principal not repaid (as of April 30, 2020)	200,000,000	
Redemption or early repayment clause	Nil	
Covenants	Nil	
Credit rating agency, date of rating and rating of corporate bond results	Not applicable	
Other equity interests	Amount of converted ordinary shares up to the printing date of the annual report	Not applicable
	Issuance and conversion	Not applicable
Possible dilution effect on existing shareholders rights of the method or conditions of issuance and conversion	Not applicable	
Custodian	Not applicable	

In 2018, the Company issued the first secured ordinary corporate bonds. As per the Company Act, Article 248, Paragraph 1, sub-paragraph 5, the Company has established the “Plan for Raising and Method for Custody of the Funds Raised”, stipulating that the source of the funds for the repayment of the ordinary corporate bonds shall come from operating and financing activities. To lower the risks arising from fluctuations of interest rates and capital management, the Company proposes to change the source of funds for the repayment of the ordinary corporate bonds to equity capital, operating revenue, bank loans or capital market instruments and money market instruments.

1. Convertible corporate bonds: Nil
  2. Exchangeable corporate bonds: Nil
  3. Shelf registration of corporate bonds issued: Nil
  4. Corporate bonds with warrants: Nil
- (II) Preferred shares
1. Preferred shares: Nil
  2. Preferred shares with warrants: Nil
- (III) Overseas depositary receipts  
Overseas depositary receipts: Nil
- (IV) Employee stock option certificates
1. Employee stock option certificates: Nil
  2. Names and subscription status of managerial officers who have obtained employee stock option certificates, and top ten employees who have obtained employee stock option certificates and their subscription have amounted to NT\$30 million or more: Nil

(V) Issuance of new shares following acquisitions and transfers of the other companies: Nil.

## XI. Execution of Fund Usage Plan

The Company does not have previous incomplete issuances or private placements, or fully executed projects in the most recent three years which have yet to show evident benefits.

## Five. Operational Highlights

### I. Operational Highlights

#### (I) Scope of Business

##### 1. Main businesses of the Group:

- (1) Trading of screws, nuts, washers, bolts, and trading of mechanical hardware, hand tools, automobile materials and components.
- (2) Spheroidization heat treatment, casting, trading and fabrication of steel wire, screws, nuts and other related metal items.
- (3) Manufacturing, fabrication, trading and exporting of socket wrench components, torque wrenches, screwdrivers, wire rods, iron bars and chains.
- (4) Manufacturing, fabrication, trading, exporting and leasing of machinery components, forming machines, tapping machines, heading machines, trimming machines, threading machines, packaging machines, heat treatment equipment and components of the aforementioned machines.
- (5) Manufacturing, fabrication, trading and exporting of various types of metal modules.
- (6) General import and export trading. (Except those subject to special approval)
- (7) H701020 Industrial Factory Development and Rental.
- (8) H701010 Housing and Building Development and Rental.
- (9) C801010 Basic Chemical Industrial.
- (10) F107100 Wholesale of Chemical Materials.
- (11) ZZ99999 All business items that are not prohibited or restricted by law, except those subject to special approval.

##### 2. Revenue distribution of main products:

Unit: NT\$ thousand

Product item	Operating revenue for 2020	Percentage over total sales %
Wire rods	2,625,972	33.11
Wires	2,030,541	25.60
Screws	1,404,174	17.71
Fabrication	134,411	1.69
Steel bars	1,536,120	19.37
Others	199,166	2.51
Total	7,930,384	100.00

##### 3. Current main products of the Company:

- (1) Spheroidized wires
- (2) Wire rods
- (3) Steel bars
- (4) Large screws and construction screws
- (5) Heat treatment of spheroidized wires and screws

##### 4. Development of new products and services:

With existing products and technology, via the mills in Thailand, the Company provides advanced equipment and R&D technology to manufacture wire rods to cater to domestic customers.

- (1) Various specialized screws and car screws.

- (2) Strengthen the sales of strengthened and professional grade spheroidized wires.
- (3) Heat treatment, acid cleaning, surface treatment and wiredrawing of alloy steel spheroidized wires.
- (4) Research and produce couplers, shear studs and TC bolts and other construction screws.
- (5) In the production process of rolled steel in Thailand, the automatic detection and automatic grinder for billets increases the grade of the rolled steel products, thus increasing the percentage of high-value products in the product portfolio.
- (6) Build inventory within the mills and explore the feasibility of automated warehouses in the future.

(II) Industry overview:

1. Current and future industry prospects

Screws and nuts are crucial fasteners for various sorts of equipment. In Europe and the US, these products have been widely used for decades. The affiliated industry produces machine tools, industrial machinery, electronics, electrical machines, transport vehicles, household appliances, furniture, construction tools and equipment. The applications are wide. Therefore, screws and nuts are an evident indicator of the level of industrial development of a country. The higher the degree of industrialization, the higher the demand.

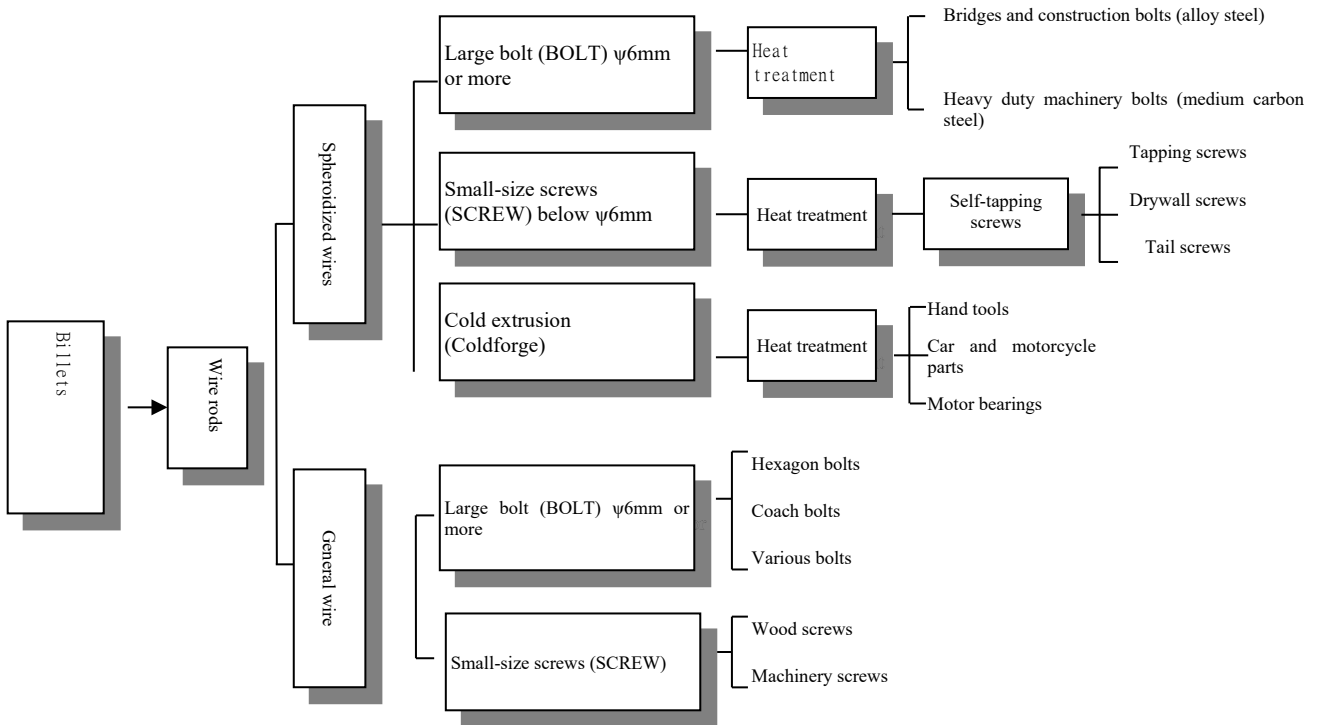
Our country has more than 40 years of history in the industrial development of screws and nuts. Due to the rapid development of industries, since the Taiwan Industrial Fasteners Institute was founded in 1969, there are more than 1600 screw factories in the country currently, many of which produce low carbon steel screws. Approximately 70% of the factories are located in the Tainan and Kaohsiung areas. The rest are located in the central and northern parts of the country. Of these, most of the mills are small enterprises that are mainly involved in the stabilized finish of the screw fabrication process. For the spheroidization of wires, surface machining and carburized heat treatment that require large investments in production equipment, they normally engage the services of other suppliers. As such, overall, in terms of operating scale, production technology, product development and international marketing capability, the usual small enterprises need to make frequent investments and introduce advanced R&D technology and equipment to increase their business operation. However, currently, for the product development of screws and nuts, the competitive advantages in terms of R&D and low production costs have made Taiwanese suppliers the main suppliers of Europe and the US, winning the title of

“Screw Kingdom of the World”.

In recent years, the traditional screw manufacturing industry of Taiwan is facing stiff pricing competition from counterparts in Southeast Asian countries and Mainland China, who are gaining advantage rapidly. This has caused the domestic fastener manufacturers to transfer their low-end production lines elsewhere. As such, in the future, within the country, the market opportunity for the screw industry lies with higher end fastener products, including aerospace, motor vehicle and other industrial high-value fasteners. Furthermore, in the global fastener market, especially international fastener brands are practicing a global operating strategy in constructing a global division of labor to reduce management, manufacturing and sales costs. Apart from focusing on core businesses with internal resources, they expedite the transfer of midstream and downstream production and sales processes to regions with lower production costs. This trend has caused the competition of the future fastener industry not to localize in competition between enterprises, but in competition between supply chains, or even between industrial systems.

## 2. The connection of upstream, midstream and downstream industries

Screws are indispensable fastener components in industrial products. Their manufacturing process involves shaping billets into wire rods. The wire rods are then subject to acid cleaning and drawing to wire form or spheroidized wires. They are then further subjected to heading and threading and surface treatment to become screws. The subsequent heat treatment will turn them into screws with high hardness. The related upstream industries are of wire and wire rod fabrication. The affiliated industries are manufacturing of screw forming machines, electroplating and heat treatment systems, while the downstream industries are the manufacturing of appliances, machinery, motor vehicles and construction. Therefore, as the economy grows and industrialization deepens, the demand for products and their upstream industries will grow accordingly.



### 3. Product development trends and competition

#### (1) Screws, nuts and bolts

Development trends: With the current machine-making technology in the country, the production capacity and precision have seen substantial improvements. Compounded by the fact that wire production has incorporated professional spheroidized heat treatment, the shortfall of screws and nuts initially brought by the quality of raw material has seen much improvement. As such, in the foreseeable future, we would still be the main supply source. As the technological and industrial structure is ever changing all over the world, the industries of advanced countries are becoming more cutting-edge and sophisticated. As developing and underdeveloped countries are playing catch-up in industrialization, they require the supply of large amounts of high quality and reasonably priced products. In the past 40 years, the domestic industry has been developing, making our country the main choice for many international markets. In the future, based on the current foundation, the manufacturers of our country shall combine different sorts of special steel and alloy steel to fabricate high-end products for military, motor vehicle, aerospace and other industries, in hopes of producing better quality and more value-adding products. For screw and nut products, the US market is important to the Company, because it is the most important market for screw and nut products in the whole world. The Company has accumulated much reputation and acknowledgement in the US market.

Competition: Currently, our country is one of the main suppliers of screw and nut products for the global market, constituting 50% of the total exports. Therefore, the fastener export of our country is closely related to the US market. Our main competitors in the US market are businesses from Mainland China. Currently, the top five countries that the US mainly imports from are Mainland China, Taiwan, Canada, Japan and South Korea, which constitute approximately 90% of US imports.

## (2) Spheroidized wires:

Development trends: According to the classification of China Steel, wire with a diameter of 14 mm or more is called bar in coil. For wire with a diameter of 5.5 mm to 14 mm, in the traditional screw and nut making process, the wire is directly used for fabrication. The final product has less ruggedness and safety. With the upgrade of the industry, domestic manufacturers are moving toward developing high-end screws with more added value. Whereas the spheroidized wires not only make better quality products, they also have better ductility, which is beneficial for the fabrication in downstream industries. As such, the development of spheroidized heat treatment is also growing. The vertical integration of the production processes of upstream and downstream industries has become the development trend.

Competition: Currently, the companies that possess the professional technology to produce spheroidized wires are China Steel Corporation, Chun Yu Group, Tycoons and Dragon Steel Co., Ltd. Apart from China Steel which performs spheroidized heat treatment on alloy steel, medium and low carbon steel are the ideal material for other manufacturers. The Company has new spheroidization equipment, in which the main equipment is the electric bell-type heat treatment furnace that can provide flexible production. The production process is computer-controlled and, therefore, the wire can undergo a more complete production treatment. As the R&D department of the Company's investee Tycoons Worldwide Group (Thailand) continues to make improvements on its existing equipment and basic materials, shortening production processes with effective management and cost reduction, the Company can gain more competitive advantages than its counterparts.

## (3) Wire rods:

Development trends: Wire rods are made from small billets. Further processing of the wire rods can produce screws, nuts, steel wires and other downstream products. The wire rods are classified into high, medium and low carbon wire rods according to their carbon content. Of these, wire rods with a carbon content of 0.45% or more are high carbon wire rods, wire rods with a carbon content between 0.22% to 0.45% are medium carbon wire rods, and wire rods with a carbon content of 0.22% or less are low carbon wire rods. Meanwhile, as per the understanding of Taiwanese manufacturers on material A, material K and material R, material A refers to killed steel that undergoes aluminum deoxidation. As the metallographic composition is dense and fine, the surface of the wire rods has impeccable quality. It can be directly used for forging the components of final products without heating and is usually used for making high-end screws. Material R refers to rimmed steel, a.k.a. semi-killed steel. For its production billet steel, which is commonly known as cogging, is usually used for the fabrication. It has the smooth surface of billet steel, which is commonly known as soft material. It is commonly used in nut making and classified as low carbon steel. As for K material, it refers to killed steel, i.e. killed steel that undergoes aluminum or silicon deoxidation. It is made using continuous casting and is commonly known as hard material. It is commonly used in making hardware (e.g. wire nails, wire gauze, etc.) and also classified as low carbon steel. Of these, the raw material of material A wire rods

is mainly made using small billets produced by blast furnace mills, whereas, the K and R materials are made from small billets produced by electric furnace mills. Therefore, the quality and unit sale price of A material wire rods are higher than K and R materials.

The price of raw material of wire rods, the billets, is subject to the international steel market. For the future development of the global steel and iron market, the supply side shall play a fairly important role. Currently, apart from Mainland China, it is difficult for other developed countries to increase their rough steel production. The speed of the capacity expected to be put into production and the corresponding demand of Mainland China are the largest impact on the global steel industry. The demand of steel in Mainland China fluctuates according to the macro-control of the government. As such, the steel policy of Mainland China and its supply and demand in the recent years have great impact on Taiwan.

Competition: As the production of wire rods is a capital intensive industry and the investment in equipment is substantial, the investment in wire rod production is largely made by large domestic manufacturers. The main manufacturers are China Steel Corporation, Yieh Hsing Enterprise Co., Ltd., Feng Hsin Steel Co., Ltd., Quintain Steel Co., Ltd. and Tycoons Worldwide Group (Thailand). Since the domestic market is open for import, wire rods from Mainland China have threatened the survival of domestic manufacturers and replaced part of the import from other foreign manufacturers. Apart from the import from Japan and Korea which is fairly steady, much of the import from other countries has fallen substantially.

### (III) Technology and R&D:

#### (1) Technology and R&D

The Company manufactures wire rods and wires, which are raw materials for the downstream screw production. The wire rods are manufactured by Tycoons Worldwide Group (Thailand). The R&D planning is made by the R&D team in Thailand. In recent years, due to the pricing competition posed by manufacturers from Southeast Asian countries and especially Mainland China, the Company has turned to manufacturing high-end products and the development of production technology, and has started to develop large screws and car parts to avoid low-end competitive convergence. Via the overall upgrade of technology and success in new product development, the Company has gained more competitive advantages in the screw market. The Company vertically integrates the upstream industry by investing in TY Steel to produce the raw material billets. The quality of the raw material is better controlled and the variety and stability of products can be increased.

#### (2) R&D researchers and their qualifications: Nil.

The industry of the Company is one with mature technology. The main competitive advantages of the Company include its improved production technology which can better control product quality, the control of raw material sources and enhanced operating efficiency. Therefore, the Company currently has no designated specific personnel in its R&D department.

(3) Successfully developed technologies or products: Nil.

Certificate authority of Tycoons Group Enterprise

Item	Content of certificate	Certification unit	Certificate number
1	ISO 9001 : 2015	SGS	TW14/10817
2	EN 14566 : 2008+A1 : 2009	EURO CERT	TW.CE.0425-05/12
3	EN 14592 : 2008, 3.0mm	EURO CERT	E-30-20366-12
4	EN 14592 : 2008, 3.5mm	EURO CERT	E-30-20367-12
5	EN 14592 : 2008, 4.0mm	EURO CERT	E-30-20368-12
6	EN 14592 : 2008, 4.5mm	EURO CERT	E-30-20369-12
7	EN 14592 : 2008, 5.0mm	EURO CERT	E-30-20370-12
8	EN 14592 : 2008, 6.0mm	EURO CERT	E-30-20371-12
9	Studs for drawn arc stud welding - concrete anchor and shear connectors	Bureau of Standards, Metrology and Inspection, Ministry of Economic Affairs	Tai-Zheng-Zi No. 7407

Certificate authority of Tycoons Worldwide Group (Thailand)

UKAS	ISO9001:2015
UKAS	ISO14001:2015
Thai Industrial Standards Institute	ISO/IEC 17025
CE	CE EN14566 , EN14592
TISI	TIS no.348-2540 TIS no.349-2540 TIS 24-2559 TIS20-2559

2. Future R&D program: No R&D program thus far. The Company shall continue to make improvements on production processes and implement ISO 9001:2015 and TAF certification on quality management systems to ensure the stability of quality and yield.

(IV) Short and long-term operating development plans:

1. The Company shall source for new customers to increase the sales of wire rods and wires.
2. The Company shall closely adjust the price quotations to the wire rods market to counter the fluctuations in costs. To ensure that the production of wires reaches full capacity, the Company shall increase the utilization rate to satisfy customer needs.
3. For the sales of screws and bolts, the Company shall continue to make use of various market channels to increase the number of customers, create a balanced product profile and increase the gross margin.
4. For the export of shear studs, with the recovery of the economy, the Company shall continue to expand its market.
5. For the domestic market of shear studs, the Company shall grasp the opportunity to raise price quotations to reflect the increase in costs and create profits.

Long-term operating development plans:

- 1 Thailand's ban on the expansion of production capacity for billets and steel bars shall be beneficial to the profitability of Tycoons Worldwide Group (Thailand).

To resolve the excess capacity and financial loss of steel companies in Thailand, on January 29, 2019, the Thai cabinet enacted the Factory Act B.E. 2535, in which in the next five years, the country has banned the construction or expansion of production capacity of steel bars and billets (which are used for the production of steel bars), so that the steel makers in the country can make internal adjustments and accelerate technological development. The act took effect from January 11, 2020, onward. Under the act, the product prices of Tycoons Worldwide Group (Thailand) and TY Steel for billets and steel bars shall stabilize. Furthermore, with adjustments made to production processes and improvements on production technology, the profitability of the Company is expected to increase.

## 2. Infrastructure and industry upgrade of Thailand

In the middle of 2016, the Thai government launched an economic development program, Thailand 4.0, which is a blueprint for industry upgrade that covers a 20-year period from 2017 to 2036. It contains six major areas for development and ten popular industries. In the coming eight years, the Thai government is expected to invest well over THB 3 trillion in infrastructure. A substantial expansion in the networks of railways and expressways and other core infrastructure shall be undertaken, which aims to lower logistic costs, make it more attractive to investors, and develop the Eastern Economic Corridor (EEC), thus bolstering the competitiveness of the country.

Of these, EEC is the flagship program of the Thai government. In May 2017, the Thai government cited Thailand's Constitution of 2017, Section 44 and lifted certain restriction to accelerate the development of ECC. The items that were initiated at the end of 2018 included: U-Tapao International Airport, a bullet train that connects three international airports, the third container port of Laem Chabang Deep Sea Port, Map Ta Phut Third Industrial Port, six EEC double-track rails and Chonburi-Pattaya-Map Ta Phut expressway. Other projects include an airport in the east, U-Tapao's aircraft maintenance, repair and operating center and a bullet train network from Bangkok to Rayong. It is estimated that at the end of 2021, the construction of infrastructure shall begin. The demand for steel is expected to grow. The future economic growth of Thailand is expected to drive its steel market.

## 3. The rise of trade protectionism

In May 2019, the Thai government enacted the anti-circumvention law and the Anti-Dumping and Countervailing Act to prevent dumping behavior that attempted to circumvent previous anti-dumping regulations. The act is beneficial in stabilizing the domestic wire rod prices in Thailand and regulating anti-dumping duties of products with more variety in metal admixture ratios that include low carbon wire rods. The development of the steel market shall benefit from the act.

## 4. In conjunction with the "Made in Thailand" policy launched by the Thai government, the Company shall expand sales in Thailand

In January 2021, the Office of Auditor General of Thailand's Ministry of Finance announced the guidelines pertaining to "Made in Thailand" to promote the steel demand in the country. The Thai government has rolled out a policy whereby the use of local content shall not be lower than 60% and stipulated that the use of domestically produced steel in government infrastructure projects must not be less than 90% of the total steel used. The Federation of Thai Industries (FTI) is designated to take charge of registration, documentation and certification of products, including steel products. This shall facilitate policy implementation in selecting domestic steel manufacturers over foreign ones in the bidding of steel used in infrastructure projects. The policy is expected to take effect in February and shall be able to implement the use of locally made steel products in government infrastructure projects, thus preventing illegal dumping behavior of overseas providers with low-priced products and benefitting the development of local steel mills.

## II. Market and sales overview

### (I) Market analysis:

1. The sales regions for main products and services are as follow:

(1) Wire rods: Wire rods are the main raw material for the spheroidized wires produced by the Company. They are mainly procured from Tycoons Worldwide Group (Thailand). The wire rods are then made into wires via roughing, spheroidization and annealing, acid cleaning and fine drawing before selling to downstream manufacturers within the country to make screws, nuts, hand tools and other hardware parts. Apart from taking the production capacity, market

demand and inventory level reserved for spheroidized wire production into consideration, the Company also sells wire rods to customers directly, depending on the domestic market demand, to make up for the partial steel product supply gap in the country.

(2) Spheroidized wires: The spheroidized wires of the Company are mainly supplied to the screw makers within the country.

(3) Screws: Screws are usually made by subjecting wires to acid cleaning, wire drawing, heading, thread rolling, heat treatment and surface treatment before they become screws. The self-tapping screws of Tycoons are made by subjecting wires to heat treatment in bell-type furnaces to turn them into spheroidized wires. Via heat treatment fabrication, the internal structure of the steel is turned into a uniform spherical shape with a lower hardness. The self-tapping screws can be widely used for fastening in industrial machinery, electronics, appliances, furniture, construction, transportation equipment and many other industrial products. The screws of the Company are mainly exported to Europe and the US.

(4) Steel bar products:

A. Deformed bars: Deformed bars refer to bars in which the surface contains transverse ribs and longitudinal ribs or gaps that can strengthen the adhesion between concrete and cement. For the product category of SD40 and SD50, the specification is divided into DB10, DB12, DB16, DB20 and DB25. The billets are heated and drawn into steel bars which are then cut into bars with a diameter between 10 to 12 meters with the clipper system.

B. Round bars: Round bars refer to bars which have a smooth surface (specification of RB6 - RB25)

Apart from providing the usual deformed bars that the market requires, the Company also manufactures wire rods. The customers can do their own cutting according to their own needs. This can reduce the attrition rate and lower the cost, while satisfying the customer needs. In 2018, with the steel bar production of the affiliated company, TY Steel Co., Ltd., the Company shall be able to provide and sell construction-use steel of all sizes under the TY brand name, thus rapidly expanding market share.

## 2. Market share:

### (1) Spheroidized wires:

Spheroidized wires are made by subjecting wires to spheroidized heat treatment in the bell-type furnace. They possess better ductility and can facilitate plastic working. They are mainly provided to make complicated and high value-added screws, and therefore have become an indispensable cold-headed steel. In recent years, they have replaced the usual rods and wires.

For the production of spheroidized wires, the Company possesses integrative production equipment for wire drawing, acid cleaning, spheroidized heat treatment furnace. Therefore, not only can the Company fully control the product quality of the spheroidized wires, it can also make continuous improvements and carry out R&D of the production process and equipment. Through the steel mill in Thailand, the Company is able to provide sophisticated equipment and R&D technology to produce wire rods that cater directly to domestic customers. Therefore, the Company is able to maintain its position among its counterparts. Based on the current market demand, the market share of the Company constitutes approximately 0.3% to 1%.

### (2) Wire rods:

Based on the demand of wires and the supply provided by other domestic manufacturer in Taiwan, the market share of the Company is not high and has room for improvement. Depending on the market demand, pricing and profitability in the Taiwanese and Thai markets, Tycoons Worldwide Group (Thailand) shall determine the sales regions for the wire rods it produces.

### (3) Screws: According to the export of screws, the market share of the Company amounts to approximately 1% to 2%.

### (4) Steel bars: The Company shall develop the ASEAN market, e.g. Myanmar, Laos and Cambodia, through wholesalers and traders.

## 3. Future market supply and demand, and growth:

Steel is the foundation of industrialization. It is the basic raw material of many infrastructures. The downstream industries include construction, motor vehicles, machinery, electrical appliances, personal computers, electromechanics and more. The usage is very wide. Therefore, the demand for steel is closely related to the global economy.

As the world is seeking to rebuild after the pandemic, demand from corporate investment and industrial production will increase. The number of industrialized countries is also growing. In the future, Africa, Asia and many more markets will have expanded potential. There shall be ample room for development.

## 4. Niche markets and targets for future revenue:

With existing products and technology, via the mills at Thailand, the Company shall provide:

- (1) Technological niche: The Company possesses sophisticated equipment and R&D technology in manufacturing wire rods to cater to domestic customers.
- (2) Cost niche: Through the integrated professional production of billets, wire rods, spheroidized wires, steel bars and screws, the Company is able to control costs and provide competitive price quotations to customers.
- (3) Steady supply of materials: The integrative upstream, midstream and downstream production enables the Company to produce steady product quality and quantity.
- (4) Tycoons Group: By making use of cost advantage by integrating the upstream and downstream production, the Company actively seeks to develop into a supplier of steel raw material.
- (5) Expected sales volume:

Product targets for 2021 are as follows:

Product name	Sales volume (metric ton)	%
Spheroidized wires	159,086	35.51
Wire rods	138,501	30.92
Screws	56,250	12.56
Steel bars	78,332	17.49
Fabrication	15,776	3.52
Total	447,945	100.00

5. Favorable and unfavorable factors in development prospect and countermeasures:

Favorable factors:

A. Products are widely used and the market potential is high

Wires are the raw material for screws, hand tools, steel wires, and steel cables, while screws are indispensable fasteners for all sorts of equipment (for industrial, household and commercial use). The affiliated industries produce machine tools, industrial machineries, electronics, electrical machines, transport vehicles, household appliances, furniture, construction tools and equipment. They are widely used. Furthermore, the product has no replacement or product lifecycle issues. The demand for wires and screws will grow with the development of industries. The demand of industries can be fully catered to. Therefore, the future market has much room and potential for growth.

B. Build a flexible production system and develop the business

To effectively control supply stability, lower operating costs, increase quality and expand markets, the Company has located its operating base in Taiwan and established a professional mill that integrates the upstream, midstream and downstream processes to manufacture billets, wire rods, spheroidized wires, steel bars and screws. According to customer demands, the Company is able to arrange for the globally collaborative division of labor of its domestic and international bases in a flexible manner. The Company is thus able to expand its international markets, increase global market share, build an international marketing network and create more profitability for domestic industry.

C. Infrastructure and industry upgrade of Thailand

In the middle of 2016, the Thai government launched an economic development program, Thailand 4.0, which is a blueprint for industry upgrade that covers a 20-year period from 2017 to 2036. It contains six major areas for development and ten popular industries. In the coming eight years, the Thai government is expected to invest well over THB 3 trillion in infrastructure. A substantial expansion in the networks of railways and expressways and other core infrastructure shall be undertaken, which aims to lower logistic costs, make it more attractive to investors, and develop the Eastern Economic Corridor (EEC), thus bolstering the competitiveness of the country.

Of these, EEC is the flagship program of the Thai government. In May 2017, the Thai government cited Thailand's Constitution of 2017, Section 44 and lifted certain restriction to accelerate the development of ECC. The items that were initiated at the end of 2018 included: U-Tapao International Airport, a bullet train that connects three international airports, the third container port of Laem Chabang Deep Sea Port, Map Ta Phut Third Industrial Port, six EEC double-track rails and Chonburi-Pattaya-Map Ta Phut expressway. Other projects include an airport in the east, U-Tapao's aircraft maintenance, repair and operating center and a bullet train network from Bangkok to Rayong. It is estimated that at the end of 2021, the construction of infrastructure shall begin. The demand for steel is expected to grow. The future economic growth of Thailand is expected to drive its steel market.

D. Thailand banned expansion of production capacity for billets/steel bars

To resolve the issues of excess capacity and financial loss of steel companies, on January 29, 2019, the Thai cabinet approved the draft legislation from the Ministry of Industry. According to the Factory Act B.E. 2535, for the next five years, Thailand has banned the construction or expansion of the production capacity of steel bars and the billets that are used to produce steel bars, in hopes that steel makers in the country can make internal adjustments and accelerate technological development. Under the act, the product prices of TY Steel for billets and steel bars shall stabilize. Furthermore, with adjustments

made to production processes and improvements on production technology, the profitability of the Company is expected to increase. The legislation has taken effect since January 11, 2020.

#### Unfavorable factors and countermeasures:

##### A. Growing production cost every year:

Currently, the supply of labor is in shortage. Labor costs are presenting an upward trend. With the increase in oil prices, production costs are growing every year. The Company follows its budget tightly. All procurement costs are examined one by one to avoid unnecessary spending.

##### B. Dumping from Mainland China and elimination of production capacity

For the past few years, as the Chinese economy slows down, the production capacity of the steel industry in Mainland China has been worsening. Compounded by government policy that encourages exporting, steel products from Mainland China are sold in every corner of the world.

After three years, China has reduced 150 million metric tons of excess capacity. The China Iron and Steel Association indicated that in 2020, it shall promote differential treatment in terms of “limitation of production for environmental protection” and “staggered production” pertaining to steel mills in Mainland China, so as to expedite their transformation to establishments with low pollutant emissions and to improve the control measures on environmental protection classification. Meanwhile, to solidify the transformation at the supply side, the government has banned the new addition of production capacity and strictly enforcing the Catalogue for Guiding Industry Restructuring, whereby all backward stainless steel, tools and die steel produced by medium-frequency furnaces must be eliminated before June 2020.

##### C. The rise of trade protectionism

In September 2015, the Thai government imposed temporary anti-dumping duties of 15.59% to 33.55% on China’s low carbon wire rods. In March 2016, as per the final ruling of the anti-dumping investigation, the Thai government formally imposed anti-dumping duties of 12.81% to 31.15%. Furthermore, on May 22, 2019, the Thai government enacted the anti-circumvention law and the Anti-Dumping and Countervailing Act to prevent dumping behavior that attempted to circumvent previous anti-dumping regulations.

##### D. New production capacity of neighboring countries

In 2018, Vietnam completed a new steel mill with a yearly production capacity of 7.1 million metric tons. In the first quarter of 2019, Alliance Steel from Malaysia also completed a new steel mill with a yearly production capacity of 5 million metric tons. In 2019, the excess capacity of these two countries led them to dump their products in Thailand, causing the local steel prices in Thailand to fall. The Company has collaborated with other manufacturers in the country to request the government to launch an anti-dumping investigation, so as to prohibit illegal low-price dumping behavior.

## (II) Important use of main products:

**Wire rods:** Wire rods are the main raw material of the Company in manufacturing wires. They are mainly procured from Tycoons Worldwide Group (Thailand). Apart from the Company’s own production capacity needs, fluctuations in market demand and inventory level for self use, the rest are sold to serve existing customers.

**Wires (including OEM services):** Wires are made by subjecting steel to spheroidizing and annealing. They have better ductility, which can facilitate the fabrication process of downstream industries. They are wire rods that have been subject to wire drawing, heat treatment and spheroidization. The wires are supplied to downstream manufacturers for producing screws, nuts, hand tools and other hardware parts.

**Screws (including heat treatment processing):** Screws are usually made by subjecting wires to acid cleaning, wire drawing, heading, thread rolling, heat treatment and surface treatment before they become screws. The self-tapping screws of the Company are made by subjecting wires to heat treatment in bell-type furnaces to turn them into spheroidized wires. Via heat treatment fabrication, the internal structure of the steel

is turned into a uniform spherical shape with a lower hardness. The self-tapping screws can be widely used for fastening in industrial machinery, electronics, appliances, furniture, construction, transportation equipment and many other industrial products.

Steel bars: Construction steel bars, used in public constructions.

### (III) Manufacturing process:

#### 1. Wire rods

##### A. Examination of billets and straightening of production line:

After billets are straightened, steel shots are used to remove rust. The billets are then moved to a fluorescent magnetic particle flaw detector for examination of flaws. The flaws detected are marked.

##### B. Grinding of billets:

Grinding wheels are used to remove flaws on the surfaces of billets. After thorough grinding, the billets are suitable to subject to cold heading, cold forging, cold drawing, cold twisting and other intensive fabrication processes that use billets as raw material and have high requirements in terms of quality.

##### C. Heating furnace:

The billets are sent to the heating furnace for heating to the temperature required for hot rolling.

##### D. Hot rolling production line:

The billets are sent to hot rolling mills (these mills include roughing mill, intermediate mill and finishing mill, totaling 18 mills). After hot rolling, the products go through bar reel for coiling. The products are then sent to the ventilation system for cooling. They are then turned into the finished products and known as “bar in coil”.

##### E. Screw conveyor:

Afterward, if the steel material is subject to 10 wire finishing mills for rolling, the line winder equipment will turn the straight steel material into coils before sending them for cooling via the air-cooled conveyor belt. The coils are then sent to reshaping machine to form “wire rods”.

#### 2. Spheroidized wires

##### A. Roughing:

The wire rods go through machinery for rust removal, using dies for drawing to form wires with a smaller diameter.

##### B. Spheroidization and annealing:

The wires that have undergone roughing are sent to a bell-type furnace to turn the internal structure of the steel into a uniform spherical shape.

##### C. Acid cleaning and coating:

The spheroidized wires are subject to acid cleaning and coating with phosphate salt and metallic soap, which can serve as lubricant in the fine drawing of subsequent processing.

##### D. Fine drawing:

Lastly, the wires are subject to skin pass processing for fine drawing to form spheroidized wires with the desired sizes.

#### 3. Screws

##### A. Heading and tapping:

The wires are sent to the molding mill and subject to heading and tapping machine.

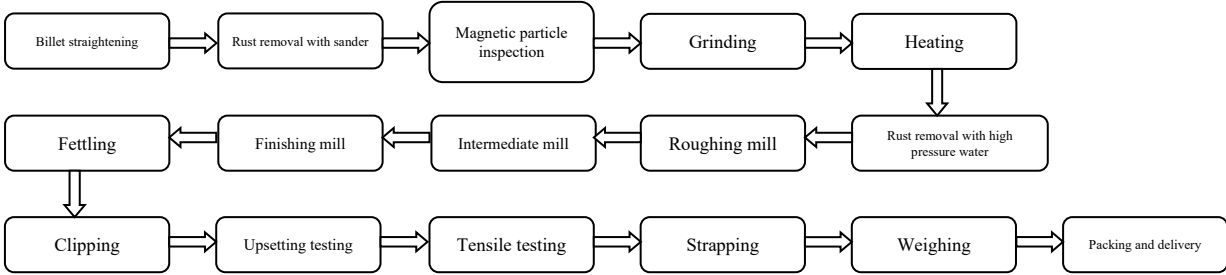
##### B. Surface hardening:

After molding, the screws are subject to carbonization to improve their mechanical strength.

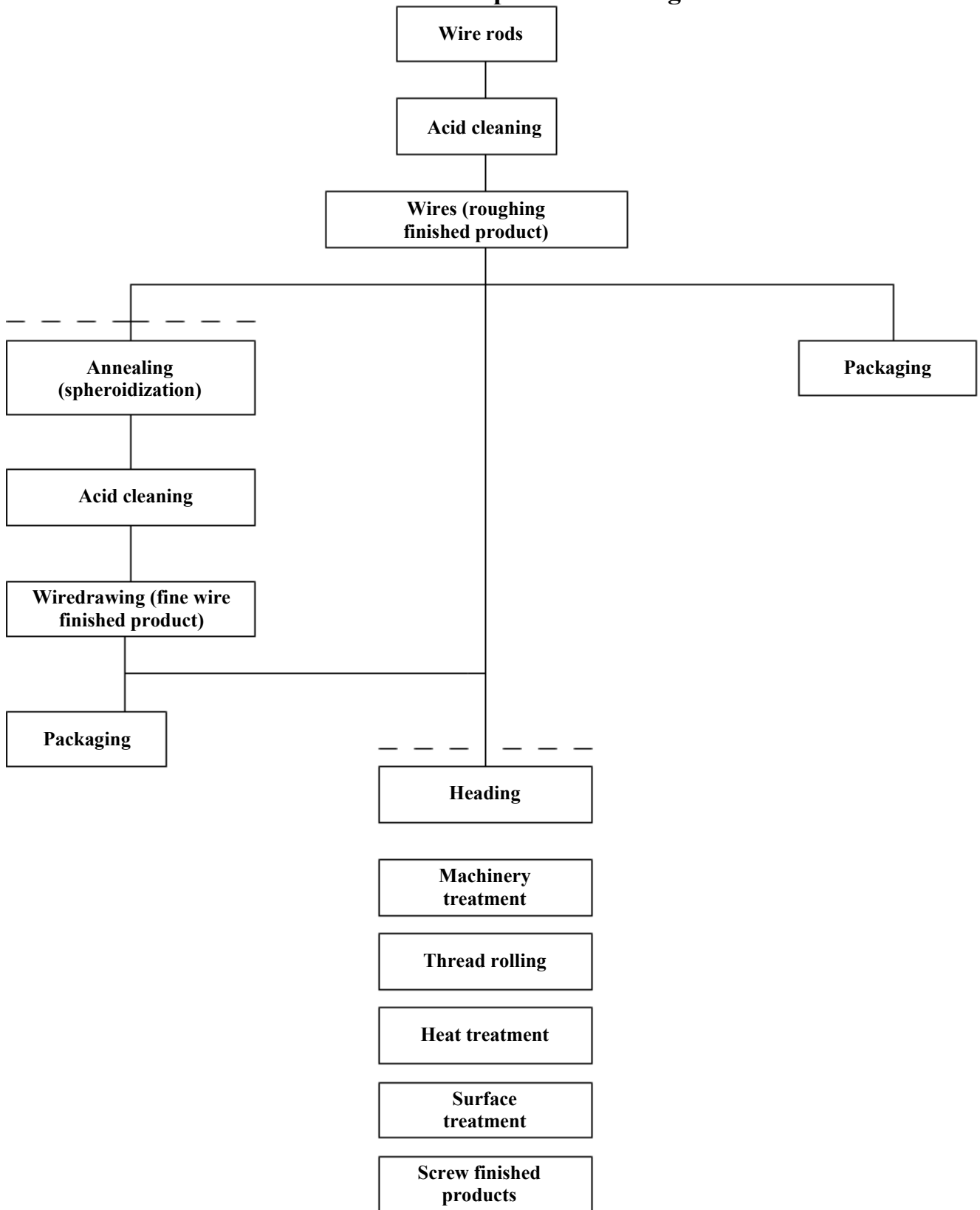
##### C. Electroplating:

To avoid rusting and improve the exterior, the screws require surface treatment and coating. The surface treatment required depends on the customer needs, which may include phosphate coating, galvanization, dacromet and ruspert coating.

