

**Taiwan Steel Union Co., Ltd. and
Subsidiary**

**Consolidated Financial Statements for the
Years Ended December 31, 2021 and 2020 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2021 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary as provided in International Financial Reporting Standard No. 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

TAIWAN STEEL UNION CO., LTD.

By

MARK LIN
President

February 24, 2022

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Taiwan Steel Union Co., Ltd.

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2021 is as follows:

Revenue recognition

The Group's sales revenue from major customers was NT\$1,100,900 thousand, representing 59% of the Group's consolidated net sales revenue for the year ended December 31, 2021. Since sales revenue has significant changes compared to 2020, we identified the authenticity of sales revenue from major customers as a key audit matter. The accounting policy on the revenue recognition is disclosed in Note 4 to the consolidated financial statements.

The main audit procedures that we performed in respect of sales revenue from major customers included the following:

1. We obtained an understanding of the related internal controls on revenue recognition and tested the operating effectiveness of the related controls.
2. We selected samples from the transaction documents of sales revenue from major customers, including sales orders, shipping documents and receipts of payment, to confirm the authenticity of revenue recognition.
3. We received sales confirmation letters from major customers to verify the existence of revenue.

Other Matter

We have also audited the parent company only financial statements of the Company as of and for the years ended December 31, 2021 and 2020, 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 Issuers, and the IFRS, IAS, 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 the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Shao-Chun Wu and Shu-Chin Chiang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2022

Notice to Readers

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

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

TAIWAN STEEL UNION CO., LTD. AND SUBSIDIARY

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

ASSETS	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 741,779	17	\$ 1,022,902	20
Financial assets at amortized cost - current (Notes 4 and 7)	4,432	-	274,842	5
Notes receivable, net (Notes 4 and 8)	2,384	-	2,144	-
Trade receivables from unrelated parties, net (Notes 4 and 8)	111,225	2	148,534	3
Trade receivables from related parties, net (Notes 4, 8 and 24)	3,341	-	33,253	1
Other receivables (Notes 4 and 8)	4,012	-	2,546	-
Inventories (Notes 4, 9 and 21)	121,297	3	94,816	2
Other current assets (Notes 4, 12 and 17)	<u>36,283</u>	<u>1</u>	<u>51,505</u>	<u>1</u>
Total current assets	<u>1,024,753</u>	<u>23</u>	<u>1,630,542</u>	<u>32</u>
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 11, 21, 24, 25 and 26)	3,299,524	75	3,271,974	65
Other intangible assets (Note 4)	3,726	-	4,646	-
Deferred tax assets (Notes 4 and 19)	14,722	1	9,464	-
Prepayments for machinery and equipment (Notes 4 and 21)	55,802	1	103,179	2
Refundable deposits (Note 4)	860	-	2,957	-
Other financial assets - non-current (Notes 4 and 25)	8,000	-	17,425	1
Other non-current assets (Note 12)	<u>3,311</u>	<u>-</u>	<u>2,846</u>	<u>-</u>
Total non-current assets	<u>3,385,945</u>	<u>77</u>	<u>3,412,491</u>	<u>68</u>
TOTAL	<u>\$ 4,410,698</u>	<u>100</u>	<u>\$ 5,043,033</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 13)	\$ 295,000	7	\$ 200,000	4
Trade payables (Note 4)	32,706	1	33,674	1
Trade payables to related parties (Notes 4 and 24)	733	-	-	-
Other payables (Notes 4, 14 and 24)	108,111	2	104,659	2
Current tax liabilities (Notes 4 and 19)	111,464	3	114,510	2
Current portion of long-term borrowings (Notes 4, 13, 21 and 25)	-	-	65,397	1
Other current liabilities (Notes 14 and 24)	<u>63,039</u>	<u>1</u>	<u>51,171</u>	<u>1</u>
Total current liabilities	<u>611,053</u>	<u>14</u>	<u>569,411</u>	<u>11</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 4, 13 and 25)	-	-	905,596	18
Net defined benefit liabilities - non-current (Notes 4 and 15)	9,088	-	10,012	-
Other non-current liabilities (Note 4)	<u>1,374</u>	<u>-</u>	<u>639</u>	<u>-</u>
Total non-current liabilities	<u>10,462</u>	<u>-</u>	<u>916,247</u>	<u>18</u>
Total liabilities	<u>621,515</u>	<u>14</u>	<u>1,485,658</u>	<u>29</u>
EQUITY				
Ordinary shares	1,112,709	25	1,112,709	22
Capital surplus	998,985	23	998,985	20
Retained earnings				
Legal reserve	423,639	10	382,810	8
Unappropriated earnings	<u>1,253,850</u>	<u>28</u>	<u>1,062,871</u>	<u>21</u>
Total equity	<u>3,789,183</u>	<u>86</u>	<u>3,557,375</u>	<u>71</u>
TOTAL	<u>\$ 4,410,698</u>	<u>100</u>	<u>\$ 5,043,033</u>	<u>100</u>

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

TAIWAN STEEL UNION CO., LTD. AND SUBSIDIARY

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

	2021		2020	
	Amount	%	Amount	%
SALES (Notes 4, 17 and 24)	\$ 1,853,873	100	\$ 1,622,229	100
COST OF GOODS SOLD (Notes 9, 15, 18 and 24)	<u>840,496</u>	<u>45</u>	<u>883,443</u>	<u>54</u>
GROSS PROFIT	<u>1,013,377</u>	<u>55</u>	<u>738,786</u>	<u>46</u>
OPERATING EXPENSES (Notes 15, 18, 24 and 26)				
Selling and marketing expenses	153,151	9	64,012	4
General and administrative expenses	129,332	7	122,023	8
Research and development expenses	<u>2,113</u>	<u>-</u>	<u>21,254</u>	<u>1</u>
Total operating expenses	<u>284,596</u>	<u>16</u>	<u>207,289</u>	<u>13</u>
PROFIT FROM OPERATIONS	<u>728,781</u>	<u>39</u>	<u>531,497</u>	<u>33</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 4)	427	-	3,553	-
Other income (Notes 4 and 18)	5,516	-	9,432	1
Finance costs (Notes 4 and 18)	(3,990)	-	(8,417)	(1)
Other expenses	(86)	-	(532)	-
Loss on disposals of assets (Note 4)	(5,088)	-	(3,853)	-
Net foreign exchange loss (Notes 4 and 27)	<u>(729)</u>	<u>-</u>	<u>(8,073)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(3,950)</u>	<u>-</u>	<u>(7,890)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	724,831	39	523,607	32
INCOME TAX EXPENSE (Notes 4 and 19)	<u>159,962</u>	<u>8</u>	<u>116,073</u>	<u>7</u>
NET PROFIT FOR THE YEAR	<u>564,869</u>	<u>31</u>	<u>407,534</u>	<u>25</u>

(Continued)

TAIWAN STEEL UNION CO., LTD. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2021</u>		<u>2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 15)	\$ 940	-	\$ 949	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 19)	(188)	-	(190)	-
	<u>752</u>	<u>-</u>	<u>759</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>752</u>	<u>-</u>	<u>759</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 565,621</u>	<u>31</u>	<u>\$ 408,293</u>	<u>25</u>
EARNINGS PER SHARE (Note 20)				
Basic	<u>\$ 5.08</u>		<u>\$ 3.66</u>	
Diluted	<u>\$ 5.06</u>		<u>\$ 3.65</u>	

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

(Concluded)

TAIWAN STEEL UNION CO., LTD. AND SUBSIDIARY

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

	Ordinary Shares (Note 16)	Capital Surplus (Note 16)	Legal Reserve (Note 16)	Unappropriated Earnings (Note 16)	Total Equity
BALANCE AT JANUARY 1, 2020	\$ 1,112,709	\$ 998,985	\$ 342,842	\$ 983,850	\$ 3,438,386
Appropriation of 2019 earnings					
Legal reserve	-	-	39,968	(39,968)	-
Cash dividends - NT\$2.6 per share	-	-	-	(289,304)	(289,304)
Net profit for the year ended December 31, 2020	-	-	-	407,534	407,534
Other comprehensive income for the year ended December 31, 2020, net of income tax	-	-	-	759	759
Total comprehensive income for the year ended December 31, 2020	-	-	-	408,293	408,293
BALANCE AT DECEMBER 31, 2020	1,112,709	998,985	382,810	1,062,871	3,557,375
Appropriation of 2020 earnings					
Legal reserve	-	-	40,829	(40,829)	-
Cash dividends - NT\$3 per share	-	-	-	(333,813)	(333,813)
Net profit for the year ended December 31, 2021	-	-	-	564,869	564,869
Other comprehensive income for the year ended December 31, 2021, net of income tax	-	-	-	752	752
Total comprehensive income for the year ended December 31, 2021	-	-	-	565,621	565,621
BALANCE AT DECEMBER 31, 2021	\$ 1,112,709	\$ 998,985	\$ 423,639	\$ 1,253,850	\$ 3,789,183

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

TAIWAN STEEL UNION CO., LTD. AND SUBSIDIARY

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

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 724,831	\$ 523,607
Adjustments for :		
Depreciation expense	189,118	206,680
Amortization expense	4,071	3,992
Finance costs	3,990	8,417
Interest income	(427)	(3,553)
Loss on disposal of property, plant and equipment	5,088	3,853
Write-down (reversal) of inventories	5,340	(2,762)
Unrealized foreign currency exchange loss, net	171	1,724
Changes in operating assets and liabilities		
Notes receivable	(240)	(1,842)
Trade receivables	67,045	(87,274)
Other receivables	(1,594)	1,949
Inventories	(31,768)	16,550
Other current assets	15,222	34,647
Notes payable	-	(4)
Trade payables	(235)	2,327
Other payables	7,051	(12,244)
Other current liabilities	11,868	(6,189)
Net defined benefit liabilities	16	(4,417)
Cash generated from operations	999,547	685,461
Interest received	555	3,563
Interest paid	(4,495)	(8,426)
Income taxes paid	(168,454)	(13,483)
Net cash generated from operating activities	827,153	667,115
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	-	(274,842)
Proceeds from disposal of financial assets at amortized cost	270,410	-
Payments for property, plant and equipment	(138,441)	(291,596)
Proceeds from disposal of property, plant and equipment	1,201	1,026
Decrease in refundable deposits	2,097	129,990
Payments of intangible assets	(2,298)	(2,172)
Decrease in other financial assets	9,425	2,645
Decrease (increase) in other non-current assets	(1,318)	9
Increase in prepayments for machinery and equipment	(40,281)	(135,341)
Decrease (increase) in deferred revenue	(51)	639
Net cash generated from (used in) investing activities	100,744	(569,642)

(Continued)

TAIWAN STEEL UNION CO., LTD. AND SUBSIDIARY

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

	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ 195,000	\$ 100,000
Repayments of short-term borrowings	(100,000)	-
Proceeds from long-term borrowings	-	252,130
Repayments of long-term borrowings	(970,993)	(29,007)
Proceeds from guarantee deposits received	786	-
Dividends paid	<u>(333,813)</u>	<u>(289,304)</u>
Net cash generated from (used in) financing activities	<u>(1,209,020)</u>	<u>33,819</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(281,123)	131,292
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,022,902</u>	<u>891,610</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 741,779</u>	<u>\$ 1,022,902</u>

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

(Concluded)

TAIWAN STEEL UNION CO., LTD. AND SUBSIDIARY

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

1. GENERAL INFORMATION

Taiwan Steel Union Co., Ltd (the “Company”) was established in April 1995 and incorporated in August of the same year.

The Company’s main business is to dispose and reuse general industrial waste and hazardous industrial waste as well as manufacture and trade non-ferrous metal (zinc oxide) and non-metallic mineral products.

The Company obtained the permission document of treating electric arc furnace dust for general use since December 28, 2017. The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since January 30, 2018.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on February 24, 2022.

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

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

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

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

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

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

January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Basis of consolidation

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

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiary is attributed to the owners of the Company.

Changes in the Group's ownership interests in subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary.

See Note 10 and Tables 4 for detailed information on subsidiary (including the percentages of ownership and main businesses).

e. Foreign currencies

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

f. Inventories

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

g. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

h. Contract cost-related assets

If the waste disposal provided by the Group and the expenditures of the clean-up and transport services directly related to customer's contract enhance future resources which are used to fulfill contractual obligations, the amounts within the recoverable scope shall be recognized as the cost to fulfill a contract and transferred to cost of goods sold when the contractual obligations are fulfilled.

i. Intangible assets

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

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

j. Impairment of property, plant and equipment and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

k. Financial instruments

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

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

1) Financial asset

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

a) Measurement categories

Financial asset is classified as financial assets at amortized cost.