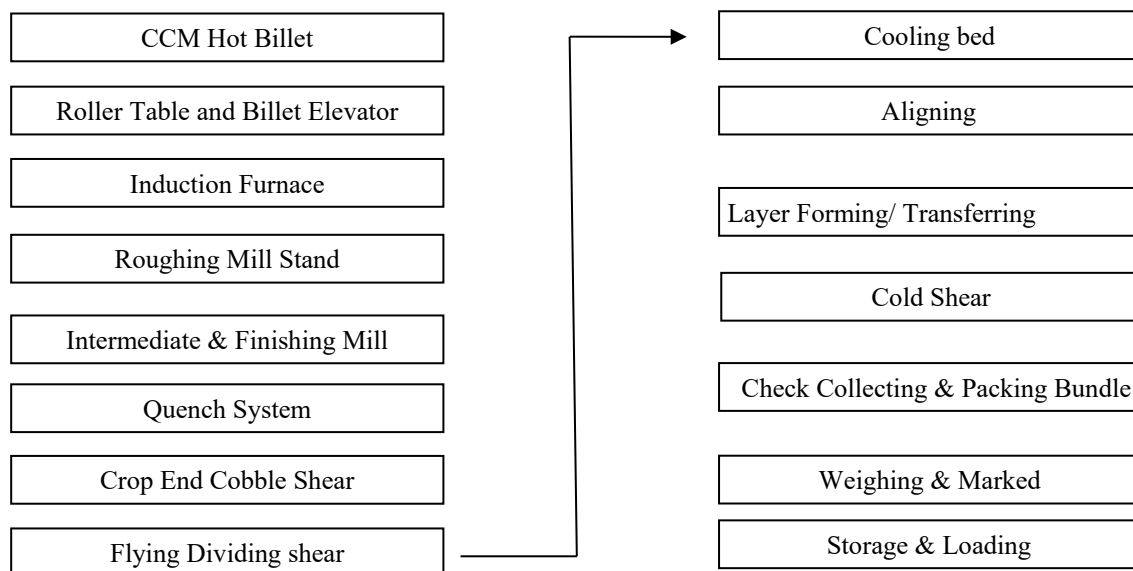
Wire rods production diagram:



# Screw and wire rod production diagram



## Steel bar production diagram



### (IV) Supply status of main raw materials:

The main product of the Company (Tycoons Group Enterprise) is spheroidized wires. The raw material used is wire rods. They are mainly manufactured by Tycoons Worldwide Group (Thailand). Therefore, the material source is abundant and the quality is stable.

### (V) List of major purchase and sales customers for the most recent two years: No customer accounted for 10% or more of the revenue

1. List of major sales customers:

2. List of major purchase customers:

1. List of major sales customers:

### Major sales for the most recent two years

		For the Year Ended December 31, 2019			For the Year Ended December 31, 2020				As of the preceding quarter in 2021			
Item	Name	Amount	Share of net sales [%]	Relation with the issuer	Name	Amount	Share of net sales [%]	Relation with the issuer	Name	Amount	Share of net sales [%]	Relation with the issuer
1		-	-		A	919,153	11.59	Associate		-	-	
	Other	11,519,202	100.00		Other	7,011,231	88.41		Other	2,969,364	100.00	
	Net sales	11,519,202	100.00		Net sales	7,930,384	100.00		Net sales	2,969,364	100.00	

2. List of major purchase customers:

### Major suppliers for the most recent two years

For the Year Ended December 31, 2019				For the Year Ended December 31, 2020				As of the preceding quarter in 2021			
Name	Amount	Share of net purchases [%]	Relation with the issuer	Name	Amount	Share of net purchases [%]	Relation with the issuer	Name	Amount	Share of net purchases [%]	Relation with the issuer
A	5,120,196	52.58	Associate	A	2,405,369	35.21	Associate	a	500,921	21.43	None
	-	-		B	950,816	13.92	None	b	490,175	20.97	None
	-	-			-	-		c	314,844	13.47	None
other	4,618,238	47.42		other	3,476,175	50.87		other	1,032,009	44.13	
Net purchases	9,738,434	100.00		Net purchases	6,832,360	100.00		Net purchases	2,337,949	100.00	

## (6) Production volume and sales of major products in the most recent two years:

## 1. Table of production volume

Unit: Metric ton/NT\$ thousand

Production Volume (or Departments)	For the Year Ended December 31, 2020		For the Year Ended December 31, 2019			
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Wire rods	360,000	253,801	3,479,498	360,000	263,477	4,531,169
Wires 【note1】	186,000	131,689	2,601,251	186,000	159,476	3,501,122
Screws	66,000	44,169	1,534,596	66,000	51,902	1,980,869
Steel bars 【note2】		79,320	1,056,368		19,574	311,696
Revenue from fabrication 【note:3】		33,293	90,832		21,409	69,018
Billets	0	0	0	480,000	186,772	2,670,953
Total	612,000	542,272	8,762,545	1,092,000	702,610	13,064,827

Note: (1) Wire capacity includes wire production and wire processing.

(2) Rebar capacity is merged into wire rod capacity.

(3) Processing income includes wire processing and screws heat treatment processing. The capacity of heat treatment processing is 31,800 tons in 2020, 28,200 tons in 2019.

## 2. Table of sales

Unit: Metric ton/NT\$ thousand

Volume of Units sold (or Departments)	For the Year Ended December 31, 2020		For the Year Ended December 31, 2019					
	Domestic Sales		Exports		Domestic Sales		Exports	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Screws	3,846	103,357	38,263	1,300,817	3,034	87,258	50,357	1,964,456
Wires	63,165	1,607,985	18,708	422,556	67,115	1,784,873	17,960	446,629
Revenue from fabrication	34,828	134,411	-	-	24,534	102,566	-	-
Wire rods	172,469	2,620,755	320	5,217	251,379	4,324,273	2,036	33,937
Steel bars	110,520	1,535,719	30	401	171,089	2,645,743	965	16,600
others	10,373	48,619	-	150,547	15,333	38,661	-	74,206
Total	395,201	6,050,846	57,321	1,879,538	532,484	8,983,374	71,318	2,535,828

### III. Employees for the most recent two years and up to the publication of the annual report

Year		2019	2020	March 31, 2021
Number of employees	Management	97	115	117
	R&D staff	3	3	3
	Staff	373	336	323
	Operator	545	592	593
	Total	1,018	1,046	1,036
Average age		38.88	37.49	38.05
Average years of service		7.53	8.57	8.90
Distribution of academic qualifications	Master's degree	1%	1%	1%
	Bachelor's degree	41%	42%	41%
	High school	21%	25%	25%
	Below high school	37%	32%	33%

### IV. Expenditure on environmental protection

The main scope of business of the Company includes the manufacturing, trading and fabrication of wire rods, screws and wires. This is not a highly polluting industry. The manufacturing involves performing wire drawing, acid cleaning, spheroidization and heat treatment of raw materials. For the prevention of pollution sources, the Company has installed a dust removal system, waste water and gas treatment facilities, exhaust equipment and other equipment. Furthermore, as per the Occupational Safety and Health Act, the Company has designated personnel to undertake pollution prevention measures depending on the on-site operations, and engaged inspection institutions approved by the Environmental Protection Administration to perform inspections from time to time. Therefore, with appropriate control engineering, the Company meets the emission standards stipulated by the Environmental Protection Administration.

For the permits for installing pollutant treatment facilities, pollutant emission permits, or payment of pollution control fees, or specific units and personnel responsible as per laws and regulations, please elaborate the status of permit applications, payments and designations:

In accordance with the law and regulations, the Company has applied for installation and operation permits for stationary air and water pollution control facilities, and paid air pollution control fees, soil and groundwater remediation fees, industrial and sewage pollution control fees, as well as designated specific personnel to take charge of gas emission, waste water and industrial waste management.

- (I) Losses and penalties imposed on the Company due to pollution in the most recent year:  
The Company imposes tight control on the production process. All the waste produced in the process is controlled in accordance with the permits given. Therefore, in 2020, there was no loss or penalty imposed on the Company due to pollution.
- (II) Countermeasures and potential expenditures in the future:
  1. Proposal for improvement measures:
    - (1) Improvement program: The Company regularly performs maintenance on its equipment so that the equipment can work at the optimal level, in hopes of avoiding energy wastage and pollution due to old or broken machinery.
    - (2) Potential expenditures in the future: The Company is retiring furnace number one. The expected expenditure amounts to NT\$10,760 thousand. One forklift is also being retired and the expected expenditure amounts to NT\$758 thousand.
  2. Countermeasures: The Company shall continue to provide training and hold awareness campaigns to educate employees and raise their awareness of environmental protection.

### V. Labor-capital relations

- (I) Various employee welfare measures, pension system and labor-capital negotiation status:
  1. Employee welfare measures:
    - (1) Labor and health insurance
      - A. From the first day of work, all employees take part in labor and health insurance in accordance with law.
      - B. The labor insurance includes premiums for accidents and occupational hazards, of which the Company has covered 70% of the premium for traffic accidents. The insured only has to pay 20% and the government subsidizes 10%. The premium for occupational hazards is covered entirely by the Company.

- (2) Group insurance  
From the first day of work, all employees are provided with group insurance. The premium is covered entirely by the Company.
  - (3) Education and training of employees
    - A. Every year, each department will list the training required for its employees according to the nature of their work. After approval is given, the yearly training program is prepared and the estimation of the expenditure is made.
    - B. After the budget is prepared, the training program is executed as scheduled. All information on training results is documented in the individual training record, which shall serve as a reference for future promotion.
  - (4) Year-end bonus: The Company shall take into consideration the yearly operating performance and determine the year-end bonus to be disbursed.
  - (5) Staff Benefit Committee  
The Company has established the Staff Benefit Committee in accordance with the law and holds open election to select the committee members. The Company also appropriates funding for the committee as required by the law, holds staff retreats, sports and chess competitions, gives out birthday gifts, holds year-end parties and provides festival allowances.
  - (6) Stock bonus
    - A. The Company has appropriated employee compensation in accordance with the Articles of Incorporation and distributed remuneration in accordance with the earnings distribution procedures to thank the employees for their contribution to the Company.
    - B. When undertaking cash capital increase, the Company appropriates a certain percentage for the subscription by employees, so as to foster a harmonious labor-capital relationship.
2. Pension system:
- (1) To care for the retirement lives of employees, and to promote labor-capital relations and work efficiency, the Company has established "Procedures for Employee Retirement".
  - (2) The Procedures for Employee Retirement are established in accordance with the Labor Standards Act, Article 53 and 54. In response to the Ministry of Labor's policy in hiring senior citizens, the Company has implemented the hiring regulations of middle-aged and elderly employees. For willing employees, the Company shall continue their employment after holding labor-capital negotiations.
  - (3) In accordance with the Labor Pension Act, the Company has established procedures for pension appropriation, which are applicable to employees with a Taiwanese nationality. Every month, the Company pays 6% of employees' salary to their individual accounts at the Bureau of Labor Insurance.
- (II) Losses incurred due to labor-capital disputes in the most recent two years:  
There were no major labor-capital disputes. For various welfare measures, the Company has conformed to the regulations governing labor insurance and established the Staff Benefit Committee to promote employee welfare. Labor-capital relations are harmonious and therefore no losses due to labor-capital disputes were incurred in the most recent two years.
  - (III) Current and future estimated losses and countermeasures: Nil.

VI. Important contracts: Nil.

## Six. Financial Information

### I. Most Recent 5-Year Concise Balance Sheet and Income Statement

#### (I) Concise Balance Sheet - IFRS adopted

### Standalone

Unit: NT\$ thousand

Item	Year	Financial information for the most recent five years					Financial information for the current year as of March 31, 2021 (Note)
		2020	2019	2018	2017	2016	
Current assets		1,430,476	554,330	1,203,503	1,017,513	1,136,950	
Property, plant and equipment		521,210	530,327	562,931	573,888	589,082	
Intangible assets		-	-	-	-	-	
Other assets		3,350,914	4,171,631	5,595,353	5,365,112	5,209,230	
Total assets		5,302,600	5,256,288	7,361,787	6,956,513	6,935,262	
Current liabilities	Prior to distribution	932,731	373,904	1,440,986	1,909,505	1,621,829	
	After distribution	Undistributed	373,904	1,440,986	1,909,505	1,621,829	
Non-current liabilities		283,769	561,427	1,049,106	865,256	1,052,344	
Total liabilities	Prior to distribution	1,216,500	935,331	2,490,092	2,774,761	2,674,173	
	After distribution	Undistributed	935,331	2,490,092	2,774,761	2,674,173	
Equity attributable to owners of parent company		4,086,100	4,320,957	4,871,695	4,181,752	4,261,089	
Share capital		4,797,520	4,797,520	4,797,520	5,470,911	5,470,911	
Capital reserve		340,560	206,365	154,337	92,393	76,760	
Retained earnings	Prior to distribution	(1,468,598)	(1,254,166)	(524,832)	(1,657,144)	(1,565,588)	
	After distribution	Undistributed	(1,254,166)	(524,832)	(1,657,144)	(1,565,588)	
Other equity interests		416,618	571,238	444,670	275,592	279,006	
Treasury stock		-	-	-	-	-	
Non-controlling interests		-	-	-	-	-	
Total equity	Prior to distribution	4,086,100	4,320,957	4,871,695	4,181,752	4,261,089	
	After distribution	Undistributed	4,320,957	4,871,695	4,181,752	4,261,089	

Note: Not applicable.

## Consolidated

Unit: NT\$ thousand

Item	Year	Financial Information for the most recent 5 years					Current year as of March 31, 2021 Financial information
		2020	2019	2018	2017	2016	
Current assets		3,887,661	3,990,924	10,889,113	5,396,939	3,859,340	4,231,988
Property, plant and equipment		3,694,924	3,952,038	4,514,275	8,252,539	8,137,420	3,523,231
Intangible assets		10,518	11,763	-	6,272	8,065	10,133
Other assets		569,105	899,312	454,960	1,219,722	1,101,893	506,300
Total assets		8,162,208	8,854,037	15,858,348	14,875,472	13,106,718	8,271,652
Current liabilities	Prior to distribution	2,551,962	2,780,184	8,519,610	6,066,983	5,038,423	2,549,526
	After distribution	Undistributed	2,780,184	8,519,610	6,066,983	5,038,423	Undistributed
Non-current liabilities		159,048	624,117	1,087,168	3,171,739	2,410,745	141,973
Total liabilities	Prior to distribution	2,711,010	3,404,301	9,606,778	9,238,722	7,449,168	2,691,499
	After distribution	Undistributed	3,404,301	9,606,778	9,238,722	7,449,168	Undistributed
Equity attributable to owners of parent company		4,086,100	4,320,957	4,871,695	4,181,752	4,261,089	4,223,611
Share capital		4,797,520	4,797,520	4,797,520	5,470,911	5,470,911	4,797,520
Capital reserve		340,560	206,365	154,337	92,393	76,760	373,705
Retained earnings	Prior to distribution	(1,468,598)	(1,254,166)	(524,832)	(1,657,144)	(1,565,588)	(1,268,631)
	After distribution	Undistributed	(1,254,166)	(524,832)	(1,657,144)	(1,565,588)	Undistributed
Other equity interests		416,618	571,238	444,670	275,592	279,006	321,018
Treasury stock		-	-	-	-	-	-
Non-controlling interests		1,365,098	1,128,779	1,379,875	1,454,998	1,396,461	1,356,542
Total equity	Prior to distribution	5,451,198	5,449,736	6,251,570	5,636,750	5,657,550	5,580,153
	After distribution	Undistributed	5,449,736	6,251,570	5,636,750	5,657,550	Undistributed

Note: Not applicable.

## (II) Comprehensive Income Statement - IFRS adopted

## Comprehensive Income Statement - Standalone

Unit: NT\$ thousand

Item	Year	Financial information for the most recent five years					Financial information for the current year as of March 31, 2021 (Note)
		2020	2019	2018	2017	2016	
Operating revenue		1,178,471	1,431,635	2,121,533	1,886,806	2,207,561	
Operating gross profit		149,862	44,651	121,683	96,083	181,600	
Operating profit		45,394	(71,996)	(8,363)	(19,888)	77,699	
Non-operating income and expenses		(239,337)	(693,174)	(34,827)	(57,162)	(125,019)	
Profit (loss) before tax		(193,943)	(765,170)	(43,190)	(77,050)	(47,320)	
Continuing operations							
Current net income (loss)		(185,640)	(786,105)	(51,155)	(90,213)	(89,662)	
Loss from discontinued departments		-	-	-	-	-	
Current net income (loss)		(185,640)	(786,105)	(51,155)	(90,213)	(89,662)	
Current period other comprehensive income (net after tax)		(166,564)	249,493	114,967	(4,757)	(19,607)	
Total current period comprehensive income		(352,204)	(536,612)	63,812	(94,970)	(109,269)	
Net profit attributed to owners of parent company		(185,640)	(786,105)	(51,155)	(90,213)	(89,662)	
Net profit attributable to non-controlling interest		-	-	-	-	-	
Comprehensive income attributed to owners of parent company		(166,564)	249,493	114,967	(4,757)	(19,607)	
Comprehensive income attributed to non-controlling interests		-	-	-	-	-	
Earnings per share		(0.39)	(1.64)	(0.11)	(0.16)	(0.16)	

Note: Not applicable.

## Comprehensive Income Statement - Consolidated

Unit: NT\$ thousand

Item \ Year	Financial information for the most recent five years					Financial information for the most recent five years
	2020	2020	2020	2020	2020	
Operating revenue	7,930,384	11,519,202	11,117,144	7,833,776	6,966,068	2,969,364
Operating gross profit	532,957	250,354	615,456	674,782	707,424	499,225
Operating profit	117,682	(263,211)	67,404	170,001	170,304	374,504
Non-operating income and expenses	(323,764)	(563,486)	100,506	(38,038)	(100,621)	(76,276)
Profit before tax	(206,082)	(826,697)	167,910	131,963	69,683	298,228
Continuing operations Current profit	(219,823)	(893,365)	161,950	100,483	(39,300)	277,639
Loss from discontinued departments	-	(114,061)	(154,523)	(108,493)	-	-
Current net income (loss)	(219,823)	(1,007,426)	7,427	(8,010)	(39,300)	277,639
Current period other comprehensive income (net after tax)	(172,533)	319,475	32,151	(28,423)	(99,889)	(135,727)
Total current period comprehensive income	(392,356)	(687,951)	39,578	(36,433)	(139,189)	141,912
Net profit attributed to owners of parent company	(185,640)	(786,105)	(51,155)	(90,213)	(89,662)	190,656
Net profit attributable to non-controlling interest	(34,183)	(221,321)	58,582	82,203	50,362	86,983
Comprehensive income attributed to owners of parent company	(352,204)	(536,612)	63,812	(94,970)	(109,269)	104,366
Comprehensive income attributed to non-controlling interests	(40,152)	(151,339)	(24,234)	58,537	(29,920)	37,546
Earnings per share	(0.39)	(1.64)	(0.11)	(0.16)	(0.16)	0.40

Note: Not applicable.

(III) Names of independent auditors for the past five years and the auditors' opinions

Year	Independent auditor name (Note 1)	Audit opinion (Note 2)
2020	Lai, Yung-Chi and Ting, Hung-Sun	Unqualified opinion and other matters paragraph
2019	Lai, Yung-Chi and Ting, Hung-Sun	Unqualified opinion and other matters paragraph
2018	Lai, Yung-Chi and Ting, Hung-Sun	Unqualified opinion and other matters paragraph
2017	Lai, Yung-Chi and Ting, Hung-Sun	Unqualified opinion and other matters paragraph
2016	Lai, Yung-Chi and Ting, Hung-Sun	Unqualified opinion and other matters paragraph

Note 1: The public accounting firm is Baker Tilly Clock & Co.

Note 2: The financial statements of investees accounted for using the equity method have not been audited by the Company's independent auditors, but are based on audit reports of other independent auditors.

II. Financial Analysis for the Most Recent Five Years

**(1) Financial Analysis - IFRS adopted**

**Consolidated**

Analysis item		Financial Analysis for the Most Recent Five Years					Current year as of March 31, 2021	
		2020	2019	2018	2017	2016		
Financial structure (%)	Liabilities to assets ratio	33.21	38.45	60.58	62.11	56.83	32.54	
	Long-term capital to property, plant and equipment	148.55	149.09	159.39	105.55	99.15	159.27	
Debt-paying ability (%)	Current ratio	152.34	143.55	127.81	88.96	76.60	165.99	
	Quick ratio	47.59	57.34	91.90	32.87	32.67	60.07	
	Interest protection multiples	(2.32)	(4.07)	0.90	1.04	(0.62)	27.26	
Operating ability	Accounts receivable turnover (times)	10.21	14.31	15.57	13.04	13.12	15.82	
	Average collection days	36	26	23	28	28	23	
	Inventory turnover (times)	3.21	4.41	3.56	2.87	3.20	4.10	
	Accounts payable turnover (times)	17.85	21.62	20.82	13.23	9.50	35.42	
	Average inventory turnover days	114	83	102	127	114	89	
	Property, plant and equipment turnover (times)	2.07	2.72	1.74	0.96	0.84	3.29	
	Total asset turnover (times)	0.93	0.93	0.72	0.56	0.53	1.45	
Profitability	Return on assets (%)	(2.00)	(6.95)	1.48	1.13	0.77	13.96	
	Return on equity (%)	(4.03)	(17.22)	0.12	(0.14)	(0.69)	20.13	
	Percentage to paid-in capital (%)	Operating income	2.45	(5.49)	(0.51)	2.02	3.11	31.22
		Net income before tax	(4.30)	(19.61)	(0.34)	0.43	1.27	24.87
	Net profit margin (%)	(2.77)	(8.75)	0.07	(0.10)	(0.56)	9.35	
	Earnings per share (NT\$)	(0.39)	(1.64)	(0.11)	(0.16)	(0.16)	0.40	
Cash flow	Cash flow ratio (%)	5.01	25.42	1.29	(13.05)	8.93	5.62	
	Cash flow adequacy (%)	14.56	44.66	14.65	19.69	34.98	7.30	
	Cash flow reinvestment ratio (%)	1.15	6.01	0.91	(5.87)	3.91	1.25	
Leverage	Operating leverage	3.84	(1.05)	10.37	5.83	3.93	1.23	
	Financial leverage	2.11	0.59	(0.33)	(1.24)	(12.66)	1.03	

Please explain the reasons for the financial ratio fluctuations for the most recent two years. (Increase or decrease lower than 20% is exempted from the analysis)

1. **Financial structure: Liabilities to assets ratio was lower than the previous period mainly because the repayment of borrowings for the current period lowered the total liabilities.**
2. **Debt-paying ratios: The current and quick ratios increased as compared to the previous period mainly because the repayment of borrowings lowered the current liabilities; interest protection multiples increased as compared to the previous period mainly due to decrease in loss before interest and tax.**
3. **Operating ability: Accounts receivable turnover and property, plant and equipment turnover decreased as compared to the previous period mainly due to a decrease in sales for the current period.**
4. **Profitability: Profitability increased for the current period, mainly due to a decrease in net operating loss and net loss after tax as compared to the previous period.**
5. **Cash flow: Cash flow volume decreased mainly due to a decrease in cash inflow from operating activities.**
6. **Leverage: Operating and financial leverages increased mainly due to an increase in operating profit for the current period.**

Note: Not applicable.

## Financial Analysis - IFRS adopted (Standalone)

Analysis item		Year	Financial Analysis for the Most Recent Five Years					Current year as of March 31, 2021
		2020	2019	2018	2017	2016		
Financial structure (%)	Liabilities to assets ratio	22.89	17.79	33.82	39.89	38.56		
	Long-term capital to <u>property, plant and equipment</u> ratio	793.29	890.20	1025.29	867.09	901.99		
Debt-paying ability (%)	Current ratio	153.36	148.26	83.52	53.29	70.10		
	Quick ratio	52.58	48.64	31.95	24.93	49.89		
	Interest protection multiples	(25.58)	(40.55)	0.13	(0.59)	(2.1)		
Operating ability	Accounts receivable turnover (times)	15.09	15.14	19.96	14.91	11.84		
	Average collection days	24.19	24.11	18.28	24.48	30.84		
	Inventory turnover (times)	4.52	2.62	3.27	4.32	6.82		
	Accounts payable turnover (times)	11.27	5.60	6.07	7.33	9.77		
	Average inventory turnover days	80.79	139.32	111.78	84.48	53.56		
	<u>Property, plant and equipment</u> turnover (times)	2.24	2.62	3.73	3.23	3.70		
	Total asset turnover (times)	0.22	0.23	0.30	0.27	0.32		
Profitability	Return on assets (%)	(3.40)	(12.23)	(0.16)	(0.72)	(0.80)		
	Return on <u>equity</u> (%)	(4.41)	(17.10)	(1.13)	(2.14)	(2.09)		
	Percentage to paid-in capital (%)	Operating income	0.95	(1.50)	(0.17)	(0.36)	1.42	
		Net income before tax	(4.04)	(15.95)	(0.90)	(1.41)	(2.41)	
	Net profit margin (%)	(15.75)	(54.91)	(2.41)	(4.80)	(4.06)		
Earnings per share (NT\$)	(0.39)	(1.64)	(0.11)	(0.16)	(0.16)			
Cash flow	Cash flow ratio (%)	(47.36)	(32.43)	9.37	2.88	(9.47)		
	Cash flow adequacy (%)	(111.80)	20.75	32.78	(10.34)	5.16		
	Cash flow reinvestment ratio (%)	(9.31)	(2.31)	2.17	1.03	(2.73)		
Leverage	Operating leverage	1.55	(0.58)	(2.27)	(0.35)	1.39		
	Financial leverage	1.19	0.80	0.14	0.29	2.21		

Please explain the reasons for the financial ratio fluctuations for the most recent two years. (Increase or decrease lower than 20% is exempted from the analysis)

1. **Financial structure:** Liabilities to assets ratio was higher than the previous period mainly due to increase in short-term borrowings.
2. **Debt-paying ratios:** Interest protection multiples increased as compared to the previous period mainly due to decrease in loss before interest and tax.
3. **Operating ability:** Inventory turnover increased as compared to the previous period mainly due to a decrease in the average inventory for the current period.
4. **Profitability:** Profitability increased for the current period, mainly due to a decrease in net operating loss and net loss after tax as compared to the previous period.
5. **Cash flow:** Cash flow volume decreased mainly due to an increase in cash outflow from operating activities.
6. **Leverage:** Operating and financial leverages increased mainly due to an increase in operating profit for the current period.

Note 1: 1. Financial structure

(1) Liabilities to assets ratio = Total liabilities / Total assets.

(2) Long-term capital to fixed assets ratio = (Net shareholder equity + Long-term liabilities) / Net fixed assets.

2. Debt-paying ability

(1) Current ratio = Current assets / Current liabilities.

- (2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities.
- (3) Interest protection multiples = Net income before income tax and interest expense / Interest expense for the current period.
3. Operating ability
- (1) Accounts receivable (including accounts receivable and notes receivable from operations) turnover = Net sales / Average balance of accounts receivable (including accounts receivable and notes receivable from operations).
- (2) Average collection days = 365 / accounts receivable turnover.
- (3) Inventory turnover = Cost of goods sold / Average inventory.
- (4) Accounts payable (including accounts payable and notes payable from operations) turnover = Net sales / Average balance of accounts payable (including accounts payable and notes payable from operations).
- (5) Average inventory turnover days = 365 / Inventory turnover.
- (6) Fixed assets turnover = Net sales / Average net fixed assets.
- (7) Total assets turnover = Net sales / Average total assets.
4. Profitability
- (1) Return on assets = [Profit or loss after tax + Interest expense × (1 - Interest rate)] / Average total assets.
- (2) Return on shareholder equity = Profit or loss after tax / Average net shareholder equity.
- (3) Net income ratio = Profit or loss after tax / Net sales.
- (4) Earnings per share = (Net income after tax - Dividend for preferred stock) / Weighted average outstanding shares.  
(Note 3)
5. Cash flow
- (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities.
- (2) Cash flow adequacy ratio = Cash flow from operating activities for the most recent 5 years / (Capital expenditure + Increase of inventory + Cash dividend) for the most recent 5 years.
- (3) Cash investment ratio = (Cash flow from operating activities - Cash dividend) / (Gross fixed assets + Long-term investment + Other assets + Working capital). (Note 4)
6. Leverage:
- (1) Operating leverage = (Net revenue - Variable cost of goods sold and operating expense) / Operating income. (Note 5)
- (2) Financial leverage = Operating income / (Operating income - Interest expenses)

Note 2: When measuring the earnings per share, the following must be paid attention to:

1. Based on weighted average ordinary shares, not outstanding shares as of year end.
2. For transactions of capital increase by cash and treasury stock, weighted average outstanding shares should be used for computation during the circulation period.
3. If there is capital increase by retained earnings or capital reserve, when computing the earnings per share of the previous year or half year, retrospective adjustment should be made according to the capital increase ratio. The issuance period of the capital increase need not be taken into consideration.
4. If the preferred shares are unconvertible cumulative preferred shares, the dividend of the year (disbursed or otherwise) should be deducted from net profit after tax or added to net loss after tax. If the preferred shares are non-cumulative preferred shares, when there is a net profit after tax, the dividend of preferred shares should be deducted from net profit after tax; if there is a loss, no adjustment is required.

Note 3: For the cash flow analysis, the following should be noted:

- 1 The net cash flow from operating activities is the net cash flow from operating activities in the cash flow analysis.
- 2 Capital expenditure refers to the cash outflow for capital investment every year.
- 3 Inventory increase is only accounted for if the ending balance is greater than the beginning balance. If the ending balance decreases, the inventory increase amounts to 0.
- 4 Cash dividends include cash dividends for common stocks and preferred stocks.
- 5 Gross fixed assets refer to total fixed assets before depreciation.

Note 4: The issuer should distinguish the various costs of goods sold and operating expense items as fixed or variable.

If estimation or subjective judgement is involved, reasonableness and consistency must be observed.

### III. Audit Report Issued by the Audit Committee for the Most Recent Financial Statements

# **Audit Committee's Review Report**

The Audit Committee has reviewed the business reports, financial reports and accumulated losses offsetting proposal for 2020 prepared and submitted by the Company and found no material misstatement. In accordance with the Company Act, Article 219 and the Securities and Exchange Act, Article 14-4, the Committee thus submits the report for review.

To

2021 Annual General Shareholders' Meeting of Tycoons Group Enterprise Company Limited

Convener of Audit Committee: Wei, Kung-Ao

March 25, 2021

## IV. Most Recent Consolidated Financial Statements Audited by Independent Auditors

### INDEPENDENT AUDITORS' REPORT

NO.11351090ECA

To the Board of Directors of Tycoons Group Enterprise Co., Ltd.,

#### **Opinion**

We have audited the accompanying consolidated financial statements of Tycoons Group Enterprise Co., Ltd. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

#### **Basis for Opinion**

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

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **1. Inventories Valuation**

Refer to Note 4(6) and 6(6) to the consolidated financial statements for the accounting policies and the details of the information about inventories.

#### Description of the key audit matter

In the consolidated financial report, the inventory is measured at the lower of cost or net realizable value. The Group is principally engaged in the production of metal products such as screws, nuts and wales. The value of inventories is susceptible to fluctuations in the price of the demand market and the speed of change of the respective industries. The sales of products may fluctuate violently, resulting in inventory obsolescence losses and expired losses, there is a risk that inventory costs may exceed the net realizable value.

#### How the matter was addressed in our audits

- Review the aging schedule of inventories and analysis the changes.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management.
- Obtain the quantity data of inventory at the end of the period and compare it with the inventory and actually observe the inventory to verify the existence and completeness of inventory.
- By understanding the sale price made by management and the situation of market price after the accounting period to evaluate the reasonableness of inventory net realizable value and compare the recent sales price or purchase cost of the inventories with the cost of the book to confirm that the inventories have been evaluated at the lower of cost or realizable value.
- Evaluate the fairness of the disclosure of allowance for inventories valuation.

## **2. Revenue recognition**

Refer to Note 4(15) and 6(19) to the consolidated financial statements for the accounting policies and the details of information about revenue recognition.

### Description of the key audit matter

Revenue recognition when the risks and rewards of product transfer of and recorded amount directly affects the annual profit and loss of the Group. The Group and its clients have different trading conditions, we should identify the transfer of risks and rewards in accordance with trading conditions to recognize revenue. Therefore, there is a risk of revenue being recognized at an inappropriate amount or earlier than appropriate.

### How the matter was addressed in our audits

- Understand and test the Group's internal control related of revenue recognition.
- Understand the income types and trading conditions of the Group, to assess whether the accounting policies of revenue being recognized at the time is appropriate.
- By the sampling method, examine supporting documents for actual sales transactions occurring during the year and near the end of the accounting period.

## **Other Matter**

### Making reference to the audits of component auditors

We did not audit the financial statements of certain consolidated subsidiaries of the Group. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the consolidated financial statements relative to these consolidated subsidiaries was based solely on the reports of other auditors. The total assets of the subsidiaries amounted to NT\$74,979 thousand and NT\$97,431 thousand, both representing 1% of total consolidated assets as of December 31, 2020 and 2019, respectively. And the total revenues of the subsidiaries amounted to NT\$44,707 thousand and NT\$72,962 thousand, both representing 1% of total consolidated revenues for the years ended December 31, 2020 and 2019, respectively.

We did not audit the financial statements of associates and joint ventures accounted for under the equity method. These financial statements were audited by other auditors, the associates and joint ventures accounted for under the equity method amounted to \$366,085 thousand and \$631,467 thousand,

representing 4% and 7% of total consolidated assets as of December 31, 2020 and 2019, respectively. And the related share of profit from the associates and joint ventures accounted for under the equity method amounted to \$(315,660) thousand and \$(38,036) thousand, representing 80% and 6% of the consolidated comprehensive loss for the year ended December 31, 2020 and 2019, respectively.

#### Parent company only financial statements

We have also audited the parent company only financial statements of Tycoons Group Enterprise Co., Ltd. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

#### **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 Issuer and the IFRSs, IASs, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including members of the Audit Committee, are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an

audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 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.