Financial assets at amortized cost

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

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

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such financial asset.

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

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including notes receivable and trade receivables).

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

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

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

1. Revenue recognition

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

Revenue from the sale of goods is recognized as revenue and trade receivables when the goods are delivered to the customer's specific locations or when the goods are shipped because it is the time when the customer has the ownership of the goods and bears the risks.

Revenue from waste disposal and clean-up is recognized when the service is rendered, and when the performance obligations are fulfilled.

A contract liability is recognized when the Group receives consideration from a customer, has obligations to transfer products to a customer, or has obligations to perform services for a customer.

m. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as a deduction from the carrying amount of the relevant assets and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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 and gains and losses on settlement) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur or when the settlement occurs. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's 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.

p. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Cash on hand and revolving funds	\$ 129	\$ 129
Demand deposits	741,650	1,015,507
Cash equivalents		
Time deposits with original maturities of three months or less	-	7,266
	<u>\$ 741,779</u>	<u>\$ 1,022,902</u>

7. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2021	2020
<u>Current</u>		
Time deposits with original maturities of more than three months	<u>\$ 4,432</u>	<u>\$ 274,842</u>

8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2021	2020
Notes receivable from unrelated parties	\$ 2,384	\$ 2,144
<u>Trade receivables from unrelated parties</u>		
At amortized cost		
Gross carrying amount	\$ 111,384	\$ 148,693
Less: Allowance for impairment loss	(159)	(159)
	<u>\$ 111,225</u>	<u>\$ 148,534</u>
Trade receivables from related parties	<u>\$ 3,341</u>	<u>\$ 33,253</u>
<u>Other receivables</u>		
Tax refund receivable	\$ 3,437	\$ 1,789
Others	<u>575</u>	<u>757</u>
	<u>\$ 4,012</u>	<u>\$ 2,546</u>

The average credit period of sales of goods is 60 to 90 days. No interest is charged on trade receivables. The Group adopted a policy of only dealing with entities that have good credit ratings and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group obtains credit reports from independent rating agencies for those customers who have higher risk. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off trade receivables when there is evidence indicating that the customer is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes receivable and trade receivables.

	Not Past Due
<u>December 31, 2021</u>	
Expected credit loss rate	0%
Gross carrying amount	\$ 117,109
Loss allowance (Lifetime ECLs)	<u>(159)</u>
Amortized cost	<u>\$ 116,950</u>

Not Past DueDecember 31, 2020

Expected credit loss rate	0%
Gross carrying amount	\$ 184,090
Loss allowance (Lifetime ECLs)	<u>(159)</u>
Amortized cost	<u>\$ 183,931</u>

The movements of the allowance for impairment loss recognized on notes receivable and trade receivables were as follows:

	For the Year Ended December 31	
	2021	2020
Beginning and ending balance	<u>\$ 159</u>	<u>\$ 159</u>

9. INVENTORIES

	December 31	
	2021	2020
Raw materials	\$ 67,240	\$ 63,659
Finished goods	<u>54,057</u>	<u>31,157</u>
	<u>\$ 121,297</u>	<u>\$ 94,816</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was \$575,145 thousand and \$545,063 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 included inventory write-down of \$5,340 thousand and reversal of inventory write-down of \$2,762 thousand, respectively. The reversal of previous write-down resulted from inventory close out..

10. SUBSIDIARY

Subsidiary included in the consolidated financial statements:

Investor	Investee	Main Business	% of Ownership	
			December 31	
			2021	2020
The Company	Taiwan Steel Resources Co., Ltd. ("TSR")	Waste disposal services	100	100

The financial statements of the subsidiary included in the consolidated financial statements which were audited by the auditors of the same year.

11. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2021				
	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
<u>Cost</u>					
Land	\$ 1,210,738	\$ 6,000	\$ -	\$ -	\$ 1,216,738
Land improvements	68,659	749	-	-	69,408
Buildings	1,599,046	14,896	(4,866)	3,391	1,612,467
Machinery equipment	2,489,447	79,569	(31,076)	164,517	2,702,457
Transportation equipment	189,773	11,971	(1,385)	1,110	201,469
Miscellaneous equipment	63,637	13,235	(240)	2,798	79,430
Construction in progress	<u>75,371</u>	<u>6,392</u>	<u>-</u>	<u>(81,671)</u>	<u>92</u>
	<u>5,696,671</u>	<u>\$ 132,812</u>	<u>\$ (37,567)</u>	<u>\$ 90,145</u>	<u>5,882,061</u>

Accumulated depreciation

Land improvements	53,650	\$ 4,236	\$ -	\$ -	57,886
Buildings	251,383	66,000	(3,520)	-	313,863
Machinery equipment	1,971,413	93,110	(26,929)	-	2,037,594
Transportation equipment	117,233	16,630	(602)	-	133,261
Miscellaneous equipment	<u>31,018</u>	<u>9,142</u>	<u>(227)</u>	<u>-</u>	<u>39,933</u>
	<u>2,424,697</u>	<u>\$ 189,118</u>	<u>\$ (31,278)</u>	<u>\$ -</u>	<u>2,582,537</u>
	<u>\$ 3,271,974</u>				<u>\$ 3,299,524</u>

	For the Year Ended December 31, 2020				
	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
<u>Cost</u>					
Land	\$ 1,210,738	\$ -	\$ -	\$ -	\$ 1,210,738
Land improvements	63,230	500	-	4,929	68,659
Buildings	513,782	107,750	(1,309)	978,823	1,599,046
Machinery equipment	2,199,199	58,866	(25,915)	257,297	2,489,447
Transportation equipment	178,151	13,356	(3,058)	1,324	189,773
Miscellaneous equipment	51,233	10,862	(556)	2,098	63,637
Construction in progress	<u>945,570</u>	<u>94,750</u>	<u>-</u>	<u>(964,949)</u>	<u>75,371</u>
	<u>5,161,903</u>	<u>\$ 286,084</u>	<u>\$ (30,838)</u>	<u>\$ 279,522</u>	<u>5,696,671</u>

Accumulated depreciation

Land improvements	49,304	\$ 4,346	\$ -	\$ -	53,650
Buildings	195,834	56,490	(941)	-	251,383
Machinery equipment	1,870,863	122,359	(21,809)	-	1,971,413
Transportation equipment	104,520	15,520	(2,807)	-	117,233
Miscellaneous equipment	<u>23,455</u>	<u>7,965</u>	<u>(402)</u>	<u>-</u>	<u>31,018</u>
	<u>2,243,976</u>	<u>\$ 206,680</u>	<u>\$ (25,959)</u>	<u>\$ -</u>	<u>2,424,697</u>
	<u>\$ 2,917,927</u>				<u>\$ 3,271,974</u>

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the assets:

Land improvements	2-13 years
Buildings	
Main buildings	25-50 years
Others	2-48 years
Machinery equipment	2-20 years
Transportation equipment	3-12 years
Miscellaneous equipment	2-15 years

Owner-occupied property, plant and equipment pledged as collateral for bank borrowings were set out in Note 25.