Baker Tilly Clock & Co

Yung-Chi Lai, CPA

Hung-Hsun Ting, CPA

March 25, 2021

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

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

TYCOONS GROUP ENTERPRISE CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan Dollars)

ASSETS	NOTES	December 31,2020		December 31,2019	
		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	6(1)	\$ 252,026	3	\$ 621,921	7
Financial assets at fair value through profit or loss, current	6(2)	2	—	643	—
Financial assets at amortized cost, current	6(4),8	240,698	3	60,668	1
Notes receivable, net	6(5)	58,174	1	36,844	—
Accounts receivable, net	6(5),7	602,340	7	855,803	10
Other receivables	7	46,538	1	14,012	—
Current tax assets	6(23)	2,149	—	2,025	—
Inventories	6(6),8	2,387,923	29	2,224,525	25
Prepayments		285,250	3	172,337	2
Other current assets		2,525	—	2,146	—
Other financial assets, current	8	10,036	—	—	—
Total current assets		3,887,661	47	3,990,924	45
<b>NON-CURRENT ASSETS</b>					
Financial assets at fair value through other comprehensive income, non-current	6(3)	114,780	2	159,836	2
Investments accounted for using equity method	6(8),8	366,085	5	631,467	7
Property, plant and equipment	6(9),8	3,694,924	45	3,952,038	45
Right-of-use assets	6(10),8	45,212	1	51,778	1
Intangible assets		10,518	—	11,763	—
Deferred tax assets	6(23)	17,365	—	25,890	—
Guarantee deposits paid		1,091	—	1,151	—
Other non-current financial assets		18,792	—	18,792	—
Other non-current assets, other		5,780	—	10,398	—
Total non-current assets		4,274,547	53	4,863,113	55
<b>TOTAL</b>		<b>\$ 8,162,208</b>	<b>100</b>	<b>\$ 8,854,037</b>	<b>100</b>

(Continued)

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

TYCOONS GROUP ENTERPRISE CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	NOTES	December 31,2020		December 31,2019	
		Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>					
Current borrowings	6(12),8	\$ 1,540,242	19	\$ 1,783,570	20
Short-term notes and bills payable	6(13)	49,951	1	49,965	—
Financial liabilities at fair value through profit or loss, current	6(2)	10,077	—	1,464	—
Contract liabilities, current		206,056	3	169,241	2
Notes payable		109,776	1	93,941	1
Accounts payable		188,425	2	123,273	1
Accounts payable-related parties	7	5,836	—	307,444	4
Other payables	7	155,181	2	186,690	2
Current tax liabilities	6(23)	8,756	—	2,625	—
Lease liabilities, current	6(10)	—	—	3,738	—
Bonds payable, current portion	6(14)	200,000	2	—	—
Long-term borrowings, current portion	6(15),8	52,165	1	56,938	1
Other current liabilities, other		25,497	—	1,295	—
Total current liabilities		2,551,962	31	2,780,184	31
<b>NON-CURRENT LIABILITIES</b>					
Bonds payable	6(14)	—	—	200,000	2
Long-term bank loans	6(15),8	37,500	—	242,232	3
Deferred tax liabilities	6(23)	80,987	1	136,752	2
Lease liabilities, non-current	6(10)	—	—	1,210	—
Net defined benefit liabilities, non-current	6(16)	38,380	1	37,469	—
Guarantee deposits received		2,181	—	6,454	—
Total non-current liabilities		159,048	2	624,117	7
Total liabilities		2,711,010	33	3,404,301	38
<b>EQUITY ATTRIBUTABLE TO OWNERS OF PARENT</b>					
Share capital	6(17)	4,797,520	59	4,797,520	54
Capital surplus	6(17)	340,560	4	206,365	2
Retained earnings	6(17)				
Legal reserve		16,248	—	16,248	—
Accumulated deficit		(1,484,846)	(18)	(1,270,414)	(14)
Other equity interests	6(17)	416,618	5	571,238	7
Total equity attributable to owners of the parent		4,086,100	50	4,320,957	49
<b>NON-CONTROLLING INTERESTS</b>					
		1,365,098	17	1,128,779	13
Total equity		5,451,198	67	5,449,736	62
<b>TOTAL</b>		<b>\$ 8,162,208</b>	<b>100</b>	<b>\$ 8,854,037</b>	<b>100</b>

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

TYCOONS GROUP ENTERPRISE CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED ON DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan Dollars)

ITEMS	NOTE	For the Years Ended December 31			
		2020		2019	
		Amount	%	Amount	%
OPERATING REVENUES	6(19),7	\$ 7,930,384	100	\$ 11,519,202	100
OPERATING COSTS	6(24),7	(7,397,427)	(93)	(11,268,848)	(98)
GROSS PROFIT FROM OPERATIONS		532,957	7	250,354	2
OPERATING EXPENSES	6(24)				
Selling expenses		(145,389)	(2)	(220,754)	(2)
Administrative expenses		(246,321)	(3)	(296,191)	(2)
Research and development expenses		(9,082)	—	(10,549)	—
Impairment gain determined in accordance with IFRS 9	6(5)	(14,483)	—	13,929	—
Total operating expenses		(415,275)	(5)	513,565	(4)
NET OPERATIONS INCOME		117,682	2	(263,211)	(2)
NON-OPERATING INCOME AND EXPENSES					
Other income	6(20)	20,107	—	4,079	—
Other gains and losses	6(21)	37,444	1	(426,419)	(4)
Finance costs	6(22)	(65,489)	(1)	(104,190)	(1)
Share of the profit of associates and joint ventures accounted for using the equity method	6(8)	(315,826)	(4)	(36,956)	—
Total non-operating income and expenses		(323,764)	(4)	(563,486)	(5)
PROFIT FROM CONTINUING OPERATION BEFORE TAX		(206,082)	(2)	(826,697)	(7)
TAX EXPENSE	6(23)	(13,741)	—	(66,668)	(1)
PROFIT FROM CONTINUING OPERATION		(219,823)	(2)	(893,365)	(8)
LOSS FROM DISCONTINUED OPERATIONS	6(7)	—	—	(114,061)	(1)
LOSS		(219,823)	(2)	(1,007,426)	(9)
OTHER COMPREHENSIVE INCOME (LOSS)					
Components of other comprehensive income that will not be reclassified to profit or loss					
Gain on remeasurement of defined benefit pension plans		62	—	(2,192)	—
Unrealized gain from investments in equity instruments measured at fair value through other comprehensive income		8,798	—	16,146	—
Share of other comprehensive income of associates and joint ventures		—	—	410	—
Components of other comprehensive income that will be reclassified to profit or loss					
Exchange differences on translation		(228,855)	(3)	273,739	3
Equity related to non-current asset or disposal groups classified as held for sale		—	—	71,367	—
Income tax relate to components of other comprehensive loss that will be reclassified to profit or loss	6(23)	47,462	1	(39,995)	—
Other comprehensive income		(172,533)	(2)	319,475	3
TOTAL COMPREHENSIVE LOSS		\$ (392,356)	(4)	\$ (687,951)	(6)
LOSS ATTRIBUTABLE TO :					
Owners of parent		\$ (185,640)	(2)	\$ (786,105)	(7)
Non-controlling interests		(34,183)	—	(221,321)	(2)
TOTAL LOSS		\$ (219,823)	(2)	\$ (1,007,426)	(9)
COMPREHENSIVE LOSS ATTRIBUTABLE TO :					
Owners of parent		\$ (352,204)	(4)	\$ (536,612)	(5)
Non-controlling interests		(40,152)	—	(151,339)	(1)
TOTAL COMPREHENSIVE LOSS		\$ (392,356)	(4)	\$ (687,951)	(6)
BASIC EARNINGS PER SHARE	6(18)				
Continuing operations		\$ (0.39)		\$ (1.42)	
Discontinued operations		\$ —		\$ (0.22)	
TOTAL BASIC EARNINGS PER SHARE		\$ (0.39)		\$ (1.64)	

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

TYCOONS GROUP ENTERPRISE CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	Total equity attributable to owners of parent								Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings		Other equity interests			Subtotal		
			Legal reserve	Accumulated deficit	Exchange differences on translation of foreign financial statements	Unrealized (losses) gains on financial assets measured at fair value through other comprehensive income	Equity related to non-current assets or disposal groups classified as held for sale			
BALANCE, JANUARY 1, 2019	\$ 4,797,520	\$ 154,337	\$ 16,248	\$ (541,080)	\$ 421,543	\$ 13,809	\$ 9,318	\$ 4,871,695	\$ 1,379,875	\$ 6,251,570
Net (loss) income for the year ended December 31, 2019	—	—	—	(786,105)	—	—	—	(786,105)	(221,321)	(1,007,426)
Other comprehensive income for the year ended December 31, 2019, net of income tax	—	—	—	(1,278)	159,756	24,637	66,378	249,493	69,982	319,475
Total comprehensive (loss) income	—	—	—	(787,383)	159,756	24,637	66,378	(536,612)	(151,339)	(687,951)
Difference between consideration and the carrying amount of subsidiaries acquired or disposed	—	33,739	—	—	—	—	—	33,739	—	33,739
Disposal of investments in equity instruments designated at fair value through other comprehensive income	—	—	—	58,049	—	(58,049)	—	—	—	—
Effect of the disposal of the subsidiary	—	18,289	—	—	9,542	—	(75,696)	(47,865)	(99,757)	(147,622)
BALANCE, DECEMBER 31, 2019	4,797,520	206,365	16,248	(1,270,414)	590,841	(19,603)	—	4,320,957	1,128,779	5,449,736
BALANCE, JANUARY 1, 2020	4,797,520	206,365	16,248	(1,270,414)	590,841	(19,603)	—	4,320,957	1,128,779	5,449,736
Net loss for the year ended December 31, 2020	—	—	—	(185,640)	—	—	—	(185,640)	(34,183)	(219,823)
Other comprehensive income for the year ended December 31, 2020, net of income tax	—	—	—	62	(175,424)	8,798	—	(166,564)	(5,969)	(172,533)
Total comprehensive (loss) income	—	—	—	(185,578)	(175,424)	8,798	—	(352,204)	(40,152)	(392,356)
Difference between consideration and the carrying amount of subsidiaries acquired or disposed	—	134,195	—	—	(14,425)	(441)	—	119,329	—	119,329
Disposal of investments in equity instruments designated at fair value through other comprehensive income	—	—	—	(28,854)	—	26,872	—	(1,982)	—	(1,982)
Changes in non-controlling interests	—	—	—	—	—	—	—	—	276,471	276,471
BALANCE, DECEMBER 31, 2020	\$ 4,797,520	\$ 340,560	\$ 16,248	\$ (1,484,846)	\$ 400,992	\$ 15,626	\$ —	\$ 4,086,100	\$ 1,365,098	\$ 5,451,198

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

TYCOONS GROUP ENTERPRISE CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss from continuing operations before tax	\$ (206,082)	\$ (826,697)
Loss from discontinued operations before tax	—	(101,653)
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation expense	318,209	517,879
Amortization expense	16,957	22,157
Expected credit loss (gain)	14,483	(13,929)
Impairment loss	320	430,144
Net loss on financial assets and liabilities at fair value through profit or loss	19,717	1,414
Interest expense	62,001	185,625
Interest income	(4,611)	(3,835)
Dividend income	(3,934)	(720)
Share of the loss of associates and joint ventures	315,826	36,956
Loss on disposal and write-off of property, plant and equipment	262	97,718
Gain on lease modification	(41)	—
Gain on disposal of investments	(522)	(48,495)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(19,197)	19,125
Notes receivable	(20,669)	72,617
Accounts receivable	224,313	(112,741)
Other receivables	(29,146)	8,420
Inventories	(261,571)	763,519
Prepayments	(112,924)	93,962
Other current assets	(379)	(1,130)
Contract liabilities	37,532	(168,835)
Notes payable	18,518	(42,360)
Accounts payable	(177,787)	55,009
Other payables	(21,324)	(12,577)
Advance receipts	—	(82,034)
Other current liabilities, other	24,132	(3,752)
Net defined benefit liabilities, non-current	3,175	8,778

(Continued)

TYCOONS GROUP ENTERPRISE CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	2020	2019
Cash generated from operations	\$ 197,258	\$ 894,565
Interest received	1,441	4,240
Interest paid	(62,523)	(195,229)
Income taxes (paid) refund	(8,201)	3,017
Net cash generated from operating activities	127,975	706,593
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	48,753	63,938
(Increase) decrease in financial assets measured at amortized cost	(184,128)	77,574
Proceeds from disposal of the subsidiary	—	790,178
Acquisition of investment accounted for using the equity method	(64,266)	—
Acquisition of property, plant and equipment	(150,123)	(498,025)
Proceeds from disposal of property, plant and equipment	3,867	7,591
Decrease (increase) in refundable deposits	21	(1,522)
Acquisition of intangible assets	—	(12,718)
(Increase) decrease in other financial assets	(10,035)	81,750
Increase in other non-current assets	19,722	(1,324)
Dividend received	3,934	720
Net cash (used in) generated from investing activities	(332,255)	508,162
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term borrowings	(152,634)	(679,531)
Increase in short-term notes and bills payable	14	49,965
Decrease in long-term borrowings	(203,236)	(655,682)
(Decrease) increase in guarantee deposits received	(4,285)	1,008
Repayment of the principal portion of the lease liability	(2,954)	(5,267)
Acquisition of ownership interest in subsidiaries	(35,069)	(10,099)
Disposal of ownership interest in subsidiaries	357,694	—
Changes in non-controlling interests	(86,306)	56,122
Net cash (used in) generated from financing activities	(126,776)	(1,243,484)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(38,839)</b>	<b>(269,640)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(369,895)</b>	<b>(298,369)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>621,921</b>	<b>920,290</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>\$ 252,026</b>	<b>\$ 621,921</b>
<b>ADDITIONAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Non-cash transaction		
Unpaid amount for purchases of property plant and equipment	\$ 538	\$ 1,690

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

TYCOONS GROUP ENTERPRISE CO., LTD. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Amounts in thousands of New Taiwan dollars, unless otherwise stated)

1. HISTORY AND ORGANIZATION

Tycoons Group Enterprise Co., Ltd. (the “Company”) was incorporated under the Company Law in November, 1980. The address of its registered office and principal place of business is No. 79-1, Sinle St., Gangshan Dist., Kaohsiung City, Taiwan. The main business of the Company and its subsidiaries (the “Group”) is to produce, process, commerce, export screws, screw nuts, washer, steel thread, heat-processing of metal-blazed, mechanical parts, press-modeling machines as well as heat-processing equipment, and to manufacture, process and export various metal-models, and general international trade business excluding futures transactions.

On March 27, 1995, the Company’s stocks were approved by the Financial Supervisory Commission, Executive Yuan, R.O.C for listing on the Taiwan Stock Exchange.

The consolidated financial statements are presented in the Company’s functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 25, 2021.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRSs”) as endorsed by the Financial Supervisory Commission (“FSC”) New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, "Definition of a business"	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, "Interest rate benchmark reform"	January 1, 2020
Amendments to IAS 1 and IAS 8, "Disclosure initiative-definition of material"	January 1, 2020
Amendment to IFRS 16, "Covid-19-related rent concessions"	June 1, 2020

The above standards and interpretations have no significant impact on the consolidated financial condition and financial performance based on the Company's assessment.

- (2) Effect of new issuances of or amendments to International Financial Reporting Standards as endorsed by the FSC but not yet adopted by the Company New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, "Extension of the temporary exemption from applying IFRS 9"	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021

The above standards and interpretations have no significant impact on the consolidated financial condition and financial performance based on the Company's assessment.

- (3) International Financial Reporting Standards issued by IASB but not yet endorsed by the FSC New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined by International Accounting Standards Board
IFRS 17, "Insurance contracts"	January 1, 2023
Amendments to IAS 1, "Classification of liabilities as current or noncurrent"	January 1, 2023
Amendments to IAS 16, "Property, plant and equipment: proceeds before intended use"	January 1, 2022
Amendments to IAS 37, "Onerous contracts - cost of fulfilling a contract"	January 1, 2022
Annual improvements to IFRS Standards 2018 - 2020	January 1, 2022
Amendments to IFRS 3, "Reference to the conceptual framework"	January 1, 2022
Amendments to IAS 1, "Disclosure of accounting policies"	January 1, 2023
Amendments to IAS 8, "Definition of accounting estimates"	January 1, 2023

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Group are summarized as follows. Unless otherwise stated, the following accounting policies have been consistently applied to all presentation periods in this consolidated financial report.

##### (1) Statement of compliance

The consolidated financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issues” (the “Regulations”) and the IFRSs, IASs, and interpretations as well as related guidance endorsed by the FSC.

##### (2) Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The financial statements in the Chinese language are the official statutory financial statements of the Group. The financial statements in the English language have been translated from the Chinese language financial statements.

##### (3) Basis of Consolidation

#### A. The basis for the consolidated financial statements

The consolidated financial statements incorporated the financial statements of Tycoons Group Enterprise Co., Ltd. and its controlled entities (the subsidiaries).

Income and expenses of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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

All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

Total comprehensive income of subsidiaries is attributed to the shareholders of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between:

- (A) the aggregate of the fair value of the consideration received and the fair value of any retained interest at the date when control is lost; and
- (B) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any noncontrolling interest.

The Company shall account for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Company had directly disposed of the related assets and liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the cost of initial recognition of an investment in an associate.

## B. Subsidiaries included in the consolidated financial statements:

Investing Company	The name of subsidiary	Nature of operations	Location
Tycoons Group Enterprise Co., Ltd.	Tycoons Group International Co., Ltd.	Investing	British Cayman Island
"	Yuan Zhen Investment Co., Ltd.	Investing	Taiwan
"	Tycoons Worldwide Group (Thailand) Public Co., Ltd.	Manufacturing industry	Thailand
Tycoons Group International Co., Ltd.	Tycoons Worldwide Group (Thailand) Public Co., Ltd.	Manufacturing industry	Thailand
"	Viettycoons Steel Co., Ltd.	Manufacturing industry	Vietnam
"	Kingford International Limited	Investing	Samoa
"	Tycoons Group (Samoa) Holding Ltd.	Investing	Samoa
Kingford International Limited	Huanghua Jujin Hardware Products Co., Ltd.	Manufacturing industry	China
Huanghua Jujin Hardware Products Co., Ltd.	Huanghua Jujin Trading Co., Ltd.	Trade	China
Tycoons Group (Samoa) Holding Ltd.	Tycoons Vietnam Co., Ltd.	Manufacturing industry	Vietnam

The name of subsidiaries	Shareholding %		Note
	December 31, 2020	December 31, 2019	
Tycoons Group International Co., Ltd.	100%	100%	
Yuan Zhen Investment Co., Ltd.	100%	100%	
Tycoons Worldwide Group (Thailand) Public Co., Ltd.	—%	3.87%	1
"	70.30%	73.39%	2
Viettycoons Steel Co., Ltd.	100%	100%	3
Kingford International Limited	100%	100%	
TY Steel Co., Ltd.	31.11%	33.05%	4
Huanghua Jujin Hardware Products Co., Ltd.	60%	60%	
Huanghua Jujin Trading Co., Ltd.	60%	60%	
Tycoons Vietnam Co., Ltd.	100%	100%	3
Tycoons Group (Samoa) Holding Ltd.	100%	100%	

Note 1: The Company holding.

Note 2: Holding by the subsidiary of the Company, Tycoons Group International Co., Ltd..

Note 3: These subsidiaries for which the financial statements are audited by other auditors.

Note 4: On December 13, 2018, the Company's Board of Directors approved that the Company sells 60% of TY Steel Co., Ltd.'s shares. Therefore, the assets and liabilities related to TY Steel Co., Ltd. have been reclassified as held for sale and presented as discontinued operations.

The Group completed the equity transfer in June, 2019, and the shareholding ratio decreased to 33.01%. Also, after TY Steel Co., Ltd. re-elected its directors on July 3, 2019, the Group no longer occupies most of its board of directors. The assessment has lost control of the Company and is excluded from consolidated financial statements from the date of lost control.

C. Details of subsidiaries that have material non-controlling interests:

Name of subsidiary	Principal place of business	Proportion of Ownership Interests and Voting Rights Held by Non-controlling Interests	
		December 31,2020	December 31,2019
Tycoons Worldwide Group (Thailand) Public Co., Ltd.	Thailand	29.70%	22.74%

Name of subsidiary	(Loss) Profit Allocated to Non-controlling Interests		Accumulated non-controlling interest	
	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019	December 31,2020	December 31,2019
Tycoons Worldwide Group (Thailand) Public Co., Ltd.	\$ (90,325)	\$ (229,141)	\$ 1,133,853	\$ 987,233
TY Steel Co., Ltd.	Not applicable	\$ 3,529	Not applicable	Not applicable

The summarized financial information below represents amounts before intracompany eliminations.

Tycoons Worldwide Group (Thailand) Public Co., Ltd.

	December 31,2020	December 31,2019
Current assets	\$ 2,783,562	\$ 2,776,698
Non-current assets	3,292,842	3,809,474
Current liabilities	(2,219,918)	(2,165,164)
Non-current liabilities	(38,799)	(79,612)
Equity	<u>\$ 3,817,687</u>	<u>\$ 4,341,396</u>
Equity attributable to:		
Shareholders of the parent company	\$ 2,683,834	\$ 3,354,163
Non-controlling interests	1,133,853	987,233
	<u>\$ 3,817,687</u>	<u>\$ 4,341,396</u>
	<u>For the Years Ended December 31</u>	
	2020	2019
Operating Revenues	<u>\$ 5,747,942</u>	<u>\$ 9,658,017</u>
Net loss	(304,125)	(1,007,660)
Other comprehensive loss	663	4,582
Total comprehensive loss	<u>\$ (303,462)</u>	<u>\$ (1,003,078)</u>
Loss attributable to:		
Shareholders of the parent company	\$ (213,780)	\$ (778,519)
Non-controlling interests	(90,325)	(229,141)
	<u>\$ (304,105)</u>	<u>\$ (1,007,660)</u>
Total comprehensive loss attributable to :		
Shareholders of the parent company	\$ (213,334)	\$ (774,978)
Non-controlling interests	(90,128)	(228,100)
	<u>\$ (303,462)</u>	<u>\$ (1,003,078)</u>
	<u>For the Years Ended December 31</u>	
	2020	2019
Cash flow		
Operation activities	\$ 546,090	\$ 220,871
Investing activities	(196,856)	(158,153)
Financing activities	(602,035)	(224,759)
Net decrease in cash and cash equivalents	<u>\$ (252,801)</u>	<u>\$ (162,041)</u>

TY Steel Co., Ltd.

	For the Years Ended December 31	
	2019 (Note)	
Operating Revenues	\$	2,865,560
Net loss		50,493
Other comprehensive income		—
Total comprehensive loss	\$	50,493
Loss attributable to:		
Shareholders of the parent company	\$	46,964
Non-controlling interests		3,529
	\$	50,493
Total comprehensive loss attributable to:		
Shareholders of the parent company	\$	46,964
Non-controlling interests		3,529
	\$	50,493

Note: The amounts were from Jan. 1, 2019 to the date of loss control.

(4) Classification of Current and Noncurrent Assets and Liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as noncurrent:

- A. The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- B. The Group holds the asset primarily for the purpose of trading.
- C. The Group expects to realize the asset within twelve months after the reporting period.
- D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

- A. The Group expects to settle the liability in its normal operating cycle.
- B. The Group holds the liability primarily for the purpose of trading.
- C. The liability is due to be settled within twelve months after the reporting period.
- D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Foreign Currencies

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

At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the closing rates. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries, associates and joint ventures operating in other countries or using currencies different from the Company's) are translated into New Taiwan Dollars using exchange rates prevailing at each balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the shareholders of the Company and non-controlling interests as appropriate).

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

(6) Inventories

Inventories are stated at the lower of cost or net realizable value. Inventories are recorded at weighted-average cost. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

(7) Noncurrent Assets Held for Sale and Discontinued operations

A. Non-current assets held for sale

Noncurrent assets or disposal groups are classified as noncurrent assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the noncurrent asset held for sale is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Noncurrent assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation would cease. When the assets classified as held for sale or held for distribution to owners are intangible assets or property, plant and equipment, they are no longer amortized or depreciated, and any

equity-accounted investee is no longer equity accounted, except for investment subsidiaries.

#### B. Discontinued operations

An operation will be classified as a discontinued operation upon disposal or when the operation meets the criteria to be classified as held for sale or held for distribution to owners, whichever comes first. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the beginning of the comparative year.

#### (8) Investments accounted for under the equity method

An associate is an entity over which the Company and its subsidiaries have significant influence and that is neither a subsidiary nor an interest in a joint venture.

The operating results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the share of the equity of associates.

When the Group subscribes to additional new shares of the associate, at a percentage different from their existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group record such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group's ownership interest is reduced due to non-subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equal or exceed their interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, from part of the Group's net investment in the associate), the Group discontinue recognizing their share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

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

When impairment loss is evaluated, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with the carrying amount. An impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment has subsequently increased.

When the Group ceases to have significant influence over the associate, the Group will measure the retained investment at fair value at that date. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Group transacts with their associates, profits and losses on these transactions are recognized in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

## (9) Property, Plant and Equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Properties in the course of construction for production, supply or administrative purposes are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are classified into the appropriate categories of property, plant and equipment when completed and ready for the intended use and depreciated accordingly.

Depreciation is computed by the straight-line method over the estimated useful lives. The estimated useful lives are as follows:

Land improvement	30	years
Buildings	1~50	years
Machinery and equipment	1~25	years
Transportation equipment	5~10	years
Furniture and fixtures	2~15	years
Miscellaneous equipment	2~25	years
Leasehold improvements	3	years

If each component of property, plant and equipment is significant, it is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss in the current year.

## (10) Leasing

### A. Identifying of lease

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

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

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

#### B. As a lease

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by

impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

- (A) Fixed payments.
- (B) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- (C) Amounts expected to be payable under a residual value guarantee.
- (D) Payments for purchase or termination options that are reasonably certain to be exercised.

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

- (A) There is a change in future lease payments arising from the change in an index or rate.
- (B) There is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee.
- (C) There is a change of its assessment on whether it will exercise a purchase, extension or termination option.
- (D) There is a change of its assessment on whether it will exercise an extension or termination options.
- (E) There are any lease modifications.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero. When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the

partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease. The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

C. As a lessor

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

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

(11) Impairment of Tangible and Intangible Assets Other than Goodwill

At each balance sheet date, the Group reviews the carrying amounts of their tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are

tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

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

#### (12) Financial instruments

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

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

##### A. Financial assets

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

##### a. Measurement category

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Group shall reclassify all affected financial assets only when it changes its business

model for managing its financial assets.

(a) Financial assets measured at amortized cost

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

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

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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

Cash equivalents include time deposits that are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

(b) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the dividend date.

(c) Fair value through profit or loss (FVTPL)

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

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

b. Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, refundable deposits and other financial assets).

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which is measured as 12-month ECL:

- Debt securities that are determined to have low credit risk at the reporting date.
- Other debt securities and bank balances for which credit risk (i.e. the risk of a default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is

‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer.
- A breach of contract such as a default.
- The lender of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider.
- It is probable that the borrower will enter bankruptcy or other financial reorganization.
- The disappearance of an active market for security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

#### c. Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

### B. Equity Instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

C. Financial liabilities

a. Subsequent measurement

Except for the following situation, all the financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability.

b. Derecognition of financial liabilities

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

(13) Provision

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

(14) Employee benefits

A. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

B. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, past service cost, as well as gains and losses on settlements) and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Corporation and its subsidiaries' defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

(15) Revenue recognition

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

A. Sale of goods

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

B. Rent income, dividend income and interest income are recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably

measured, recognized as follows:

- (a) Rent income is recognized during the rental period at the straight method.
- (b) Dividend income is recognized when the shareholder's right to receive payment has been established.
- (c) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(16) Government grant

A government grant is recognized in profit or loss only when there is reasonable assurance that the Group will comply with the conditions attached to it and that the grant will be received.

A government grant becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs is recognized in profit or loss in the period in which it becomes receivable.

The government grant is recognized in other operating income and expenses.

(17) Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

A. Current tax

Income tax on unappropriated earnings (excluding earnings from foreign consolidated subsidiaries) at a rate of 5% is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated.

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

B. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, net operating loss carryforwards and unused tax credits to the extent

that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized are also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

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

#### C. Current and deferred tax for the year

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

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

In the application of the Group's accounting policies, which are described in Note 4, the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

The following are the critical judgments, apart from those involving estimations, that the Group has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

### (1) Revenue Recognition

The Group recognizes revenue when the conditions described in Note 4 are satisfied. The Group also records a provision for estimated future returns and other allowances in the same period the related revenue is recorded. Provision for estimated sales returns and other allowances is generally made and adjusted at a specific percentage based on historical experience and any known factors that would significantly affect the allowance, and our management periodically reviews the adequacy of the estimation used.

### (2) Valuation of Inventory

Inventories are stated at the lower of cost or net realizable value, and the Group uses judgment and estimate to determine the net realizable value of inventory at the end of each reporting period.

Due to the rapid industrial changes, the Group estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon.

(3) Estimated impairment of financial assets

The Group has estimated the loss allowance of trade receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs.

(4) Impairment assessment of tangible and intangible assets other than goodwill

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Group is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups with the consideration of the nature of semiconductor industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

(5) Recognition and measurement of defined benefit plans

Net defined benefit liability and the resulting defined benefit costs under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase rate. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

(6) Realization of deferred income tax assets

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Assessment of the realization of deferred income tax assets involves critical accounting judgments and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax-exempt duration, available tax credits, tax planning, etc. Any variations in the global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand	\$ 734	\$ 509
Bank deposits	251,292	621,412
Total	<u>\$ 252,026</u>	<u>\$ 621,921</u>

(2) Financial assets and liabilities at fair value through profit or loss, current

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets-current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets		
Forward exchange contracts	<u>\$ 2</u>	<u>\$ 643</u>

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities-current</u>		
Financial liabilities mandatorily classified as at FVTPL		
Derivative financial liabilities		
Forward exchange contracts	<u>\$ 10,077</u>	<u>\$ 1,464</u>

The main purpose for the Group to engage in forwarding exchange contract transactions is to evade the risk resulting from the fluctuation of the currency exchange rate. However, those derivative assets and liabilities did not meet the criteria of hedge effectiveness and therefore were not accounted for by using hedge accounting.

The undue derivative financial products were as follows:

December 31, 2020	Currency	Maturity Period	Contracted Amount (in thousands)	
Buy forward exchange	United States dollars	2020.11.02~2021.05.05	USD	352
"	"	2020.11.05~2021.05.10	USD	500
"	"	2020.12.08~2021.06.14	USD	1,742
"	"	2020.12.09~2021.06.15	USD	350
"	"	2020.12.29~2021.07.06	USD	855
"	"	2020.11.10~2021.05.07	USD	142
"	"	2020.11.26~2021.05.25	USD	530
"	"	2020.12.24~2021.06.22	USD	4,500
"	"	2020.11.03~2021.05.05	USD	1,785
"	"	2020.11.05~2021.05.10	USD	1,000
"	"	2020.11.05~2021.05.10	USD	1,000
"	"	2020.11.09~2021.05.12	USD	1,000
"	"	2020.11.19~2021.05.24	USD	980
"	"	2020.12.01~2021.06.04	USD	530
"	"	2020.12.04~2021.06.09	USD	5,550
"	"	2020.12.23~2021.06.28	USD	6,750
"	"	2020.12.22~2021.06.24	USD	1,677
Sell forward exchange	"	2020.12.18~2021.04.29	USD	1,350

December 31, 2019	Currency	Maturity Period	Contracted Amount (in thousands)	
Buy forward exchange	United States dollars	2019.09.11~2020.03.13	USD	491
"	"	2019.09.13~2020.03.17	USD	500
"	"	2019.10.09~2020.04.16	USD	500
"	"	2019.10.24~2020.04.28	USD	700
"	"	2019.11.20~2020.05.22	USD	600
"	"	2019.12.25~2020.06.29	USD	450
"	"	2019.12.30~2020.07.03	USD	500
"	"	2019.08.26~2020.02.21	USD	163
"	"	2019.09.13~2020.03.11	USD	500
"	"	2019.09.25~2020.03.23	USD	750
"	"	2019.10.04~2020.04.01	USD	500
"	"	2019.10.09~2020.04.03	USD	500
"	"	2019.10.17~2020.04.09	USD	500
"	"	2019.10.25~2020.04.22	USD	500
"	"	2019.10.25~2020.04.22	USD	500
"	"	2019.10.29~2020.04.24	USD	650
"	"	2019.11.06~2020.05.08	USD	500
"	"	2019.11.15~2020.05.13	USD	500
"	"	2019.12.12~2020.06.09	USD	500
"	"	2019.12.12~2020.06.09	USD	500
"	"	2019.12.12~2020.06.09	USD	500
"	"	2019.12.17~2020.06.12	USD	500
"	"	2019.12.20~2020.06.17	USD	500
"	"	2019.12.25~2020.06.22	USD	500
"	"	2019.12.30~2020.06.26	USD	500
"	"	2019.11.26~2020.05.29	USD	768
"	"	2019.12.03~2020.06.08	USD	500
"	"	2019.12.12~2020.06.16	USD	500
"	"	2019.12.12~2020.06.16	USD	500

December 31, 2019	Currency	Maturity Period	Contracted Amount (in thousands)	
Buy forward exchange	United States dollars	2019.12.20~2020.06.24	USD	500
"	"	2019.12.25~2020.06.29	USD	500
"	"	2019.12.26~2020.06.30	USD	3,500
"	"	2019.12.26~2020.06.30	USD	500
"	"	2019.12.27~2020.07.02	USD	500
"	"	2019.12.30~2020.07.03	USD	500
"	"	2019.12.30~2020.07.03	USD	500
"	"	2019.12.13~2020.06.16	USD	69
"	"	2019.12.25~2020.06.29	USD	184
"	"	2019.12.30~2020.07.03	USD	500
"	"	2019.12.30~2020.07.03	USD	500
"	"	2019.12.24~2020.06.26	USD	500
"	"	2019.12.26~2020.06.26	USD	1,475

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

	December 31, 2020	December 31, 2019
Equity investments at fair value through other comprehensive income		
Listed shares	\$ 7,745	\$ 49,438
Unlisted shares	107,035	110,398
Total	\$ 114,780	\$ 159,836

(4) Financial assets at amortized cost

	December 31, 2020	December 31, 2019
Pledge time deposits	\$ 227,859	\$ 60,668
Non-pledge time deposits	12,839	—
Total	\$ 240,698	\$ 60,668
Current	\$ 240,698	\$ 60,668
Non-current	\$ —	\$ —
Rate	0.15 %~4.10%	0.55 %~1.25%

Refer to note 8 for information relating to financial assets measured at amortized cost pledged



The aging of notes and accounts receivables was as follows:

	December 31, 2020	December 31, 2019
Not past due	\$ 362,861	\$ 482,033
Past due within 90 days	264,519	397,182
Past due 91-180 days	13,864	13,428
Past due 181-365 days	19,270	4
Total	\$ 660,514	\$ 892,647

The above table was based on the past due date.

The movements in the allowance for notes and accounts receivables were as follows:

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Balance on January 1	\$ 36,786	\$ 47,998
Impairment losses in the current period	14,483	—
Reversal of the impairment losses	—	(13,929)
Write-off	(20)	—
Effect of exchange rate changes	(2,012)	2,717
Balance, end of the period	\$ 49,237	\$ 36,786

(6) Inventories

	December 31, 2020	December 31, 2019
Finished goods	\$ 561,950	\$ 533,774
Work in process	204,677	211,962
Raw materials	1,100,289	811,242
Supplies	326,812	307,855
Goods in transit	194,195	359,692
Total	\$ 2,387,923	\$ 2,224,525

A. The operating cost of the Group includes unallocated overhead amounted to \$1,414 thousand and \$14,883 thousand for the years ended December 31, 2020 and 2019, respectively.

Write-down of inventories to net realizable value was included in operating cost, which was as follows:

	For the Years Ended December 31	
	2020	2019
Reversal (loss) of inventory valuation	\$ 68,195	\$ (40,925)

B. The insurance coverage as of December 31, 2020 and 2019, were \$500,000 thousand and \$430,000 thousand, respectively.

C. Refer to note 8 for information relating to inventories as security.

(7) Non-current assets held for sale

On December 13, 2018, the Company's Board of Directors had made a resolution, that the subsidiary, TY Steel Co., Ltd., will be sold 60% of the shares to third parties. Therefore, the assets and liabilities regarding the company are reclassified as held for sale. The transaction was completed in June, 2019 and the control was transferred to the acquirer. For the calculation of the profit and loss, please refer to note 6(25).

The result of discontinued operations is as follows:

	For the Year Ended December 31, 2019
OPERATING REVENUES	\$ 27,808
OPERATING COST	(26,165)
GROSS PROFIT FROM OPERATION	1,643
OPERATING EXPENSES	(40,677)
NET OPERATING LOSS	(39,034)
NON-OPERATING INCOME AND EXPENSES	
Other income	476
Other gains and losses	37,235
Financial costs	(100,330)
TOTAL NON-OPERATING LOSS AND EXPENSES	(62,619)
LOSS BEFORE INCOME TAX	(101,653)
INCOME TAX (EXPENSE) BENEFIT	(12,408)
LOSS	\$ (114,061)

The cash flow information of the discontinued operations is as follows:

	For the Year Ended December 31, 2019
Cash flows from operating activities	\$ (1,356)
Cash flows from investing activities	(25,643)
Cash flows from financing activities	30,028
Net (decrease) increase in cash and cash equivalents	<u>\$ 3,029</u>

Note: The amounts were from Jan. 1, 2019 to the date of loss control.

(8) Investments accounted for using the equity method

A. Investments in associates consisted of the following:

Investor	Carrying Amount		Percentage of Ownership and Voting Rights Held by the Group	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Hurco Automation Co., Ltd.	\$ 131,966	\$ 130,524	35%	35%
TY Steel Co., Ltd.	234,119	500,943	31.11%	33.05%
	<u>\$ 366,085</u>	<u>\$ 631,467</u>		

B. Financial information of the Group's associates was summarized as follows:

	December 31, 2020	December 31, 2019
Total assets	\$ 6,106,285	\$ 7,025,021
Total liabilities	(5,191,551)	(5,386,474)
Net assets	<u>\$ 914,734</u>	<u>\$ 1,638,547</u>
The Group's share of net assets of the associate	<u>\$ 366,085</u>	<u>\$ 631,467</u>
	For the Years Ended December 31	
	2020	2019
Net revenue	<u>\$ 5,641,957</u>	<u>\$ 5,593,571</u>
Net loss	<u>\$ (833,505)</u>	<u>\$ (68,481)</u>
The Group's share of the profit of the associate	<u>\$ (315,826)</u>	<u>\$ (36,956)</u>

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of investment in Hurco Automation Co., Ltd. was calculated based on the financial statements for the year ended Oct. 31, that have been audited by another auditor; In 2020, the investments accounted for using the equity method and the share of profit or loss and other comprehensive income of investment in TY Steel Co., Ltd. was calculated based on the financial statements that have audited by another auditor.

Refer to note 8 for information relating to investments accounted for using the equity method.

(9) Property, plant and equipment

Item	For the Year Ended December 31, 2020					
	Balance, Beginning of Year	Additions	Disposals	Reclassification	Effect of Exchange Rate changes	Balance, End of Year
<u>Cost</u>						
Land	\$ 729,200	\$ —	\$ —	\$ 37,955	\$ (6,761)	\$ 760,394
Land improvements	146,929	—	—	—	(7,546)	139,383
Buildings	2,242,566	4,267	(2,341)	14,859	(90,754)	2,168,597
Machinery and equipment	5,492,549	6,739	(15,047)	86,192	(366,018)	5,204,415
Transportation equipment	346,311	3,110	(8,499)	3,307	(17,494)	326,735
Furniture and fixtures	132,442	1,018	(5,017)	1,046	(2,110)	127,379
Leasehold improvements	248	—	—	—	—	248
Other equipment	408,871	11,894	(42,308)	3,325	(12,323)	369,459
Construction in progress	154,525	123,632	—	(147,893)	51,223	181,487
Total	9,653,641	150,660	(73,212)	(1,209)	(451,783)	9,278,097
<u>Accumulated depreciation and impairment</u>						
Land improvements	86,721	5,188	—	—	(5,250)	86,659
Buildings	1,470,627	70,738	(1,735)	—	(73,578)	1,466,052
Machinery and equipment	3,336,271	207,040	(13,515)	—	(244,399)	3,285,397
Transportation equipment	323,887	8,878	(8,297)	—	(17,273)	307,195
Furniture and fixtures	104,791	7,623	(4,896)	—	(3,197)	104,321
Leasehold improvements	249	—	—	—	—	249
Other equipment	379,057	15,321	(41,932)	—	(19,146)	333,300
Total	5,701,603	314,788	(70,375)	—	(362,843)	5,583,173
Net	\$ 3,952,038	\$ (164,128)	\$ (2,837)	\$ (1,209)	\$ (88,940)	\$ 3,694,924

For the Year Ended December 31, 2019

Item	Balance, Beginning of Year	Additions	Disposals	Reclassification	Effect of the disposal of the subsidiary	Effect of Exchange Rate changes	Balance, End of Year
<u>Cost</u>							
Land	\$ 857,868	\$ 1,060	\$ —	\$ —	\$ (164,052)	\$ 34,324	\$ 729,200
Land improvements	180,246	1,642	(9,535)	—	(36,734)	11,310	146,929
Buildings	3,330,098	10,224	(30,027)	7,137	(1,253,390)	178,524	2,242,566
Machinery and equipment	9,003,249	57,059	(226,048)	102,966	(3,993,254)	548,577	5,492,549
Transportation equipment	333,360	7,467	(11,549)	584	(1,305)	17,754	346,311
Furniture and fixtures	145,356	5,820	(6,986)	10,551	(25,109)	2,810	132,442
Leasehold improvements	80,019	—	—	—	(84,981)	5,210	248
Other equipment	467,659	4,732	(11,741)	—	(68,791)	17,012	408,871
Construction in progress	234,867	316,497	—	(346,585)	(60,986)	10,732	154,525
Total	14,632,722	404,501	(295,886)	(225,347)	(5,688,602)	826,253	9,653,641
<u>Accumulated depreciation and impairment</u>							
Land improvements	82,907	6,083	(3,317)	—	(4,350)	5,398	86,721
Buildings	1,413,250	158,972	(27,802)	—	(149,759)	75,966	1,470,627
Machinery and equipment	3,213,536	738,889	(120,570)	—	(695,452)	199,868	3,336,271
Transportation equipment	307,980	10,809	(10,730)	—	(1,236)	17,064	323,887
Furniture and fixtures	114,087	10,055	(6,555)	—	(16,064)	3,268	104,791
Leasehold improvements	12,062	1,365	—	—	(13,978)	800	249
Other equipment	360,801	16,752	(2,745)	—	(14,918)	19,167	379,057
Total	5,504,623	942,925	(171,719)	—	(895,757)	321,531	5,701,603
Net	\$ 9,128,099	\$ (538,424)	\$ (124,167)	\$ (225,347)	\$ (4,792,845)	\$ 504,722	\$ 3,952,038

- A. The significant part of the Group's buildings includes main plants and affiliated equipment and the related depreciation is calculated using the estimated useful lives of 15 to 50 years, and 1 to 15 years, respectively.
- B. The insurance coverage as of December 31, 2020 and 2019 were \$5,061,941 thousand and \$5,395,370 thousand, respectively.
- C. In 2020 and 2019, the Group recognized the impairment loss for the property, plant, and equipment, that the amount was \$320 thousand and \$430,144 thousand.
- D. Mortgaged or pledged property, plant and equipment, see Note 8.

(10) Lease agreement

A. Right-to-use assets

(A) The Group leases land and buildings for the use of plants with lease terms of 2 to 30 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

(B) The group leases certain parts of the equipment which qualifies as short-term leases and low-value asset leases. The Group has elected to apply for the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

(C) The carrying amounts and depreciation charge for right-of-use asset information recognized as follows:

	December 31, 2020	December 31, 2019
	Carrying amount	Carrying amount
Land(including land access)	\$ 45,212	\$ 47,713
Buildings	—	4,065
Total	\$ 45,212	\$ 51,778
	For the Years Ended December 31, 2020	For the Years Ended December 31, 2019
	Depreciation	Depreciation
Land(including land access)	\$ 1,682	\$ 2,213
Buildings	2,059	2,885
Subtotal	3,741	5,098
Less: loss from discontinued operations	—	(472)
Net	\$ 3,741	\$ 4,626

(D) The addition to the right-of-use assets for the period ended December 31, 2020 and 2019 was \$53 thousand and \$1,265 thousand.

B. Lease liability

	December 31, 2019		
	Future minimum lease payment	Interest	Minimum lease payment present value
Less than 1 year	\$ 3,804	\$ 66	\$ 3,738
2 years to 5 years	1,260	50	1,210
Total	<u>\$ 5,064</u>	<u>\$ 116</u>	<u>\$ 4,948</u>
Current	<u>\$ 3,804</u>	<u>\$ 66</u>	<u>\$ 3,738</u>
Non-current	<u>\$ 1,260</u>	<u>\$ 50</u>	<u>\$ 1,210</u>

The discount rate for lease liabilities is 2.532%.

C. Other lease information

	For the Years Ended December 31, 2020	For the Years Ended December 31, 2019
Interest expense of lease liability	<u>\$ 52</u>	<u>\$ 1,216</u>
Expenses related to low-value asset leases	<u>\$ 4,267</u>	<u>\$ 4,416</u>
Total cash outflow from the leases	<u>\$ 7,273</u>	<u>\$ 10,899</u>

D. Refer to note 8 for information relating to right-of-use assets pledged as security.

(11) Long-term lease prepayments

Movements of the long-term prepayments for lease was as follows:

	For the Years Ended December 31, 2019
Balance, the beginning of the year (IAS 17)	\$ 48,776
Effects of retrospective application (IFRS 16)	(48,776)
Balance, the beginning of the year (IFRS 16)	—
Balance, the end of the year	<u>\$ —</u>

(12) Current borrowings

	December 31, 2020	December 31, 2019
Bank loans for purchasing materials	\$ 917,269	\$ 1,518,546
Unsecured loans	425,840	110,000
Mortgage loans	197,133	155,024
Total	\$ 1,540,242	\$ 1,783,570
Rate	0.72%~5.50%	1.69%~6.09%

Mortgaged or pledged assets for current borrowings, see Note 8.

(13) Short-term notes and bills payable

	December 31, 2020	December 31, 2019
Commercial paper	\$ 50,000	\$ 50,000
Less: Discount on short-term bills payable	(49)	(35)
Net	\$ 49,951	\$ 49,965
Interest Rate	1.24%	1.59%
Period	Dec.22, 2020~Jan.29, 2021	Nov.20, 2019~Jan.17, 2020

(14) Bonds payable

On November 14, 2018, the Company issued secured, domestic bonds with a face value of \$200,000 thousand. The details of the convertible bonds payable are as follows:

	December 31, 2020	December 31, 2019
Bonds payable	\$ 200,000	\$ 200,000
Less: due within one year	(200,000)	—
	\$ —	\$ 200,000

On November 14, 2018 the Company issued secured domestic bonds are as follow:

- a. Total price: \$ 200,000 thousand.
- b. Face value: \$1,000 thousand.
- c. Issue price: Issue at 100% of the principal amount.

d. Issue period: Three years.

e. Coupon interest rate: 0.79%.

f. Payment of interest and principal:

The interest is paid once a year and the principal is paid on Maturity day.

g. Secured:

The bonds were secured by First Commercial Bank.

(15) Long-term bank loans

December 31, 2020					
Creditors	Due Date	Interest Rate (%)	Amount	Payable Within One Year	Description No.
Bank					
EnTie Commercial Bank	06/24/2023	1.1	\$ 50,000	\$ 12,500	D
Kasikornbank Public Company Limited	09/30/2021	4.72	20,892	20,892	A
Bangkok Grand Pacific Lease Public Company Limited	07/20/2021	6.50	18,773	18,773	B
Total			89,665	\$ 52,165	
Less: amounts payable within one year			(52,165)		
Net			\$ 37,500		
December 31, 2019					
Creditors	Due Date	Interest Rate (%)	Amount	Payable Within One Year	Description No.
Bank					
Taiwan Business Bank	07/17/2024	2.00	\$ 200,000	\$ —	C
Kasikornbank Public Company Limited	09/30/2021	5.50	46,512	24,267	A
Bangkok Grand Pacific Lease Public Company Limited	07/20/2021	6.50	52,658	32,671	B
Total			299,170	\$ 56,938	
Less: amounts payable within one year			(56,938)		
Net			\$ 242,232		

Description of bank borrowings:

- A. 60 annual repayments started from 31 Oct., 2016. Repayments of THB 1,000 thousand per month of the principal are due on the first two years, THB 2,000 thousand per month on the third year until to the last two months pay THB 4,000 thousand per month.
- B. 30 annual repayments started from 25 Feb., 2019. Repayments of THB 2,896,399 per month of the principal - A syndication loan arranged by Bangkok Grand Pacific Lease Public

Company Limited for Tycoons Worldwide Group (Thailand) Public Company Limited, a consolidated subsidiary.

- C. Repayable starting on the 2 years and six months after the date of credit drawing in six-monthly installments for a total of 6 installments. Repayment of \$10,000 thousand of the principal is due on the first to five installments, and repayments of \$150,000 thousand of the principal are due on the sixth installments.
- D. Repayable starting on the 1 year after the date of credit drawing in three-monthly installments for a total of 8 installments. Repayment of \$6,250 thousand are due on every installments.
- E. Mortgaged or pledged property, plant and equipment, see Note 8.

(16) Employee benefits

A. Defined contribution plans

The Company adopted a pension plan according to the Labor Pension Act (the “LPA”), which is a defined contribution plan. Based on the LPA, the Company makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages. Accordingly, the Company recognized expenses of NT\$4,048 thousand and NT\$4,717 thousand in the consolidated statements of comprehensive income for the years ended December 31, 2020 and 2019, respectively.

B. Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. As of December 31, 2019, the Company is no employee who is eligible for the plan.

Tycoons Worldwide Group (Thailand) Public Company Limited adopted the defined benefit plans.

The amount arising from the defined benefit obligations of the Group in the consolidated balance sheets were as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligation (Net defined benefit liability)	\$ (38,380)	\$ (37,469)

Movements in the present value of the defined benefit obligations were as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
BALANCE, JANUARY 1, 2020	\$ (37,469)	\$ —	\$ (37,469)
Service cost			
Current service cost	(2,562)	—	(2,562)
Interest expense	(614)	—	(614)
Recognized in profit or loss	(3,176)	—	(3,176)
Effect of exchange rate changes	2,265	—	2,265
BALANCE, DECEMBER 31, 2020	\$ (38,380)	\$ —	\$ (38,380)

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
BALANCE, JANUARY 1, 2019	\$ (30,056)	\$ —	\$ (30,056)
Service cost			
Current service cost	(2,757)	—	(2,757)
Past service cost	(8,795)	—	(8,795)
Interest expense	(630)	—	(630)
Recognized in profit or loss	(12,182)	—	(12,182)
Actuarial losses	(2,792)	—	(2,792)
Settlement of the obligations	9,150	—	9,150
Effect of exchange rate changes	(1,589)	—	(1,589)
BALANCE, DECEMBER 31, 2019	\$ (37,469)	\$ —	\$ (37,469)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2020	December 31, 2019
Discount rate	1.80%	1.80%
Expected rate of salary increase	3.00%~4.50%	3.00%~4.50%

If the possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

December 31, 2020	Effect of the present value of the defined benefit obligation	
	Actual assumptions Increase 0.50%	Actual assumptions Decrease 0.50%
Discount rate	\$ (2,849)	\$ 2,849
Expected rate of salary increase	\$ 2,849	\$ (2,849)

December 31, 2019	Effect of the present value of the defined benefit obligation	
	Actual assumptions Increase 0.50%	Actual assumptions Decrease 0.50%
Discount rate	\$ (3,033)	\$ 3,033
Expected rate of salary increase	\$ 3,033	\$ (3,033)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

(17) Equity

A. Capital stock

	December 31, 2020	December 31, 2019
Numbers of shares authorized (in thousands)	640,000	640,000
Shares issued (in thousands)	479,752	479,752

The movement of shares for the years ended December 31, 2020 and 2019 were as follows:

	Numbers of shares issued (in thousands)	Capital	Capital surplus
January 1, 2020	479,752	\$ 4,797,520	\$ 206,365
Actual disposal or acquisition of an interest in subsidiaries	—	—	134,195
December 31, 2020	489,752	\$ 4,797,520	\$ 340,560

	Numbers of shares issued (in thousands)	Capital	Capital surplus
January 1, 2019	479,752	\$ 4,797,520	\$ 154,337
Actual disposal or acquisition of an interest in subsidiaries	—	—	33,739
Effect of the disposal of the subsidiary	—	—	18,289
December 31, 2019	479,752	\$ 4,797,520	\$ 206,365

#### B. Employee Restricted Shares

The general shareholders' meeting held on June 27, 2019 has approved a restricted share plan for employees. The limitation of the issued shares is not more than 20,000 thousand shares. The face value of each share is \$10, which is \$200,000 thousand. The Company will apply to the authority. After the authority approves, the Company will issue the share one or more times.

#### C. Capital surplus

	December 31, 2020	December 31, 2019
Adjusting of reselling bonds	\$ 7,722	\$ 7,722
Actual disposal or acquisition of interest in subsidiaries	332,838	198,643
Total	\$ 340,560	\$ 206,365

The capital surplus from share issued in excess of par (additional paid-in capital from the issuance of common shares etc.) and the part of the accepted donation is able to offset the deficit; in addition, when the company has no deficit, such capital surplus may be distributed as cash dividends or stock dividends up to a certain percentage of Company's paid-in capital.

D. Retained earnings and dividend policy

	Legal reserve	Accumulated deficits	Total
January 1, 2020	\$ 16,248	\$ (1,270,414)	\$ (1,254,166)
Net income attributable to shareholders of the Company	—	(185,640)	(185,640)
Actuarial loss on defined benefit plans	—	62	62
Disposal of investments in equity instruments at FVTOCI	—	(28,854)	(28,854)
December 31, 2020	\$ 16,248	\$ (1,484,846)	\$ (1,468,598)
	Legal reserve	Accumulated deficits	Total
January 1, 2019	\$ 16,248	\$ (541,080)	\$ (524,832)
Net income attributable to shareholders of the Company	—	(786,105)	(786,105)
Actuarial loss on defined benefit plans	—	(1,278)	(1,278)
Disposal of investments in equity instruments at FVTOCI	—	58,049	58,049
December 31, 2019	\$ 16,248	\$ (1,270,414)	\$ (1,254,166)

- (A) The Company's article of incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as a legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long-term interests of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. After the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the Board of Directors, and a meeting of shareholders will be held to decide on this matter.

According to the Company's Articles of Incorporation, 50%~100% of the distributable retained earnings shall be distributed as stockholders' bonus, of which at most 10% is payable by cash.

- (B) The Company appropriates and reverses special reserves under Rule No. 1010012865 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs". Distributions can be made out of any subsequent reversal of the debit to other equity items.
- (C) The general shareholders' meeting held on May 28, 2019 has been approved to offset a deficit. Information about the meeting is available on the Market Observation Post System website of the TSE.
- (D) The general shareholders' meeting held on June 27, 2018 has been approved to offset a deficit. Information about the meeting is available on the Market Observation Post System website of the TSE.

E. Other equity items

	Exchange differences arising from the translation of the foreign operations	Unrealized (loss) gain on financial assets at FVTOCI	Total
January 1, 2020	\$ 590,841	\$ (19,603)	\$ 571,238
Exchange differences on translating foreign operations	(222,886)	—	(222,886)
Unrealized gain on financial assets at FVTOCI	—	3,051	3,051
Share of other comprehensive income of associates and joint ventures	—	5,747	5,747
Difference between consideration and the carrying amount of subsidiaries acquired or disposed	(14,425)	(441)	(14,866)
Disposal of investments in equity instruments at FVTOCI	—	26,872	26,872
Income tax effects	47,462	—	47,462
December 31, 2020	<u>\$ 400,992</u>	<u>\$ 15,626</u>	<u>\$ 416,618</u>

	Exchange differences arising from the translation of the foreign operations	Unrealized (loss) gain on financial assets at FVTOCI	Equity related to non-current assets or disposal groups classified as held for sale	Total
January 1, 2019	\$ 421,543	\$ 13,809	\$ 9,318	\$ 444,670
Exchange differences on translating foreign operations	199,751	—	66,378	266,129
Unrealized gain on financial assets at FVTOCI	—	15,047	—	15,047
Share of other comprehensive income of associates and joint ventures	—	9,590	—	9,590
Disposal of investments in equity instruments at FVTOCI	—	(58,049)	—	(58,049)
Effect of the disposal of the subsidiary	9,542	—	(75,696)	(66,154)
Income tax effects	(39,995)	—	—	(39,995)
December 31, 2019	<u>\$ 590,841</u>	<u>\$ (19,603)</u>	<u>\$ —</u>	<u>\$ 571,238</u>

The exchange differences arising from the translation of foreign operation's net assets from its functional currency to Group's presentation currency are recognized directly in other comprehensive income and also accumulated in the foreign currency translation reserve.

Unrealized gain/loss on FVTOCI represents the cumulative gains or losses arising from the fair value measurement on FVTOCI that are recognized in other comprehensive income.

F. Non-controlling interests

	For the Years Ended December 31	
	2020	2019
Balance, the beginning of the period	\$ 1,128,779	\$ 1,379,875
Attributable to non-controlling interests :		
Share of profit for the period	(34,183)	(221,321)
Remeasurement of defined benefit pension plan	—	(498)
Unrealized gain on financial assets at FVTOCI	830	1,489
Effect of the disposal of the subsidiary	—	(99,757)
Exchange differences arising from the translation of the translating foreign operations	(6,799)	68,991
Changes in non-controlling interests	276,471	—
Balance, end of year	\$ 1,365,098	\$ 1,128,779

(18) (Loss) Earnings per share

	For the Years Ended December 31	
	2020	2019
Loss for the years attributable to shareholders of the Company-continuing operations	\$ (185,640)	\$ (680,017)
Loss for the years attributable to shareholders of the Company-discontinued operations	—	(106,088)
Loss for the years attributable to shareholders of the Company	\$ (185,640)	\$ (786,105)
Weighted average number of ordinary shares outstanding (in thousands shares)	479,752	479,752
Basic EPS-continuing operations	\$ (0.39)	\$ (1.42)
Basic EPS-discontinued operations	—	(0.22)
Basic EPS	\$ (0.39)	\$ (1.64)

(19) Operating revenues

The analysis of the Group's operating revenues was as follows:

	For the Years Ended December 31	
	2020	2019
Revenue from the sale of goods	\$ 7,809,761	\$ 11,466,636
Revenue form processing	120,623	80,374
Less: operating revenue discontinued operation	—	27,808
Total	\$ 7,930,384	\$ 11,519,202

(20) Other income

	For the Years Ended December 31	
	2020	2019
Interest income	\$ 4,611	\$ 3,835
Dividends	3,934	720
Government grant	11,562	—
Less: other income-discontinued operations	—	476
Total	\$ 20,107	\$ 4,079

(21) Other gains and losses

	For the Years Ended December 31	
	2020	2019
Loss on disposal of property, plant and equipment	\$ (262)	\$ (97,718)
Foreign exchange gain	30,883	67,371
Loss on financial assets and liabilities at fair value through profit or loss	(19,717)	(1,414)
Gain on disposal financial asset	522	48,495
Impairment loss	(320)	(430,144)
Others	26,338	24,226
Less: other gains and losses-discontinued operations	—	37,235
Total	\$ 37,444	\$ (426,419)

(22) Finance costs

	For the Years Ended December 31	
	2020	2019
Interest expense	\$ 62,001	\$ 185,625
Other finance expense	3,488	18,895
Less: finance costs losses-discontinued operations	—	100,330
Total	<u>\$ 65,489</u>	<u>\$ 104,190</u>

(23) Income tax

A. The components of income tax benefit (expense) for the years ended December 31, 2020 and 2019 were as follows:

	For the Years Ended December 31	
	2020	2019
Current tax expenses		
Current period	\$ 16,515	\$ 14,995
Deferred tax expenses (benefit)		
Origination and reversal of temporary differences	3,740	4,707
Recognition of previously unrecognized tax losses	(6,514)	59,374
	<u>(2,774)</u>	<u>64,081</u>
Less: income tax-discontinued operations	—	12,408
Income tax expense	<u>\$ 13,741</u>	<u>\$ 66,668</u>

Reconciliation of income tax and profit before tax for 2020 and 2019 were as follows:

	For the Years Ended December 31	
	2020	2019
Profit from continuing operations before tax	\$ (206,082)	\$ (826,697)
Loss from discontinued operations before tax	—	(101,653)
Loss before tax	<u>\$ (206,082)</u>	<u>\$ (928,350)</u>
Income tax using the statutory rate	16,515	4,872
Loss carryforwards	(6,514)	59,374
Other	3,740	14,830
Less : income tax-discontinued operations	—	12,408
Income tax expense	<u>\$ 13,741</u>	<u>\$ 66,668</u>

B. Income tax recognized in other comprehensive income

	For the Years Ended December 31	
	2020	2019
Exchange differences arising from the translation of the foreign operations	\$ 47,462	\$ (39,995)
Unrealized loss on investments in equity instruments at FVTOCI	(1,389)	—
<b>Total</b>	<b>\$ 46,073</b>	<b>\$ (39,995)</b>

C. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

Deferred Tax Assets	Balance, beginning of year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Effect of foreign currency exchange differences	Balance, end of year
Temporary differences					
Exchange difference on foreign operations	\$ (147,710)	\$ —	\$ 47,462	\$ —	\$ (100,248)
Unrealized loss on investments in equity instruments at FVTOCI	—	—	(1,389)	(7)	(1,396)
Other	26,925	(3,740)	—	(1,600)	21,585
Loss carryforwards	9,923	6,514	—	—	16,437
<b>Total</b>	<b>\$ (110,862)</b>	<b>\$ 2,774</b>	<b>\$ 46,073</b>	<b>\$ (1,607)</b>	<b>\$ (63,622)</b>
Deferred tax assets	\$ 25,890	\$ (5,529)	\$ (1,389)	\$ (1,607)	\$ 17,365
Deferred tax liabilities	\$ (136,752)	\$ 8,303	\$ 47,462	\$ —	\$ (80,987)

For the year ended December 31, 2019

Deferred Tax Assets	Balance, beginning of year	Effect of the disposal of the subsidiary	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Effect of foreign currency exchange differences	Balance, end of year
Temporary differences						
Exchange difference on foreign operations	\$ (107,715)	\$ —	\$ —	\$ (39,995)	\$ —	\$ (147,710)
Other	25,812	(8,982)	(4,707)	—	14,802	26,925
Loss carryforwards	89,686	(21,259)	(59,374)	—	870	9,923
Reclassification as held for sale	(30,486)	30,241	—	—	245	—
<b>Total</b>	<b>\$ (22,703)</b>	<b>\$ —</b>	<b>\$ (64,081)</b>	<b>\$ (39,995)</b>	<b>\$ 15,917</b>	<b>\$ (110,862)</b>
Deferred tax assets	\$ 85,220	\$ —	\$ (75,247)	\$ —	\$ —	\$ 25,890
Deferred tax liabilities	\$ 107,923	\$ —	\$ (11,166)	\$ (39,995)	\$ —	\$ 136,752

D. The information of unrecognized deferred income tax

	December 31, 2020	December 31, 2019
Loss carryforwards	\$ 587,931	\$ 1,549,219
Deductible temporary differences	\$ 17,219	\$ 49,402

E. As of December 31, 2020, the balances of income tax-deductible from the losses carried forward from previous operating years for the Group are as follows:

(A) The Company:

December 31, 2020			
Loss-making year	Declared/Approved	Loss carryforwards	Expiry year
2014	Approved	\$ 2,851	2024
2015	Approved	47,048	2025
2017	Approved	2,144	2027
2019	Declared	30,141	2029
Total		\$ 82,184	

(B) The subsidiaries in Thailand:

December 31, 2020		
Loss making year	Loss carry forwards	Expiry year
2016	\$ 16,032	2021
2018	112,620	2023
2019	347,757	2024
2020	111,522	2025
Total	\$ 587,931	

F. The Tycoons Group International Co., Ltd. a consolidated subsidiary of the Company, is registered in British Cayman Islands. Foreign source income is exempt from income tax in British Cayman Islands. The Company has no business activities in British Cayman Island. Tycoons Worldwide Group (Thailand) Public Co., Ltd. a consolidated subsidiary of the Company, the tax rate is 20%. And the Company can have various tax credits.

Tycoons Vietnam Co., Ltd., a subsidiary of the Company, has received a promotional privilege from the local government. Under such privilege, the subsidiary would be exempt from certain taxes and duties, including 20% corporate income tax for 10 years from the year when the company has profit, exemption of corporate income tax for 2 years from the first profitable year and 50% exemption for the 4 years after. The above description is not applicable, the tax rate is used the general corporate income tax.

Viettycoons Steel Co., Ltd., a subsidiary of the Company, has received a promotional privilege from the local government. Under such privilege, the subsidiary would be exempt from certain taxes and duties, including 20% corporate income tax for 10 years from the year when the company has profit, exemption of corporate income tax for 2 years from the first profitable year and 50% exemption for the 4 years after. The above description is not applicable, the tax rate is used the general corporate income tax.

TY Steel Company Limited, a subsidiary of the Company, has received promotional privileges on June 6, 2011. From the first revenue-making year, the company is exempted from corporate income tax for a period of 3 years and 50% exemption for the 5 years after. The upper limit for exemption is 100% of the investments, but not including land and liquidity. The year 2014 is the first year that the subsidiary began business.

Huanghua Jujin Hardware Products Co., Ltd., a subsidiary of the Parent Company, has received a high-tech enterprise certificate (certificate number: GR20113001296) on November 30, 2017. According to the applicable tax rate document (No.2009-203) the company tax rate is 15% for 3 years.

#### G. Income tax assessments

The Company's income tax returns through 2018 have been assessed by the tax authorities.

(24) The personnel, depreciation and amortization expenses of the group

A. A summary of current-period employee benefits, depreciation and amortization by function is as follows (continuing operations):

	For the Year Ended December 31, 2020			For the Year Ended December 31, 2019		
	Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Personnel expenses						
Payroll expense	\$ 265,270	\$ 143,659	\$ 408,929	\$ 275,159	\$ 160,527	\$ 435,686
Insurance expense	6,402	11,039	17,441	10,093	14,010	24,103
Pension	3,511	3,713	7,224	5,285	11,614	16,899
Remuneration to Directors	—	1,460	1,460	—	2,095	2,095
Others	4,280	2,196	6,476	4,477	2,546	7,023
Depreciation	\$ 290,828	\$ 27,381	\$ 318,209	\$ 334,768	\$ 42,323	\$ 337,091
Amortization	\$ 16,957	\$ —	\$ 16,957	\$ 20,132	\$ —	\$ 20,132

B. Employee benefits

(A) In accordance with the articles of incorporation the Company should contribute 2% to 5% of the profit as employee compensation and less than 1% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

(B) Due to the accumulation deficit, there is no allocation as employees' compensation and remuneration to directors for the year ended December 31, 2020.

(C) Due to the accumulation deficit, there is no allocation as employees' compensation and remuneration to directors for the year ended December 31, 2019.

Related information would be available on the Market Observation Post System website.

(25) Proceeds from disposal of the subsidiary

The Group completed proceeds from the disposal of the subsidiary a 60% equity interest in TY Steel Co., Ltd., which was held by the board company Tycoons Group International Co., Ltd. on December 13, 2018, and completed the transaction in June, 2020. And lose control on TY Steel Co., Ltd., and the shares held by it are accounted for according to the fair value of the date of loss of control.

A. Received from the disposal

	Amount
Received in cash and cash equivalents	\$ 857,756

The above-mentioned disposal of investments receivable was recovered as of December 31, 2019.

B. Analysis of assets, liabilities and equity on the date control was lost

ASSETS	June 30, 2019
Cash and cash equivalents	\$ 67,578
Financial assets at amortized cost, current	5,726
Accounts receivable, net	513,458
Other receivables	151,802
Current tax assets	35
Inventories	673,880
Prepayments	75,938
Other current assets	22,690
Financial assets at amortized cost, non-current	104,607
Property, plant and equipment	4,792,845
Right-of-use assets	51,587
Intangible assets	2,915
Deferred tax assets	19,662
Other non-current assets, others	2,316
Total	\$ 6,485,039

LIABILITIES AND EQUITY	June 30, 2019
Current borrowings	\$ 1,846,237
Financial liabilities at fair value through profit or loss, current	61,559
Contract liabilities, current	264
Notes payable	18,718
Accounts payable	303,989
Other payables	106,724
Lease liabilities, current	1,007
Long-term borrowings, current portion	288,629
Other current liabilities, other	14
Long-term bank loans	2,371,782
Lease liabilities, non-current	50,580
Long-term accounts payable	2,411
Net defined benefit liabilities, non-current	4,730
Guarantee deposits received	228
Total liabilities	<u>\$ 5,056,872</u>
Equity	<u>\$ 1,428,167</u>
C. Gain on disposal of the subsidiary	
	Amount
Consideration received	\$ 857,756
The fair value of the remaining investment of proceeds from the disposal of the subsidiary	571,267
Net assets of the subsidiary	(1,428,167)
Reclassification of equity to profit and loss the date control was lost	47,865
Effect of exchange rate changes	(125)
Gain on disposal	<u>\$ 48,596</u>
D. Net cash inflow on disposal of the subsidiary	
	For the Six-month Ended June 30, 2019
Received in cash and cash equivalents	\$ 857,756
Less: Cash and cash equivalent balances disposed of	67,578
	<u>\$ 790,178</u>

(26) Non-cash transactions

For the years ended December 31, 2020 and 2019, the Group entered into the following non-cash investing and financing activities:

	For the Year Ended December 31,2020	For the Year Ended December 31,2019
Unrealized gain/loss on financial instrument	\$ 8,798	\$ 16,146
Exchange difference arising from the translation of the foreign operations	\$ (181,393)	\$ 205,354

(27) Capital management

The Group's capital is based on the industrial characteristics, development of the Group and the operating environment to manage the capital to operate the business. The Group's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

(28) Financial instruments

A. categories of financial instruments

	December 31, 2020	December 31, 2019
<u>Financial assets</u>		
Cash and cash equivalents	\$ 252,026	\$ 621,921
Financial assets at fair value through profit or loss	2	643
Financial assets at amortized cost, current	240,698	60,668
Notes and accounts receivable, including related-parties	660,514	892,647
Other receivables	46,538	14,012
Other financial assets	28,828	18,792
Financial assets at fair value through other comprehensive income, non-current	114,780	159,836
Guarantee deposits paid	1,091	1,151
Total	\$ 1,344,477	\$ 1,769,670

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<b><u>Financial liabilities</u></b>		
Current borrowings	\$ 1,540,242	\$ 1,783,570
Short-term notes and bills payable	49,951	49,965
Financial liabilities at fair value through profit or loss	10,077	1,464
Notes and accounts payable	304,037	524,658
Other payables and Long-term accounts payable	155,181	186,690
Bonds payable (including current portion)	20,000	200,000
Long-term bank loans (including current portion)	89,665	299,170
Guarantee deposits received	2,181	6,454
Lease liabilities (current and non-current)	—	4,948
Total	<u>\$ 2,351,334</u>	<u>\$ 3,056,919</u>

#### B. Financial risk management objectives

The Group seeks to ensure sufficient cost-efficient funding readily available when needed.

The Group manages its exposure to foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material treasury activities are reviewed by the Board of Directors in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, corporate Treasury function must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties.

#### C. Market risk

The Group is exposed to financial market risks, primarily changes in foreign currency exchange rates and interest rates. The Group uses some derivative financial instruments to manage those risks.

(A) Foreign currency risk

Most of the Group's revenues and expenditures are denominated in foreign currencies. Consequently, the Group is exposed to foreign currency risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Group uses derivative financial instruments, such as forward exchange contracts and cross-currency swaps, and non-derivative financial instruments, such as foreign currency-denominated debt, to partially hedge the Group's existing and certain forecasted currency exposure. These hedges will offset only a portion of, but do not eliminate, the financial impact from movements in foreign currency exchange rates. The Group uses derivative financial instruments short less than six months, and that doesn't meet the condition of hedge accounting.

Because of the strategic investment, the Company doesn't use any method to manage the risk in the invest foreign operating agencies.

The following was the summary of significant foreign currency assets and liabilities.

	December 31, 2020		
	Foreign currency	Rate	NTD (in thousands)
<u>Financial assets</u>			
<u>Foreign currency</u>			
USD	8,822,185	28.48	251,256
EUR	825,258	35.02	28,901
THB	853,616	0.96	819
RMB	36,488	4.38	160
<u>Financial liabilities</u>			
<u>Foreign currency</u>			
USD	53,053,658	28.48	1,510,968
EUR	96,549	35.02	3,381
RMB	7,750	4.38	34
SEK	10,150	3.48	35

December 31, 2019

	Foreign currency	Rate	NTD (in thousands)
<u>Financial assets</u>			
<u>Foreign currency</u>			
USD	6,384,709	29.98	191,414
EUR	2,868,771	33.59	96,362
THB	835,616	1.01	844
RMB	36,488	4.31	157
<u>Financial liabilities</u>			
<u>Foreign currency</u>			
USD	46,239,071	29.98	1,386,247
EUR	35,383	33.59	1,189
SEK	7,750	4.31	33

The above information is based on the carrying amount and translated to the functional currency.

For the years ended December 31, 2020 and 2019, the Group recognized foreign exchange gains were 30,883 thousand and 67,317 thousand, respectively.

The Group's sensitivity analysis of foreign currency risk mainly focuses on the foreign currency monetary items and the derivatives financial instruments at the end of the reporting period. Assuming favorable or unfavorable 1% movement in the levels of foreign exchanges relative to the New Taiwan dollar, the net income for the years ended December 31, 2020 and 2019 would have increased or decreased by 12,597 thousand and 11,948 thousand, respectively. The equity of the Group would have increased or decreased by 10,078 thousand and 9,558 thousand, respectively.

(B) Interest rate risk

The Group is exposed to interest rate risk arising from borrowing at floating interest rates. As the interest rates of the Group's short-term and long-term bank loans are floating, changes in interest rates would affect the future cash flows but not the fair value.

At the reporting dates, a change of 1% of interest rate in a reporting period could cause the profit for the years ended December 31, 2020 and 2019 to decrease/increase by 4,070 thousand and 5,208 thousand, respectively.

D. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Group. The Group is exposed to credit risks from operating activities, primarily trade receivables. Credit risk is managed separately for business-related and financial-related exposures.

(A) Business related credit risk

The majority of the Group's outstanding trade receivables are not covered by collaterals or guarantees. While the Company has procedures to monitor and manage credit risk exposure on trade receivables, there is no assurance such procedures will effectively eliminate losses resulting from its credit risk. The Group uses other methods to manage this risk, like prepaid from the client, insurance, and so on. The Group believes the concentration of credit risk is not material for the remaining accounts receivable.

(B) Financial credit risk

This risk of the bank deposit and investment in financial instruments are managed by the financial department of the Group. The Group mitigates the credit risks from financial institutions by limiting its counterparties to only reputable domestic or international financial institutions with good credit standing and spreading its holdings among various financial institutions. The Group's exposure to credit risk arising from the default of counter-parties is limited to the carrying amount of these instruments. The Group believes the concentration of this risk is not material.

## E. Liquidity risk management

The objective of liquidity risk management is to ensure the Group has sufficient liquidity to fund its business operations.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including principal and interest.

	December 31, 2020				
	Less than 1 Year	2~3 Years	4~5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Current borrowings	\$1,577,908	\$ —	\$ —	\$ —	\$1,577,908
Short-term notes and bills payable	50,00	—	—	—	50,00
Notes and accounts payable	304,037	—	—	—	304,037
Other payables	155,181	—	—	—	155,181
Bonds payable	200,000	—	—	—	200,000
Long-term bank loans	53,564	37,861	—	—	91,425
Guarantee deposits received	—	2,181	—	—	2,181
<b>Total</b>	<b>\$2,340,690</b>	<b>\$ 40,042</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$2,380,732</b>
<u>Derivative financial instruments</u>					
Forward exchange contracts	\$ 10,077	\$ —	\$ —	\$ —	\$ 10,077
	December 31, 2019				
	Less than 1 Year	2~3 Years	4~5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Current borrowings	\$1,801,406	\$ —	\$ —	\$ —	\$1,801,406
Short-term notes and bills payable	50,00	—	—	—	50,00
Notes and accounts payable	524,658	—	—	—	524,658
Other payables	186,690	—	—	—	186,690
Lease liabilities	3,804	1,260	—	—	5,064
Bonds payable	—	200,000	—	—	200,000
Long-term bank loans	67,488	76,909	193,200	—	337,597
Guarantee deposits received	—	6,454	—	—	6,454
<b>Total</b>	<b>\$2,634,046</b>	<b>\$ 284,623</b>	<b>\$ 193,200</b>	<b>\$ —</b>	<b>\$3,111,869</b>
<u>Derivative financial instruments</u>					
Forward exchange contracts	\$ 1,464	\$ —	\$ —	\$ —	\$ 1,464

F. Fair value of financial instruments

(A) The evaluated fair value of financial instruments doesn't include cash and cash equivalents, accounts receivable, other financial assets, current borrowings and accounts payable. The carrying amount and fair value of those financial assets and liabilities for financial instruments are not measured at fair value whose carrying amount is reasonably close to the fair value. We cannot confirm when we can receive or pay the guarantee deposits received and paid, so the fair value was the carrying amount.