12. OTHER ASSETS

	December 31	
	2021	2020
<u>Current</u>		
Prepayments	\$ 16,858	\$ 17,038
Tax overpaid retained	9,480	17,160
Temporary payments (payments on behalf of others)	843	1,097
Costs to fulfill a contract (Note 17)	<u>9,102</u>	<u>16,210</u>
	<u>\$ 36,283</u>	<u>\$ 51,505</u>
<u>Non-current</u>		
Long-term prepayments	<u>\$ 3,311</u>	<u>\$ 2,846</u>

13. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	2020
<u>Unsecured loans</u>		
Bank loans	<u>\$ 295,000</u>	<u>\$ 200,000</u>
Rate of interest per annum (%)	0.65-0.70	0.68-0.70

b. Long-term borrowings

	December 31	
	2021	2020
<u>Secured borrowings</u>		
Maturity date of March 2033	\$ -	\$ 424,039
Maturity date of October 2033	-	246,954
Maturity date of June 2034	-	300,000
	-	970,993
Less: Current portion	-	(65,397)
Long-term borrowings	<u>\$ -</u>	<u>\$ 905,596</u>
Rate of interest per annum (%)	-	0.91-1.06

Secured borrowings are secured by the Group's land and buildings (Note 25).

14. OTHER PAYABLES AND OTHER CURRENT LIABILITIES

	December 31	
	2021	2020
<u>Other payables</u>		
Payables for salaries and bonuses	\$ 47,367	\$ 41,054
Payables for purchases of equipment	8,513	11,603
Payables for remuneration of directors	7,200	7,200
Payables for annual leave	3,877	3,461
Payables for donations	1,984	2,049
Payables for interest	34	539
Others	<u>39,136</u>	<u>38,753</u>
	<u>\$ 108,111</u>	<u>\$ 104,659</u>
<u>Other current liabilities</u>		
Contract liabilities (Note 17)	\$ 62,533	\$ 50,755
Temporary credits (receipts under custody)	<u>506</u>	<u>416</u>
	<u>\$ 63,039</u>	<u>\$ 51,171</u>

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 8% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans are as follows:

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 29,219	\$ 29,010
Fair value of plan assets	<u>(20,131)</u>	<u>(18,998)</u>
Deficit	<u>9,088</u>	<u>10,012</u>
Net defined benefit liabilities	<u>\$ 9,088</u>	<u>\$ 10,012</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	<u>\$ 28,519</u>	<u>\$ (13,141)</u>	<u>\$ 15,378</u>
Service cost			
Current	808	-	808
Net interest expense (income)	<u>197</u>	<u>(91)</u>	<u>106</u>
Recognized in profit or loss	<u>1,005</u>	<u>(91)</u>	<u>914</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(435)	(435)
Actuarial gain - experience adjustments	<u>(514)</u>	<u>-</u>	<u>(514)</u>
Recognized in other comprehensive income	<u>(514)</u>	<u>(435)</u>	<u>(949)</u>
Contributions from the employer	<u>-</u>	<u>(5,331)</u>	<u>(5,331)</u>
Balance at December 31, 2020	<u>29,010</u>	<u>(18,998)</u>	<u>10,012</u>
Service cost			
Current	798	-	798
Net interest expense (income)	<u>86</u>	<u>(57)</u>	<u>29</u>
Recognized in profit or loss	<u>884</u>	<u>(57)</u>	<u>827</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (265)	\$ (265)
Actuarial gain - experience adjustments	(675)	-	(675)
Recognized in other comprehensive income	(675)	(265)	(940)
Contributions from the employer	-	(811)	(811)
Balance at December 31, 2021	<u>\$ 29,219</u>	<u>\$ (20,131)</u>	<u>\$ 9,088</u>

(Concluded)

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government/corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	December 31	
	2021	2020
Discount rates	0.65%	0.3%
Expected rates of salary increase	3%	3%
Mortality rate	Taiwan Life Insurance Industry 5th Mortality Table	Taiwan Life Insurance Industry 5th Mortality Table
Turnover rate	0.54%	0.71%

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

	December 31	
	2021	2020
Discount rate		
0.25% increase	\$ <u>(516)</u>	\$ <u>(583)</u>
0.25% decrease	\$ <u>529</u>	\$ <u>599</u>
Expected rate of salary increase		
0.25% increase	\$ <u>516</u>	\$ <u>581</u>
0.25% decrease	\$ <u>(506)</u>	\$ <u>(569)</u>

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

	December 31	
	2021	2020
Expected contributions to the plan for the next year	\$ <u>636</u>	\$ <u>619</u>
Average duration of the defined benefit obligation	7 years	8 years

16. EQUITY

a. Share capital

	December 31	
	2021	2020
Shares authorized (in thousands of shares)	<u>160,000</u>	<u>160,000</u>
Shares authorized	\$ <u>1,600,000</u>	\$ <u>1,600,000</u>
Shares issued and fully paid (in thousands of shares)	<u>111,271</u>	<u>111,271</u>
Shares issued	\$ <u>1,112,709</u>	\$ <u>1,112,709</u>

The authorized shares included 2,000 thousand shares allocated for the exercise of employee share options.

b. Capital surplus

	December 31	
	2021	2020
Issuance of ordinary shares	\$ 997,847	\$ 997,847
Expired employee share options	<u>1,138</u>	<u>1,138</u>
	\$ <u>998,985</u>	\$ <u>998,985</u>

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

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. According to the Article 240-5 of the Company's Articles, if two thirds of directors or more attended the meeting and over half of the directors who attended approve the resolution, the Company may authorize the board of directors to appropriate part or of all of the accrued dividends or bonuses, by cash, and a report shall be submitted to the shareholders' meeting. For the policies on the distribution of compensation of employees and remuneration of directors, refer to compensation of employees and remuneration of directors in Note 18-e.