(B) Fair value measurements recognized in the consolidated balance sheets

Fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 : fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

Level 3 : fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Group's financial assets and liabilities measured at fair value on a recurring basis:

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial instruments	\$ —	\$ 2	\$ —	\$ 2
<u>Financial assets at FVTOCI</u>				
Investment in publicly trade stocks	\$ 7,745	\$ —	\$ —	\$ 7,745
Investment in non-publicly trade stocks	—	—	107,035	107,035
Total	\$ 7,745	\$ —	\$ 107,035	\$ 114,780
<u>Financial liabilities at FVTPL</u>				
Derivative financial instruments	\$ —	\$ 10,077	\$ —	\$ 10,077

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial instruments	\$ —	\$ 643	\$ —	\$ 643
<u>Financial assets at FVTOCI</u>				
Investment in publicly trade stocks	\$ 49,438	\$ —	\$ —	\$ 49,438
Investment in non-publicly trade stocks	—	—	110,398	110,398
Total	\$ 49,438	\$ —	\$ 110,398	\$ 159,836
<u>Financial liabilities at FVTPL</u>				
Derivative financial instruments	\$ —	\$ 1,464	\$ —	\$ 1,464

Valuation techniques and assumptions are as followed,

a. Level 1

	Investment in publicly trade stocks	Funds
Market value	Closing price	Net value

b. Level 2

Item	Valuation techniques and assumptions
Derivative financial instruments – Forward exchange contracts	Forward exchange contracts are measured using forward exchange rates and the discounted yield curves that are derived from quoted market prices.

c. Level 3

The fair values of non-publicly traded equity investments are mainly determined by using the asset approach or dividend recovery.

During the years ended December 31, 2020 and 2019, there were no significant transfers between Level 1 and Level 2 fair value measurements. Reconciliations for fair value measurement in Level 3 fair value hierarchy were as follows:

	For the Years Ended December 31	
	2020	2019
Balance at Jan. 1	\$ 110,398	\$ 42,842
Recognized in other comprehensive income	1,530	6,880
Addition	—	60,600
Exchange effect	(4,893)	76
As of Dec.31	\$ 107,035	\$ 110,398

## 7. RELATED-PARTY TRANSACTIONS

### (1) Name and relationship with related parties

The following are entities that have had transactions with the related party during the periods covered in the consolidated financial statements.

Related parties	Relationships
Joint Force International Co., Ltd. (JF)	An associate
Jin Hai Hardware Co., Ltd. (Jin Hai)	An associate
TY Steel Co., Ltd. (TY)	An associate
Huang Hwa Hai Xin Hardware Products Co., Ltd. (Hai Xin)	An associate
Hurco Automation Co., Ltd. (Hurco)	An associate
Huang Wen Sung	The other related party

All directors and the main management

### (2) Significant transactions with related parties

#### A. Sales

	For the Year Ended December 31,2020		For the Year Ended December 31,2019	
	Amount	%	Amount	%
Associates				
TY	\$ 920,187	12	\$ 136,721	1
Others	118,715	1	101,516	1
Total	\$ 1,038,902	13	\$ 238,237	2

The items of the trade to related parties were not significantly different from those of sales to third parties.

#### B. Purchases

	For the Year Ended December 31,2020		For the Year Ended December 31,2019	
	Amount	%	Amount	%
Associates				
TY	\$ 2,406,754	33	\$ 2,260,735	20
Others	1,128	—	1,108	—
Total	\$ 2,407,882	33	\$ 2,261,843	20

No significant difference in terms of trade with the non-human relationships between the associates.

C. Account Received

	December 31,2020		December 31,2019	
	Amount	%	Amount	%
Associates				
TY	\$ 76,105	13	\$ 95,109	11
Others	29,959	5	4,831	1
Total	\$ 106,064	18	\$ 99,940	12

D. Account payable

	December 31,2020		December 31,2019	
	Amount	%	Amount	%
Associates				
TY	\$ 5,836	3	\$ 307,444	71

E. Other receivables

	December 31,2020		December 31,2019	
	Amount	%	Amount	%
Associates				
TY	\$ 4,725	10	\$ 1,877	13
Others	30,665	66	—	—
Total	\$ 35,390	76	\$ 1,877	13

F. Other payables

	December 31,2020		December 31,2019	
	Amount	%	Amount	%
Associates				
Others	\$ 726	—	\$ —	—

G. Tycoons Worldwide Group (Thailand) Public Co., Ltd. Acquired 8.70% of the shares of Thai Union Fasteners Company Ltd. From the other related party. The acquired amount was THB 60,000 (NTYD\$60,668 thousand). It was recognized as Financial assets at FVTOCI.

H. As of December 31, 2020, the Group provided an endorsement guarantee for the associate TY Steel Co., Ltd. and used its equity holdings as a guarantee. Please refer to note 13, table 2 for details.

(3) Compensation of key management

The compensation to directors and other key management personnel were as follows:

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Short-term employee benefits	\$ 28,153	\$ 27,625
Post-employment benefits	1,228	7,048
Total	<u>\$ 29,381</u>	<u>\$ 34,673</u>

8. MORTGAGED OR PLEDGED ASSETS

The Group's assets mortgaged or pledged as collateral for long-term borrowings and short-term borrowings were as follows:

Item	Guarantee purpose	December 31, 2020	December 31, 2019
Financial assets amortized cost	Long-term and short-term loan	\$ 227,859	\$ 60,668
Inventories	—	183,991	107,656
Other financial assets	—	10,036	—
Property, plant and equipment	—	2,472,182	2,360,676
Right-of-use assets	—	20,163	19,820
Investment accounted for using the equity method	—	234,119	500,943

The Group provided 319,700 thousand shares of Tycoons Worldwide Group (Thailand) Public Co., Ltd., as a guarantee due to long-term borrowings. The Group has settled this loan on June 10, 2019 and in October 2019, the pledge removal procedure was completed.

9. COMMITMENTS AND CONTINGENT LIABILITIES

- (1) As of December 31, 2020 and 2019, the balances of unused letters of credit for the Company were USD 13,074 and USD 266 thousand, respectively.
- (2) As of December 31, 2020 and 2019, the Company provided guarantee note deposits were \$372,200 thousand and \$207,200 thousand, to the banks as securities against credit facilities, respectively.
- (3) As of December 31, 2020 and 2019, Tycoons Worldwide Group (Thailand) Public Co., Ltd. had raw material purchase commitments amounting to USD 38 million and USD 13 million. The materials will be shipped to the company within 67~122 days from the contract date.
- (4) As of December 31, 2020 and 2019, Tycoons Worldwide Group (Thailand) Public Co., Ltd. had outstanding bank guarantees amounted to all Baht 57 million, issued by banks on behalf of the company in respect of certain performance bonds for electricity and others.

10. SUBSEQUENT LOSSES: None.

11. SUBSEQUENT EVENTS: None.

12. OTHER: None.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Financings provided: Please refer to table 1.
- B. Endorsements and guarantees provided: Please refer to table 2.
- C. Marketable securities held at the ended of period (excluding investments in subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Marketable securities acquired and disposed of at costs or prices of at least \$300 million or 20% of the paid-in capital: Please refer to table 4.
- E. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- F. Disposal of real individual estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- G. Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: Please refer to table 5.
- H. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: None.

I. Information about the derivative financial instruments transaction: Please refer to 6(2).

J. The business relationship between the parent and subsidiaries and significant transactions between them: Please refer to table 6.

(2) Information on investees

Names, locations, and related information of investees over which the company exercises significant influence (excluding information on investment in mainland China): Please refer to table 7.

(3) Information on investments in mainland China: Please refer to table 8.

(4) Major shareholders information: Please refer to table 9.

TABLE 1

FINANCING PROVIDED

Amounts in thousands of New Taiwan dollars

No. (Note 1)	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 5)	Ending Balance (Note 4)	Amount Actually Drawn	Interest Rate (%)	Nature for Financing (Note 2)	Transaction Amounts (Note 7)	Reason for Financing	Loss allowance	Collateral		Financing Limits for Each Borrowing Company (Note 3)	Financing Company's Total Financing Amount Limits (Note 3)	
													Item	Value			
0	Tycoons Group Enterprise Co.,Ltd.	Tycoons Group International Co.,Ltd.	Other receivables-rela ted parties	Yes	429	74,048	—	—	2	—	Advance payment and business turnover	—	None	None	1,634,440	1,634,440	
		TY Steel Co.,Ltd.	Other receivables-rela ted parties	Yes	—	1,000	—	—	2	—	Advance payment	—	None	None	1,634,440	1,634,440	
		Tycoons Vietnam Co.,Ltd.	Other receivables-rela ted parties	Yes	—	1,000	—	—	—	2	—	Advance payment	—	None	None	1,634,440	1,634,440
		Tycoons Worldwide Group (Thailand) Public Co.,Ltd.	Other receivables-rela ted parties	Yes	260	1,000	45	—	—	2	—	Advance payment	—	None	None	1,634,440	1,634,440
1	Tycoons Group International Co.,Ltd.	Viettycoons Steel Co.,Ltd.	Other receivables-rela ted parties	Yes	12,092	5,696	5,696	—	2	—	Short— term financing	—	None	None	1,276,610	1,276,610	
		Tycoons Group Enterprise Co.,Ltd.	Other receivables-rela ted parties	Yes	170,476	341,760	160,178	—	2	—	Short— term financing	—	None	None	1,276,610	1,276,610	
2	Huanghua Jujin Hardware Products Co.,Ltd.	Huanghua Haixin Hardware Products Co., Ltd.	Other receivables-rela ted parties	Yes	30,665	30,665	30,665	5.79	2	—	Short— term financing	—	None	None	243,468	243,468	
3	Yuan Zhen Investment Co.,Ltd.	Tycoons Group Enterprise Co.,Ltd.	Other receivables-rela ted parties	Yes	58,000	5,000	5,000	—	2	—	Short— term financing	—	None	None	2,196	2,196	

Note 1 : The Company and its subsidiaries are coded as follows:

1. The Company is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2 : Nature for financing is coded as follows:

1. Business transactions.
2. Short-term financing .

Note 3 : The company's financing provided limit for individually objects is the individual specified percentage of the net assets value of the latest financial statement (2020.12.31). The total financing provided limit is 40% of the net assets value of the latest financial statement (2020.12.31).

Note 4 : If a public company makes a loan to the board of directors on a case-by-case basis in accordance with Article 14 (1) of the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies, even though it has not yet allocated funds, the amount of the board resolutions shall be included in the announcement balance to reveal its bear the risk; but after the fund is repaid, the balance after the repayment should be disclosed to reflect the adjustment of risk. If the public offering company authorizes the chairman of the board of directors to approve the loan in a certain amount and within one year in accordance with Article 14 (2) of the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies, the fund loan and the amount approved by the board of directors shall still be used as the announced balance. Although the funds will be repaid thereafter, it is still possible to allocate the loan again, so the fund loan and quota approved by the board of directors should still be used as the announced balance.

Note 5 : The maximum balance is the maximum amount spent in the current period .

Note 6 : When preparing this consolidated financial statement, it has been written off.

Note 7 : If the nature of financing provided is a business transaction, the amount of the business transaction should be entered. The amount of business transactions refers to the amount of business transactions between the company that lends funds and the loanee in the latest year.

TABLE 2

ENDORSEMENTS / GUARANTEES PROVIDED

Amounts in Thousands of New Taiwan Dollars and Foreign Currencies in Dollars

No. (Note 1)	Endorsement / Guarantee Provider	Guaranteed Party		Limits on Endorsement / Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period (Note 4)	Ending Balance (Note 4、Note 5)	Amount Actually Draw (Note 6)	Amount of Endorsement / Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement / Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement / Guarantee Amount Allowable (Note 3)	Guarantee Provided by Parent Company (Note 7)	Guarantee Provided by A Subsidiary (Note 7)	Guarantee Provided to Subsidiaries in Mainland China (Note 7)
		Name	Nature of Relationship (Note 2)										
0	Tycoons Group Enterprise Co.,Ltd.	Tycoons Group International Co.,Ltd.	2	8,172,200	USD —	USD —	NTD —	—	—	10,215,250	Y	—	—
		Tycoons Worldwide Group (Thailand) Public Co.,Ltd.	3	8,172,200	THB 2,367,500,000 USD 36,520,000 NTD —	THB 2,367,500,000 USD 36,520,000 NTD —	NTD 934,131	—	22.86%	10,215,250	Y	—	—
		TY Steel Co.,Ltd.	Note8	8,172,200	USD 61,200,000 THB 850,000,000	USD 61,200,000 THB 850,000,000	NTD 2,128,415	—	52.09%	10,215,250	—	—	—
1	Tycoons Group International Co.,Ltd.	Tycoons Worldwide Group (Thailand) Public Co.,Ltd.	2	4,787,290	THB 880,000,000	THB 880,000,000	NTD —	—	—	6,383,054	—	—	—
		Tycoons Group Enterprise Co.,Ltd.	4	4,787,290	NTD —	NTD —	NTD —	—	—	6,383,054	—	Y	—
		TY Steel Co.,Ltd.	6,Note8	4,787,290	THB 244,193,650	THB 244,193,650	NTD 231,535	NTD 231,535	7.25%	6,383,054	—	—	—
2	Tycoons Worldwide Group (Thailand) Public Co.,Ltd.	TY Steel Co.,Ltd.	6	3,776,527	THB 891,010,320	THB 891,010,320	NTD 844,821	NTD 844,821	22.37%	5,664,790	—	—	—

Note 1 : The Company and its subsidiaries are coded as follows:

- The Company is coded "0".
- The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2 : According to the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" issued by the R.O.C. Securities and Futures Bureau, receiving parties should be disclosed as one of the following:

- A company with which it does business.
- A company in which the public company directly hold more than 50% of the voting shares.
- A company in which the public company and its subsidiaries directly holds more than 50% of the voting shares.
- A company that directly and indirectly holds more than 50 % of the voting shares in the public company.
- A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.

Note 3 : 1. The company's endorsements / guarantees limit for individual objects is the individually specified percentage of the net value of the latest financial statement (2020.12.31). (Tycoons Group Enterprise Co.,Ltd.:200% , Tycoons Group International Co.,Ltd.:150% , Tycoons Worldwide Group (Thailand) Public Co.,Ltd.:100% , TY Steel Co.,Ltd.:100%)  
2. The maximum of the company's endorsements / guarantees limit is the individually specified percentage of the net value of the latest financial statement (2020.12.31). (Tycoons Group Enterprise Co.,Ltd.:250% , Tycoons Group International Co.,Ltd.:200% , Tycoons Worldwide Group (Thailand) Public Co.,Ltd.:150% , TY Steel Co.,Ltd.:150%)

Note 4 : The maximum endorsement guarantee balance for the current period and the end endorsement guarantee balance at the end of the period are the quota, not the actual transfer amount .

Note 5 : As of the end of the year, every company that has signed an endorsement guarantee contract or bill to the bank for approval, shall assume the responsibility of endorsement or guarantee; in addition, other related endorsement guarantees shall be included in the balance of the endorsement guarantee .

Note 6 : It should enter the actual amount spent by the endorsed company within the range of the endorsed guarantee balance.

Note 7 : Under the circumstance where the TSE or OTC listed parent company endorses or guarantees its subsidiaries, the subsidiary endorses or guarantees its TSE or OTC listed parent company or the endorsement and guarantee is made in mainland China, "Y" shall be filled in.

Note 8 : Tycoons Group International Co., Ltd. completed the equity transfer in June of 2019, resulting in the reduction of the combined shareholding ratio to 33.05%. In addition, after the election of directors of TY Steel Co.,Ltd. on July 3, 2019. the group no longer holds a majority of its board of directors, and it is assessed that it has lost control of the company.

TABLE 3

MARKETABLE SECURITIES HELD

Amounts in Thousands of New Taiwan Dollars and Foreign Currencies in Dollars

Held Company Name	Marketable Securities Type and Name (Note 1)		Relationship with the Company	Financial Statement Account	December 31, 2020				Note (Note 3)
					Shares / Units	Carrying Value (Note 2)	Percentage of Ownership	Fair Value	
Tycoons Group Enterprise Co.,Ltd.	Common stock	Horizon Securities Co.,Ltd.	—	Financial assets at fair value through other comprehensive income, non-current	673,469	7,745	0.2%	7,745	Note 5
Tycoons Group International Co.,Ltd.	Common stock	JinHai Hardware Company Limited	—	Financial assets at fair value through other comprehensive income, non-current	4,354,875	43,076	18.19%	THB 45,360,201	Note 4
Tycoons Worldwide Group (Thailand) Public Co.,Ltd.	Common stock	Thai Union Fastener Co.,Ltd.	—	Financial assets at fair value through other comprehensive income, non-current	6,000,000	63,959	8.7%	THB 67,349,506	Note 4

Note 1 : The securities mentioned in this table refer to stocks, bonds, beneficiary certificates and securities derived from the above items that fall within the scope of International Financial Reporting Standard No. 9 "Financial Instruments".

Note 2 : If measured by fair value, please fill in the book value after the fair value evaluation adjustments and deduct the allowance loss; if it is not measured by fair value, please fill in the amortized cost (after deducting the allowance loss) of the book balance.

Note 3 : The listed securities have users who are restricted due to the provision of guarantees, pledged loans, or other agreed-upon agreements. The remarks column should indicate the number of guarantees or pledged shares, the amount of guarantees or pledges, and the circumstances of restricted use.

Note 4 : There is no public market price, which is determined by the net equity value or by evaluation.

Note 5 : The market price is the closing price on December 31, 2020.

TABLE 4

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL**

Amounts in Thousands of New Taiwan Dollars and Foreign Currencies in Dollars

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares / Units	Amount	Shares / Units	Amount	Shares / Units	Amount	Carrying Value (Note)	Gain / Loss on Disposal	Shares / Units	Amount (Note)
Tycoons Group Enterprise Co.,Ltd.	Tycoons Worldwide Group (Thailand) Public Co.,Ltd.	Investments accounted for using equity method	Public Exchange Market	Subsidiary	23,104,000	102,111	2,466,000	13,526	25,570,000	155,943	87,217	—	—	—
Tycoons Group International Co.,Ltd.	Tycoons Worldwide Group (Thailand) Public Co.,Ltd.	Investments accounted for using equity method	Public Exchange Market	Subsidiary	438,019,692	USD106,398,277	11,760,000	USD 729,054	30,256,000	USD 6,852,017	USD 6,744,028	—	419,523,692	USD 93,219,761

Note: Including various adjustments such as the use of the equity method to recognize the share of the profit and loss of the subsidiary and the conversion difference of the foreign operating agency's financial statements.

TABLE 5

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$ 100 MILLION OR 20% OF THE PAID-IN CAPITAL

Amounts in Thousands of New Taiwan Dollars

Company Name	Related Party	Nature of Relationships	Transaction Details				Details of non-arm's length transaction		Notes and Accounts receivable (payable)	
			Purchases / Sales	Amount	Percentage of total purchases (sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of total receivables (payable)
Tycoons Group Enterprise Co.,Ltd.	Tycoons Worldwide Group (Thailand) Public Co.,Ltd.	Subsidiary	Sales	109,944	9%	30~120days	No significant difference	No significant difference	50,115	84%
			Purchases	269,597	49%	30~120days			—	—
Tycoons Worldwide Group (Thailand) Public Co.,Ltd.	TY Steel Co.,Ltd.	Associate	Sales	906,768	16%	30~120days	No significant difference	No significant difference	66,000	17%
	JinHai Hardware Company Limited	Associate	Purchases	2,406,754	44%	30~120days			5,836	2%
			Sales	117,098	2%	30~120days	No significant difference	No significant difference	29,959	8%
HuangHua Jujin Hardware Products Co.,Ltd.	HuangHua Jujin Import & Export Trading Co.,Ltd.	Subsidiary	Sales	123,808	10%	30~120days	No significant difference	No significant difference	—	—

Note 1 : It has been written off when preparing the consolidated financial statements.

TABLE 6

THE BUSSINESS RELATIONSHIP BETWEEN THE PARENT AND SUBSIDIARIES AND SIGNIFICANT TRANSACTIONS BETWEEN THEM

Amounts in Thousands of New Taiwan Dollars

No. (Note 1)	Company Name	Counter-party	Nature of Relationships (Note 2)	Transaction Details			
				Financial Statement item	Amount	Transaction Terms	Percentage of consolidated revenue or assets % (Note 3)
0	Tycoons Group Enterprise Co.,Ltd.	Tycoons Group International Co.,Ltd.	1	Other receivables	174,998	Refer to the transaction conditions of other customers .	2
				Other payables	160,178	Interest-free borrowing	2
		Tycoons Worldwide Group (Thailand) Public Co.,Ltd.	1	Sales	109,944	Refer to the transaction conditions of other customers .	1
				Accounts receivables	50,115	Payment terms is about 30~120 days.	1
				Advance payment	821,654	Refer to the transaction conditions of other customers .	10
Purchases	269,597	Refer to the transaction conditions of other customers .	3				
1	Tycoons Group International Co.,Ltd.	Viettycoons Steel Co.,Ltd.	3	Other receivables	5,696	Interest-free borrowing	—
2	HuangHua Jujin Hardware Products Co.,Ltd.	HuangHua Jujin Import & Export Trading Co.,Ltd.	3	Sales	123,808	Refer to the transaction conditions of other customers .	2
				Contract liabilities	16,177	Refer to the transaction conditions of other customers .	—

Note 1 : The Company and its subsidiaries are coded as follows:

1. The Company is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2 : The relationship with the trader has the following three types:

1. Parent company to a subsidiary.
2. Subsidiary to the parent company .
3. Subsidiary to subsidiary.

Note 3 : For the calculation of the ratio of the transaction amount to consolidated revenue or assets, if it is an asset-liability item, it is calculated by the balance at the end of the period in the consolidated assets; if it is a profit and loss item, it is calculated by the cumulative amount in the period as a share of the consolidated revenue.

Note 4 : It has been written off when preparing the consolidated financial statements.

TABLE 7

**NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE**

Amounts in Thousands of New Taiwan Dollars and Foreign Currencies in Dollars

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment		Balance as of December 31, 2020			Net Income (Losses) of the Investee	Shares of Profits / Losses of Investee	Notes
				December 31, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying value			
Tycoons Group Enterprise Co.,Ltd.	Tycoons Group International Co.,Ltd.	Cayman	Holding	5,467,641	5,752,191	182,650,140	100.00%	3,188,454	USD(7,972,283)	(238,101)	Subsidiary
	Yuan Zhen Investment Co.,Ltd.	Taiwan	Investing	31,850	82,850	3,185,000	100.00%	5,489	4,434	4,434	Subsidiary
	Hurco Automation, Ltd.	Taiwan	Design, manufacture, sale and distribution of industrial controllers	42,077	42,077	4,207,707	35.00%	131,966	3,645	1,276	Associate
	Tycoons Worldwide Group (Thailand) Public Co.,Ltd.	Thailand	Production, processing and sales of wire rod, wires, screws, bolts and other related products	—	144,882	—	—	(1,766)	THB (321,048,881)	(8,546)	Subsidiary
Tycoons Group International Co.,Ltd.	Tycoons Worldwide Group (Thailand) Public Co.,Ltd.	Thailand	Production, processing and sales of wire rod, wires, screws, bolts and other related products	THB 3,964,750,128	THB 4,257,684,147	419,523,692	70.3%	USD93,219,761	THB (321,048,881)	THB (234,943,571)	Subsidiary
	Kingford International Limited	Samoa	Holding	USD 5,931,051	USD 5,938,051	5,938,051	100.00%	USD12,823,784	USD 1,860,103	USD 1,860,103	Subsidiary
	Viettycoons Steel Co.,Ltd.	Vietnam	Production and sales of cold-rolled steel products, pickled steel coils, galvanized hot-rolled steel coils, various steel meshes, wire meshes, bolts, screws, rivets, screws, nuts, and scissors	USD 6,000,000	USD 6,000,000	USD 6,000,000 (investment amount)	100.00%	USD1,069,147	VND (2,770,615,167)	VND (2,770,615,167)	Subsidiary
	TY Steel Co.,Ltd.	Thailand	Steel billet production and sales	USD 4,928,790	USD 4,336,000	24,419,365	9.43%	USD1,920,324	THB (885,492,724)	THB (77,756,414)	Associate
	Tycoons Group (Samoa) Holding Ltd.	Samoa	Holding	USD 700,000	USD 700,000	700,000	100.00%	USD1,094,387	USD (59,677)	USD (59,677)	Subsidiary
Tycoons Worldwide Group (Thailand) Public Co.,Ltd.	TY Steel Co.,Ltd.	Thailand	Steel billet production and sales	THB798,806,320	THB730,662,970	79,880,632	30.84%	THB188,942,279	THB (885,492,724)	THB (257,656,435)	Associate
Tycoons Group (Samoa) Holding Ltd.	Tycoons Vietnam Co.,Ltd.	Vietnam	Wire production and sales business	USD 699,800	USD 699,800	USD 699,800 (investment amount)	100.00%	USD1,094,324	VND (1,384,382,688)	VND (1,384,382,688)	Subsidiary

TABLE 8

INFORMATION ON INVESTMENT IN MAINLAND CHINA

## 1.The detail of the investment in mainland China:

Amounts in Thousands of New Taiwan Dollars and Foreign Currencies in Dollars

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Net Income (Loss) of Investee Company	Percentage of Ownership	Shares of Profits / Losses (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
HuangHua Jujin Hardware Products Co.,Ltd.	Production, processing and sales of wires, screws, bolts and other related products	\$ 357,456 (CNY 81,667,000)	Note1	\$ 168,916 (USD 5,931,028)	—	—	\$ 168,916 (USD 5,931,028)	\$ 98,805 (CNY 22,573,612)	60.00%	\$ 55,911 (USD 1,963,150)	\$ 365,203 (USD 12,823,150)	\$ 177,347 (USD 6,227,069)

## 2.Limit of the investment in mainland China:

Accumulated Investment in Mainland China as of December 31, 2020 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 168,916 ( USD 5,931,028 )	\$ 168,916 ( USD 5,931,028 )	2,451,660

Note 1 : Indirectly investment in Mainland China through the Kingford International Limited registered in a third region.

Note 2 : The investment profit / loss column recognized in the current period is based on the company's audited financial statements.

Note 3 : Accumulated investment amounts denominated in foreign currencies are translated into New Taiwan Dollars using the spot rates at the financial report date. ( USD 1 : 28.48 , CNY 1 : 4.377 )

Note 4 : According to the regulations of the Investment Commission of the Ministry of Economic Affairs, the upper limit of the cumulative amount of its investment in the mainland is 60% of the net value.

## 3.Significant direct or indirect transactions with investee companies, the prices and terms of payment, unrealized gain or loss, and other related information which is helpful to

understand the impact of investment in Mainland China on financial reports: None.Limit of the investment in mainland China: None.

4. Note:

In order to meet actual business needs, the Company plans to invest in mainland China. It was approved by the shareholders' meeting on May 16, 2003, and the board of directors was authorized to decide on investment matters within the scope of the competent authority and relevant laws and regulations. The Company's board of directors resolved on October 22, 2003, that TYCOONS GROUP INTERNATIONAL CO., LTD., a subsidiary in the British Cayman Islands, would invest USD 2,180,000 in KINGFORD INTERNATIONAL LIMITED, Western Samoa, and then indirectly invest USD 2,180,000 in mainland China. Huanghua Jujin Hardware Products Co., Ltd. is engaged in the processing, production and sales of spherical wires, screws and other products. This investment case was approved by the Investment Review Committee of the Ministry of Economic Affairs on November 20, 2003. Letter No. 092035790 Approved. The Company's board of directors decided on November 21, 2003, to increase its investment in Western Samoa KINGFORD INTERNATIONAL LIMITED with its own funds of US\$2,305,266 of TYCOONS GROUP INTERNATIONAL CO., LTD. in the third region investment business British Cayman Islands, and indirectly with US\$2,300,000. Invested in Huanghua Jujin Hardware Products Co., Ltd., an investment enterprise in mainland China. This investment case was approved by the Investment Review Committee of the Ministry of Economic Affairs by letter No. 092040150 on December 26, 2003. In addition, the Company makes the resolution of the board of directors on January 6, 2005, to increase its investment in Western Samoa KINGFORD INTERNATIONAL LIMITED with its own funds of 1,452,785 U.S. dollars in the third region investment business British Cayman Islands, and at 1,451,028 U.S. dollars indirect investment in Huanghua Jujin Hardware Products Co., Ltd., an investment enterprise in the mainland China, was approved by the Investment Review Committee of the Ministry of Economic Affairs by letter No. 094001032 on January 19, 2005. Huanghua Jujin Hardware Products Co., Ltd. remitted the 2017 cash dividend of US\$1,204,908.89 yuan by the 2018 board of directors. This case was approved by the Investment Review Committee of the Ministry of Economic Affairs on August 8, 2018, with Shen Er Zi No. 10700173720. Huanghua Jujin Hardware Products Co., Ltd. resolved the 2017 board of directors to repatriate the 2016 cash dividend amounting to US\$ 793,522.51. The case was approved by the Investment Review Committee of the Ministry of Economic Affairs on July 4, 2017, with the letter No. 10600139400. Huanghua Jujin Hardware Products Co., Ltd. was resolved by the board of directors in 2015 to repatriate the cash dividends of US\$2,528,804.84 from 2003 to 2015. This case was approved by the Investment Review Committee of the Ministry of Economic Affairs on March 15, 2016, with No. 10500047010. Huanghua Jujin Hardware Products Co., Ltd. was approved by the board of directors in 2019 to distribute cash dividends totaling USD 767,981.38. The case was approved by the Investment Review Committee of the Ministry of Economic Affairs on September 17, 2019, with the letter No. 10800233150. Huanghua Jujin Hardware Products Co., Ltd. was approved by the board of directors in 2020 to distribute cash dividends totaling US\$931,851.19. This case was approved by the Investment Review Committee of the Ministry of Economic Affairs on March 18, 2020, with the letter No. 10900072630.

TABLE 9

MAJOR SHAREHOLDERS INFORMATION

December 31, 2020

Names	Number of Shares held	Percentage of shareholding
Yisheng Investment Co.,Ltd.	39,583,165	8.25%
Hengsha Investment Co.,Ltd.	36,111,846	7.52%
Soufu Investment Co.,Ltd.	31,535,285	6.57%

Note 1 : This table is based on the last business day at the end of each quarter and calculates that shareholders hold more than 5% of the Company's ordinary shares and special shares that have completed unregistered delivery (including treasury shares). As for the share capital recorded in the company's financial report and the company's actual number of shares delivered without physical registration, there may be differences or differences due to different calculation bases.

Note 2 : In the case of the above information, if the shareholders' shares are in the trust, it is disclosed in individual accounts by the trustee who opened the trust account by the trustee. As for the shareholder's declaration of insider's equity in accordance with the Securities and Exchange Act, the shareholding includes his own shareholding plus the trust shares and the right to use the trust property. For information on insider's equity declaration, please refer to the public information observatory

#### 14. OPERATING SEGMENTS INFORMATION

##### (1) Segment revenue and result

The Group determined its operating segments based on business activities with discrete financial information regularly reported through the Group's internal reporting protocols to the Group's chief operating decision-maker. The Group have two reportable segments, the Company and subsidiaries in Thailand (Tycoons Worldwide Group (Thailand) Public Co., Ltd. and TY Steel Co., Ltd.). Reportable segment information for the years ended December 31, 2020 and 2019 were as follows,

Item	For the Year Ended December 31, 2020						
	The Company	Subsidiaries in Thailand	Other	Adjustment and Elimination	Consolidated		
Net revenue from external customers	\$ 1,068,528	\$ 5,390,966	\$ 1,495,849	\$ (24,959)	\$ 7,930,384		
Net revenue from sales among intersegments	109,944	269,597	—	(379,541)	—		
Net revenue	<u>\$ 1,178,472</u>	<u>\$ 5,660,563</u>	<u>\$ 1,495,849</u>	<u>\$ (404,500)</u>	<u>\$ 7,930,384</u>		
Segment operating (Loss)Gain	<u>\$ 45,394</u>	<u>\$ (43,310)</u>	<u>\$ 118,116</u>	<u>\$ (2,518)</u>	<u>\$ 117,682</u>		
Other income							20,107
Other gains and losses							37,444
Finance costs							(65,489)
Share of the profit of associates and joint ventures accounted for using the equity method							(315,826)
Profit before tax							<u>(206,082)</u>
Identifiable net assets	<u>\$ 2,110,422</u>	<u>\$ 6,236,722</u>	<u>\$ 1,037,783</u>	<u>\$ (1,222,719)</u>	<u>\$ 8,162,208</u>		

Item	For the Year Ended December 31, 2019						
	The Company	Subsidiaries in Thailand	Other	Adjustment and Elimination	Consolidated	Discontinued operation	Continued operation
Net revenue from external customers	\$ 1,355,536	\$ 8,790,469	\$ 1,496,272	\$ (95,267)	\$ 11,547,010	\$ 27,808	\$ 11,519,202
Net revenue from sales among intersegment	76,099	670,287	49,444	(795,830)	—	—	—
Net revenue	<u>\$ 1,431,635</u>	<u>\$ 9,460,756</u>	<u>\$ 1,545,716</u>	<u>\$ (891,097)</u>	<u>\$ 11,547,010</u>	<u>\$ 27,808</u>	<u>\$ 11,519,202</u>
Segment operating (Loss)Gain	<u>\$ (71,996)</u>	<u>\$ (298,285)</u>	<u>\$ 61,170</u>	<u>\$ 6,866</u>	<u>\$ (302,245)</u>	<u>\$ (39,034)</u>	<u>\$ (263,211)</u>
Other income					4,555	476	4,079
Other gains and losses					(389,183)	37,235	(426,418)
Finance costs					(204,520)	(100,330)	(104,190)
Share of the profit of associates and joint ventures accounted for using the equity method					(36,956)	—	(36,956)
Profit before tax					<u>(928,349)</u>	<u>(101,653)</u>	<u>(862,696)</u>
Identifiable net assets	<u>\$ 1,740,166</u>	<u>\$ 6,740,678</u>	<u>\$ 1,014,825</u>	<u>\$ (145,502)</u>	<u>\$ 8,854,037</u>		<u>\$ 8,854,037</u>

(2) Product information

Products	For the Year Ended December 31, 2020		For the Year Ended December 31, 2019	
	Amount	%	Amount	%
Coil	\$ 2,764,679	35	\$ 4,358,210	38
Wire	2,490,594	31	2,231,502	19
Screws	1,252,211	16	2,051,714	18
Others	1,422,900	18	2,877,776	25
Total	\$ 7,930,384	100	\$ 11,519,202	100

(3) Geographic information

The net revenue from external customers of the Group is as follows,

Area	For the Year Ended December 31, 2020		For the Year Ended December 31, 2019	
	Amount	%	Amount	%
America	\$ 243,172	3	\$ 296,672	3
Asia	6,698,757	84	9,708,324	84
Europe	871,255	11	1,398,121	12
Others	117,200	2	116,085	1
Total	\$ 7,930,384	100	\$ 11,519,202	100

(4) Major customers

For the years ended December 31, 2020 and 2019, no revenue from a single customer exceeds 10% of the total consolidated revenue.

## V. Most recent standalone financial statements audited by independent auditors

### INDEPENDENT AUDITORS' REPORT

NO.11351090EA

To the Board of Directors of Tycoons Group Enterprise Co., Ltd.,

#### **Opinion**

We have audited the accompanying parent company only financial statements of Tycoons Group Enterprise Co., Ltd. (“the Company”), which comprise the parent company only balance sheets as of December 31, 2020 and 2019, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2020 and 2019, and its parent company only financial performance and its parent company only 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 audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (“the Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained, inclusive of the reports from other auditors, is sufficient and appropriate to provide a basis for our opinion.

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **1. Inventories Valuation**

Refer to Note 4(5) and 6(6) to the parent company only financial statements for the accounting policies and the details of the information about inventories.

#### Description of the key audit matter

In the parent company only financial report, the inventory is measured at the lower of cost or net realizable value. The Company is principally engaged in the production of metal products such as screws, nuts and wales. The value of inventories is susceptible to fluctuations in the price of the demand market and the speed of change of the respective industries. The sales of products may fluctuate violently, resulting in inventory obsolescence losses and expired losses, there is a risk that inventory costs may exceed the net realizable value.

#### How the matter was addressed in our audits

- Review the aging schedule of inventories and analysis the changes.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management.
- Obtain the quantity data of inventory at the end of the period and compare it with the inventory and actually observe the inventory to verify the existence and completeness of inventory.
- By understanding the sale price made by management and the situation of market price after the accounting period to evaluate the reasonableness of inventory net realizable value and compare the recent sales price or purchase cost of the inventories with the cost of the book to confirm that the inventories have been evaluated at the lower of cost or realizable value.
- Evaluate the fairness of the disclosure of allowance for inventories valuation.

### **2. Impairment of Investment accounted for using the equity method**

Refer to Note 4(6) and 6(7) to the parent company only financial statements for the accounting policies and the details of the information about the impairment of Investment accounted for using the equity method.

#### Description of the key audit matter

Due to the consideration of business strategy, the Company has invested in Thailand, Vietnam, China and other countries. These investments accounted for using the equity method are important assets for the Company. So, we focus on the evaluation of the impairment of these investments.

How the matter was addressed in our audits

- Review the identification of cash-generating units and whether there is an indication exist by the management.
- Review the important assumptions that have been used by the management, Such as the expected future cash flows, discount rate and, etc.
- Querying the management, whether there is a significant matter after the date of the balance sheet, that affected the result of the evaluation.
- Evaluate the fairness of the disclosure of these investments.

**3. Revenue recognition**

Refer to Note 4(11) and 6(17) to the parent company only financial statements for the accounting policies and the details of information about revenue recognition.

Description of the key audit matter

Revenue recognition when the risks and rewards of product transfer of and recorded amount directly affect the annual profit and loss of the Company. The Company and its clients have different trading conditions, we should identify the transfer of risks and rewards in accordance with trading conditions to recognize revenue. Therefore, there is a risk of revenue being recognized at an inappropriate amount or earlier than appropriate.

How the matter was addressed in our audits

- Understand and test the Company's internal control related to revenue recognition.
- Understand the income type and trading conditions of the Company, to assess whether the accounting policy of revenue being recognized at the time is appropriate.
- By the sampling method, examine supporting documents for actual sales transactions occurring during the year and near the end of the accounting period.

**Other Matter**

Making reference to the audits of component auditors

We did not audit the financial statements of certain subsidiaries, associates and joint ventures

accounted for using the equity method. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion expressed herein are based solely on the reports of other auditors. The subsidiaries, associates and joint ventures accounted for under the equity method amounted to \$427,701 thousand and \$701,179 thousand, representing 8% and 13% of total assets as of December 31, 2020 and 2019, respectively. And the related share of profit from the subsidiaries, associates and joint ventures accounted for under the equity method amounted to \$(321,118) thousand and \$(47,420) thousand, representing 166% and 6% of the loss before income tax of the Company for the year ended December 31, 2020 and 2019, respectively.

### **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 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 members of 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 parent company only 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 entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the Company 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 for the year ended December 31, 2020 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.

Baker Tilly Clock & Co

Yung-Chi Lai, CPA

Hung-Hsun Ting, CPA

March 25, 2021

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

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

TYCOONS GROUP ENTERPRISE CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan Dollars)

ASSETS	NOTES	December 31,2020		December 31,2019	
		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	6(1)	\$ 53,222	1	\$ 94,362	2
Financial assets at fair value through profit or loss, current	6(2)	2	—	—	—
Financial assets at amortized cost, current	6(3),8	170,880	3	—	—
Notes receivable, net	6(5)	15,264	—	16,279	—
Accounts receivable, net	6(5),7	59,995	1	64,671	1
Other receivables	7	178,362	3	4,151	—
Current tax assets	6(21)	114	—	266	—
Inventories	6(6)	108,131	2	347,206	7
Prepayments	7	831,945	16	25,249	—
Other current assets		2,525	—	2,146	—
Other financial assets, current	8	10,036	—	—	—
Total current assets		1,430,476	26	554,330	10
<b>NON-CURRENT ASSETS</b>					
Financial assets at fair value through other comprehensive income, non-current	6(4)	7,745	—	4,694	—
Investments accounted for using the equity method	6(7)	3,324,143	63	4,142,776	79
Property, plant and equipment	6(8),8	521,210	10	530,327	11
Right-of-use asset	6(9)	—	—	4,886	—
Guarantee deposits paid		234	—	483	—
Other non-current financial assets		18,792	1	18,792	—
Total non-current assets		3,872,124	74	4,701,958	90
<b>TOTAL</b>		<b>\$ 5,302,600</b>	<b>100</b>	<b>\$ 5,256,288</b>	<b>100</b>

(Continued)

The accompanying notes are an integral part of the parent company only financial statements.

TYCOONS GROUP ENTERPRISE CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	NOTES	December 31,2020		December 31,2019	
		Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>					
Current borrowings	6(10),8	\$ 410,000	8	\$ 110,000	2
Short-term notes and bills payable	6(11)	49,951	1	49,965	1
Contract liabilities, current		130,104	2	90,205	2
Notes payable		58,830	1	49,162	1
Accounts payable	7	28,975	1	45,505	1
Other payables		41,762	1	24,648	—
Lease liabilities, current	6(9)	—	—	3,738	—
Bonds payable, current portion	6(12)	200,000	4	—	—
Long-term borrowings, current portion	6(13),8	12,500	—	—	—
Other current liabilities, other		609	—	681	—
Total current liabilities		932,731	18	373,904	7
<b>NON-CURRENT LIABILITIES</b>					
Bonds payable	6(12)	—	—	200,000	4
Long-term bank loans	6(13),8	37,500	1	200,000	4
Deferred tax liabilities	6(21)	80,987	2	136,752	2
Lease liabilities, non-current	6(9)	—	—	1,210	—
Long-term accounts payable	7	165,178	3	23,361	—
Guarantee deposits received		104	—	104	—
Total non-current liabilities		283,769	6	561,427	10
Total liabilities		1,216,500	24	935,331	17
<b>EQUITY</b>					
Share capital	6(15)	4,797,520	90	4,797,520	91
Capital surplus	6(15)	340,560	6	206,365	5
Retained earnings	6(15)				
Legal reserve		16,248	—	16,248	—
Accumulated deficit		(1,484,846)	(28)	(1,270,414)	(24)
Other equity interest	6(15)	416,618	8	571,238	11
Total equity		4,086,100	76	4,320,957	83
<b>TOTAL</b>		<b>\$ 5,302,600</b>	<b>100</b>	<b>\$ 5,256,288</b>	<b>100</b>

The accompanying notes are an integral part of the parent company only financial statements.

TYCOONS GROUP ENTERPRISE CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan Dollars)

ITEMS	NOTE	For the Years Ended December 31			
		2020		2019	
		Amount	%	Amount	%
OPERATING REVENUES	6(16),7	\$ 1,178,471	100	\$ 1,431,635	100
OPERATING COSTS	6(22),7	(1,028,609)	(87)	(1,387,582)	(97)
GROSS PROFIT FROM OPERATIONS		149,862	13	44,053	3
Unrealized loss from sales		(2,920)	—	(3,548)	—
Realized profit on from sales		2,922	—	4,146	—
Gross profit from operations		149,864	13	44,651	3
OPERATING EXPENSES	6(22)				
Selling expenses		(35,870)	(3)	(35,514)	(2)
Administrative expenses		(68,600)	(6)	(81,024)	(6)
Impairment loss determined in accordance with IFRS 9	6(5)	—	—	(109)	—
Total operating expenses		(104,470)	(9)	(116,647)	(8)
NET OPERATIONS LOSS		45,394	4	(71,996)	(5)
NON-OPERATING INCOME AND EXPENSES					
Other income	6(18)	15,064	1	1,709	—
Other gains and losses	6(19)	(2,964)	—	(14,156)	(1)
Finance costs	6(20)	(10,500)	(1)	(24,191)	(2)
Share of the loss of associated and joint ventures accounted for using the equity method	6(7)	(240,937)	(20)	(656,536)	(46)
Total non-operating income and expenses		(239,337)	(20)	(693,174)	(49)
LOSS BEFORE INCOME TAX		(193,943)	(16)	(765,170)	(54)
TAX EXPENSE	6(21)	8,303	—	(20,935)	(1)
LOSS		(185,640)	(16)	(786,105)	(55)
OTHER COMPREHENSIVE INCOME (LOSS)					
Components of other comprehensive income that will not be reclassified to profit or loss					
Gains on remeasurements of defined benefit plans		62	—	—	—
Unrealized gain from investments in equity instruments measured at fair value through other comprehensive income		3,051	—	15,047	1
Components of other comprehensive income that will be reclassified to profit or loss					
Exchange differences on translation		(222,886)	(19)	282,667	14
Share of the other comprehensive (loss) income of subsidiaries and associates		5,747	1	(8,226)	5
Income tax related to components of other comprehensive loss that will be reclassified to profit or loss	6(21)	47,462	4	(39,995)	(2)
Other comprehensive income		(166,564)	(14)	249,493	18
TOTAL COMPREHENSIVE LOSS		\$ (352,204)	(30)	\$ (536,612)	(37)
LOSS PER SHARE	6(16)				
BASIC EARNINGS PER SHARE		\$ (0.39)		\$ (1.64)	

The accompanying notes are an integral part of the parent company only financial statements.

## PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	Common Stock	Capital Surplus	Retained earnings		Other equity interests		Total equity
			Legal reserve	Accumulated deficits	Exchange differences on translation of foreign financial statements	Unrealized (losses) gains on financial assets measured at fair value through other comprehensive income	
BALANCE, JANUARY 1, 2019	\$ 4,797,520	\$ 154,337	\$ 16,248	\$ (541,080)	\$ 430,861	\$ 13,809	\$ 4,871,695
Net loss for the year ended December 31, 2019	—	—	—	(786,105)	—	—	(786,105)
Other comprehensive income for the year ended December 31, 2019, net of income tax	—	—	—	(1,278)	226,134	24,637	249,493
Total comprehensive (loss) income	—	—	—	(787,383)	226,134	24,637	(536,612)
Recognition of the change in the equity of the subsidiary	—	18,289	—	—	(66,154)	—	(47,865)
Difference between consideration and the carrying amount of subsidiaries acquired or disposed	—	33,739	—	—	—	—	33,739
Disposal of investments in equity instruments designated at fair value through other comprehensive income	—	—	—	58,049	—	(58,049)	—
BALANCE, DECEMBER 31, 2019	4,797,520	206,365	16,248	(1,270,414)	590,841	(19,603)	4,320,957
BALANCE, JANUARY 1, 2020	4,797,520	206,365	16,248	(1,270,414)	590,841	(19,603)	4,320,957
Net loss for the year ended December 31, 2020	—	—	—	(185,640)	—	—	(185,640)
Other comprehensive income for the year ended December 31, 2020, net of income tax	—	—	—	62	(175,424)	8,798	(166,564)
Total comprehensive (loss) income	—	—	—	(185,578)	(175,424)	8,798	(352,204)
Difference between consideration and the carrying amount of subsidiaries acquired or disposed	—	134,195	—	—	(14,425)	(441)	119,329
Disposal of investments in equity instruments designated at fair value through other comprehensive income	—	—	—	(28,854)	—	26,872	(1,982)
BALANCE, DECEMBER 31, 2020	\$ 4,797,520	\$ 340,560	\$ 16,248	\$ (1,484,846)	\$ 400,992	\$ 15,626	\$ 4,086,100

The accompanying notes are an integral part of the parent company only financial statements.

TYCOONS GROUP ENTERPRISE CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax	\$ (193,943)	\$ (765,170)
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation expense	24,747	30,611
Expected credit loss	—	109
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	(2)	879
Interest expense	7,296	18,417
Interest income	(3,384)	(989)
Dividend income	(118)	(720)
Share of the loss of associates and joint ventures	240,937	656,536
Gain on disposal and write-off of property, plant and equipment	(1,883)	(150)
Gain on disposal of investments	(522)	—
Gain on lease modification	(41)	—
Impairment loss	—	20,020
Realized gain on the transactions with subsidiaries and associates	(2)	(598)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	—	(853)
Notes receivable	1,015	23,370
Accounts receivable	4,676	3,778
Other receivables	4,106	937
Inventories	239,075	364,885
Prepayments	(806,696)	5,761
Other current assets	(379)	364
Contract liabilities	39,899	(140,662)
Notes payable	9,668	(34,817)
Accounts payable	(16,530)	(271,186)
Other payables	17,181	(5,296)
Other current liabilities, other	(72)	569
Net defined benefit liabilities, non-current	—	(8,531)

(Continued)

TYCOONS GROUP ENTERPRISE CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	2020	2019
Cash outflow generated from by operations	\$ (434,972)	\$ (102,736)
Interest received	66	1,323
Interest paid	(7,004)	(19,715)
Income taxes refund (paid)	152	(114)
Net cash used in operating activities	(441,758)	(121,242)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	—	63,938
Acquisition of financial assets at fair value through profit or loss	(15,052)	—
Proceed from the disposal of financial assets at fair value through profit or loss	15,574	—
(Increase) decrease in financial assets measured at amortized cost	(170,880)	60,725
Acquisition of investments accounted for the using equity method	(113,526)	(2,464)
Proceeds from disposal of investments accounted for using the equity method	155,943	13
Proceeds from the capital reduction of investment accounted for using the equity method	260,552	929,491
Acquisition of property, plant and equipment	(12,926)	(14,527)
Proceeds from disposal of property, plant and equipment	2,060	305
Decrease in refundable deposits	249	13
(Increase) decrease in other financial assets	(10,036)	69,422
Dividend received	118	11,029
Net cash flows from investing activities	112,076	1,117,945
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	300,000	(490,000)
(Decrease) increase in short-term notes and bills payable	(373)	49,965
Decrease in long-term borrowings	(150,000)	(678,000)
Decrease in guarantee deposits received	—	(16)
Increase (decrease) in long-term accounts payables	141,817	(9,171)
Payment of lease liabilities	(2,902)	(3,645)
Net cash flow from (used in) financing activities	288,542	(1,130,867)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(41,140)	(134,164)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	94,362	228,526
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	\$ 53,222	\$ 94,362

The accompanying notes are an integral part of the parent company only financial statements.

TYCOONS GROUP ENTERPRISE CO., LTD.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Amounts in thousands of New Taiwan dollars, unless otherwise stated)

1. HISTORY AND ORGANIZATION

Tycoons Group Enterprises Co., Ltd. (the “Company”) was incorporated under the Company Law in November, 1980. The address of its registered office and principal place of business is No. 79-1 Sinle St., Gangshan Dist., Kaohsiung City, Taiwan. The main business is to produce, process, commerce, export or lease screws, screw nuts, washer, steel thread, heat-processing of metal-blazed, mechanical parts, press-modeling machines as well as heat-processing equipment, and to manufacture, process and export various metal-models, and general international trade business excluding futures transactions.

In March 27, 1995, the Company’s stocks were approved by the Financial Supervisory Commission, Executive Yuan, R.O.C for listing on the Taiwan Stock Exchange.

The parent company only financial statements are presented in the Company’s functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the board of directors and authorized for issue on March 25, 2021.

3. APPLICATION OF NEW REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRSs”) as endorsed by the Financial Supervisory Commission (“FSC”) New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, “Definition of a business”	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, “Interest rate benchmark reform”	January 1, 2020
Amendments to IAS 1 and IAS 8, “Disclosure initiative-definition of material”	January 1, 2020
Amendment to IFRS 16, “Covid-19-related rent concessions”	June 1, 2020

The above standards and interpretations have no significant impact on the Company's financial condition and financial performance based on the Company's assessment.

- (2) Effect of new issuances of or amendments to International Financial Reporting Standards as endorsed by the FSC but not yet adopted by the Company New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, "Extension of the temporary exemption from applying IFRS 9"	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021

The above standards and interpretations have no significant impact on the Company's financial condition and financial performance based on the Company's assessment.

- (3) International Financial Reporting Standards issued by IASB but not yet endorsed by the FSC  
New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined by International Accounting Standards Board
IFRS 17, "Insurance contracts"	January 1, 2023
Amendments to IAS 1, "Classification of liabilities as current or noncurrent"	January 1, 2023
Amendments to IAS 16, "Property, plant and equipment: proceeds before intended use"	January 1, 2022
Amendments to IAS 37, "Onerous contracts - cost of fulfilling a contract"	January 1, 2022
Annual improvements to IFRS Standards 2018 - 2020	January 1, 2022
Amendments to IFRS 3, "Reference to the conceptual framework"	January 1, 2022
Amendments to IAS 1, "Disclosure of accounting policies"	January 1, 2023
Amendments to IAS 8, "Definition of accounting estimates"	January 1, 2023

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (1) Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

##### (2) Basis of Preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The subsidiaries, associates and jointly controlled entities are incorporated in the parent company only financial statements under the equity method. To make a net profit for the year, other comprehensive income and equity in the parent company only financial statements equal to those attributed to owners of the Company on consolidated financial statements, the effect of the differences between the basis of the parent company only and basis of consolidation are adjusted in the investments accounted for using the equity method, the related share of the profit or loss, the related share of other comprehensive income of subsidiaries and associates and related equity.

The financial statements in the Chinese language are the official statutory financial statements of the Company. The financial statements in the English language have been translated from the Chinese language financial statements.

##### (3) Classification of Current and Noncurrent Assets and Liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as noncurrent:

- A. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- B. The Company holds the asset primarily for the purpose of trading.

- C. The Company expects to realize the asset within twelve months after the reporting period.
- D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

- A. The Company expects to settle the liability in its normal operating cycle.
- B. The Company holds the liability primarily for the purpose of trading.
- C. The liability is due to be settled within twelve months after the reporting period.
- D. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

#### (4) Foreign Currencies

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

At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the closing rates. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

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

Non-monetary items that are measured at historical cost in a foreign currency are not

retranslated.

For the purposes of presenting the parent company only financial statements, the assets and liabilities of the Company's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at each balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

(5) Inventories

Inventories are stated at the lower of cost or net realizable value. Inventories are recorded at weighted-average cost. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

(6) Investment in subsidiaries and associates

Investments in subsidiaries and associates are recognized under the equity method.

A. Investment in subsidiaries

A subsidiary is an entity that is controlled by the Company. Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

When the Company loses the control of a subsidiary, any retained investment of the former subsidiary is measured at the fair value at that date. A gain or loss is recognized in profit or loss and calculated as the difference between (a) the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and (b) the previous carrying amount of the investments in such subsidiary. In addition, the Company shall account for all amounts previously recognized in other comprehensive

income in relation to the subsidiary on the same basis as would be required if the Company had directly disposed of the related assets and liabilities. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the cost of initial recognition of an investment in an associate.

When the Company transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Company's parent company only financial statements only to the extent of interests in the subsidiaries that are not owned by the Company.

#### B. Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The operating results and assets and liabilities of associates are incorporated in these parent company only financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the statement of financial position at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associate as well as the distribution received. The Company also recognized its share in the changes in the equity of associates.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to the additional subscription to the shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive

income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate or jointly controlled entity had directly disposed of the related assets or liabilities.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with the carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing of, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Company accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities.

When the Company transacts with an associate, profits and losses resulting from the transactions with the associate are recognized in the Company's parent company only financial statements only to the extent of interests in the associate that are not owned by the Company.

#### (7) Property, Plant, and Equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Properties in the course of construction for production, supply or administrative purposes are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are classified into the appropriate categories of property, plant and equipment when completed and ready for the intended use and depreciated accordingly.

Depreciation is computed by the straight-line method over the estimated useful lives. The estimated useful lives are as follows:

Buildings	3~45	years
Machinery and equipment	2~15	years
Transportation equipment	5	years
Furniture and fixtures	3~15	years
Miscellaneous equipment	2~20	years
Leasehold improvements	3	years

If each component of property, plant and equipment is significant, it is depreciated separately.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss in the current year.

#### (8) Impairment of Tangible and Intangible Assets Other than Goodwill

At each balance sheet date, the Company reviews the carrying amounts of their tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the

recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

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

#### (9) Financial Instruments

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

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

##### A. Financial assets

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

##### a. Measurement category

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

(a) Financial assets measured at amortized cost

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

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

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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

Cash equivalents include time deposits that are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

(b) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the dividend date.

(c) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the

Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

b. Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, refundable deposits and other financial assets).

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

- Debt securities that are determined to have low credit risk at the reporting date.
- Other debt securities and bank balances for which credit risk (i.e. the risk of a default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable

and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment, as well as forward-looking information.

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

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

- Significant financial difficulty of the borrower or issuer.
- A breach of contract such as a default.
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider.
- It is probable that the borrower will enter bankruptcy or other financial reorganization.
- The disappearance of an active market for security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that

could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

c. Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

(10) Employee benefits

A. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

B. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

(11) Revenue recognition

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

A. Sale of goods

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

all criteria for acceptance have been satisfied.

- B. Dividend income and interest income are recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured, recognized as follows:
- a. Dividend income is recognized when the shareholder's right to receive payment has been established.
  - b. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(12) Leasing

A. Identifying of lease

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

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

purpose it will be used throughout the period of use.

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

B. As a lease

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

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

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

Generally, the Company uses its incremental borrowing rate as the discount rate.

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

- (A) Fixed payments.
- (B) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- (C) Amounts expected to be payable under a residual value guarantee.
- (D) Payments for purchase or termination options that are reasonably certain to be exercised.

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

- (A) There is a change in future lease payments arising from the change in an index or rate.
- (B) There is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee.
- (C) There is a change of its assessment on whether it will exercise a purchase, extension or termination options.
- (D) There is a change of its assessment on whether it will exercise an extension or termination options.
- (E) There are any lease modifications.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero. When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease. The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

C. As a lessor

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

When the Company is an intermediate lessor, it accounts for its interests in the head lease

and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

(13) Government grant

A government grant is recognized in profit or loss only when there is reasonable assurance that the Company will comply with the conditions attached to it and that the grant will be received.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs is recognized in profit or loss in the period in which it becomes receivable.

A government grant is recognized in other operating income and expenses.

(14) Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

A. Current tax

Income tax on unappropriated earnings (excluding earnings from foreign standalone subsidiaries) at a rate of 5% is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated.

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

B. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, net operating loss carryforwards and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible

temporary differences can be utilized.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized are also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

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

C. Current and deferred tax for the year

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

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

In the application of the Company's accounting policies, which are described in Note 4, the Company is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated

assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

The following are the critical judgments, apart from those involving estimations, that the Company has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the parent company only financial statements.

(1) Revenue Recognition

The Company recognizes revenue when the conditions described in Note 4 are satisfied. The Company also records a provision for estimated future returns and other allowances in the same period the related revenue is recorded. Provision for estimated sales returns and other allowances is generally made and adjusted at a specific percentage based on historical experience and any known factors that would significantly affect the allowance, and our management periodically reviews the adequacy of the estimation used.

(2) Valuation of Inventory

Inventories are stated at the lower of cost or net realizable value, and the Company uses judgment and estimate to determine the net realizable value of inventory at the end of each reporting period.

Due to the rapid industrial changes, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon.

(3) Estimated impairment of financial assets

The Company has estimated the loss allowance of trade receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs.

(4) Impairment assessment of tangible and intangible assets other than goodwill

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups with the consideration of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

(5) Realization of deferred income tax assets

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Assessment of the realization of deferred income tax assets involves critical accounting judgments and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax-exempt duration, available tax credits, tax planning, etc. Any variations in the global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

6. EXPLANATION TO SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand	\$ 164	\$ 162
Bank deposits	53,058	94,200
Total	<u>\$ 53,222</u>	<u>\$ 94,362</u>

(2) Financial assets and liabilities at fair value through profit or loss, current

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets, current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets		
Forward exchange contracts	<u>\$ 2</u>	<u>\$ —</u>

The main purpose for the Company to engage in forwarding exchange contract transactions is to evade the risk resulting from the fluctuation of the currency exchange rate. However, those derivative assets and liabilities did not meet the criteria of hedge effectiveness and therefore were not accounted for by using hedge accounting.

The undue derivative financial products were as follows:

December 31, 2020	Currency	Maturity Period	Contracted Amount (in thousands)
Sell forward exchange	United States dollars	2020.12.18~2021.04.29	USD 1,350

(3) Financial assets at amortized cost

	December 31, 2020	December 31, 2019
Pledge time deposits	\$ 170,880	\$ —
Non-pledge time deposits	—	—
Total	\$ 170,880	\$ —
Current	\$ 170,880	\$ —
Rate	2.15%	—

Refer to note 8 for information relating to financial assets measured at amortized cost pledged as security.

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

	December 31, 2020	December 31, 2019
Equity investments at fair value through other comprehensive income		
Listed shares	\$ 7,745	\$ 4,694

The Company designated the investments shown above as equity instruments as at fair value through other comprehensive income because these equity instruments represent those investments that the Company intends to hold for long-term for strategic purposes.

(5) Notes and accounts receivable, net

	December 31, 2020	December 31, 2019
Notes and accounts receivable	\$ 75,996	\$ 81,707
Less: Loss allowance	(737)	(757)
Net	\$ 75,259	\$ 80,950

A. The Company's sale agreements typically provide that the payment is due 30 days from the invoice date for a majority of the customers and 30 to 45 days after the end of the month in which sales occur for some customers. The allowance for doubtful receivables is assessed by reference to the collectability of receivables by performing the account aging analysis, historical experience and current financial condition of customers.

B. The aging of notes and accounts receivables was as follows:

	December 31, 2020	December 31, 2019
Neither past due nor impaired	\$ 63,307	\$ 69,825
Past due within 90 days	11,952	11,125
Total	<u>\$ 75,259</u>	<u>\$ 80,950</u>

The above table was based on the past due date.

C. The movements in the allowance for notes and accounts receivables were as follows:

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Balance on January 1	\$ 757	\$ 648
Impairment loss recognized	—	109
Write off	(20)	—
Balance, end of the period	<u>\$ 737</u>	<u>\$ 757</u>

(6) Inventories

	December 31, 2020	December 31, 2019
Finished goods	\$ 47,994	\$ 51,171
Work in process	38,541	49,374
Raw materials	—	224,575
Supplies	3,331	3,861
Goods in transit	18,265	18,225
Total	<u>\$ 108,131</u>	<u>\$ 347,206</u>

A. The operating cost of the Company includes unallocated overhead amounted to \$1,414 thousand and \$14,899 thousand for the years ended December 31, 2020 and 2019, respectively.

Write-down of inventories to net realizable value was included in the operating cost, which was as follows:

	For the Years Ended December 31	
	2020	2019
The gain (loss) of inventory valuation	<u>\$ 30,269</u>	<u>\$ (30,813)</u>

B. The insurance coverage as of December 31, 2020 and 2019, were \$500,000 thousand and \$430,000 thousand, respectively.

(7) Investments accounted for using the equity method

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Investments in subsidiaries	\$ 3,192,177	\$ 4,012,252
Investments in associates	\$ 131,966	\$ 130,524

A. Investments in subsidiaries

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Tycoons Group International Co., Ltd.	\$ 3,188,454	\$ 3,860,321
Yuan Zhen Investment Co., Ltd.	5,489	49,820
Tycoons Worldwide Group (Thailand) Public Co., Ltd.	(1,766)	102,111
	<u>\$ 3,192,177</u>	<u>\$ 4,012,252</u>

The holding percentage of ownership and voting rights held by the Company were as follows.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Tycoons Group International Co., Ltd.	100%	100%
Yuan Zhen Investment Co., Ltd.	100%	100%
Tycoons Worldwide Group (Thailand) Public Co., Ltd.	—%	3.87%

For the details of the investment subsidiaries indirectly held by the company, please refer to Note 13.

The Company did not directly invest in Tycoons Worldwide Group (Thailand) Public Co., Ltd. On December 31, 2020, but because it is a consolidated entity of the group, there is still an unrealized transaction amount (1,766) thousand.

B. Investments in associates

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Unlisted companies		
Hurco Automation Co., Ltd.	\$ 131,966	\$ 130,524

The holding percentage of ownership and voting rights held by the Company were as follows.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Hurco Automation Co., Ltd.	35%	35%

Financial information of the Company's associates was summarized as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total assets	\$ 541,426	\$ 486,920
Total liabilities	(164,381)	(113,994)
Net assets	<u>\$ 377,045</u>	<u>\$ 372,926</u>
The Company's share of net assets of associates	<u>\$ 131,966</u>	<u>\$ 130,524</u>

	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Net revenue	\$ 310,965	\$ 462,074
Net income	<u>\$ 3,645</u>	<u>\$ 37,755</u>
The Company's share of the profit of associate	<u>\$ 1,276</u>	<u>\$ 13,214</u>

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of investment in Hurco Automation Co., Ltd. was calculated based on the financial statements for the year ended Oct. 31, which have been audited by another auditor.

(8) Property, plant and equipment

For the Year Ended December 31, 2020					
Items	Balance, Beginning of Year	Additions	Disposals	Reclassification	Balance, End of Year
<u>Cost</u>					
Land	\$ 340,788	\$ —	\$ —	\$ —	\$ 340,788
Buildings	312,318	—	—	—	312,318
Machinery and equipment	122,368	5,229	(5,229)	—	122,368
Transportation equipment	37,732	1,134	(3,989)	—	34,877
Furniture and fixtures	9,894	420	(253)	—	10,061
Leasehold improvements	248	—	—	—	248
Other equipment	74,881	6,143	(17,885)	—	63,139
Total	898,229	12,926	(27,356)	—	883,799
<u>Accumulated depreciation and impairment</u>					
Buildings	179,081	7,308	—	—	186,389
Machinery and equipment	86,761	6,492	(5,102)	—	88,151
Transportation equipment	30,983	2,483	(3,955)	—	29,511
Furniture and fixtures	8,407	181	(244)	—	8,344
Leasehold improvements	247	—	—	—	247
Other equipment	62,423	5,402	(17,878)	—	49,947
Total	367,902	21,866	(27,179)	—	362,589
Net	\$ 530,327	\$ (8,940)	\$ (177)	\$ —	\$ 521,210

For the Year Ended December 31, 2019					
Items	Balance, Beginning of Year	Additions	Disposals	Reclassification	Balance, End of Year
<u>Cost</u>					
Land	\$ 339,728	\$ 1,060	\$ —	\$ —	\$ 340,788
Buildings	312,318	—	—	—	312,318
Machinery and equipment	121,359	5,389	(4,380)	—	122,368
Transportation equipment	34,929	4,335	(1,532)	—	37,732
Furniture and fixtures	10,534	—	(640)	—	9,894
Leasehold	248	—	—	—	248

improvements					
Other equipment	73,822	3,743	(2,684)	—	74,881
Total	892,938	14,527	(9,236)	—	898,229
<u>Accumulated depreciation and impairment</u>					
Buildings	162,377	16,704	—	—	179,081
Machinery and equipment	76,558	14,433	(4,230)	—	86,761
Transportation equipment	29,948	2,536	(1,501)	—	30,983
Furniture and fixtures	8,782	240	(615)	—	8,407
Leasehold improvements	247	—	—	—	247
Other equipment	52,095	13,012	(2,684)	—	62,423
Total	330,007	46,925	(9,030)	—	367,902
Net	\$ 562,931	\$ (32,398)	\$ (206)	\$ —	\$ 530,327

A. The significant part of the Company's buildings includes main plants and affiliated equipment and the related depreciation is calculated using the estimated useful lives of 15 to 45 years, and 3 to 15 years, respectively.

B. In 2019, the Company recognized the impairment loss for the property, plant, and equipment, the amount was \$20,020 thousand.

C. The insurance coverage as of December 31, 2020 and 2019 were \$218,727 thousand and \$238,608 thousand, respectively.

D. Mortgaged or pledged property, plant and equipment, see Note 8.

(9) Lease agreement

A. Right-to-use assets

(A) The Company leases land and buildings for the use of plants with lease terms of 2 to 30 years. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

(B) The Company leases certain parts of the equipment which qualifies as short-term leases and low-value asset leases. The Company has elected to apply for the recognition

exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

(C) The cost and depreciation charge for right-of-use asset information

For the Year Ended December 31, 2020				
Items	Balance, Beginning of Year	Additions	Disposals	Balance, End of Year
<u>Right-of-use asset</u>				
Buildings	\$ 8,592	\$ —	\$ (8,592)	\$ —
<u>Depreciation and Impairment</u>				
Buildings	3,706	\$ 2,881	\$ (6,587)	—
Net	\$ 4,886			\$ —

For the Year Ended December 31, 2019				
Items	Balance, Beginning of Year	Additions	Disposals	Balance, End of Year
<u>Right-of-use asset</u>				
Buildings	\$ 8,592	\$ —	\$ —	\$ 8,592
<u>Depreciation and Impairment</u>				
Buildings	—	\$ 3,706	\$ —	3,706
Net	\$ 8,592			\$ 4,886

B. Lease liability

December 31, 2019			
	Future minimum lease payment	Interest	Minimum lease payment present value
Less than 1 year	\$ 3,804	\$ 66	\$ 3,738
2 years to 5 years	1,260	50	1,210
Total	\$ 5,064	\$ 116	\$ 4,948
Current	\$ 3,804	\$ 66	\$ 3,738
Non-current	\$ 1,260	\$ 50	\$ 1,210

The discount rate for lease liabilities is 2.532%.

C. Other lease information

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Interest expense of lease liability	\$ 52	\$ 159
Expenses related to low-value asset leases	\$ 24	\$ 24
Total cash outflow from the leases	\$ 2,978	\$ 3,828

(10) Current borrowings

	December 31, 2020	December 31, 2019
Bank loans	\$ 410,000	\$ 110,000
Rate	0.88%~1.28%	1.69%~1.77%

Mortgaged or pledged assets for current borrowings, see Note 8.

(11) Short-term notes and bills payable

	December 31, 2020	December 31, 2019
Commercial paper payable	\$ 50,000	\$ 50,000
Less: Discount on short-term bills payable	(49)	(35)
Net	\$ 49,951	\$ 49,965
Interest Rate	1.24%	1.59%
Period	2020.12.22~2021.01.29	2019.11.20~2020.01.17

(12) Bonds payable

On November 14, 2018, the Company issued secured, domestic bonds with the face value of \$200,000 thousand. The details of the convertible bonds payable are as follows:

	December 31, 2020	December 31, 2019
Bonds payable	\$ 200,000	\$ 200,000
Less: due within one year	(200,000)	—
	\$ —	\$ 200,000

On November 14, 2018, the Company issued secured domestic bonds are as follow:

- A. Total price: \$ 200,000 thousand.
- B. Face value: \$1,000 thousand.
- C. Issue price: Issue at 100% of the principal amount.
- D. Issue period: Three years.

E. Coupon interest rate: 0.79%

F. Payment of interest and principal:

The interest is paid once a year and the principal is paid on Maturity day.

G. Secured:

The bonds were secured by First Commercial Bank.

(13) Long-term bank loans

December 31, 2020					
Creditors	Due Date	Interest Rate (%)	Amount	Payable Within One Year	Description No.
EnTie Commercial Bank	2023.06.24	1.1	\$ 50,000	\$ 12,500	B
Total			50,000	\$ 12,500	
Less: amounts payable within one year			(12,500)		
Net			\$ 37,500		

December 31, 2019					
Creditors	Due Date	Interest Rate (%)	Amount	Payable Within One Year	Description No.
Taiwan Business Bank	2024.07.17	2.00	\$ 200,000	\$ —	A
Total			200,000	\$ —	
Less: amounts payable within one year			—		
Net			\$ 200,000		

Description of long-term bank borrowings:

A. Repayable starting on the 30<sup>th</sup> month after the date of credit drawing in six-monthly installments for a total of 6 installments, repayments NT\$10,000 thousand are due on the first to the five installments and NT\$150,000 thousand for the final installment.

B. Repayable starting on the 12<sup>th</sup> month after the date of credit drawing in three-monthly installments for a total of 8 installments, repayments NT\$6,250 thousand are due on every installment.

C. Mortgaged or pledged assets for the long-term loan, see Note 8.

(14) Employee benefits

A. Defined contribution plans

The Company adopted a pension plan according to the Labor Pension Act (the “LPA”), which is a defined contribution plan. Based on the LPA, the Corporation makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and

wages. Accordingly, the Company recognized expenses of NT\$4,048 thousand and NT\$4,717 thousand in the statements of comprehensive income ended December 31, 2020 and 2019, respectively.

## B. Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement.

The Company is no longer applicable to December 31, 2019 defined benefit plans.

Movements in the present value of the net defined benefit liability were as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
BALANCE, JANUARY 1, 2019	\$ (8,531)	\$ —	\$ (8,531)
Service cost			
Current service cost	(619)	—	(619)
Settlement	9,150	—	9,150
BALANCE, DECEMBER 31, 2019	\$ —	\$ —	\$ —

## (15) Equity

### A. Capital stock

	December 31, 2020	December 31, 2019
Numbers of shares authorized (in thousands)	640,000	640,000
Shares issued (in thousands)	479,752	479,752

The movement of shares for the years ended December 31, 2020 and 2019 were as follows:

	Numbers of shares issued (in thousands)	Capital	Capital surplus
January 1, 2020	479,752	\$ 4,797,520	\$ 206,365
Actual disposal or acquisition of an interest in subsidiaries	—	—	134,195
Effect of the disposal of the subsidiary	—	—	—
December 31, 2020	479,752	\$ 4,797,520	\$ 340,560

	Numbers of shares issued (in thousands)	Capital	Capital surplus
January 1, 2019	479,752	\$ 4,797,520	\$ 154,337
Actual disposal or acquisition of an interest in subsidiaries	—	—	33,739
Effect of the disposal of the subsidiary	—	—	18,289
December 31, 2019	479,752	\$ 4,797,520	\$ 206,365

#### B. Employee Restricted Shares

The general shareholders' meeting held on June 27, 2019 has approved a restricted share plan for employees. The limitation of the issued shares is not more than 20,000 thousand shares. The face value of each share is \$10, which is \$200,000 thousand. The Company will apply to the authority. After the authority approves, the Company will issue the share for one or more times.

#### C. Capital surplus

	December 31, 2020	December 31, 2019
Adjusting of reselling bonds	\$ 7,722	\$ 7,722
Actual disposal or acquisition of interest in subsidiaries	332,838	198,643
Total	\$ 340,560	\$ 206,365

The capital surplus from share issued in excess of par (additional paid-in capital from the issuance of common shares etc.) and the part of the accepted donation is able to offset the deficit; in addition, when the company has no deficit, such capital surplus may be distributed as cash dividends or stock dividends up to a certain percentage of Company's paid-in capital.

#### D. Retained earnings and dividend policy

	Legal reserve	Accumulated deficits	Total
January 1, 2020	\$ 16,248	\$ (1,270,414)	\$ (1,254,166)
Net loss attributable to the owners of the Company	—	(185,640)	(185,640)
Actuarial gain on defined benefit plans	—	62	62
Disposal of investments in equity instruments at FVTOCI	—	(28,854)	(28,854)
December 31, 2020	\$ 16,248	\$ (1,484,846)	\$ (1,468,598)
	Legal reserve	Accumulated deficits	Total
January 1, 2019	\$ 16,248	\$ (541,080)	\$ (524,832)
Net loss attributable to the owners of the Company	—	(786,105)	(786,105)
Actuarial gain on defined benefit plans	—	(1,278)	(1,278)
Disposal of investments in equity instruments at FVTOCI	—	58,049	58,049
December 31, 2019	\$ 16,248	\$ (1,270,414)	\$ (1,254,166)

- (A) The Company's article of incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as a legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.
- Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long-term interests of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. After the above appropriations, current and prior-period earnings

that remain undistributed will be proposed for distribution by the Board of Directors, and a meeting of shareholders will be held to decide on this matter.

According to the Company's Articles of Incorporation, 50%~100% of the distributable retained earnings shall be distributed as stockholders' bonus, of which at most 10% is payable by cash.

- (B) The Company appropriates and reverses special reserves under Rule No. 1010012865 issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs”. Distributions can be made out of any subsequent reversal of the debit to other equity items.
- (C) The Board of Directors’ meeting held on March 25, 2021 has been approved to offset a deficit. Information on the Board of Directors’ recommendations and shareholders’ approval can be obtained from the Market Observation Post System website of the TSE.
- (D) The general shareholders’ meeting held on May 28, 2020 has been approved to offset a deficit. Information about the meeting is available on the Market Observation Post System website of the TSE.
- (E) The general shareholders’ meeting held on June 27, 2019 has been approved to offset a deficit. Information about the meeting is available on the Market Observation Post System website of the TSE.