In addition, under the dividends policy set forth in the Articles, the Company may distribute dividends in cash or shares. If the Company decides to distribute in cash, in principle, the cash dividends shall not be lower than 10% of share dividends.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The Company held shareholders' meetings on August 18, 2021 and May 28, 2020, and the appropriations of earnings for 2020 and 2019 have been approved in the meetings, respectively, as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2020	2019	2020	2019
Legal reserve	\$ 40,829	\$ 39,968		
Cash dividends	333,813	289,304	\$ 3	\$ 2.6

The appropriation of earnings for 2021, which were proposed by the Company's board of directors on February 24, 2022, were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 56,562	
Cash dividends	445,084	\$ 4

The appropriation of earnings for 2021 will be resolved by the shareholders in their meeting to be held on May 26, 2022.

17. REVENUE

a. Revenue from contracts with customers

	For the Year Ended December 31	
	2021	2020
Revenue from sale of Zinc	\$ 1,557,620	\$ 1,090,167
Revenue from waste disposal	274,769	531,940
Revenue from sale of concrete	21,409	-
Other operating revenue	<u>75</u>	<u>122</u>
	<u><u>\$ 1,853,873</u></u>	<u><u>\$ 1,622,229</u></u>

b. Contract balance

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivable and trade receivables (Note 8)	<u>\$ 116,950</u>	<u>\$ 183,931</u>	<u>\$ 96,586</u>
Contract liabilities (Note 14)	<u>\$ 62,533</u>	<u>\$ 50,755</u>	<u>\$ 56,955</u>

c. Assets related to contract costs

	December 31	
	2021	2020
Costs to fulfill a contract (Note 12)	<u>\$ 9,102</u>	<u>\$ 16,210</u>

Operating expenses mainly include depreciations of machinery and equipment, repair and maintenance expenses, salaries and wages of on-site personnel, materials, and any expenses related to handling services and waste disposal.

At the end of each month, any costs which are related to unfulfilled contracts would be recognized in assets, "cost to fulfill a contract". After the performance obligations are fully satisfied, the assets would be transferred to operating costs.

18. NET PROFIT FROM CONTINUING OPERATIONS

a. Other revenue

	For the Year Ended December 31	
	2021	2020
Government grants	\$ 4,922	\$ 8,721
Other	<u>594</u>	<u>711</u>
	<u><u>\$ 5,516</u></u>	<u><u>\$ 9,432</u></u>

b. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest on bank loans	\$ 3,990	\$ 11,232
Less: Capitalized interest	<u>-</u>	<u>(2,815)</u>
	<u>\$ 3,990</u>	<u>\$ 8,417</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2021	2020
Capitalized interest	\$ -	\$ 2,815
Capitalization rates	-	1.20%-1.24%

c. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment	\$ 189,118	\$ 206,680
Other intangible assets	<u>4,071</u>	<u>3,992</u>
	<u>\$ 193,189</u>	<u>\$ 210,672</u>
An analysis of depreciation by function		
Operating costs	\$ 175,381	\$ 186,699
Operating expenses	<u>13,737</u>	<u>19,981</u>
	<u>\$ 189,118</u>	<u>\$ 206,680</u>
An analysis of amortization by function		
Operating costs	\$ 515	\$ 532
Operating expenses	<u>3,556</u>	<u>3,460</u>
	<u>\$ 4,071</u>	<u>\$ 3,992</u>

d. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 159,308	\$ 143,918
Post-employment benefits		
Defined contribution plans	5,160	4,538
Defined benefit plans (Note 15)	<u>827</u>	<u>914</u>
	5,987	5,452
Other employee benefits	<u>18,513</u>	<u>14,902</u>
	<u>\$ 183,808</u>	<u>\$ 164,272</u>

(Continued)

	For the Year Ended December 31	
	2021	2020
An analysis of employee benefits expense by function		
Operating costs	\$ 113,466	\$ 91,749
Operating expenses	<u>70,342</u>	<u>72,523</u>
	<u>\$ 183,808</u>	<u>\$ 164,272</u>

(Concluded)

e. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrues compensation of employees and remuneration of directors at rates of no less than 1% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on January 21, 2022 and January 29, 2021, respectively, are as follows:

	For the Year Ended December 31			
	2021		2020	
	Accrual rate	Amount	Accrual rate	Amount
Compensation of employees	3.30%	\$ 25,001	4.02%	\$ 22,230
Remuneration of directors	0.95%	7,200	1.30%	7,200

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

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

19. INCOME TAXES

a. Major components of income tax expense recognized in profit or loss

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 165,352	\$ 111,099
Income tax on unappropriated earnings	1,683	3,520
Adjustments for prior years	<u>(1,627)</u>	<u>(4,031)</u>
	165,408	110,588
Deferred tax		
In respect of the current year	<u>(5,446)</u>	<u>5,485</u>
Income tax expense recognized in profit or loss	<u>\$ 159,962</u>	<u>\$ 116,073</u>

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

	For the Year Ended December 31	
	2021	2020
Profit before income tax	\$ 724,831	\$ 523,607
Income tax expense calculated at the statutory rate	\$ 144,966	\$ 104,722
Non-deductible expenses in determining taxable income	14,940	11,862
Income tax on unappropriated earnings	1,683	3,520
Adjustments for prior years' tax	(1,627)	(4,031)
Income tax expense recognized in profit or loss	\$ 159,962	\$ 116,073

b. Deferred tax assets and liabilities

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

For the Year Ended December 31, 2021				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligation	\$ 2,002	\$ 3	\$ (188)	\$ 1,817
Unrealized intercompany profit	1,471	4,634	-	6,105
Inventory write-downs	5,066	1,068	-	6,134
Payables for annual leave	583	45	-	628
Effects of foreign currency exchange differences	342	(304)	-	38
	<u>\$ 9,464</u>	<u>\$ 5,446</u>	<u>\$ (188)</u>	<u>\$ 14,722</u>
For the Year Ended December 31, 2020				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligation	\$ 3,076	\$ (884)	\$ (190)	\$ 2,002
Unrealized intercompany profit	5,927	(4,456)	-	1,471
Inventory write-downs	5,618	(552)	-	5,066
Payables for annual leave	531	52	-	583
Effects of foreign currency exchange differences	-	342	-	342
	<u>\$ 15,152</u>	<u>\$ (5,498)</u>	<u>\$ (190)</u>	<u>\$ 9,464</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Effects of foreign currency exchange differences	\$ (13)	\$ 13	\$ -	\$ -

- c. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2021	2020
Loss carryforwards		
Expiry in 2031	\$ 69,671	\$ -
Expiry in 2030	58,030	58,030
Expiry in 2029	59,310	59,310
Expiry in 2028	23,141	23,141
Expiry in 2027	15,026	15,026
Expiry in 2026	<u>1,944</u>	<u>1,944</u>
	<u>\$ 227,122</u>	<u>\$ 157,451</u>

- d. Income tax assessments

The income tax returns of the Company and its subsidiary through 2019 have been assessed by the tax authorities.

20. EARNINGS PER SHARE

	Net profit Attributable to Owners of the Company	Shares (In Thousands of Shares)	Earnings Per Share (NT\$)
<u>For the Year Ended December 31, 2021</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Company	\$ 564,869	111,271	<u>\$5.08</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>333</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 564,869</u>	<u>111,604</u>	<u>\$5.06</u>
<u>For the Year Ended December 31, 2020</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Company	\$ 407,534	111,271	<u>\$3.66</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>302</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 407,534</u>	<u>111,573</u>	<u>\$3.65</u>

The Group may settle the compensation of employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

21. NON-CASH TRANSACTIONS

The Group entered into the following non-cash investing and financing activities for the years ended December 31, 2021 and 2020:

	For the Year Ended December 31	
	2021	2020
<u>Non-cash transactions for investing and financing activities</u>		
Remeasurement of defined benefit plans	\$ 940	\$ 949
Transfers from prepayments for equipment to property, plant and equipment	\$ 90,145	\$ 279,522
Transfers from prepayments for equipment to inventories	\$ 53	\$ 276
Current portion of long-term borrowings	\$ -	\$ 65,397

22. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising share capital, capital surplus, and retained earnings).

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

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

23. FINANCIAL INSTRUMENTS

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

The management personnel of the Group determined that the carrying amount of financial assets and financial liabilities not measured at fair value approximates to their fair value or their fair value is unable to be measured reliably.

b. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 876,033	\$ 1,504,603
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	437,336	1,309,326

- 1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost, notes receivable, trade receivables, other receivables, refundable deposits, and other financial assets.
- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, trade payables, other payables, long-term borrowings (including due within one year) and guarantee deposits received (recognized as other non-current liabilities).

c. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, trade receivables, trade payables, and borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The corporate treasury and sales function report regularly to the management personnel of the Group. The management personnel oversee the impact of the financial risks.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (refer to (a) below) and interest rates (refer to (b) below).

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

a) Foreign currency risk

The Group have foreign currency denominated sales, which exposes the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities are set out in Note 27.

Sensitivity analysis

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

	For the Year Ended December 31	
	2021	2020
Profit before income tax	\$ 851	\$ 1,081

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetites ensuring the most cost-effective hedging strategies are applied.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	December 31	
	2021	2020
Fair value interest rate risk		
Financial assets	\$ 4,432	\$ 282,108
Financial liabilities	295,000	200,000
Cash flow interest rate risk		
Financial assets	743,244	1,032,932
Financial liabilities	-	970,993

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher and all other variables were held constant, the Group's per-tax profit for the years ended December 31, 2021 and 2020 would have increased by \$7,432 thousand and decreased by \$619 thousand, respectively, which was mainly a result of bank deposits with floating rate and borrowings of the Group.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the year, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to failure of counterparties to discharge its obligations and due to the financial guarantees provided by the Group, could be equal to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties. In order to minimize credit risk, based on the Credit Management Guidelines, the management of the Group has delegated a team responsible for determining credit limits, credit approvals, and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables.

The Group assesses the financial positions of the customers with trade receivables continuously.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

	Less Than 1 Year	Over 1 Year
<u>December 31, 2021</u>		
Non-interest bearing	\$ 141,550	\$ -
Fixed interest rate liabilities	295,000	-
<u>December 31, 2020</u>		
Non-interest bearing	138,333	-
Variable interest rate liabilities	65,397	905,596
Fixed interest rate liabilities	200,000	-

24. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiary, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed as follows.

a. Related party name and category

Related Party Name	Related Party Category
FENG HSIN STEEL CO., LTD. ("Feng Hsin Co.")	The Company's key management personnel
TUNG HO STEEL ENTERPRISE CORP. ("Tung Ho Co.")	The Company's key management personnel
HAI KWANG ENTERPRISE CORPORATION ("Hai Kwang Co.")	The Company's key management personnel
SHYEH SHENG FUAT STEEL & IRON WORKS CO., LTD. ("Shyeh Sheng Fuat Co.")	The Company's key management personnel
CHIEN SHUN STEEL CO., LTD. ("Chien Shun Co.")	The Company's key management personnel
UNITED STEEL CORPORATION ("United Co.")	The Company's key management personnel
TUNGKANG ENGINEERING & CONSTRUCTION CORP. ("Tungkang Co.")	Related party in substance
KATEC CREATIVE RESOURCES CORP. ("Katec Co.")	Related party in substance
FENG YU RESOURCES CO., LTD. ("Feng Yu Co.")	Related party in substance

b. Sales

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2021	2020
Service revenue	The Company's key management personnel		
	Feng Hsin Co.	\$ 89,185	\$ 139,564
	Shyeh Sheng Fuat Co.	46,066	54,331
	Tung Ho Co.	29,297	74,015
	Others	9,503	46,148
	Related party in substance	<u>133</u>	<u>-</u>
		<u>\$ 174,184</u>	<u>\$ 314,058</u>

There is no major difference for sales and payments terms between related parties and normal customers.

c. Purchase

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Related party in substance	<u>\$ 1,259</u>	<u>\$ -</u>

There is no major difference for purchases and payments terms between related parties and normal suppliers.

d. Operating expenses

Line Item	Related Party Category	For the Year Ended December 31	
		2021	2020
Other expenses	Related party in substance	<u>\$ 5,672</u>	<u>\$ -</u>

- e. Receivables from related parties (not included payables from related parties)

Line Item	Related Party Category	December 31	
		2021	2020
Trade receivables	The Company's key management personnel	\$ 2,841	\$ 33,253
	Related party in substance	<u>500</u>	<u>-</u>
		<u>\$ 3,341</u>	<u>\$ 33,253</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2021 and 2020, no impairment losses were recognized for trade receivables from related parties.