#### D. Other equity items

	Exchange differences arising from the translation of the foreign operations	Unrealized (loss) gain on financial assets at FVTOCI	Total
January 1, 2020	\$ 590,841	\$ (19,603)	\$ 571,238
Exchange differences on translating foreign operations	(222,886)	—	(222,886)
Unrealized gain on financial assets at FVTOCI	—	3,051	3,051
Share of other comprehensive income of subsidiaries and associates	—	5,747	5,747
Disposal of investments in equity instruments at FVTOCI	—	26,872	26,872
Effect of the disposal of the subsidiary	(14,425)	(441)	(14,866)
Income tax effects	47,462	—	47,462
December 31, 2020	<u>\$ 400,992</u>	<u>\$ 15,626</u>	<u>\$ 416,618</u>

	Exchange differences arising from the translation of the foreign operations	Unrealized (loss) gain on financial assets at FVTOCI	Total
January 1, 2019	\$ 430,861	\$ 13,809	\$ 444,670
Exchange differences on translating foreign operations	266,129	—	266,129
Unrealized gain on financial assets at FVTOCI	—	15,047	15,047
Share of other comprehensive income of subsidiaries and associates	—	9,590	9,590
Disposal of investments in equity instruments at FVTOCI	—	(58,049)	(58,049)
Effect of the disposal of the subsidiary	(66,154)	—	(66,154)
Income tax effects	(39,995)	—	(39,995)
December 31, 2019	<u>\$ 590,841</u>	<u>\$ (19,603)</u>	<u>\$ 571,238</u>

The exchange differences arising on translation of foreign operation's net assets from its functional currency to Company's presentation currency are recognized directly in other comprehensive income and also accumulated in the foreign currency translation reserve.

Unrealized gain/loss on FVTOCI represents the cumulative gains or losses arising from the fair value measurement on FVTOCI that are recognized in other comprehensive income.

(16) Loss per share

	For the Years Ended December 31	
	2020	2019
Loss for the years attributable to owners of the Company	\$ (185,640)	\$ (786,105)
Weighted average number of ordinary shares outstanding (in thousands shares)	479,752	479,752
Basic EPS	\$ (0.39)	\$ (1.64)

(17) Operating revenues

The analysis of the Company's operating revenues was as follows:

	For the Years Ended December 31	
	2020	2019
Revenue from the sale of goods	\$ 1,057,848	\$ 1,351,262
Revenue form processing	120,623	80,373
Total	\$ 1,178,471	\$ 1,431,635

(18) Other income

	For the Years Ended December 31	
	2020	2019
Interest income	\$ 3,384	\$ 989
Dividend income	118	720
Government grant	11,562	—
Total	\$ 15,064	\$ 1,709

(19) Other gains and losses

	For the Years Ended December 31	
	2020	2019
Gain (loss) on disposal of property, plant and equipment	\$ 1,883	\$ 150
Foreign exchange gain (loss)	(7,690)	3,020
(Loss) gain on financial assets and liabilities at fair value through profit or loss	2	(879)
Gain on disposal of investments	522	—
Impairment loss	—	(20,020)
Others	2,319	3,573
Total	\$ (2,964)	\$ (14,156)

(20) Finance costs

	For the Years Ended December 31	
	2020	2019
Interest expense	\$ 7,296	\$ 18,417
Other finance expense	3,204	5,774
Total	\$ 10,500	\$ 24,191

(21) Income tax

A. The components of income tax expense for the years ended December 31, 2020 and 2019 were as follows:

	For the Years Ended December 31	
	2020	2019
Current tax expenses		
Current period	\$ —	\$ —
Adjustment for the prior period	—	—
	—	—
Deferred tax expenses		
Origination and reversal of temporary differences	(1,789)	(277)
Recognition of previously unrecognized tax losses	(6,514)	21,212
	(8,303)	20,935
Income tax expense	\$ (8,303)	\$ 20,935

Reconciliation of income tax and profit before tax for 2020 and 2019 is as follows:

	For the Years Ended December 31	
	2020	2019
Loss before tax	\$ (193,943)	\$ (765,170)
Income tax using the statutory rate	—	—
Loss carryforwards	(6,514)	21,212
Other	(1,789)	(277)
Income tax expense	\$ (8,303)	\$ 20,935

B. Income tax recognized in other comprehensive income

	For the Years Ended December 31	
	2020	2019
Exchange differences arising from the translation of the foreign operations	\$ 47,462	\$ (39,995)

C. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

	Balance, beginning of year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, end of year
Temporary differences				
Exchange difference on foreign operations	\$ (147,710)	\$ —	\$ 47,462	\$ (100,248)
Exchange (gain) loss	122	1,910	—	2,032
Unrealized gain on the transactions with subsidiaries and associates	356	(3)	—	353
Cost of goods sold-unallocated overhead	(431)	487	—	56
Unrealized loss on inventories	988	(605)	—	383
Loss carryforwards	9,923	6,514	—	16,347
Total	\$ (136,752)	\$ 8,303	\$ 47,462	\$ (80,987)
Deferred tax assets	\$ —	\$ —	\$ —	\$ —
Deferred tax liabilities	\$ (136,752)	\$ 8,303	\$ 47,462	\$ (80,987)

For the year ended December 31, 2019

	Balance, beginning of year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, end of year
Temporary differences				
Exchange difference on foreign operations	\$ (107,715)	\$ —	\$ (39,995)	\$ (147,710)
Exchange (gain) loss	(203)	325	—	122
Unrealized gain on the transactions with subsidiaries and associates	484	(128)	—	356
Unrealized loss (gain) on financial assets and liabilities	(5)	5	—	—
Cost of goods sold-unallocated overhead	110	(541)	—	(431)
Unrealized loss on inventories	372	616	—	988
Loss carryforwards	31,135	(21,212)	—	9,923
Total	\$ (75,822)	\$ (20,935)	\$ (39,995)	\$ (136,752)
Deferred tax assets	\$ 32,101	\$ (32,101)	\$ —	\$ —
Deferred tax liabilities	\$ (107,923)	\$ 11,166	\$ (39,995)	\$ (136,752)

D. The information of unrecognized deferred income tax

	December 31, 2020	December 31, 2019
Loss carryforwards	\$ —	\$ 85,402
Deductible temporary differences	\$ 17,219	\$ 49,402

E. As of December 31, 2020, the balances of income tax-deductible from the losses carried forward from previous operating years for the Company are as follows:

December 31, 2020			
Loss making year	Declared/Approved	Loss carryforwards	Expiry year
2014	Approved	\$ 2,851	2024
2015	Approved	47,048	2025
2017	Approved	2,144	2027
2019	Declared	30,141	2029
Total		\$ 82,184	

F. Income tax approved status

The Company's income tax returns through 2018 have been assessed by the tax authorities.

(22) The personnel, depreciation and amortization expenses of the Company

A. A summary of current-period employee benefits, depreciation and amortization by function is as follows:

	For the Year Ended December 31, 2020		
	Classified as operating cost	Classified as operating expenses	Total
Personnel expenses			
Payroll expense	\$ 46,308	\$ 49,163	\$ 95,471
Insurance expense	4,198	4,829	9,027
Pension	1,552	2,496	4,048
Remuneration to Directors	—	1,460	1,460
Others	2,571	1,689	4,260
Depreciation	16,990	7,757	24,747

	For the Year Ended December 31, 2019		
	Classified as operating cost	Classified as operating expenses	Total
Personnel expenses			
Payroll expense	\$ 45,429	\$ 56,317	\$ 101,746
Insurance expense	4,647	5,643	10,290
Pension	1,816	3,520	5,336
Remuneration to Directors	—	1,438	1,438
Others	2,562	1,802	4,364
Depreciation	21,174	9,437	30,611

(A) The number of the Company's employees were 167 and 192, including 3 and 4 non-employee directors as of December 31, 2020 and 2019.

(B) The Company's average employee benefit expenses for the year ended December 31, 2020 and 2019 were 688 thousand and 647 thousand, respectively. The Company's average salary expenses for the years ended December 31, 2020 and 2019 were 582 thousand and 541 thousand. The Company's average salary expenses adjustment for the year ended December 31, 2020 increased by 8%.

(C) The Company has established the Audit committee to replace supervisors and therefore the supervisors remuneration for the years ended December 31, 2020 and 2019 were

both nils.

- (D) The company's policy for compensation of directors, managers and employees are as follows:

The Company set the policy for directors' and employees' compensation to evaluate and monitor the Company's remuneration system for its directors and executive officers. The Company shall assess the performance of directors and executive officers according to the policy. In order to determine their compensation. An adequate compensation scheme will be calculated by referencing the Company's operating results, future risks, corporate strategies, industry trends and also individual contributions.

#### B. Employee compensation

- (A) In accordance with the articles of incorporation the Company should contribute 2% to 5% of the profit as employee compensation and less than 1% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.
- (B) Due to the accumulation deficit, there is no allocation as employees' compensation and remuneration to directors for the year ended December 31, 2020.
- (C) Due to the accumulation deficit, there is no allocation as employees' compensation and remuneration to directors for the years ended December 31, 2019.

Related information would be available on the Market Observation Post System website.

(23) Non-cash transactions

For the years ended December 31, 2020 and 2019, the Company entered into the following non-cash investing and financing activities:

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Unrealized gain/loss on financial instrument	\$ 3,051	\$ 15,047
Exchange differences arising from the translation of the foreign operations	\$ (175,755)	\$ 242,672

(24) Capital management

The Company's capital is based on the industrial characteristics, development of the Company and the operating environment to manage the capital to operate the business. The Company's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

(25) Financial instruments

A. Categories of financial instruments

	December 31, 2020	December 31, 2019
<u>Financial assets</u>		
Cash and cash equivalents	\$ 53,222	\$ 94,362
Financial assets at fair value through profit or loss	2	—
Financial assets at amortized cost, current	170,880	—
Notes and accounts receivable, including related-parties	75,259	80,950
Other receivables (including related parties)	178,362	4,151
Other financial assets	28,828	18,792
Financial assets at fair value through other comprehensive income, non-current	7,745	4,694
Guarantee deposits paid	234	483
Total	\$ 514,532	\$ 203,432
	December 31, 2020	December 31, 2019

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
Current borrowings	\$ 410,000	\$ 110,000
Short-term notes and bills payable	49,951	49,965
Notes and accounts payable (including related parties)	87,805	94,667
Other payables and Long-term accounts payable	206,940	48,009
Bonds payable (including current portion)	200,000	200,000
Long-term bank loans (including current portion)	50,000	200,000
Guarantee deposits received	104	104
Lease liabilities	—	4,948
Total	<u>\$ 1,004,800</u>	<u>\$ 707,693</u>

#### B. Financial risk management objectives

The Company seeks to ensure sufficient cost-efficient funding readily available when needed.

The Company manages its exposure to foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material treasury activities are reviewed by the Board of Directors in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, corporate Treasury function must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties.

#### C. Market risk

The Company is exposed to financial market risks, primarily changes in foreign currency exchange rates and interest rates. The Company uses some derivative financial instruments to manage those risks.



For the years ended December 31, 2020 and 2019, the Company recognized foreign exchange (losses) gains were (7,690) thousand and 3,020 thousand, respectively.

The Company's sensitivity analysis of foreign currency risk mainly focuses on the foreign currency monetary items and the derivatives financial instruments at the end of the reporting period. Assuming favorable or unfavorable 1% movement in the levels of foreign exchanges relative to the New Taiwan dollar, the net income for the years ended December 31, 2020 and 2019 would have increased or decreased by 746 thousand and 140 thousand, respectively. The equity of the Company would have increased or decreased by 597 thousand and 112 thousand, respectively.

(B) Interest rate risk

The Company is exposed to interest rate risk arising from borrowing at floating interest rates. As the interest rates of the Company's short-term and long-term bank loans are floating, changes in interest rates would affect the future cash flows but not the fair value.

At the reporting dates, a change of 1% of interest rate in a reporting period could cause the profit for the years ended December 31, 2020 and 2019 to decrease/increase by 1,150 thousand and 775 thousand, respectively.

D. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Company. The Company is exposed to credit risks from operating activities, primarily trade receivables. Credit risk is managed separately for business-related and financial-related exposures.

(A) Business related credit risk

The majority of the Company's outstanding trade receivables are not covered by collaterals or guarantees. While the Company has procedures to monitor and manage credit risk exposure on trade receivables, there is no assurance such procedures will effectively eliminate losses resulting from its credit risk. The Company uses other methods to manage this risk, like prepaid from the client, insurance and so on. The Company believes the concentration of credit risk is not material for the remaining accounts receivable.

(B) Financial credit risk

This risk of the bank deposit and investment in financial instruments are managed by the financial department of the Company. The Company mitigates the credit risks from financial institutions by limiting its counterparties to only reputable domestic or international financial institutions with good credit standing and spreading its holdings among various financial institutions. The Company's exposure to credit risk arising from the default of counter-parties is limited to the carrying amount of these instruments. The Company believes the concentration of this risk is not material.

E. Liquidity risk management

The objective of liquidity risk management is to ensure the Company has sufficient liquidity to fund its business operations.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments, including principal and interest.

	December 31, 2020				
	Less than 1 Year	2~3 Years	4~5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Current borrowings	\$ 414,329	\$ —	\$ —	\$ —	\$ 414,329
Short-term notes and bills payable	50,000	—	—	—	50,000
Notes and accounts payable	87,805	—	—	—	87,805
Other payables	41,762	165,178	—	—	206,940
Bonds payable	200,000	—	—	—	200,000
Long-term bank loans	13,033	37,861	—	—	50,894
Guarantee deposits received	—	104	—	—	104
Total	<u>\$ 806,929</u>	<u>\$ 203,143</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,010,072</u>

	December 31, 2019				
	Less than 1 Year	2~3 Years	4~5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Current borrowings	\$ 110,276	\$ —	\$ —	\$ —	\$ 110,276
Short-term notes and bills payable	50,000	—	—	—	50,000
Notes and accounts payable	94,667	—	—	—	94,667
Other payables	24,648	23,361	—	—	48,009
Lease liabilities	3,804	1,260	—	—	5,064
Bonds payable	—	200,000	—	—	200,000
Long-term bank loans	4,000	31,800	193,200	—	229,000
Guarantee deposits received	—	104	—	—	104
<b>Total</b>	<b>\$ 287,395</b>	<b>\$ 256,525</b>	<b>\$ 193,200</b>	<b>\$ —</b>	<b>\$ 737,120</b>

#### F. Fair value of financial instruments

(A) The evaluated fair value of financial instruments doesn't include cash and cash equivalents, accounts receivable, other financial assets, current borrowings and accounts payable. The carrying amount and fair value of those financial assets and liabilities for financial instruments are not measured at fair value whose carrying amount is reasonably close to the fair value. We cannot confirm when we can receive or pay the guarantee deposits received and paid, so the fair value was the carrying amount.

(B) Fair value measurements recognized in the parent company only balance sheets

Fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 : fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

Level 3 : fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable

market data (unobservable inputs).

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis:

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial instruments	\$ —	\$ 2	\$ —	\$ 2
<u>Financial assets at FVTOCI</u>				
Investment in publicly trade stocks	\$ 7,745	\$ —	\$ —	\$ 7,745
December 31, 2019				
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investment in publicly trade stocks	\$ 4,694	\$ —	\$ —	\$ 4,694

Valuation techniques and assumptions are as followed,

d. Level 1

	Investment in publicly trade stocks	Funds
Market value	Closing price	Net value

e. Level 2

Item	Valuation techniques and assumptions
Derivative financial instruments— Forward exchange contracts	Forward exchange contracts are measured using forward exchange rates and the discounted yield curves that are derived from quoted market prices.

f. Level 3

The fair values of non-publicly traded equity investments are mainly determined by using the asset approach.

During the years ended December 31, 2020 and 2019, there were no significant transfers between Level 1 and Level 2 fair value measurements.

## 7. RELATED-PARTY TRANSACTIONS

### (1) Name and relationship with related parties

Name	Relationship
Tycoons Group International Co., Ltd. (TGI)	Subsidiary
Tycoons Worldwide Group (Thailand) Public Co., Ltd. (TYCN)	Subsidiary
Tycoons Vietnam Co., Ltd.	Subsidiary
Yuan Zhen Investment Co., Ltd.(Yuan Zhen)	Subsidiary
TY Steel Co., Ltd. (TY)	An associate

### (2) Significant transactions with related parties

#### A. Sales

	For the Year Ended December 31, 2020		For the Year Ended December 31, 2019	
	Amount	%	Amount	%
Subsidiaries				
TYCN	\$ 109,944	9	\$ 73,827	5
TY	—	—	4,245	—
Associate				
TY	493	—	3,636	—
Total	\$ 110,437	9	\$ 81,708	5

There is no significant difference between the Company's trading conditions with related parties and non-related parties.

#### B. Purchases

	For the Year Ended December 31, 2020		For the Year Ended December 31, 2019	
	Amount	%	Amount	%
Subsidiaries				
TYCN	\$ 269,597	49	\$ 670,287	48

There is no significant difference between the Company's trading conditions with related parties and non-related parties.

C. Accounts Receivables

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Subsidiaries				
TYCN	\$ 50,115	84	\$ 10,909	17
Associate				
TY	—	—	809	1
Total	\$ 50,115	84	\$ 11,718	18

D. Advance Payment

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Subsidiaries				
TYCN	\$ 821,654	99	\$ —	—

E. Accounts Payables

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Subsidiaries				
TYCN	\$ —	—	\$ 24,817	55

F. Other Receivables – Financing provided to related parties

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Subsidiaries				
TYCN	\$ 45	—	\$ 45	1

G. Other Receivables – Refund of capital reduction

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Subsidiaries				
TGI	\$ 174,998	98	\$ —	—

#### H. Long-term account payable-Financing provide by related parties

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Subsidiaries				
TGI	\$ 160,178	97	\$ 23,361	100
Yuan Zhen	5,000	3	—	—
Total	\$ 165,178	100	\$ 23,361	100

As of December 31, 2020 and 2019, none of the receivables from related parties was interest-bearing.

#### I. Endorsement and guarantees

Related party	For the Year Ended December 31, 2020				For the Year Ended December 31, 2019			
	Maximum balance		Ending Balance		Maximum balance		Ending Balance	
Subsidiaries	USD	36,520	USD	36,520	USD	53,920	USD	36,520
"	THB	2,367,500	THB	2,367,500	THB	2,367,500	THB	2,367,500
"	NTD	—	NTD	—	NTD	82,500	NTD	—
Associate	THB	850,000	THB	850,000	THB	850,000	THB	850,000
"	USD	61,200	USD	61,200	USD	83,200	USD	61,200

#### (3) Compensation of key management

The compensation to directors and other key management personnel were as follows:

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Short-term employee benefits	\$ 7,285	\$ 8,810

#### 8. MORTGAGED OR PLEDGED ASSETS

The Company's assets mortgaged or pledged as collateral for short-term and long-term borrowings were as follows (listed based on their carrying amounts):

	December 31, 2020	December 31, 2019
Financial assets at amortized cost	\$ 170,880	\$ —
Other financial assets	\$ 10,036	\$ —
Property, plant and equipment	\$ 475,045	\$ 233,358

9. COMMITMENTS AND CONTINGENT LIABILITIES

(1) As of December 31, 2020 and 2019 unused balance of the Company's letter of credit were USD\$13,074 thousand and USD\$266 thousand.

(2) As of December 31, 2020 and 2019, the Company provided guarantee note deposits were \$372,200 thousand and \$ 207,200 thousand to the banks as securities against credit facilities.

10. SUBSEQUENT LOSSES: None.

11. SUBSEQUENT EVENTS: None.

12. OTHER: None.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Financings provided: Please refer to table 1.

B. Endorsements and guarantees provided: Please refer to table 2.

C. Marketable securities held at the ended of period (excluding investments in subsidiaries, associates and joint ventures): Please refer to table 3.

D. Marketable securities acquired and disposed of at costs or prices of at least \$300 million or 20% of the paid-in capital: Please refer to table 4.

E. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None.

F. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None.

G. Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: Please refer to table 5.

H. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: None.

I. Information about the derivative financial instruments transaction: Please refer to 6(2).

J. The business relationship between the parent and subsidiaries and significant transactions between them: Please refer to table 6.

(2) Information on investees

Names, locations, and related information of investees over which the company exercises significant influence (excluding information on investment in mainland China): Please refer to table 7.

(3) Information on investments in mainland China: Please refer to table 8.

(4) Major shareholders information: Please refer to table 9.

#### 14. OPERATING SEGMENT INFORMATION

Please refer to the consolidated financial statements of Tycoons Group Enterprise Co., Ltd. And subsidiaries for operating segment information.

TABLE 1

FINANCING PROVIDED

Amounts in thousands of New Taiwan dollars

No. (Note 1)	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 5)	Ending Balance (Note 4)	Amount Actually Drawn	Interest Rate (%)	Nature for Financing (Note 2)	Transaction Amounts (Note 7)	Reason for Financing	Loss allowance	Collateral		Financing Limits for Each Borrowing Company (Note 3)	Financing Company's Total Financing Amount Limits (Note 3)	
													Item	Value			
0	Tycoons Group Enterprise Co.,Ltd.	Tycoons Group International Co.,Ltd.	Other receivables-rela ted parties	Yes	429	74,048	—	—	2	—	Advance payment and business turnover	—	None	None	1,634,440	1,634,440	
		TY Steel Co.,Ltd.	Other receivables-rela ted parties	Yes	—	1,000	—	—	2	—	Advance payment	—	None	None	1,634,440	1,634,440	
		Tycoons Vietnam Co.,Ltd.	Other receivables-rela ted parties	Yes	—	1,000	—	—	—	2	—	Advance payment	—	None	None	1,634,440	1,634,440
		Tycoons Worldwide Group (Thailand) Public Co.,Ltd.	Other receivables-rela ted parties	Yes	260	1,000	45	—	—	2	—	Advance payment	—	None	None	1,634,440	1,634,440
1	Tycoons Group International Co.,Ltd.	Viettycoons Steel Co.,Ltd.	Other receivables-rela ted parties	Yes	12,092	5,696	5,696	—	2	—	Short— term financing	—	None	None	1,276,610	1,276,610	
		Tycoons Group Enterprise Co.,Ltd.	Other receivables-rela ted parties	Yes	170,476	341,760	160,178	—	2	—	Short— term financing	—	None	None	1,276,610	1,276,610	
2	Huanghua Jujin Hardware Products Co.,Ltd.	Huanghua Haixin Hardware Products Co., Ltd.	Other receivables-rela ted parties	Yes	30,665	30,665	30,665	5.79	2	—	Short— term financing	—	None	None	243,468	243,468	
3	Yuan Zhen Investment Co.,Ltd.	Tycoons Group Enterprise Co.,Ltd.	Other receivables-rela ted parties	Yes	58,000	5,000	5,000	—	2	—	Short— term financing	—	None	None	2,196	2,196	

Note 1 : The Company and its subsidiaries are coded as follows:

1. The Company is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2 : Nature for financing is coded as follows:

1. Business transactions.
2. Short-term financing .

Note 3 : The company's financing provided limit for individually objects is the individually specified percentage of the net assets value of the latest financial statement (2020.12.31). The total financing provided limit is 40% of the net assets value of the latest financial statement (2020.12.31).

Note 4 : If a public company makes a loan to the board of directors on a case-by-case basis in accordance with Article 14 (1) of the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies, even though it has not yet allocated funds, the amount of the board resolutions shall be included in the announcement balance to reveal its bear the risk; but after the fund is repaid, the balance after the repayment should be disclosed to reflect the adjustment of risk. If the public offering company authorizes the chairman of the board of directors to approve the loan in a certain amount and within one year in accordance with Article 14 (2) of the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies, the fund loan and the amount approved by the board of directors shall still be used as the announced balance. Although the funds will be repaid thereafter, it is still possible to allocate the loan again, so the fund loan and quota approved by the board of directors should still be used as the announced balance.

Note 5 : The maximum balance is the maximum amount spent in the current period .

Note 6 : When preparing this consolidated financial statement, it has been written off.

Note 7 : If the nature of financing provided is a business transaction, the amount of the business transaction should be entered. The amount of business transactions refers to the amount of business transactions between the company that lends funds and the loanee in the latest year.

TABLE 2

ENDORSEMENTS / GUARANTEES PROVIDED

Amounts in Thousands of New Taiwan Dollars and Foreign Currencies in Dollars

No. (Note 1)	Endorsement / Guarantee Provider	Guaranteed Party		Limits on Endorsement / Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period (Note 4)	Ending Balance (Note 4、Note 5)	Amount Actually Draw (Note 6)	Amount of Endorsement / Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement / Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement / Guarantee Amount Allowable (Note 3)	Guarantee Provided by Parent Company (Note 7)	Guarantee Provided by A Subsidiary (Note 7)	Guarantee Provided to Subsidiaries in Mainland China (Note 7)
		Name	Nature of Relationship (Note 2)										
0	Tycoons Group Enterprise Co.,Ltd.	Tycoons Group International Co.,Ltd.	2	8,172,200	USD —	USD —	NTD —	—	—	10,215,250	Y	—	—
		Tycoons Worldwide Group (Thailand) Public Co.,Ltd.	3	8,172,200	THB 2,367,500,000 USD 36,520,000 NTD —	THB 2,367,500,000 USD 36,520,000 NTD —	NTD 934,131	—	22.86%	10,215,250	Y	—	—
		TY Steel Co.,Ltd.	Note8	8,172,200	USD 61,200,000 THB 850,000,000	USD 61,200,000 THB 850,000,000	NTD 2,128,415	—	52.09%	10,215,250	—	—	—
1	Tycoons Group International Co.,Ltd.	Tycoons Worldwide Group (Thailand) Public Co.,Ltd.	2	4,787,290	THB 880,000,000	THB 880,000,000	NTD —	—	—	6,383,054	—	—	—
		Tycoons Group Enterprise Co.,Ltd.	4	4,787,290	NTD —	NTD —	NTD —	—	—	6,383,054	—	Y	—
		TY Steel Co.,Ltd.	6,Note8	4,787,290	THB 244,193,650	THB 244,193,650	NTD 231,535	NTD 231,535	7.25%	6,383,054	—	—	—
2	Tycoons Worldwide Group (Thailand) Public Co.,Ltd.	TY Steel Co.,Ltd.	6	3,776,527	THB 891,010,320	THB 891,010,320	NTD 844,821	NTD 844,821	22.37%	5,664,790	—	—	—

Note 1 : The Company and its subsidiaries are coded as follows:

- The Company is coded "0".
- The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2 : According to the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" issued by the R.O.C. Securities and Futures Bureau, receiving parties should be disclosed as one of the following:

- A company with which it does business.
- A company in which the public company directly hold more than 50% of the voting shares.
- A company in which the public company and its subsidiaries directly holds more than 50% of the voting shares.
- A company that directly and indirectly holds more than 50 % of the voting shares in the public company.
- A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.

Note 3 : 1. The company's endorsements / guarantees limit for individual objects is the individually specified percentage of the net value of the latest financial statement (2020.12.31). (Tycoons Group Enterprise Co.,Ltd.:200% , Tycoons Group International Co.,Ltd.:150% , Tycoons Worldwide Group (Thailand) Public Co.,Ltd.:100% , TY Steel Co.,Ltd.:100%)  
2. The maximum of the company's endorsements / guarantees limit is the individually specified percentage of the net value of the latest financial statement (2020.12.31). (Tycoons Group Enterprise Co.,Ltd.:250% , Tycoons Group International Co.,Ltd.:200% , Tycoons Worldwide Group (Thailand) Public Co.,Ltd.:150% , TY Steel Co.,Ltd.:150%)

Note 4 : The maximum endorsement guarantee balance for the current period and the end endorsement guarantee balance at the end of the period are the quota, not the actual transfer amount .

Note 5 : As of the end of the year, every company that has signed an endorsement guarantee contract or bill to the bank for approval, shall assume the responsibility of endorsement or guarantee; in addition, other related endorsement guarantees shall be included in the balance of the endorsement guarantee .

Note 6 : It should enter the actual amount spent by the endorsed company within the range of the endorsed guarantee balance.

Note 7 : Under the circumstance where the TSE or OTC listed parent company endorses or guarantees its subsidiaries, the subsidiary endorses or guarantees its TSE or OTC listed parent company or the endorsement and guarantee is made in mainland China, "Y" shall be filled in.

Note 8 : Tycoons Group International Co., Ltd. completed the equity transfer in June of 2019, resulting in the reduction of the combined shareholding ratio to 33.05%. In addition, after the election of directors of TY Steel Co.,Ltd. on July 3, 2019. the group no longer holds a majority of its board of directors, and it is assessed that it has lost control of the company.

TABLE 3

MARKETABLE SECURITIES HELD

Amounts in Thousands of New Taiwan Dollars and Foreign Currencies in Dollars

Held Company Name	Marketable Securities Type and Name (Note 1)		Relationship with the Company	Financial Statement Account	December 31, 2020				Note (Note 3)
					Shares / Units	Carrying Value (Note 2)	Percentage of Ownership	Fair Value	
Tycoons Group Enterprise Co.,Ltd.	Common stock	Horizon Securities Co.,Ltd.	—	Financial assets at fair value through other comprehensive income, non-current	673,469	7,745	0.2%	7,745	Note 5
Tycoons Group International Co.,Ltd.	Common stock	JinHai Hardware Company Limited	—	Financial assets at fair value through other comprehensive income, non-current	4,354,875	43,076	18.19%	THB 45,360,201	Note 4
Tycoons Worldwide Group (Thailand) Public Co.,Ltd.	Common stock	Thai Union Fastener Co.,Ltd.	—	Financial assets at fair value through other comprehensive income, non-current	6,000,000	63,959	8.7%	THB 67,349,506	Note 4

Note 1 : The securities mentioned in this table refer to stocks, bonds, beneficiary certificates and securities derived from the above items that fall within the scope of International Financial Reporting Standard No. 9 "Financial Instruments".

Note 2 : If measured by fair value, please fill in the book value after the fair value evaluation adjustments and deduct the allowance loss; if it is not measured by fair value, please fill in the amortized cost (after deducting the allowance loss) of the book balance.

Note 3 : The listed securities have users who are restricted due to the provision of guarantees, pledged loans, or other agreed-upon agreements. The remarks column should indicate the number of guarantees or pledged shares, the amount of guarantees or pledges, and the circumstances of restricted use.

Note 4 : There is no public market price, which is determined by the net equity value or by evaluation.

Note 5 : The market price is the closing price on December 31, 2020.

TABLE 4

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL**

Amounts in Thousands of New Taiwan Dollars and Foreign Currencies in Dollars

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares / Units	Amount	Shares / Units	Amount	Shares / Units	Amount	Carrying Value (Note)	Gain / Loss on Disposal	Shares / Units	Amount (Note)
Tycoons Group Enterprise Co.,Ltd.	Tycoons Worldwide Group (Thailand) Public Co.,Ltd.	Investments accounted for using equity method	Public Exchange Market	Subsidiary	23,104,000	102,111	2,466,000	13,526	25,570,000	155,943	87,217	—	—	—
Tycoons Group International Co.,Ltd.	Tycoons Worldwide Group (Thailand) Public Co.,Ltd.	Investments accounted for using equity method	Public Exchange Market	Subsidiary	438,019,692	USD106,398,277	11,760,000	USD 729,054	30,256,000	USD 6,852,017	USD 6,744,028	—	419,523,692	USD 93,219,761

Note: Including various adjustments such as the use of the equity method to recognize the share of the profit and loss of the subsidiary and the conversion difference of the foreign operating agency's financial statements.

TABLE 5

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$ 100 MILLION OR 20% OF THE PAID-IN CAPITAL

Amounts in Thousands of New Taiwan Dollars

Company Name	Related Party	Nature of Relationships	Transaction Details				Details of non-arm's length transaction		Notes and Accounts receivable (payable)	
			Purchases / Sales	Amount	Percentage of total purchases (sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of total receivables (payable)
Tycoons Group Enterprise Co.,Ltd.	Tycoons Worldwide Group (Thailand) Public Co.,Ltd.	Subsidiary	Sales	109,944	9%	30~120days	No significant difference	No significant difference	50,115	84%
			Purchases	269,597	49%	30~120days			—	—
Tycoons Worldwide Group (Thailand) Public Co.,Ltd.	TY Steel Co.,Ltd.	Associate	Sales	906,768	16%	30~120days	No significant difference	No significant difference	66,000	17%
	JinHai Hardware Company Limited	Associate	Purchases	2,406,754	44%	30~120days			5,836	2%
			Sales	117,098	2%	30~120days	No significant difference	No significant difference	29,959	8%
HuangHua Jujin Hardware Products Co.,Ltd.	HuangHua Jujin Import & Export Trading Co.,Ltd.	Subsidiary	Sales	123,808	10%	30~120days	No significant difference	No significant difference	—	—

Note 1 : It has been written off when preparing the consolidated financial statements.

TABLE 6

THE BUSSINESS RELATIONSHIP BETWEEN THE PARENT AND SUBSIDIARIES AND SIGNIFICANT TRANSACTIONS BETWEEN THEM

Amounts in Thousands of New Taiwan Dollars

No. (Note 1)	Company Name	Counter-party	Nature of Relationships (Note 2)	Transaction Details			
				Financial Statement item	Amount	Transaction Terms	Percentage of consolidated revenue or assets % (Note 3)
0	Tycoons Group Enterprise Co.,Ltd.	Tycoons Group International Co.,Ltd.	1	Other receivables	174,998	Refer to the transaction conditions of other customers .	2
				Other payables	160,178	Interest-free borrowing	2
		Tycoons Worldwide Group (Thailand) Public Co.,Ltd.	1	Sales	109,944	Refer to the transaction conditions of other customers .	1
				Accounts receivables	50,115	Payment terms is about 30~120 days.	1
				Advance payment	821,654	Refer to the transaction conditions of other customers .	10
Purchases	269,597	Refer to the transaction conditions of other customers .	3				
1	Tycoons Group International Co.,Ltd.	Viettycoons Steel Co.,Ltd.	3	Other receivables	5,696	Interest-free borrowing	—
2	HuangHua Jujin Hardware Products Co.,Ltd.	HuangHua Jujin Import & Export Trading Co.,Ltd.	3	Sales	123,808	Refer to the transaction conditions of other customers .	2
				Contract liabilities	16,177	Refer to the transaction conditions of other customers .	—

Note 1 : The Company and its subsidiaries are coded as follows:

1. The Company is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2 : The relationship with the trader has the following three types:

1. Parent company to a subsidiary.
2. Subsidiary to the parent company .
3. Subsidiary to subsidiary.

Note 3 : For the calculation of the ratio of the transaction amount to consolidated revenue or assets, if it is an asset-liability item, it is calculated by the balance at the end of the period in the consolidated assets; if it is a profit and loss item, it is calculated by the cumulative amount in the period as a share of the consolidated revenue.

Note 4 : It has been written off when preparing the consolidated financial statements.

TABLE 7

**NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE**

Amounts in Thousands of New Taiwan Dollars and Foreign Currencies in Dollars

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment		Balance as of December 31, 2020			Net Income (Losses) of the Investee	Shares of Profits / Losses of Investee	Notes
				December 31, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying value			
Tycoons Group Enterprise Co.,Ltd.	Tycoons Group International Co.,Ltd.	Cayman	Holding	5,467,641	5,752,191	182,650,140	100.00%	3,188,454	USD(7,972,283)	(238,101)	Subsidiary
	Yuan Zhen Investment Co.,Ltd.	Taiwan	Investing	31,850	82,850	3,185,000	100.00%	5,489	4,434	4,434	Subsidiary
	Hurco Automation, Ltd.	Taiwan	Design, manufacture, sale and distribution of industrial controllers	42,077	42,077	4,207,707	35.00%	131,966	3,645	1,276	Associate
	Tycoons Worldwide Group (Thailand) Public Co.,Ltd.	Thailand	Production, processing and sales of wire rod, wires, screws, bolts and other related products	—	144,882	—	—	(1,766)	THB (321,048,881)	(8,546)	Subsidiary
Tycoons Group International Co.,Ltd.	Tycoons Worldwide Group (Thailand) Public Co.,Ltd.	Thailand	Production, processing and sales of wire rod, wires, screws, bolts and other related products	THB 3,964,750,128	THB 4,257,684,147	419,523,692	70.3%	USD93,219,761	THB (321,048,881)	THB (234,943,571)	Subsidiary
	Kingford International Limited	Samoa	Holding	USD 5,931,051	USD 5,938,051	5,938,051	100.00%	USD12,823,784	USD 1,860,103	USD 1,860,103	Subsidiary
	Viettycoons Steel Co.,Ltd.	Vietnam	Production and sales of cold-rolled steel products, pickled steel coils, galvanized hot-rolled steel coils, various steel meshes, wire meshes, bolts, screws, rivets, screws, nuts, and scissors	USD 6,000,000	USD 6,000,000	USD 6,000,000 (investment amount)	100.00%	USD1,069,147	VND (2,770,615,167)	VND (2,770,615,167)	Subsidiary
	TY Steel Co.,Ltd.	Thailand	Steel billet production and sales	USD 4,928,790	USD 4,336,000	24,419,365	9.43%	USD1,920,324	THB (885,492,724)	THB (77,756,414)	Associate
	Tycoons Group (Samoa) Holding Ltd.	Samoa	Holding	USD 700,000	USD 700,000	700,000	100.00%	USD1,094,387	USD (59,677)	USD (59,677)	Subsidiary
Tycoons Worldwide Group (Thailand) Public Co.,Ltd.	TY Steel Co.,Ltd.	Thailand	Steel billet production and sales	THB798,806,320	THB730,662,970	79,880,632	30.84%	THB188,942,279	THB (885,492,724)	THB (257,656,435)	Associate
Tycoons Group (Samoa) Holding Ltd.	Tycoons Vietnam Co.,Ltd.	Vietnam	Wire production and sales business	USD 699,800	USD 699,800	USD 699,800 (investment amount)	100.00%	USD1,094,324	VND (1,384,382,688)	VND (1,384,382,688)	Subsidiary

TABLE 8

INFORMATION ON INVESTMENT IN MAINLAND CHINA

## 1.The detail of the investment in mainland China:

Amounts in Thousands of New Taiwan Dollars and Foreign Currencies in Dollars

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Net Income (Loss) of Investee Company	Percentage of Ownership	Shares of Profits / Losses (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
HuangHua Jujin Hardware Products Co.,Ltd.	Production, processing and sales of wires, screws, bolts and other related products	\$ 357,456 (CNY 81,667,000)	Note1	\$ 168,916 (USD 5,931,028)	—	—	\$ 168,916 (USD 5,931,028)	\$ 98,805 (CNY 22,573,612)	60.00%	\$ 55,911 (USD 1,963,150)	\$ 365,203 (USD 12,823,150)	\$ 177,347 (USD 6,227,069)

## 2.Limit of the investment in mainland China:

Accumulated Investment in Mainland China as of December 31, 2020 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 168,916 ( USD 5,931,028 )	\$ 168,916 ( USD 5,931,028 )	2,451,660

Note 1 : Indirectly investment in Mainland China through the Kingford International Limited registered in a third region.

Note 2 : The investment profit / loss column recognized in the current period is based on the company's audited financial statements.

Note 3 : Accumulated investment amounts denominated in foreign currencies are translated into New Taiwan Dollars using the spot rates at the financial report date. ( USD 1 : 28.48 , CNY 1 : 4.377 )

Note 4 : According to the regulations of the Investment Commission of the Ministry of Economic Affairs, the upper limit of the cumulative amount of its investment in the mainland is 60% of the net value.

## 3.Significant direct or indirect transactions with investee companies, the prices and terms of payment, unrealized gain or loss, and other related information which is helpful to

understand the impact of investment in Mainland China on financial reports: None.

4. Note:

In order to meet actual business needs, the Company plans to invest in mainland China. It was approved by the shareholders' meeting on May 16, 2003, and the board of directors was authorized to decide on investment matters within the scope of the competent authority and relevant laws and regulations. The Company's board of directors resolved on October 22, 2003, that TYCOONS GROUP INTERNATIONAL CO., LTD., a subsidiary in the British Cayman Islands, would invest USD 2,180,000 in KINGFORD INTERNATIONAL LIMITED, Western Samoa, and then indirectly invest USD 2,180,000 in mainland China. Huanghua Jujin Hardware Products Co., Ltd. is engaged in the processing, production and sales of spherical wires, screws and other products. This investment case was approved by the Investment Review Committee of the Ministry of Economic Affairs on November 20, 2003. Letter No. 092035790 Approved. The Company's board of directors decided on November 21, 2003, to increase its investment in Western Samoa KINGFORD INTERNATIONAL LIMITED with its own funds of US\$2,305,266 of TYCOONS GROUP INTERNATIONAL CO., LTD. in the third region investment business British Cayman Islands, and indirectly with US\$2,300,000. Invested in Huanghua Jujin Hardware Products Co., Ltd., an investment enterprise in mainland China. This investment case was approved by the Investment Review Committee of the Ministry of Economic Affairs by letter No. 092040150 on December 26, 2003. In addition, the Company makes the resolution of the board of directors on January 6, 2005, to increase its investment in Western Samoa KINGFORD INTERNATIONAL LIMITED with its own funds of 1,452,785 U.S. dollars in the third region investment business British Cayman Islands, and at 1,451,028 U.S. dollars indirect investment in Huanghua Jujin Hardware Products Co., Ltd., an investment enterprise in the mainland China, was approved by the Investment Review Committee of the Ministry of Economic Affairs by letter No. 094001032 on January 19, 2005. Huanghua Jujin Hardware Products Co., Ltd. remitted the 2017 cash dividend of US\$1,204,908.89 yuan by the 2018 board of directors. This case was approved by the Investment Review Committee of the Ministry of Economic Affairs on August 8, 2018, with Shen Er Zi No. 10700173720. Huanghua Jujin Hardware Products Co., Ltd. resolved the 2017 board of directors to repatriate the 2016 cash dividend amounting to US\$ 793,522.51. The case was approved by the Investment Review Committee of the Ministry of Economic Affairs on July 4, 2017, with the letter No. 10600139400. Huanghua Jujin Hardware Products Co., Ltd. was resolved by the board of directors in 2015 to repatriate the cash dividends of US\$2,528,804.84 from 2003 to 2015. This case was approved by the Investment Review Committee of the Ministry of Economic Affairs on March 15, 2016, with No. 10500047010. Huanghua Jujin Hardware Products Co., Ltd. was approved by the board of directors in 2019 to distribute cash dividends totaling USD 767,981.38. The case was approved by the Investment Review Committee of the Ministry of Economic Affairs on September 17, 2019, with the letter No. 10800233150. Huanghua Jujin Hardware Products Co., Ltd. was approved by the board of directors in 2020 to distribute cash dividends totaling US\$931,851.19. This case was approved by the Investment Review Committee of the Ministry of Economic Affairs on March 18, 2020, with the letter No. 10900072630.

TABLE 9

MAJOR SHAREHOLDERS INFORMATION

December 31, 2020

Names	Number of Shares held	Percentage of shareholding
Yisheng Investment Co.,Ltd.	39,583,165	8.25%
Hengsha Investment Co.,Ltd.	36,111,846	7.52%
Soufu Investment Co.,Ltd.	31,535,285	6.57%

Note 1 : This table is based on the last business day at the end of each quarter and calculates that shareholders hold more than 5% of the Company's ordinary shares and special shares that have completed unregistered delivery (including treasury shares). As for the share capital recorded in the company's financial report and the company's actual number of shares delivered without physical registration, there may be differences or differences due to different calculation bases.

Note 2 : In the case of the above information, if the shareholders' shares are in the trust, it is disclosed in individual accounts by the trustee who opened the trust account by the trustee. As for the shareholder's declaration of insider's equity in accordance with the Securities and Exchange Act, the shareholding includes his own shareholding plus the trust shares and the right to use the trust property. For information on insider's equity declaration, please refer to the public information observatory.

VI. For the most recent year and up to the publication date of the annual report, financial position impacted by insolvency incidents encountered by the company and affiliates: Nil.

## Seven. Review of Financial Position, Business Performance and Risk Issues

### I. Analysis of financial position

Unit: NT\$ thousand

Year	2020	2019	Difference	
	Amount	Amount	Amount	%
Current assets	\$ 3,887,661	\$ 3,990,924	(103,263)	(3)
Property, plant and equipment	3,694,924	3,952,038	(257,114)	(7)
Other non-current assets	579,623	911,075	(331,452)	(36)
Total assets	8,162,208	8,854,037	(691,829)	(8)
Current liabilities	2,551,962	2,780,184	(228,222)	(8)
Non-current liabilities	159,048	624,117	(465,069)	(75)
Total liabilities	2,711,010	3,404,301	(693,291)	(20)
Share capital	4,797,520	4,797,520	-	-
Capital reserve	340,560	206,365	134,195	65
Retained earnings	(1,468,598)	(1,254,166)	(214,432)	17
Total equity	5,451,198	5,449,736	1,462	-

Main reasons and future countermeasures for major fluctuation items (with changes of 20% or more between the start and end of the period, and the value of change amounts to NT\$10 million):

1. The decrease in other non-current assets was mainly due to decrease in the incomes recognized in affiliated companies accounted for using the equity method and joint ventures. Therefore, the carrying amount of investment accounted for using the equity method changed.
2. The decrease in non-current liabilities was mainly due to repayment of long-term loans and corporate bonds due within a year reclassified as current liabilities.
3. The increase in capital reserve was mainly due to recognition of difference between actual acquisition or disposal and the carrying value of investment accounted for using the equity method.

## II. Financial Performance

### (I) Comparison analysis for operating performance

Unit: NT\$ thousand

Item	2020	2019	Increase/decrease	Change ratio ( % )
Net operating revenue	7,930,384	11,519,202	(3,588,818)	(31)
Operating cost	7,397,427	11,268,848	(3,871,421)	(34)
Operating gross profit	532,957	250,354	282,603	113
Realized gross profit	532,957	250,354	282,603	113
Operating expenses	415,275	513,565	(98,290)	(19)
Net operating income (loss)	117,682	(263,211)	380,893	(145)
Non-operating income and expenses	(323,764)	(563,486)	239,722	(43)
Profit (loss) before tax	(206,082)	(826,697)	620,615	(75)
Income tax (expense)	(13,741)	(66,668)	52,927	(79)
Current net profit from continuing operations	(219,823)	(893,365)	673,542	(75)
Profit or loss from discontinued departments	0	(114,061)	114,061	(100)
Net income (loss)	(219,823)	(1,007,426)	787,603	(78)

#### Analysis of percentage changes:

1. Gross profit: See table (2).
2. Non-operating income and expenses: The decrease in non-operating expenses in the period compared to the previous period is mainly due to a one-time recognition of asset impairment loss in 2019.

## (II) Analysis of gross profit fluctuation:

Unit: NT\$ thousand

Industry	Change in amount between the start and end of the period	Reasons for variance			
		Sales price variance	Cost-price variance	Cost-volume variance	Sales-volume variance
Operating gross profit	282,604	(702,562)	1,006,047	2,828,433	(2,849,314)
Description	In 2019, due to the US-China trade war, the global economy was filled with uncertainties and trade protectionism. Compounded by the excess capacity of steel production in Southeast Asia, the steel market was suffering from oversupply. In 2020, the COVID-19 pandemic had caused a shortage in materials and containers and price hikes in coal and iron ore. The competition for raw materials in the market and the material shortage caused the steel price to surge, leading to a higher gross profit in 2020 as compared to 2019.				

## III. Cash flow change analysis

## (I) Liquidity analysis for the most recent two years

Item	Year		Change ratio
	December 31, 2020	December 31, 2019	
Cash flow ratio	5.01%	25.42%	(80%)
Cash flow adequacy	14.56%	44.66%	(67%)
Cash flow reinvestment ratio	1.15%	6.01%	(81%)
Analysis of percentage changes: (1) Cash flow ratio was lower than the previous period, mainly due to decrease in net cash inflow from operating activities in the period. (2) Cash flow adequacy was lower than the previous period, mainly due to decrease in net cash inflow from operating activities for the most recent five years. (3) Cash flow reinvestment ratio was lower than the previous period, mainly due to decrease in net cash inflow from operating activities.			

(II) Summary of cash flow change analysis in the most recent year :

Unit: NT\$ thousand

Cash balance at the beginning of period	Estimated yearly net cash inflow from operating activities (2)	Estimated yearly net cash outflow (3)	Anticipated cash surplus (shortage) (1)+(2)-(3)	Remedies for expected cash shortage	
				Investment plan	Financing plan
252,026	418,045	274,220	395,851	-	-
1. Cash Flow Analysis: (1) Operating activities: Mainly due to cash inflow from increase in profit before tax and decrease in inventory expected in the period. (2) Investing and financing activities: Mainly due to cash outflow from the expected maintenance on fixed assets and repayment for long and short-term borrowings. 2. Remedies for expected cash shortage and liquidity analysis: Not applicable.					

IV. Impacts of major capital expenditures on financial performance in the most recent year

V. Causes of profit or loss incurred on investments in the most recent year, and any improvement and future investment plans

Unit: NT\$ thousand

Description Item	Profit amount (Note)	Policy	Main reasons for profit or loss	Improvement plans	Other investment plans in the future
Tycoons Group International Co., Ltd.	(238,101)	Overseas holding company	The net loss for the current period was mainly due to the COVID-19 pandemic and the uncertainties of global trade and tariffs. These factors caused the steel industry to slow down. The subsidiary Tycoons Worldwide Group (Thailand) recognized investment loss of NT\$243 million of the investee TY Steel. Due to increasing competition in the steel bar market in Southeast Asia, product prices have dropped. The decrease in the gross profit of TY Steel caused losses in Tycoons Worldwide Group (Thailand). However, this year, the losses in subsidiaries recognized by the parent company have decreased substantially as compared to the previous year.	The Company shall continue to improve its production processes and reduce costs to increase gross profit margins of individual products. The Company shall also actively expand markets to increase profitability.	Depending on the development of the market and industry, the Company shall make evaluation when appropriate

Note: The investments above exceeded the paid-in capital by 5% in 2020

VI. Risk management and assessment

- (I) The impact of interest and exchange rate changes and inflation on the Company's profit and loss and future response measures:

Item	2020 (NT\$ thousand)
Interest expense	65,489
Gain on exchange difference	30,883

- (1) Impact of interest rate fluctuations on profit and loss of the Company and future countermeasures

The interest rate risk of the Company mainly comes from operating activities that give rise to short-term borrowings for purchase of materials and long-term loans. To mitigate the impact of interest rate fluctuations on the profit and loss of the Company, the borrowings of the Company are mainly long-term loans with lower interest rate fluctuations. The Company closely monitors interest rate fluctuations. If necessary, the Company shall engage in interest rate swaps (IRS) to lock on to a certain interest rate, so as to mitigate the risk.

- (2) Impact of foreign exchange fluctuations on profit and loss of the Company and future countermeasures

Most of the Company's raw materials are imported from abroad. Although the Company has some exports, the foreign currency collected can only cover a small part of the Company's demand of USD. The net USD demand remains substantial. The foreign exchange fluctuation of the USD and NTD has a major impact on the Company's costs and profit or loss. To mitigate the risk, the Company has taken the following measures:

- A. Maintain close contact with banks to obtain information on foreign exchange fluctuations and services so as to take timely actions.
- B. Use forward exchange contracts where appropriate to mitigate the risk of foreign exchange fluctuation.

(3) Impact of inflation on profit and loss of the Company and future countermeasures

Inflation has no major impact on the profit and loss of the Company.

(II) Policies on transactions involving high risks, highly leveraged investments, lending of funds to others, endorsement or guarantee and derivatives, the main reasons for the profit or loss of these transactions and future countermeasures:

The Company has not engaged in high risks and highly leveraged investments in 2020, except for derivative transactions, lending of funds to others and endorsement or guarantee undertaken in accordance with the “Procedures for Acquisition or Disposal of Assets” and “Procedures for Lending Funds to Other Parties and Handling of Endorsement or Guarantee”.

(III) Future R&D projects and corresponding budget: Please see “Section Five. Operational Highlights, Technology and R&D” in the annual report.

(IV) Effect on the company’s financial operations due to important policies adopted and changes in the legal environment at home and abroad, and the corresponding countermeasures: Nil

(V) Effect on the company’s financial operations caused by developments in science and technology as well as industrial change, and the corresponding countermeasures: Nil

(VI) Impact of change in corporate image on crisis management, and countermeasures: Nil

(VII) Expected benefits from, risks relating to, and response to merger and acquisition plans: Nil

(VIII) Expected benefits from, risks relating to, and response to factory expansion plans: Nil

(IX) Risks relating to and response to excessive concentration of purchasing sources and excessive customer concentration:

In 2020, the largest supplier of the Company was Tycoons Worldwide Group (Thailand) and the main purchase item was wire rods. As Tycoons Worldwide Group (Thailand) is a subsidiary of Tycoons Group Enterprise, not only is the production costs of the wire rods it produces lower, the quality is steady and supply is stable. The Company is thus able to acquire a stable material source. For the costs and operations, the arrangement benefits the Company. Moreover, the profits that Tycoons Worldwide Group (Thailand) makes can be repatriated to the parent company, which is a synergy for both parties. Therefore, although the material source of the Company is concentrated, it does not cause any operating risks. On the contrary, it is beneficial to the overall operating profits.

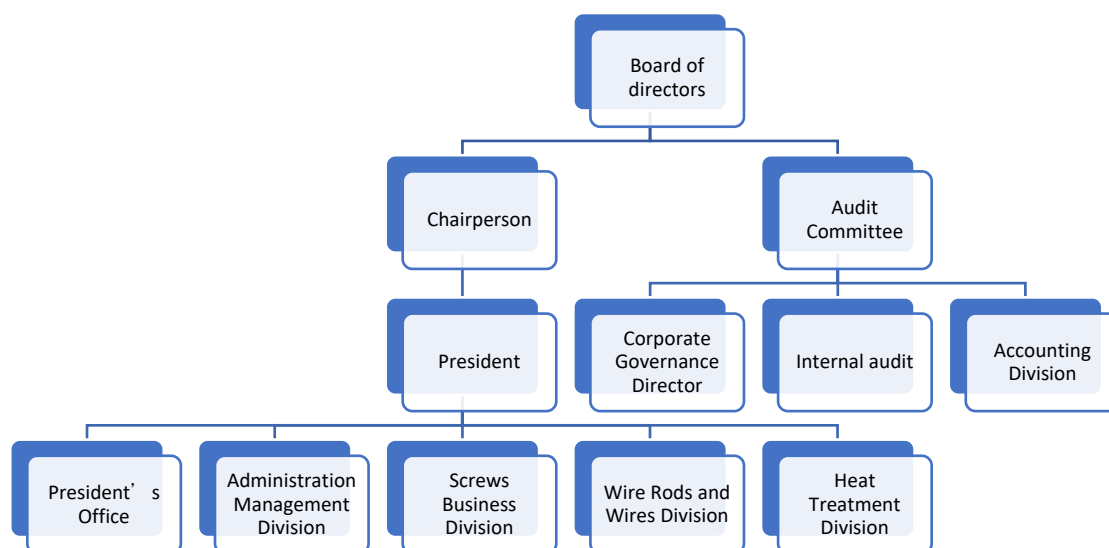
(X) Effects of, risks relating to, and response to large share transfers or changes in shareholdings by directors, supervisors, or shareholders with shareholdings of over 10%: Nil

(XI) Effects of, risks relating to, and response to the changes in management: Nil

(XII) For litigation or non-litigation cases involving the company, directors, supervisors, general manager, actual persons in-charge or major shareholders with a stake of 10% or more and subordinate companies that have been concluded or are still pending, and which have material impact on the shareholders’ interests or security prices, disclosure should be made regarding the content of the cases, the sum of penalties or claims, the commencement dates of the cases, the parties involved and the status as of the publication date of the annual report: Nil.

(XIII) Other important risks and countermeasures:

1. Organization chart and functions of the risk management team



(1) Risk monitoring

Board of directors, Audit Committee, chairperson, president, internal audit, Corporate Governance Director and independent auditors are in charge of the supervision of major risks.

(2) Risk management routine

Segregation of duties by level. Each department must perform routine risk management assessment according to their duties. They practice segregation of duties by level as per the internal control procedures and seek to keep various risks to the minimum.

2. Information risk assessment and countermeasures.

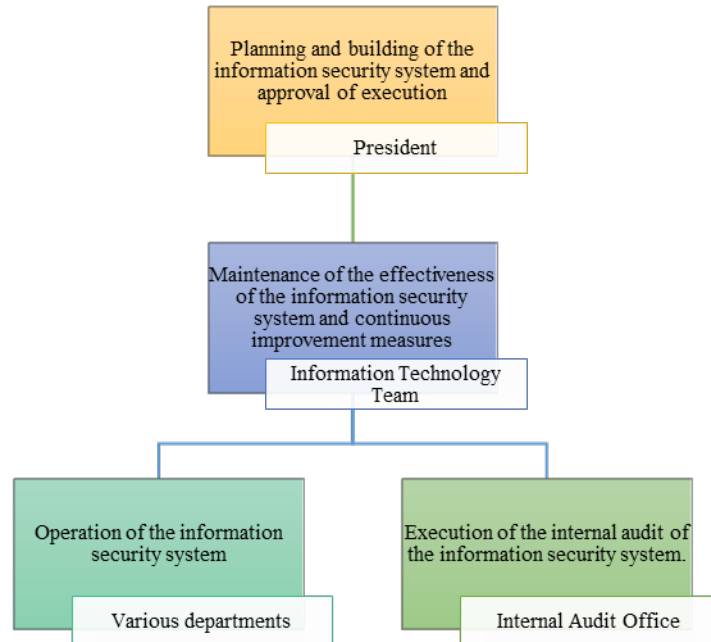
(1) Objectives and scope

To strengthen information security management, ensure the security of data, system, equipment and network, the Company has established the information security policy to conform to the related regulations and mitigate the threat of both internal and external sabotage or accidents. The scope is as follows:

- (A) Information security procedures.
- (B) Information security check and control.
- (C) Duties of information security personnel.
- (D) Management of the security of computer hardware and software.
- (E) Use of surveillance system to prevent hackers from altering system information.
- (F) Cancellation of system access of resigned staff according to notification and performance of regular checks on the cancellation.

(2) Risk management framework

- (A) To effectively carry out information security work, the Information Technology Team is in charge of establishing the information security policy, planning information security measures and executing the related information security processes, as well as regularly reporting the information security governance status to the board of directors.



- (B) Using the concept of continuous improvement represented by the plan-do-check-act cycle (PDCA) and due to internal and external changes in the environment in the process, the Internal Audit Office is responsible for continuously adjusting the evaluation of the management direction and providing improvement measures to maintain the information security system.

(3) Information security policy

(A) Information security governance

Review and upgrade network infrastructure environment on a regular basis. Continue to fix the potential vulnerabilities of the internal system. Conduct training and education on information security for employees. Strengthen the overall defense foundation of information security.

(B) System regulations

Establish the information security management system. Regularly review and examine the effectiveness of the internal control of information security. Conforming to international information security regulations, implementing the control mechanism of information security.

(C) Technological applications

Continue to install information security equipment and technological applications. Keep informed on the anticipated information security risks.

Heighten the defense and resilience of information security.

(4) Risk management measures

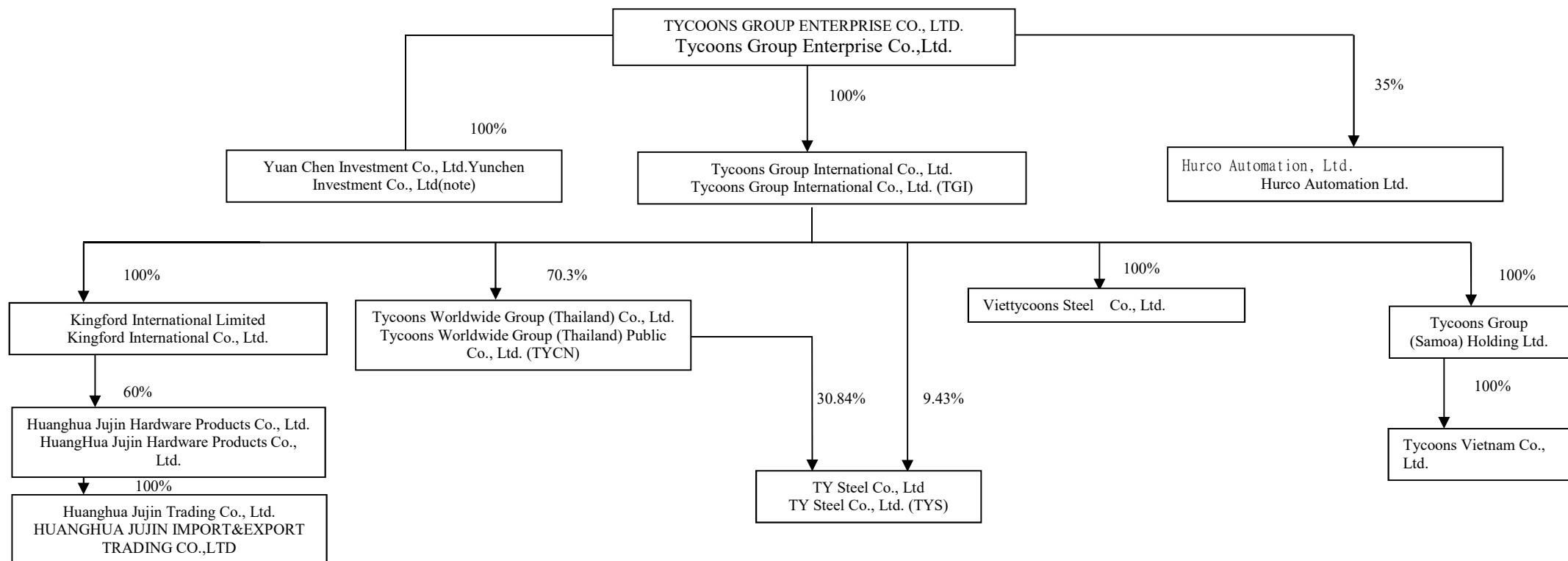
Type	Risk assessment	Existing control measure
Access management	Unauthorized access to information	<ul style="list-style-type: none"> <li>➤ Control and review of employee account access rights</li> <li>➤ Regular count of employee account access rights</li> </ul>
Access control	Insufficient control on access to internal and external systems and data transmission, causing data corruptions and leaks	<ul style="list-style-type: none"> <li>➤ For access to internal and external systems and data leaks, set up tighter control on access rights</li> <li>➤ Perform logging analysis</li> </ul>
External threats	Virus attacks on servers and PCs	<ul style="list-style-type: none"> <li>➤ Vulnerability detection of servers/PCs</li> <li>➤ Anti-virus protection and detection of malware</li> <li>➤ Regular updates of antivirus programs</li> </ul>
Application system	When system and service are interrupted,	<ul style="list-style-type: none"> <li>➤ the monitoring and notification mechanism of the system or network availability status</li> <li>➤ Initiation of emergency response measures</li> <li>➤ Support of data backup, local or remote backup mechanism</li> <li>➤ Disaster recovery drills on regular basis</li> </ul>
E-mail system	Attacks on e-mails, spam	<ul style="list-style-type: none"> <li>➤ Installation of spam filter (implement spam filter system)</li> </ul>
Due to insufficient awareness in information security,	employees may cause virus infections.	<ul style="list-style-type: none"> <li>➤ Strengthen awareness in information security and training</li> <li>➤ Control software installation on PCs to prevent the use of unauthorized software</li> </ul>

VII. Other Material Issues: Nil

## Eight. Special Disclosure

### I. Summary of Affiliated Companies

Consolidated business reports with affiliated enterprises: (1) Affiliated enterprises chart (December 31, 2020)



Note : Yuan Zhen Investment Co., Ltd. has been confirmed dissolution status on 2020/11/19 by Commercial Administration Division of Economic Development Bureau of Kaohsiung City Government official document #1095446110, the closure of liquidation be process by court on 2021/03/24

## (2) Basic information of affiliated enterprises

December 31, 2020

Name of company	Date of establishment	Address	Paid-in capital	Principle business or production	Remarks
Hurco Automation, Ltd.	November 8, 1996	6F., No. 31, Xintai Rd., Zhubei City, Hsinchu County	NTD 120,220,200	Automated computer software systems Maintenance, purchase and sales, and distribution of computer equipment, circuit boards and computer peripherals	
Tycoons Group International Co.,Ltd.	May 21, 1996	Floor 4, Willow House, Cricket Square, P O Box 2804, Grand Cayman KY1-1112, Cayman Islands	USD 182,650,140	Overseas holding company	
Tycoons Worldwide Group (Thailand) Public CO.,Ltd.	September 9, 1996	99Moo1, Tumbon Nikompattana Amphur, Nikompattana, Rayong 21180 Thailand.	THB 5,967,489,000	Integrated production and sales of wire rods, wires and screws.	
Huanghua Jujin Hardware Products Co., Ltd.	August 1, 2003	Jiuchengzhen Baizhuang, Huanghua City, Hubei Province	RMB 81,667,000	Production and sales of spheroidized wires, screws, bolts, hardware and other products.	
Huanghua Jujin Trading Co., Ltd.	August 11, 2009	Jiuchengzhen Baizhuang, Huanghua City, Hubei Province	RMB 1,000,000	Import and export of spheroidized wires, screws, bolts, hardware and other products.	
Kingford International Limited	April 8, 2003	Offshore Chambers, P.O.Box217, Apia, Samoa.	USD 5,938,051	Overseas holding company	
Viettycoons Steel Co., Ltd.	July 17, 2018	My Xuan A2 Industrial Zone, Tan Thanh Dist., Ba Ria-Vung Tau Province, Vietnam.	USD6,000,000	Production and sales of hot forging products, spheroidized wires, cold-rolled strip steel and hot dip galvanizing steel tapes.	
Yuan Chen Investment Co., Ltd. (note)	September 10, 2009	No. 79-1, Xinle St., Gangshan Dist., Kaohsiung City	NTD 31,850,000	Domestic investment holding company	
TY Steel Co., Ltd	September 14, 2011	99Moo1, Tumbon Nikompattana Amphur,	THB 2,590,000,000	Overseas furnace factory,	

		Nikom pattana, Rayong 21180 Thailand.		production and sales of billets	
Tycoons Group (Samoa) Holding Ltd.	September 13, 2017	Level 1, Central Bank of Samoa Building, Beach Road, Apia, Samoa.	USD 700,000	Overseas holding company	
Tycoons Vietnam Co., Ltd.	May 7, 2013	My Xuan A2 Industrial Zone, Tan Thanh Dist., Ba Ria-Vung Tau Province, Vietnam.	VND 14,993,846,000	Wiredrawing mill in Vietnam, manufacturing and sales of wires.	

Note : Yuan Zhen Investment Co., Ltd. has been confirmed dissolution status on 2020/11/19 by Commercial Administration Division of Economic Development Bureau of Kaohsiung City Government official document #1095446110, the closure of liquidation be process by court on 2021/03/24.

(3) Shareholders in common of the company and its affiliates with deemed control and subordination: Nil.

(4) Businesses covered by the overall affiliated companies:

The businesses covered by the Company and its affiliated companies include manufacturing, trading, fabrication, investment etc.

Name of company	Controlling (subordinate) company	Controlling (subordinate) relationship	Businesses and division of labor of affiliated companies
Tycoons Group Enterprise Co., Ltd.	Controlling company		Manufacturing, fabrication, trading, exporting and leasing of screws, nuts, washers, steel wires, heat treatment fabrication and machinery parts for metal spheroidization, forming machines, tapping machines, heading machines, heat treatment equipment, as well as general import and export trading, except those that are subject to special approval.
Tycoons Group International Co.,Ltd.	Subordinate company	Controlling interest	Investment in manufacturing businesses
Tycoons Worldwide Group(Thailand)Public Co.,Ltd.	Subordinate company	Controlling interest	Manufacturing, fabrication, trading, exporting and leasing of screws, nuts, washers, steel wires, heat treatment fabrication and wire rods.
Huanghua Jujin Hardware Products Co., Ltd.	Subordinate company	Controlling interest	Production and sales of spheroidized wires, screws, bolts, hardware and other products.
Huanghua Jujin Trading Co., Ltd.	Subordinate company	Controlling interest	Import and export of spheroidized wires, screws, bolts, hardware and other products.
Kingford International Limited	Subordinate company	Controlling interest	Investment in manufacturing businesses
Viettycoons Steel Co., Ltd.	Subordinate company	Controlling interest	Production and sales of hot forging products, spheroidized wires, cold-rolled strip steel and hot dip galvanizing steel tapes.
Yuan Chen Investment Co., Ltd.(note)	Subordinate company	Controlling interest	Domestic investment holding company
Tycoons Group(Samoa) Holding Ltd.	Subordinate company	Controlling interest	Overseas holding company
Tycoons Vietnam Co., Ltd.	Subordinate company	Controlling interest	Wiredrawing mill in Vietnam, manufacturing and sales of wires

Note : Yuan Zhen Investment Co., Ltd. has been confirmed dissolution status on 2020/11/19 by Commercial Administration Division of Economic Development Bureau of Kaohsiung City Government official document #1095446110, the closure of liquidation be process by court on 2021/03/24

## (5) Directors, supervisors and managers of affiliated companies:

Unit: NT\$ thousand; share; %

Name of company	Position	Name or representative	Shares held	
			Number of shares (shares)	Shareholding percentage (%)
Hurco Automation, Ltd.	Chairperson	Representative of Tycoons Group Enterprise Company Limited: Huang, Wen-Sung	4,207,707	35
	Director	Representative of Tycoons Group Enterprise Company Limited: Li, Chun-Hsiung		
	Director	Representative of Tycoons Group Enterprise Company Limited: Huang, Ping-Lun		
	Vice Chairperson	Representative of Hurco B.V.: Gregory S. Volovic	4,207,707	35
	Director	Representative of Hurco B.V.: Michael Core		
	Director	Representative of Hurco B.V.: Sonja K. McClelland		
	Director cum President	Bian, Ping-Yuan	961,687	8
	Director	Lin, Hsiu-Ling	-	-
	Director	Chen, Chi-An	557,595	4.64
	Supervisor	Lu, Yen-Chuan	-	-
Supervisor	Stephen M. Holzinger	-	-	
Tycoons Group International Co.,Ltd.	Director	Representative of Tycoons Group Enterprise Company Limited: Lu, Yen-Chuan	182,650,140	100.00
Tycoons Worldwide Group(Thailand) Public Co., Ltd.	Chairperson	Lu, Yen-Chuan	1	-
	Director	Huang, Wen-Sung	1	-
	Director cum President	Huang, Ping-Lun	112,600	0.02
	Director	Huang, Feng-Mei	7,700	-

Name of company	Position	Name or representative	Shares held	
			Number of shares (shares)	Shareholding percentage (%)
	Independent Director/ Chairman of Audit Committee	Surabhon Kwunchaithunya	0	-
	Independent Director/ Audit Committee	Jirawat Huang	0	-
	Independent Director/ Audit Committee	Phiphat Wangphichit	0	-
Huanghua Jujin Hardware Products Co., Ltd.	Chairperson	Chen, Cheng-Li	0	-
	Vice Chairperson	Bai, Jen-Hao	0	-
	Director	Bai, Chih-Chi	0	-
	Director	Huang, Wen-Sung	0	-
	Director	Lu, Yen-Chuan	0	-
	President	Bai, Chih-Ying	0	-
Huanghua Jujin Trading Co., Ltd.	Director	Representative of Huanghua Jujin Hardware Products Co., Ltd.: Chen, Cheng-Li	Capital amount RMB 1,000,000	100.00
Kingford International Limited	Chairperson	Representative of Tycoon Group International Co., Ltd.: Huang, Wen-Sung	Capital amount USD 5,938,051	100.00
Viettycoons Steel Co., Ltd.	Chairperson cum director	Representative of Tycoon Group International Co., Ltd.: Huang, Wen-Sung	USD 6,000,000	100
Yuan Chen Investment Co., Ltd.(note)	Director	Representative of Tycoons Group Enterprise Company Limited: Huang, Wen-Sung	3,185,000	100

Name of company	Position	Name or representative	Shares held	
			Number of shares (shares)	Shareholding percentage (%)
	Director	Representative of Tycoons Group Enterprise Company Limited: Lu, Yen-Chuan	3,185,000	100
	Director	Representative of Tycoons Group Enterprise Company Limited: Huang He, Jui-Nu	3,185,000	100
	Supervisor	Lu, Chao-Chia	0	0
TY Steel Co., Ltd	Director cum Chairperson	Wang, Pi-Chang	0	0
	Director cum President	Chen, Yi-Sung	0	0
	Director	Huang, Wen-Sung	1	0
	Director	Huang, Ping-Lun	1	0
	Director	Wang Yi Wen	0	0
Tycoons Group(SAMOA) Holding Ltd.	Director	Representative of Tycoon Group International Co., Ltd.: Huang, Wen-Sung	USD700,000	100.00
Tycoons Vietnam Co., Ltd.	Director	Representative of Tycoons Group (SAMOA) Holding Ltd.: Huang, Wen-Sung	VND 14,993,846,000	100.00

Note : Yuan Zhen Investment Co., Ltd. has been confirmed dissolution status on 2020/11/19 by Commercial Administration Division of Economic Development Bureau of Kaohsiung City Government official document #1095446110, the closure of liquidation be process by court on 2021/03/24

## (6) Operational highlights of affiliated companies

December 31, 2020

Name of company	Currency	Capital amount	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Profit or loss for the current period (after tax)	After tax Earnings per share (NT\$)
Hurco Automation, Ltd.	NT\$ (thousand)	120,220	541,426	164,381	377,045	310,965	7,245	3,645	0.30
Tycoons Group International Co.,Ltd.	USD	182,650,140	118,302,740	6,240,683	112,062,057	437,425	98,258	(7,972,283)	(0.44)
Tyoons Worldwide Group(Thailand) Co.,Ltd.	THB	5,967,489,000	6,329,587,211	2,352,829,571	3,976,757,640	5,987,439,162	(45,811,471)	(321,048,881)	(0.54)
Kingford International Limited	USD	5,938,051	12,823,784	-	12,823,784	-	(28)	1,860,103	3.13
Huanghua Jujin Hardware Products Co., Ltd.	RMB	81,667,000	205,393,201	66,450,094	138,943,107	300,653,350	26,293,140	22,573,612	2.76
Huanghua Jujin Trading Co., Ltd.	RMB	1,000,000	4,928,594	4,055,130	873,464	32,051,678	1,424,996	1,362,913	13.63
Viettycoons Steel Co., Ltd.	VND	95,559,907,823	35,537,374,256	10,872,161,153	24,665,213,103	-	(1,801,971,085)	(2,770,615,167)	(0.29)
Tycoons Group (Samoa) Holding Ltd.	USD	700,000	1,094,387	-	1,094,387	-	-	(59,677)	(0.09)
Yuan Chen Investment Co., Ltd.(note)	NT\$ thousand	31,850	5,490	-	5,490	137,015	612	4,435	1.39
TY Steel Co., Ltd	THB	2,590,000,000	5,859,905,460	5,293,708,642	566,196,818	5,599,802,978	(173,456,234)	(885,492,724)	(3.42)
Tycoons Vietnam Co., Ltd.	VND	14,993,846,000	25,510,653,699	264,597,510	25,246,056,189	35,096,964,165	(1,415,569,471)	(1,384,382,688)	(0.92)
Note : Yuan Zhen Investment Co., Ltd. has been confirmed dissolution status on 2020/11/19 by Commercial Administration Division of Economic Development Bureau of Kaohsiung City Government official document #1095446110, the closure of liquidation be process by court on 2021/03/24.									

(II) Consolidated financial statements of affiliated enterprises:

## Declaration

The entities that are required to be included in the combined financial statements of the Company as of and for 2020 (from January 1, 2020, to December 31, 2020) under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, no separate set of combined financial statements is prepared.

To

Company name: Tycoons Group Enterprise Company  
Limited

Representative: Lu, Yen-Chuan

(III) Affiliation reports: Nil.

- II. Private placement of securities
- III. For the most recent year and up to the publication date of the annual report, the shareholding or disposal of shares of the company by subsidiaries
- IV. Other Supplementary Information

**Nine. For the most recent year and up to the publication date of the annual report, matters affecting shareholders' equity stock price as prescribed in the Securities and Exchange Act, Article 36, Paragraph 3, Subparagraph 2: Nil.**

TYCOONS GROUP ENTERPRISE CO., LTD.  
Chairwoman: Lu, Yen-Chuan  
May 15, 2021