- f. Payables to related parties

Line Item	Related Party Category	December 31	
		2021	2020
Trade payables	Related party in substance	<u>\$ 733</u>	<u>\$ -</u>
Other payables	Related party in substance	<u>\$ 550</u>	<u>\$ -</u>

- g. Acquisition of property, plant and equipment

Related Party Category/Name	Purchase Price For the Year Ended December 31	
	2021	2020
Related party in substance		
Tungkang Co.	<u>\$ -</u>	<u>\$ 22,330</u>

- h. Contract liabilities

Line Item	Related Party Category/Name	December 31	
		2021	2020
Other current liabilities	The Company's key management personnel		
	Feng Hsin Co.	\$ 6,869	\$ 8,266
	Shyeh Sheng Fuat Co.	6,294	10,433
	Others	1,431	8,825
	Related party in substance	<u>346</u>	<u>-</u>
		<u>\$ 14,940</u>	<u>\$ 27,524</u>

- i. Remuneration of key management personnel

Remuneration of directors and key management personnel was as follows:

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 24,765	\$ 24,743
Post-employment benefits	<u>152</u>	<u>203</u>
	<u>\$ 24,917</u>	<u>\$ 24,946</u>

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

25. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for guarantees and bank borrowings:

	December 31	
	2021	2020
Property, plant and equipment	\$ 914,860	\$ 1,704,001
Other financial assets - non-current	<u>8,000</u>	<u>17,425</u>
	<u>\$ 922,860</u>	<u>\$ 1,721,426</u>

26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group at December 31, 2021 and 2020 were as follows:

- a. The Group's unrecognized commitments were as follows:

	December 31	
	2021	2020
Property, plant and equipment	<u>\$ 35,619</u>	<u>\$ 65,520</u>

- b. Under the environmental protection agreement of clearance and recycling EAF dust, the Group has to make profit-sharing payments to Shengang Township and Xianxi Township, Changhua County. The payments would depend on the amount of clearance and recycling EAF dust each month. The profit-sharing payments are recognized as operating expenses, which amounted to \$21,359 thousand and \$22,087 thousand in 2021 and 2020, respectively.

27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

	December 31, 2021		
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary item			
USD	\$ 3,164	27.68 (USD:NTD)	<u>\$ 87,578</u>
<u>Financial liabilities</u>			
Monetary item			
USD	89	27.68 (USD:NTD)	<u>\$ 2,471</u>

		December 31, 2020	
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary item			
USD	\$ 3,879	28.48 (USD:NTD)	<u>\$ 110,471</u>
<u>Financial liabilities</u>			
Monetary item			
USD	83	28.48 (USD:NTD)	<u>\$ 2,359</u>

The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

For the Year Ended December 31				
Foreign Currencies	2021		2020	
	Exchange Rate	Net Foreign Exchange Loss	Exchange Rate	Net Foreign Exchange Loss
USD	27.68 (USD:NTD)	<u>\$ 1,568</u>	28.48 (USD:NTD)	<u>\$ 8,142</u>

28. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

- b. Information on investments in mainland China (None)
- c. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 5)

29. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Company's main business is to dispose and reuse EAF dust and contaminated soil, and recycle zinc oxide which has economic value when sold. Taiwan Steel Resources Co.'s main business is to dispose reducing slags and other slags. The processed products can be used in civil engineering and ready-mixed concrete industries that comply with laws and regulations.

The chief operating decision maker considers the Company and Taiwan Steel Resources Co. as separate operating segments for the purposes of financial statements presentation.

The Company and its subsidiary's revenue, operating results, and assets and liabilities for 2021 and 2020, were as follows:

a. Segment revenue and results

	The Company	Taiwan Steel Resources Co.	Reconciliation and Elimination	Total	
<u>For the Year Ended December 31, 2021</u>					
Revenue from external customers	\$ 1,670,050	\$ 183,823	\$ -	\$ 1,853,873	
Inter-segment revenue	<u>1</u>	<u>83,205</u>	<u>(83,206)</u>	<u>-</u>	
Total revenue	<u>\$ 1,670,051</u>	<u>\$ 267,028</u>	<u>\$ (83,206)</u>	<u>\$ 1,853,873</u>	
Segment's profit (loss)	\$ 793,907	\$ (65,063)	\$ (63)	\$ 728,781	
Interest revenue	256	171	-	427	
Finance costs	-	(3,990)	-	(3,990)	
Other non-operation income and expenses	<u>(69,332)</u>	<u>(820)</u>	<u>69,765</u>	<u>(387)</u>	
Profit (loss) before income tax	724,831	(69,702)	69,702	724,831	
Income tax expense	<u>159,962</u>	<u>-</u>	<u>-</u>	<u>159,962</u>	
Net profit (loss)	<u>\$ 564,869</u>	<u>\$ (69,702)</u>	<u>\$ 69,702</u>	<u>\$ 564,869</u>	
	The Company	Taiwan Steel Resources Co.	Unallocated Assets/Liabilities	Reconciliation and Elimination	Total
<u>December 31, 2021</u>					
Identifiable segment's assets	\$ 4,049,377	\$ 2,419,337	\$ 22,722	\$ (2,080,738)	\$ 4,410,698
Identifiable segment's liabilities	<u>\$ 168,452</u>	<u>\$ 56,888</u>	<u>\$ 406,464</u>	<u>\$ (10,289)</u>	<u>\$ 621,515</u>

	The Company	Taiwan Steel Resources Co.	Reconciliation and Elimination	Total
<u>For the Year Ended December 31, 2020</u>				
Revenue from external customers	\$ 1,510,768	\$ 111,461	\$ -	\$ 1,622,229
Inter-segment revenue	<u>4</u>	<u>66,596</u>	<u>(66,600)</u>	<u>-</u>
Total revenue	<u>\$ 1,510,772</u>	<u>\$ 178,057</u>	<u>\$ (66,600)</u>	<u>\$ 1,622,229</u>
Segment's profit (loss)	\$ 582,093	\$ (50,629)	\$ 33	\$ 531,497
Interest revenue	3,364	189	-	3,553
Finance costs	-	(8,417)	-	(8,417)
Other non-operation income and expenses	<u>(61,850)</u>	<u>77</u>	<u>58,747</u>	<u>(3,026)</u>
Profit (loss) before income tax	<u>523,607</u>	<u>(58,780)</u>	<u>58,780</u>	<u>523,607</u>
Income tax expense	<u>116,073</u>	<u>-</u>	<u>-</u>	<u>116,073</u>
Net profit (loss)	<u>\$ 407,534</u>	<u>\$ (58,780)</u>	<u>\$ 58,780</u>	<u>\$ 407,534</u>

	The Company	Taiwan Steel Resources Co.	Unallocated Assets/Liabilities	Reconciliation and Elimination	Total
<u>December 31, 2020</u>					
Identifiable segment's assets	<u>\$ 3,789,943</u>	<u>\$ 2,481,441</u>	<u>\$ 26,889</u>	<u>\$ (1,255,240)</u>	<u>\$ 5,043,033</u>
Identifiable segment's liabilities	<u>\$ 141,947</u>	<u>\$ 73,297</u>	<u>\$ 1,285,503</u>	<u>\$ (15,089)</u>	<u>\$ 1,485,658</u>

Segment profit represented the profit before tax earned by each segment without interest income, other income, loss on disposals of property, plant and equipment, net foreign exchange loss, finance costs, other expenses and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

For the purpose of monitoring segment performance and allocating resources between segments:

- 1) All assets were allocated to reportable segments other than other financial assets and deferred tax assets; and
 - 2) All liabilities were allocated to reportable segments other than borrowings and current and deferred tax liabilities.
- b. Revenue from major products and services

For the Group's revenue from continuing operations from its major products and services, please refer to Note 17.

- c. Geographical information

The Group mainly operates in Taiwan and does not set up overseas operating institutions. There is no geographical segments.

d. Information about major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31	
	2021	2020
Customer A	\$ 851,794	\$ 463,066
Customer B	<u>249,106</u>	<u>200,830</u>
	<u>\$ 1,100,900</u>	<u>\$ 663,896</u>

TABLE 1**TAIWAN STEEL UNION CO., LTD. AND SUBSIDIARY****ENDORSEMENTS/GUARANTEES PROVIDED****FOR THE YEAR ENDED DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No. (Note 1)	Endorser/Guarantor	Endorsee/Guaranteed Party		Limits on Endorsements/ Guarantees Given on Behalf of Each Party (Notes 3 and 5)	Maximum Amount Endorsed/ Guaranteed During the Year (Note 4)	Outstanding Endorsements/ Guarantees at the End of the Year (Note 4)	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsements/ Guarantees to Net Equity in Latest Financial Statements (%)	Aggregate Endorsements/ Guarantees Limit (Notes 3 and 5)	Endorsements/ Guarantees Given by Parent on Behalf of Subsidiaries	Endorsements/ Guarantees Given by Subsidiaries on Behalf of Parent	Endorsements/ Guarantees Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)										
0	The Company	Taiwan Steel Resources Co., Ltd.	(2)	\$ 1,856,700	\$ 1,297,335 (NT\$ 1,200,000 and US\$ 3,500)	\$ 296,880 (NT\$ 200,000 and US\$ 3,500)	\$ 295,000	\$ -	7.83	\$ 1,894,591	Y	N	N

Note 1: 1) Taiwan Steel Union Co., Ltd. is numbered 0.

2) Subsidiaries are numbered starting from 1.

Note 2: The relationship between endorser/guarantor and the endorsee/guarantee can be classified into the following four categories:

- 1) The companies with which it has business relations.
- 2) Subsidiaries in which the company held more than 50% of its total outstanding ordinary shares.
- 3) The companies in which the parent company and the subsidiary together held more than 50% of its outstanding ordinary shares.
- 4) The parent company which held, directly or indirectly through a subsidiary, more than 50% of its outstanding ordinary shares.

Note 3: The maximum amount of the endorsements/guarantees provided by the Company and its subsidiary shall not exceed 50% of the Company's net assets as stated in its latest financial statement. Endorsements/guarantees provided by the Company to a single enterprise shall not exceed 49% of the Company's net assets as stated in its latest financial statement.

Note 4: The ending balance and actual amount used are recorded using the prevailing exchange rate at balance sheet date.

Note 5: According to the Company's Guideline for Endorsements and Guarantees, the maximum amount of the endorsements/guarantees is based on the Company's net assets as stated in its latest audited (reviewed) financial statements. In December 2021, the Company announced that the Company's maximum amount of the endorsements/guarantees to a single enterprise is \$1,730,499 thousand and the maximum amount of the endorsements/guarantees is \$1,765,815 thousand. Because the 2021 annual financial statements have not been audited, these amounts were based on the financial statements for the nine months ended September 2021. Thus, there is a difference in between.

TABLE 2

TAIWAN STEEL UNION CO., LTD. AND SUBSIDIARY

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount (Note)
The Company	Taiwan Steel Resources Co., Ltd.	Investments accounted for using the equity method	None	Subsidiary	140,000	\$ 1,400,000	9,000	\$ 900,000	-	\$ -	\$ -	\$ -	149,000	\$ 2,300,000

Note: Significant intercompany accounts and transactions have been eliminated.

TABLE 3

TAIWAN STEEL UNION CO., LTD. AND SUBSIDIARY

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Account	Amount (Note 2)	Payment Terms	% of Total Sales or Assets
0	The Company	Taiwan Steel Resources Co., Ltd.	1	Cost of goods sold	\$ 83,141	- O/A 30 days	4
				Other payables	9,923		1

Note 1: Relationship of investee company to counterparty: (1) parent company to subsidiary

Note 2: Significant intercompany accounts and transactions have been eliminated.

TABLE 4

TAIWAN STEEL UNION CO., LTD. AND SUBSIDIARY

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount			
The Company	Taiwan Steel Resources Co., Ltd.	Changhua	Waste disposal	\$ 2,300,000	\$ 1,400,000	149,000	100	\$ 2,070,816	\$ (69,702)	\$ (69,765)	Subsidiary

Note: Significant intercompany accounts and transactions have been eliminated.

TABLE 5**TAIWAN STEEL UNION CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Feng Hsin Steel Co., Ltd.	25,884,857	23.22%
Tung Ho Steel Enterprise Corp.	24,829,009	22.31%
Hai Kwang Enterprise Corporation	9,691,512	8.70%
Shyeh Sheng Fuat Steel & Iron Works Co., Ltd.	9,677,573	8.69%
Chien Shun Steel Co., Ltd.	6,116,469	5.49%

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.